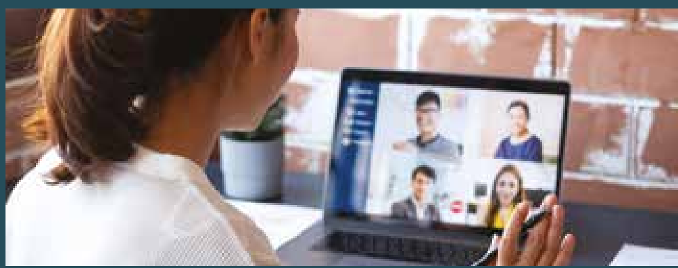
NATURAL EXTRACTS AND INGREDIENTS

TREATT

ANNUAL REPORT & ACCOUNTS 2020

OUR PURPOSE

Working at the cutting edge of the FLAVOUR & FRAGRANCE industry, we create outstanding sustainable ingredients, designed around our customers' needs



Our culture

Our culture is made up of the values, beliefs and behaviours that characterise our Company and guide our practices.

We have a supportive and collaborative culture that differentiates us in a competitive marketplace. This is why our customers choose to work with us time and time again. It's also why exceptional people, who are genuinely passionate about what they do, join Treatt. We are proud of all that we do to nurture and develop our people, uncovering their true potential and allowing them to thrive in an open, fun and inviting environment.

Our purpose, alongside the talent, commitment and drive of our people, shapes our culture. Investing in our culture is embedded in our business strategy.

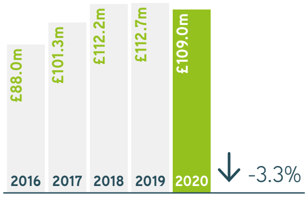
CONTENTS

For more information view **www.treatt.com/about-us**

HIGHLIGHTS

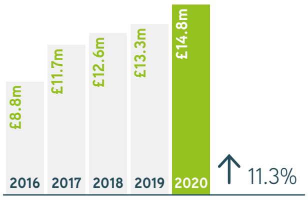
REVENUE[1]

£109.0m



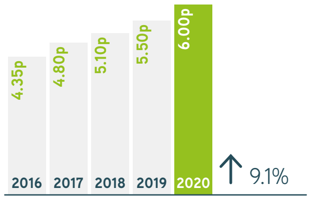
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS[1]

£14.8m



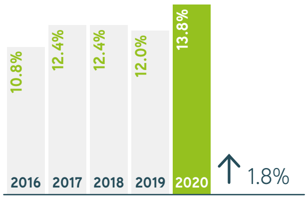
DIVIDEND PER SHARE[2]

6.00p



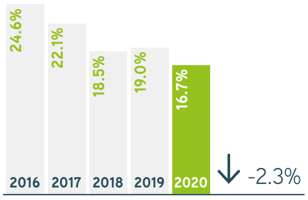
NET OPERATING MARGIN[3,4,5]

13.8%



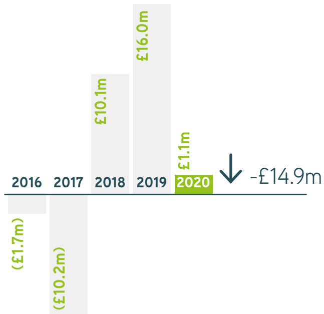
RETURN ON CAPITAL EMPLOYED[3,5]

16.7%



NET CASH/(DEBT)[6] BALANCE

£1.1m



1 Excluding discontinued operations, details of which are provided in note 11 of the financial statements.
2 The dividend per share relates to the interim dividend declared and final dividend proposed in relation to the corresponding financial year – see note 12.
3 Excluding exceptional items, details of which are provided in note 9 of the financial statements.
4 Operating profit is calculated as profit before other gains, net finance costs, exceptional items and taxation.
5 The methods of calculating key performance indicators are shown on **pages 24 and 25**.
6 Excluding IFRS 16 lease liabilities, details of which are given in note 16.

OPERATIONAL HIGHLIGHTS

Robust performance in spite of global uncertainty

Increased profits and stronger margins, exceeding pre COVID-19 Board expectations.

Margin growth driven by non-citrus performance

Despite citrus remaining our largest category, strong performance was delivered from a strategic focus across our non-citrus portfolio and added-value products, decoupling our dependence on traded and minimally processed citrus.

Navigating the challenges of COVID-19 through our values

Teamwork and commitment proved central to how we responded and adapted as a business to keep our staff safe, whilst ensuring our facilities remained fully operational and our customers' needs were met.

Continued investment to drive our future growth

We are approximately 75% of the way through our overall capital investment programme announced in 2017, with the US expanded facility now fully operational and the transition to the new UK facility expected to commence mid-2021.

Embedding sustainability throughout our business

We have begun the journey to widen our vision for sustainability, seeking increased engagement across our supply chain and embedding this into every decision we make.

COVID-19
CORONAVIRUS

Look out for this symbol throughout the report to see how we are responding to the COVID-19 pandemic

AT A GLANCE

We manufacture and supply a DIVERSE AND SUSTAINABLE portfolio of natural extracts and ingredients for the global beverage, flavour and fragrance industries

Who we are

We are a global team of creative thinkers, innovative scientists and ground-breaking technologists, passionate about creating flavour and fragrance ingredients unlike any other.

What we do

We make the world taste better by creating and supplying stand-out flavour ingredients enjoyed by millions of people, every day.

With over 130 years' experience, the world's biggest beverage, consumer goods and flavour companies trust our people to re-imagine what is possible. Whether it's a natural extract for a hard seltzer in North America, a water-soluble citrus emulsion for a flavoured water in China, or a sugar reduction solution for a fruit juice in Europe, we know what it takes to shape, create and deliver something that consumers will love now and in the future.

EMPLOYEES[1]

367

SALES

£109m

CUSTOMERS

746

NATURAL PRODUCTS

74%

PRODUCTS SOLD IN 75+ COUNTRIES

1,848

1 Actual number of employees at the year-end date. This differs from the headcount in note 6 to the financial statements which is the average number of employees during the year.

AT A GLANCE

We service customers in

MORE THAN 75 COUNTRIES

from our facilities in the UK, the US and China

Where we operate

Our global footprint with our integrated supply chain, whereby we manufacture as well as process sourced material, gives us flexibility and agility that is valued by customers.

See our Market Overview on **page 10**

Our products

Product categories

Our portfolio is the result of over a century of knowledge and innovation.

We offer a diverse product portfolio of natural extracts and ingredients across a range of product categories: citrus, tea, coffee, health & wellness, fruit & vegetables, herbs, spices & florals, and high impact & aroma chemicals. Our product portfolio comprises of 100% natural products to tailor-made blends and price-stable synthetics. With a strong background in citrus, our capabilities, expertise, and technical acumen are recognised and valued by those who need the best quality products at each level.

This year, we have invested in our product infrastructure by establishing a Product Category Management Team, as well as bolstering the resources across each of our product categories. These positive changes have brought the management of our product categories closer to our integrated commercial function, allowing us to significantly amplify our response to our customers' needs.

PRODUCT CATEGORIES

7

WHY INVEST IN TREATT?

Our clear strategy aims to create SUSTAINABLE VALUE for all our stakeholders

Sustainable practices

We are continually looking at ways to minimise our impact on the environment and build upon the positive impacts we have on those that work for us, and the communities in which we operate. Working in a responsible manner is an important aspect of our ability to deliver strategic objectives and create long-term shareholder value.

Recognised expertise

We are recognised as a leader in our field, renowned for our technical expertise, knowledge of ingredients and their origins, and global market conditions.

Diversified business

Utilising our broad portfolio of ready-made or tailored solutions, we collaborate with our customers to deliver their required specification. Our value-added products are sold around the world through our diversified customer base and far-reaching geographical presence.

0%
OF GENERAL WASTE IS SENT TO LANDFILL IN THE UK

92%
OF OUR PURCHASED ARE NATURAL

See our Working Responsibly section on **page 26**

130+
YEARS OF KNOWLEDGE AND INNOVATION

3
SITES ACROSS THREE CONTINENTS

See our Business Model section on **page 14**

75+
COUNTRIES IN WHICH OUR PRODUCTS ARE SOLD

48%
OF OUR REVENUE IS FROM OUR TOP TEN CUSTOMERS

See our Business Model section on **page 14**

WHY INVEST IN TREATT?

"A large majority of our portfolio is now natural, a segment which has been growing in recent years as we successfully help our customers to drive calories from their beverage products, particularly in our health & wellness category. This focus, alongside a track record of doing the right thing by our employees, customers, suppliers and all of our stakeholders, means we are developing a business we can be proud of and one that is hungry to deliver sustainable value for every stakeholder."

Daemmon Reeve
Group CEO

Clear and proven strategy

Our 2022 growth plan includes a renewed focus on our three core product categories of citrus, health & wellness and tea, which together represent 63% of revenues. Other notable growth categories include fruit & vegetables which strongly aligns with better-for-you, authentic differentiators in beverage.

63%
OF REVENUES REPRESENTED BY OUR THREE CORE CATEGORIES

See our Strategy section on **page 16**

Track record of profit growth

We have a track record of sustained financial performance as a result of the focus and global alignment behind our shared strategy.

13%
COMPOUND ANNUAL GROWTH IN PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS[1] OVER THE LAST FIVE YEARS

See our KPIs on **page 24**

Experienced management

Our Executive Directors have extensive experience of the sector and are supported by a talented and ambitious senior leadership team within the business.

46 years'
COMBINED SECTOR EXPERIENCE

See our Board of Directors on **pages 66 and 67**

1 Excluding discontinued operations, details of which are provided in note 11 of the financial statements.

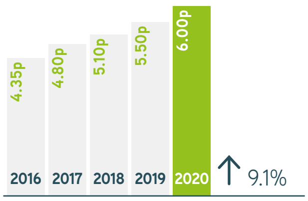
CHAIRMAN'S STATEMENT

I am extraordinarily proud of the COMPANY'S RESPONSE to the COVID-19 crisis and its resilience

"The first half saw good strategic progress and strong performance with volumes holding up well."

I am extraordinarily proud of Treatt's response and its resilience in a year which saw the COVID-19 pandemic impact our markets and dominate our focus. The health, safety and wellness of our employees has rightly been our absolute priority and despite multiple challenges presented by the virus, the Company has increased its profit before tax and exceptional items by 11.3% to £14.8m; the eighth consecutive year of growth. To have met our pre COVID-19 expectations without needing to call upon any government assistance is an outstanding result.

I am very grateful for the outstanding commitment of our colleagues in the US, UK and China. From the onset of the crisis, the whole Treatt team has worked diligently to keep our plants fully operational and our customers served. Whether having to adjust to working from home, or to abiding by new safety measures in our manufacturing facilities, everyone at Treatt has had to adapt to new ways of working and has demonstrated remarkable resilience and dedication in doing so.



DIVIDEND PER SHARE[1]

6.00p

1 The dividend per share relates to the interim dividend declared and final dividend proposed in relation to the corresponding financial year.

Performance

The first half saw good strategic progress and strong performance with volumes holding up well. Stockpiling of certain products may have contributed to strong sales as the pandemic loomed. Then, as expected, volumes were hit during the second half, largely due to the drop in on-trade sales in the US and disrupted operations for the hospitality sector, but the impact has not been anything like we feared when our markets first went into lockdown.

Treatt has long been proud of its global expertise in citrus markets and, as we anticipated, the orange oil price recovered from last year and our margins improved as a result, which helped to further offset the fall in demand caused by the pandemic.

We continue to diversify the business, building on its defensive characteristics, and we saw ongoing strength in our growing health & wellness (up 16.1%) and fruit & vegetables (up 9.9%) categories, partly as a result of the increasing consumer appetite for natural and 'better-for-you' products.

People, culture and stakeholder engagement

In the face of many new challenges, Treatt's supportive and collaborative culture has been central to our ability to respond. The willingness of our people to work as a team, as well as their desire to rise to a challenge, has really come to the fore across the business and played a significant role in our strong performance.

CHAIRMAN'S STATEMENT

Our values

Our values are the fuel that drive the culture and success of our growing business. They are the cornerstones of our organisation as they were created, owned and are championed by all our employees over three continents.

INTEGRITY
We are committed to excellence at every turn while working to the highest possible standards across the business.

TEAMWORK
Working in partnership is how we best serve our customers, exceeding their expectations and meeting their needs – no matter how ambitious.

CHALLENGE
We strive for progress across the business and always work to find a better way to improve our service.

PRIDE & PASSION
Our people love what they do and are driven by the desire to delight everyone they work with.

See our Strategy section on **page 16**

Structured and effective stakeholder engagement has become more vital than ever during the pandemic. We have worked in close partnership with our customers and suppliers to understand and meet their changing needs. Gaining a better understanding of our suppliers and the issues that are important to them will continue to be a focus during the coming year.

As the designated employee representatives on the Board, David Johnston and I continued with our Employee Voice sessions this year; they remain an excellent channel for gathering employee feedback and answering questions. With the open door policy I always try to promote, many employees have come to me to identify the colleagues that the Company has been able to provide additional support to during the crisis, and I appreciate everyone taking good care of each other.

We have also been mindful of our local communities in Suffolk and Florida. We were delighted to be able to use our facilities to produce hand sanitiser for local care homes and other organisations helping those most at risk. We were also proud to assist COVID-19 care at Bury St. Edmunds hospital by enabling our Health & Safety Manager, who is a qualified nurse, to return to the NHS.

In the wake of the pandemic, ESG (environmental, social and governance) matters remain high on the Board agenda, with a formal strategy currently in development.

Board changes during the period

I am delighted to welcome Vijay Thakrar to the Board as an independent Non-executive Director. Vijay is a Chartered Accountant with extensive strategy, commercial and governance experience in fast-moving consumer goods (FMCG) and I am confident he will prove a strong addition to the team.

Dividend

The Directors are pleased to propose a final dividend of 4.16p per share (2019: 3.80p), which represents an increase in the total dividend for the year of 9.1% to 6.00p (2019: 5.50p). If approved by shareholders at the Annual General Meeting, the final dividend will be payable on 18 March 2021 to all shareholders on the register at the close of business on 5 February 2021.

Outlook

We will continue to do all we can to safeguard the health and safety of our colleagues whilst meeting the requirements of our customers and end consumers.

Notwithstanding COVID-19 related market uncertainty, we remain optimistic for the coming year. Our resilient business model and strategy for growth are delivering good results and we have further opportunities to pursue. In particular, the current trends in coffee, natural extracts, and the burgeoning hard seltzer market play to our strengths and provide us with opportunities to further innovate and diversify our portfolio.

> ***"Our resilient business model and strategy for growth are delivering good results and we have further opportunities to pursue."***

This year has certainly demonstrated the skill and dedication of our people, the strength of our culture, our ability to adapt, and the ongoing market demand for our products even in uncertain times. Reflecting on those fundamentals gives me confidence that the business is ready to thrive in the face of future challenges.

Tim Jones
Chairman
23 November 2020

COVID-19 CORONAVIRUS

STRATEGIC REPORT

STRATEGIC REPORT

19

Reducing our dependence on citrus

35

Committed to developing our culture

41

Embedding sustainability throughout the business

MARKET OVERVIEW

Sustainably growing our business with a DIVERSIFIED PORTFOLIO aligned to consumer behaviours

"We utilise customer data and market insights to grow our global footprint in key markets."

Introduction

By using market data and customer insights to expand our footprint, we are well-placed to navigate shifting consumer trends.

Over the last year, we have worked to bring our commercial functions closer together. Our efforts have resulted in a notable strengthening of our sales, marketing and product category management functions. We have become more agile at responding to emerging trends, as well as better prepared for long-term market movements.

Our robust market intelligence continues to drive our commercial strategy, effectively improving our understanding of the markets we operate in and how we can best serve our customers within them.

COVID-19

COVID-19 is first and foremost a human tragedy, one that continues to affect millions of people globally. It has presented our industry with extraordinary challenges and will make a lasting mark on the sectors we serve.

Understanding the immediate and future shifts in consumer attitudes has never been more important as every player in our supply chain has been impacted in one way or another. Almost every current indicator suggests that consumers over the world will significantly adjust their long-term buying behaviour in the months and years to come in response to COVID-19.

For many, concerns around job security and income will drive the shift in spending habits. Some will trade down and focus their spend on 'essentials' rather than high-end products, services or experiences. Trusted familiar brands are likely to fare well.

However, it is not as simple as saying that consumers will spend less because they have less. Due to the unique circumstances that have brought this recession about, including imposed restrictions on peoples' lives, the threat of illness and the loss of loved ones, how consumers assign value to what they spend money on will also change.

Health and wellbeing, stability, trust, and consistency are all going to be increasingly important drivers that inform consumer spending.

Our insights team continue to stay close to all relevant market movements. By sharing actionable learnings with our internal teams, customers and suppliers, we can readily respond to this evolving situation.

Mel Cooksey
Vice President of Global Procurement

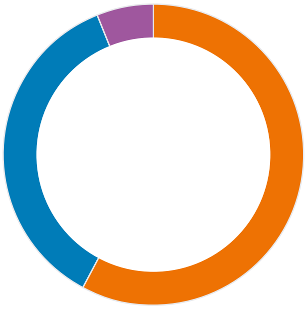
COVID-19 CORONAVIRUS

MARKET OVERVIEW

The impact of COVID-19 on consumers' attitudes to health

In a recent survey carried out by Global Data, across 11 countries, respondents were asked how their lifestyle choices and shopping behaviour are likely to change as a result of the COVID-19 pandemic. The results demonstrate a drive towards 'better-for-you' products, with an increasingly health conscious global consumer base switching to natural and clean-label beverages.

Which of the following best describes your attitude to health?



- I proactively seek products which improve my health 58%
- I react to health problems when they arise 36%
- I am not worried about my health 6%

Source: GlobalData's COVID-19 Recovery Tracker Survey, Week 1–3

Product portfolio

Our diverse and growing product range allows us to maximise commercial opportunities across the world.

HERBS, SPICES & FLORALS

Botanical ingredients are growing in popularity in several markets as 'naturalness' continues to be an increasing priority.

CITRUS

With a strong and established background in citrus, our range of natural and synthetic products are well aligned with consumer tastes.

AROMA & HICS

Our chemicals business continues to perform well as our ability to deliver a consistent and high-quality service stands us apart from other players.

HEALTH & WELLNESS

Consumers continue to look for 'better-for-you' products and our clean-label solutions are performing well in this space.

COFFEE

Coffee has become one of the fastest growing beverage categories in the world and we are well positioned to take advantage.

TEA

Tea is the second most widely consumed beverage in the world, after water, and our natural range of tea products continue to win.

FRUIT & VEGETABLES

Our natural distillates deliver on impact and clean-label requirements, both of which are increasingly important to consumers.

MARKET OVERVIEW

We remain in a STRONG POSITION to support our customers in responding to the evolving priorities of consumers

Global trends

North America

As the world continues to grapple with a global pandemic, clean-label beverages with functional ingredients have become a priority for North American consumers across almost every pillar.

While the US beverage market declined by 22.7%[1] during the lockdowns, links between obesity-related diseases and COVID-19 have caused consumers to become increasingly health-conscious and this has driven the clean-label category forward.

Consumers across North America are continuing to cut back on alcohol, and the low and no alcohol beverage category is enjoying great success as a result. The non-alcoholic beverage market is predicted to be worth $280.5bn next year and is expected to grow annually by 6.9% (CAGR 2020–2025).[2]

UK and Europe

Europe is continuing to follow trends first seen in North America, as functional beverages, low and no alcohol beverages and ready-to-drink (RTD) coffee brands continue to innovate and bring new products to market.

On the back of meteoric success in the US, hard seltzers hit the supermarket shelves across the UK and Europe earlier this year and growth of this category looks very promising. The low and no alcohol market continues its growth with Germany and Spain holding a 30% share of Europe's zero alcohol beverage market.

Reduced sugar solutions are continuing to drive innovation across the pillars as health-conscious consumers seek out clean-label beverages. Demand for natural ingredients has also seen a rise in the use of botanicals. The functional beverage market is projected to record a CAGR of 6.5% by 2025[3] and continues to be dominated by sports and energy drinks.

Asia

While COVID-19 has led to some beverage brands delaying new product launches, the Asian beverage market is full of opportunities as the average disposable income continues to rise.

The Chinese market is being impacted by an increase in health-conscious consumers and this has allowed the non-alcoholic drinks market to expand. As a category, the revenue generated from non-alcoholic beverages in China is over $36.5bn in 2020 to date and it is expected to grow annually by 7.2%[4].

RTD tea and coffee continue to rise in popularity, alongside performance-based beverages with functional ingredients. Classic flavours including orange, lemon, peach and jasmine remain popular, but brands are also adding novel ingredients to attract Millennials and Gen-Z consumers.

GLOBAL NON-ALCOHOLIC BEVERAGE MARKET SIZE FORECAST TO REACH

$1,257 billion[5]

BY 2027

1 22.7% Decline (Global Data – Trend Sights Analysis – August 2020).
2 6.9% CAGR (Statista – Non-alcoholic Drinks Report – July 2020).
3 6.5% CAGR (Mordor Intelligence Report – Functional Beverage Market – Growth, Trends and Forecast).
4 7.2% Growth (Statista – Non-alcoholic Drinks Report – July 2020).
5 $1,257bn (Fortune Business Insights – August 2020).

MARKET OVERVIEW

Trends in action

Evolving health and wellness

According to a recent consumer trends report by Mintel, wellbeing has moved beyond simply wanting to look after oneself in broad terms. It's also moved away from extreme lifestyle changes or a fleeting commitment to an intense regime. Instead, a more holistic approach is becoming a key motivator of consumer behaviour, underpinned by convenience, transparency, and value.

Consumers are becoming more familiar with products and ingredients that promise previously niche or unheard-of benefits. They are now more likely to question these claims, pushing brands to better define their products and their outcomes. At the same time, there is growing demand for products that enhance one's life rather than simply make superficial changes. We are seeing the roles of mindfulness and increased discussion around mental health become more prevalent in busy lifestyles, as barriers to talking about and understanding emotional wellbeing are being torn down.

The study from Mintel shows significant opportunity for brands to become 'wellbeing partners' with their customers. While the mass-market and 'one-size-fits-all' approach will still have value, we will see the emergence of bespoke products that aim to fit the many disparate needs of the consumer. As lifestyles become more fluid and non-linear, we will see products targeted at different life stages instead of those that reframe or address specific wellbeing needs based solely on age.

Opportunities

With an established and growing health and wellness portfolio, we are in a strong position to continue to serve this dynamic and opportunity-rich market.

The further widening of this already expanding sector presents Treatt with significant growth opportunities as consumers look for 'better-for-you' products in every beverage pillar. Our natural, clean-label ingredients continue to perform well as a result.

Sustainability and consumer ethics

Health and sustainability-conscious consumers are looking to make smarter, feel-good choices by opting for products that are better for them and better for the world in which they live. As an extension of the health and wellness movement, this growing interest in the sustainability credentials of a product continues to gain traction with consumers across North America and Europe.

In an environment where consumers have become highly sceptical, they want deeper, more authentic reassurances from brands. Importantly, this includes greater transparency about how products are produced.

The climate emergency has heightened consumer expectations for corporate social responsibility, with the emergence of the low carbon diet fuelling demand for increased information regarding the environmental impact of products.

Opportunities

This shift will demand more accountability throughout the supply chain from cultivation to manufacture and distribution. Treatt is in a strong position to respond to this evolving market need. We are proud to have stable, transparent, and traceable supply chains across all of our product categories, as part of our continued commitment to improving our sustainability credentials.

To learn more, please go to **page 26**

Prioritising quality

As a result of the increased traction of products with positive sustainability credentials and a healthy value proposition, we continue to see consumers prioritise and seek products with a premium look and feel. There is also an increasing appetite for unusual or new trending flavours within the premium space, particularly with Millennial and Gen-Z consumers.

While it is feasible that there will be disruption to this space, as consumers trade down due to financial pressures caused by the fallout from COVID-19, there is still notable growth potential. Many will continue to make premium products part of their weekly shop as they look to mitigate the fact that they may not be taking an exotic holiday that year or have put off buying a new car or moving home.

For premium products, there is a cachet associated with being produced in the right way. The appeal of authenticity is reflected by an escalating interest in, and consumption of, premium beverages. A minimal list of ingredients on pack, coupled with a supporting brand identity is increasingly appealing to tap into this trend.

Here, naturalness is also a key consumer concern. In a recent study from Global Data, across all age groups, around half of respondents were encouraged to purchase products that are from natural sources or contain natural ingredients.

Opportunities

Customers increasingly value our in-depth knowledge of our raw materials, as well as our ability to provide robust evidence relating to the traceability of our supply chain. Many of our product categories have a heavy natural weighting, allowing us to readily serve this significant market.

OUR BUSINESS MODEL

DELIVERS VALUE

for all our stakeholders

What we do

We manufacture and supply a portfolio of natural extracts, flavour and fragrance ingredients.

Our products…

Treatt has a wide range of products made up of the following categories: citrus, coffee, tea, health & wellness ingredients, as well as fruit & vegetable extracts, herbs, spices & floral ingredients and high impact and aroma chemicals. Our wide range covers 100% natural products to tailor-made blends and price-stable synthetics.

…and how we sell them

We supply manufacturers of consumer goods directly and indirectly via flavour and fragrance houses. By working in partnership with our global customer base, we are able to grow our footprint in multiple diverse markets. With facilities in strategic locations across the world, we draw upon our knowledge of a region's consumer drivers as well as regulatory requirements to best serve our customers.

FMCG and other customers

We work closely with many global fast-moving consumer goods (FMCG) beverage brands, who are often international household names. They typically have multiple products under an umbrella brand and operate in several categories. They value our track record of innovation, technical knowledge and demonstrable market and regulatory awareness.

Flavour and fragrance houses

These organisations buy our products and sell them on to FMCG customers. They look for competitive pricing and our technical, regulatory and application knowledge.

Underpinned by our purpose

Creating outstanding sustainable ingredients, designed around our customers' needs.

We have worked with:

Five of our top ten customers > 25 years
Two of our top ten customers > 20 years
Three of our top ten customers > 10 years

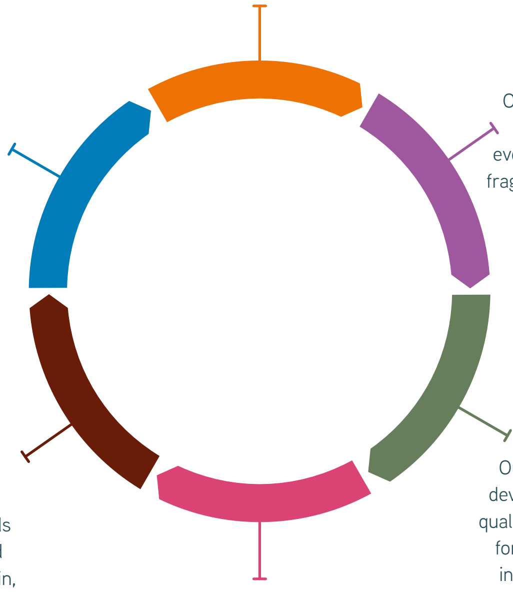
with new relationships forming each year.

OUR BUSINESS MODEL

Why our customers choose Treatt

DIVERSE PORTFOLIO

We have a diverse product portfolio that enables us to meet a wide spectrum of customer requirements, with particular expertise in citrus, tea and sugar reduction. Our natural extracts differentiate us from many competitors, and our flavour and fragrance ingredients are the result of over a century of knowledge and innovation.



RESPONSIBLE MANUFACTURING

From our facilities in the UK and US we manufacture and process sourced materials to create consistently high-quality products.

CUSTOMER CENTRICITY AND SERVICE

Our business is structured around effectively understanding and meeting the complex, evolving needs of our global food, beverage and fragrance customers. Every department is driven by a common goal of delivering excellent products and fantastic service.

SUSTAINABLE SOURCING

Working directly with growers, processors and suppliers across the world guarantees the finest quality raw materials and standards of production. We work hard to develop and maintain a transparent and stable supply chain, mitigating risk, maintaining integrity and providing maximum traceability.

TECHNICAL EXCELLENCE

Our knowledge and skills across research and development, applications, quality assurance and quality control deliver unrivalled technical solutions for our customers, challenging what is possible in our industry. Over 75% of our revenues are from value-added products, with the remainder generated through trading in raw materials.

DIVERSE ROUTES TO GROWING MARKETS

We have a presence on three continents and our more than 1,800 products are enjoyed by consumers in over 75 countries. The broad appeal of our product offering allows us to capitalise on growth opportunities in several competitive markets.

How we share value with our stakeholders

EMPLOYEES

Empowering culture, opportunities for training and development, and a safe working environment.

HOURS OF TRAINING FOR EMPLOYEES

5,242

INVESTORS

Our business model, supported by our strategy, aims to deliver sustainable long-term growth and returns to our shareholders.

DIVIDEND GROWTH OVER FIVE YEARS

49% (8.2% p.a.)

equivalent annual dividend growth rate over the last five financial years

CUSTOMERS

Tailored product range and service, built on our technical and regulatory expertise, quality standards and market intelligence.

POSITIVE EXPERIENCE AND GREAT SERVICE AT THE FOREFRONT OF OUR QUALITATIVE CUSTOMER FEEDBACK

SUPPLIERS

Sustainable, fair and rewarding outcomes for growers and processors.

OUR SUPPLIERS

We have worked with:

Five of our top ten suppliers > 20 years

Four of our top ten suppliers > 10 years

One of our top ten suppliers > 5 years

COMMUNITIES

Donations of time, expertise and money to charities and causes that matter to our employees and their families.

GROUP DONATIONS

£54,875

OUR AMBITION & STRATEGY

Delivering sustainable growth for our stakeholders

1
Engaging with our communities

Undertaking a wide range of fundraising and volunteering activities, Treatt is an active contributor to our local communities as well as to national causes.

What we did in 2020

Our community support during the COVID-19 crisis included making and supplying hand sanitiser to local care homes.

We helped a number of local charities who were unable to fundraise due to the lockdown.

We enabled one of our employees, a trained nurse, to return to the NHS and provide much needed support during the peak of the crisis.

Plans for 2021

Adapt our approach to community collaboration in the wake of the pandemic.

Align our charitable activity to selected 'UN Sustainable Development Goals' such as, 'to improve mental health in our community' and 'to improve basic health'.

See our Working Responsibly section on **page 47**

NUMBER OF COMMUNITY PROJECTS

21

2
Investing in our culture

Treatt's supportive, collaborative culture is integral to the Group's success, and we are proud of all that we do to nurture and develop our people.

What we did in 2020

We demonstrated the importance of our culture in our response to COVID-19, with the wellbeing of our employees being our number one priority.

We protected staff who remained on site with robust health and safety protocols.

We invested in technology and support to allow many of our staff to work from home effectively.

Plans for 2021

Prioritise the mental health of our team during the ongoing pandemic and beyond.

Harness the excitement about the UK relocation and the potential the new facilities will bring.

Encourage staff to think sustainably in everything they do.

See our People section on **page 32**

UK EMPLOYEE ENGAGEMENT IN PERFORMANCE REVIEW PROCESS

100%

3
Reducing our environmental impact

Environmental considerations are seen as the responsibility of all staff, and we strive to maximise our efficiency across the business, whether in the usage of energy and fuel, or the recycling and disposal of waste.

What we did in 2020

We're currently developing a formal ESG strategy to build on the existing and long-standing sustainability already present in the business.

Plans for 2021

Major strategic push on sustainability as a core thread in the business.

Work with a leading sustainability consultant to build upon our already strong foundations.

See our Working Responsibly section on **page 38**

TONNES OF WASTE RECYCLED/ REUSED/ENERGY RECOVERED

862

OUR AMBITION & STRATEGY

4
Investing in our core categories

We are recognised by customers around the world for our expertise, and have a particularly long and reputable history in citrus, tea and health & wellness categories, where our natural and authentic solutions are valued by consumers.

What we did in 2020

The expansion of our US site came fully on stream, with additional manufacturing capacity and expanded R&D facilities.

We continue to deliver growth in the fruit & vegetables, tea and health & wellness categories.

Category management was fully embedded in the business.

Plans for 2021

Align R&D with our core categories, bringing science into new processes and products.

Develop citrus differentiators to support growth in beverage.

See our Chief Executive's Review on **page 20**

INCREASE IN R&D AND COMMERCIAL HEADCOUNT

10.7%

5
Diversifying into new categories

We continue to broaden our portfolio, pursuing opportunities that align with our capabilities.

What we did in 2020

We made good progress towards decoupling our dependence on traded and minimally processed citrus. Citrus now accounts for 50% of revenues.

We see exciting opportunities in hard seltzers, a developing beverage category in which we're already working with a number of leading brands.

We continue to build our offering in coffee to meet the needs of the technically complex cold brew coffee market.

Our new product development programme is progressing well and market entry points are currently being explored.

Plans for 2021

Build offering in rapidly growing hard seltzer market.

Evolve our coffee platform.

Develop customer relationships in the cold brew coffee market.

Target opportunities for coffee in beer, stouts, and porters.

See our Markets section on **page 10**

GROWTH IN NON-CITRUS REVENUES

4.4%

6
Investing for future growth

An important focus is on enhancing our operations to provide a sound platform for growth.

What we did in 2020

The expansion of our US site became fully operational.

We commenced a $1.5million investment in plant and machinery in the US to capitalise on exciting opportunities in hard seltzers.

The new UK Headquarters build progressed well despite the lockdown. The building work was completed in October ahead of the planned move mid-2021.

Plans for 2021

Leverage and maximise the significant additional capacity and operational efficiencies the new UK Headquarters will bring.

See our Chief Executive's Review on **page 20**

INVESTMENT IN US OPERATIONS

$5.8m

DECOUPLED THE HISTORIC LINK OF GROUP PROFITS TO THE ORANGE OIL PRICE

NON-CITRUS REVENUE INCREASED BY

4.4%

WELL POSITIONED AS A CLEAN-LABEL AND NATURAL EXTRACTS BUSINESS

NON-CITRUS PERCENTAGE OF TOTAL REVENUE INCREASED FROM

46% to 50%

GOOD PROGRESSION IN THE NATURAL PORTFOLIO – SUPPORTED BY HEALTH AND WELLNESS INNOVATION

STRATEGY IN ACTION

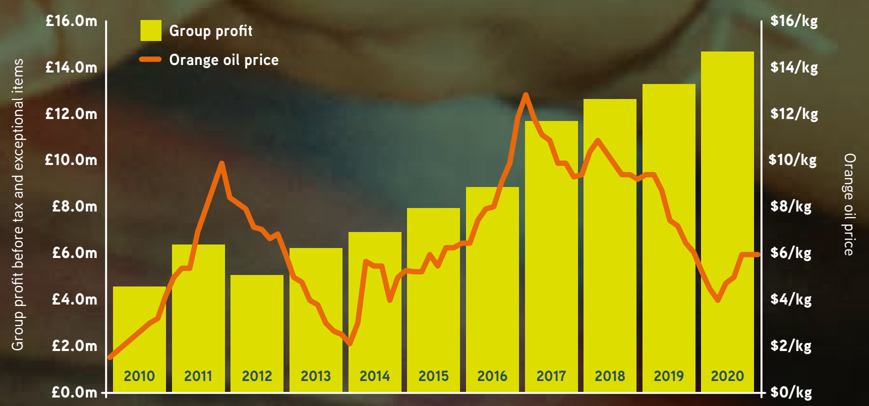
Diversifying into new categories

REDUCING OUR DEPENDENCE ON CITRUS

The growth of our non-citrus business in the fruit & vegetables and health & wellness categories is because our clean-label innovations continue to resonate with consumer demand for 'better-for-you' options, particularly in our core beverage market.

Getting closer to customers, decoupling our dependency on minimally-processed citrus, and driving success from other categories, all demonstrate our strategy in action and help us deliver on our goal of sustained increases in profits.

TREATT HAS SUCCESSFULLY DECOUPLED THE HISTORIC LINK OF GROUP PROFITS TO THE ORANGE OIL PRICE



DEMONSTRATING OUR S172 DUTIES

As we transition to a more value-added business model, reducing our reliance on citrus and increasing the contribution of our other product categories, our ability to make longer-term commitments to our stakeholders through investment in sustainable technologies, the expansion of strategic goals and the reduction of financial risk is enhanced.

See our Our Ambition & Strategy on **pages 16 and 17**

STRATEGIC REPORT

CHIEF EXECUTIVE'S REVIEW

An excellent performance in extraordinary times and well-positioned for FUTURE GROWTH

Summary

- The underlying business performed strongly and delivered profit before tax and exceptional items ahead of pre COVID-19 expectations
- We responded to significant disruption in our markets, and to our people, demonstrating the resilience of our business model
- The UK relocation project remains on budget with the build complete and fit-out now underway

It's been quite a year for all of us. We had a strong first half, in line with our expectations, with performance driven by momentum across several categories and progress made against a number of our strategic goals. Then, just as the first half ended, the COVID-19 crisis spread across our key markets and, of course, impacted all of our lives, and we experienced the largest disruption to demand that our business has ever seen.

Despite the impact this disruption inevitably had on sales, the underlying business has performed strongly; delivering revenue of £109.0m (2019: £112.7m) and a profit before tax and exceptional items for the year of £14.8m (2019: £13.3m) which is better than our pre COVID-19 expectations and represents an increase of 11.3% compared with the prior year.

I would like to thank all of our colleagues for their dedication and agility in the face of these unprecedented circumstances. The whole Treatt team has risen to the challenge and performed to a higher level than ever before to maintain our momentum. I would also like to thank our customers and suppliers for their support during a testing time.

Ultimately, we are very pleased both with our performance for the year and with our response to a situation few people saw coming; our recent strategic initiatives have proven successful in building added resilience into the business model. I am, however, left in a dichotomy of being pleased with our results in light of COVID-19 but also reflecting on the year this would have been for the business had COVID-19 not occurred.

A strong first half

The year began well with the strong performance driven by particular momentum across our tea, health & wellness and fruit & vegetables categories. Citrus markets recovered as we expected, and though we had some important wins in the category, we also made good progress against our strategic objective of reducing our dependence on citrus. Citrus has fallen to 50% of revenue from 54% in 2019, and our other categories are growing faster, meaning the business is developing a more diversified and higher value portfolio, which our new facilities will further support.

"I would like to thank all of our colleagues for their dedication and agility in the face of these unprecedented circumstances. The whole Treatt team has risen to the challenge and performed to a higher level than ever before to maintain our momentum."

CHIEF EXECUTIVE'S REVIEW

We have achieved strong results which is testament to the remarkable RESILIENCE in our people, culture and business model

Investing for future growth

We continued to invest in our infrastructure to increase capacity and efficiency whilst also improving our R&D capabilities to ensure we are able to provide cutting edge solutions in the growth markets we serve. The US expansion was fully up and running in the first half of the year. Our capacity for products in our fruit & vegetables, health & wellness and tea product categories doubled and came on stream in time for the new crop season, and we've immediately benefitted from the additional capacity that investment has provided, with further growth expected to continue from both existing and new customers. In addition, we have enhanced the customer experience on site as well as expanded and modernised our scientific infrastructure and office facilities, which were at full capacity. We are also investing an additional $1.5million in plant and machinery in the US to capitalise on exciting opportunities in hard seltzers[1], a developing beverage category in which we're already working with a number of leading global FMCG brands

The new UK Headquarters build progressed well in the first half. It did suffer a slow-down as a result of the UK's national lockdown, but the building work completed in October ahead of the planned move which will begin in mid-2021. We have a capable and experienced team leading the project and relocation will be a key focus for the coming year. In addition to significantly increasing our capacity, the new site will allow us to accelerate the important partnership-based model through an enhanced technical collaboration infrastructure to drive innovation, together with our customers, in line with our strategy. We believe that multiple operational efficiencies, achievable through improved site logistics, automated warehousing and computer-controlled stills, will enable the business to flourish and gives us confidence to deliver an enhanced return of profitability some 10% to 15% higher than operating from our current UK site, three years after completion. In addition, the modular design will enable us to add further capacity in the future as demand dictates.

Responding to COVID-19

The various restrictions implemented across many of our key markets in the second half of our financial year significantly reduced away-from-home consumption as the food service industry largely shut down and consumers were confined to their homes. Some of the world's largest beverage companies have estimated that market demand reduced by as much as 15–20% at the height of the pandemic during the April to June period, and inevitably Treatt felt that decrease in demand. At-home consumption volumes do not equal consumption in the away-from-home channels although we did benefit from growth in our customers' supermarket and retail sales channels.

That we've still been able to achieve such a strong set of results, despite this extraordinary disruption, is testament to the remarkable and increasing resilience in our people, culture and business model. The diversity of our portfolio yielded benefits as we saw enhanced demand for fragrances used in hand soaps and cleaning products, with strict cleaning protocols and hand washing becoming an essential part of global efforts to combat the pandemic. Our exposure to fine fragrance, severely impacted by a dramatic slowdown in global travel, is minimal.

An example that effectively illustrates the two sides of demand is within our tea extract business where one customer who formulates our product into a system for the cruise line industry has clearly suffered a complete halt in business. On the other hand, a supermarket business in a similar product has seen positive growth throughout the pandemic.

Despite some rather minimal supply chain disruption, we were able to keep supplying our customers, supported by our inventory holding, which held us in good stead throughout the worst of the crisis. Our partnership model with our customers has also worked particularly well, with strong communication playing a vital role in understanding their challenges. Helping our customers to recover from the fall in demand will be another key focus for us in the near future.

COVID-19 CORONAVIRUS

CHIEF EXECUTIVE'S REVIEW

The importance of ESG is fundamental to our SUSTAINABLE growth strategy

From the onset of the crisis we've taken our responsibility to our key stakeholder groups very seriously. I'm proud of how we've demonstrated our long-standing supportive and collaborative culture in our response to COVID-19, with stakeholder engagement a central part of our decision-making process. An example of this engagement saw us introduce temperature checks on arrival for staff at our US facility, a suggestion that originated internally and we were happy to facilitate.

We took the decision not to furlough any UK staff during the crisis, feeling that the scheme was not designed for a business like ours, where we have been able to remain fully operational. Around 50% of our staff have been successfully working from home since March, showing amazing flexibility and commitment. Our Operations, Technical, IT and HR teams stepped up and made it an almost seamless transition, with digital presentations, meetings and initiatives held over video to stay in touch and keep staff informed of our ongoing response to the situation. In order to protect staff who have remained on site, our health and safety protocols have been robust, with various systems in place including one-way systems, hand sanitising stations and the wearing of face coverings. We've supported staff in many other ways too, even helping to get hold of basic essentials as they became unavailable in shops.

With close ties to our local communities from many years of activities and initiatives, we were keen to help out where we could. Our community support during the crisis included making and supplying hand sanitiser to local care homes, and helping a number of charities who were unable to fundraise.

Reflecting on the importance of ESG

The pandemic has reiterated the importance of ESG matters for Treatt, and we're currently developing a formal strategy to build on the existing and long-standing sustainability initiatives already present in the business. The importance of ESG issues is nothing new to Treatt and is part of our DNA and fundamental to our approach for an increasingly sustainable growth strategy. COVID-19 and Treatt's response to it has proved that again, but there's work to do on improving our reporting and communication in this area, and we are committing to this in the coming year.

Brexit

Brexit uncertainty remains in our thoughts as the UK's transition period after Brexit comes to an end this year. Potential trade tariff changes are the main cause for concern, but we have strategic manufacturing agility in the business to mitigate any new tariffs. Though we're not downplaying the potential disruption that Brexit could cause, we've experienced turbulence before and are comfortable that we're well prepared.

"Our community support during the crisis included making and supplying hand sanitiser to local care homes, and helping a number of charities who were unable to fundraise."

Strategic priorities

Having successfully and progressively repositioned ourselves as a natural extracts business, with over 70% of our business now from natural products, we're well placed to capitalise on growing consumer trends around products that are better for consumers and for the planet. We believe that these trends will only be strengthened by the COVID-19 pandemic.

As we continue to diversify into new categories, we will maintain our focus on increasing our provision of added-value solutions across our portfolio, leveraging our close customer partnerships, technical capabilities, and new facilities. We anticipate that this will drive further margin improvement over the medium-term.

We see many strong opportunities in the North American market, including the continuing optimisation of our coffee platform, as well as the growing alcoholic seltzer market which is already valued at over $4bn[1] globally, and expected to further penetrate Europe. We are also encouraged by a number of exciting opportunities in China, where our business continues to perform very well.

1 The global alcoholic seltzer market size was valued at USD 4.4 billion in 2019 and is expected to grow at a compound annual growth rate (CAGR) of 16.2% from 2020 to 2027. (Source: Grand View Research www.grandviewresearch.com)

CHIEF EXECUTIVE'S REVIEW

The prospect of moving into our new UK Headquarters in the next financial year, after nearly 50 years at our current facility, is another major development for the business. Having a purpose-built, world-class facility to reflect the science-led, customer partner model we are practicing today, we hope will have a big impact on what we can achieve in the short, medium and long-term.

Looking beyond COVID-19 and the relocation, our focus will be on filling capacity at our expanded global facilities, embedding all the advantages those infrastructure projects bring and continuing to build upon the various strategic opportunities we see to provide important taste differentiators to our growing customer base.

Outlook

As economies begin to reopen and lockdown restrictions ease across our key markets, we expect to see demand and consumption slowly improve and we began to see this during our fourth quarter, albeit from a low base. Though it's very difficult to predict, it would be a surprise if demand across all segments returned to normal levels before the end of 2021 or into 2022. However, should ongoing subdued demand prove to be the case, I'm confident we're in the best possible shape to endure it and I am looking forward with cautious optimism.

Building on the excellent fundamentals of our business and broad added-value product offering, we have made a strong start to our new financial year ending 30 September 2021 and the Group continues to perform in line with the Board's expectations.

Daemmon Reeve
Chief Executive Officer
23 November 2020

"In addition to significantly increasing our capacity, the new site will allow us to accelerate the important partnership-based model through an enhanced technical collaboration infrastructure to drive innovation, together with our customers, in line with our strategy."

Our new UK Headquarters

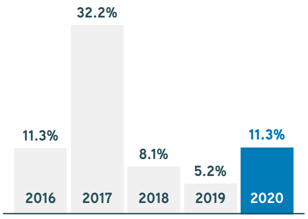
KEY PERFORMANCE INDICATORS

We assess Group performance using a set of financial and non-financial KPIs

The Group has financial KPIs which it monitors on a regular basis at Board level and, where relevant, at operational executive management meetings. The key performance indicators shown below cover a period of five years which is reflective of the Board's long-term thinking.

GROWTH IN PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS[1]

11.3%



Profit before tax and exceptional items is considered the most appropriate measure of the underlying performance of the Group.

Why we measure it

Profit before tax shows the underlying performance of the business for the year. We have a clear policy on exceptional items to ensure that only items (both positive and negative) which would otherwise distort the reported performance are excluded.

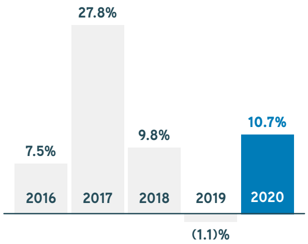
Calculation

As shown in the Group income statement.

Page 109

GROWTH IN ADJUSTED[1] BASIC EARNINGS PER SHARE

10.7%



Adjusted earnings per share is considered the most appropriate measure of performance which is aligned with shareholder value.

Why we measure it

Earnings per share is widely considered one of the most important metrics used by investors in order to place a value on a company and therefore in turn impact upon the share price. It lets shareholders know how much profit was made for each share they own.

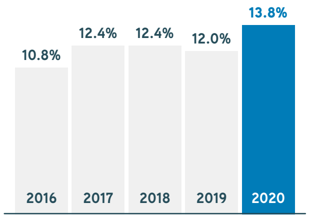
Calculation

As shown in the Group income statement.

Page 109

NET OPERATING MARGIN[1]

13.8%



Net operating margin is considered an important measure of the profitability of the Group.

Why we measure it

Net operating margin shows the operating profit as a percentage of revenue. This enables comparison between different businesses. As it takes into account all the day-to-day costs incurred in operating the business it demonstrates whether growth in the business is profitable.

Calculation

We divide operating profit by revenue from continuing operations, both of which are shown in the Group income statement.

Page 109

1 All KPIs are calculated excluding exceptional items (see note 9). They also exclude discontinued operations in 2017, 2018, 2019 and 2020 – 2016 has not been restated for discontinued operations.

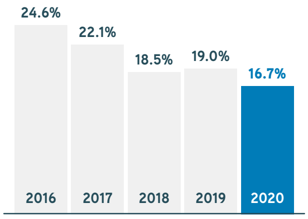
KEY PERFORMANCE INDICATORS

Growth in adjusted[1] basic earnings per share

10.7%

RETURN ON CAPITAL EMPLOYED[1]

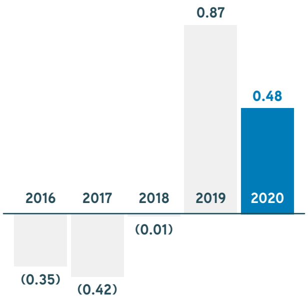
16.7%



Return on capital employed is an important measure used to assess the profitability of the Group relative to the capital being utilised.

AVERAGE NET CASH/(DEBT) TO EBITDA[1]

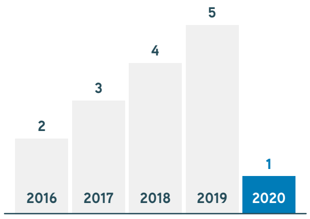
0.48



Average net cash/(debt) is used to ensure that the level of debt is appropriate relative to the profits generated by the business.

NUMBER OF REPORTABLE ACCIDENTS ACROSS GROUP

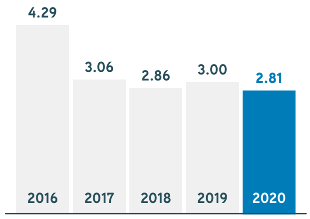
1



The number of reportable accidents is used to monitor the safety of our working environment.

AVERAGE NUMBER OF SICK DAYS PER EMPLOYEE

2.81



Average number of sick days enables us to monitor the welfare of our workforce and the effectiveness of our absence policies.

Why we measure it

Return on capital employed enables stakeholders to see the profitability of the business as a function of how much capital has been invested in the business.

It is important to ensure that the level of borrowings in the business can be supported by the cash flow in the business. EBITDA is widely recognised as a good indicator of the cash generative performance in year.

The health and safety of our employees is of paramount importance to us. Recording accidents, which includes those that are reportable, assists with their prevention and encourages a focus on safety.

The recording of sickness is essential for proactive absence management, which can help to reduce sickness absence and ensure that employees are healthy and working effectively.

Calculation

We divide operating profit from continuing operations (as shown in the Group income statement) by the capital employed in the business which we calculate as total equity (as shown in the Group balance sheet) plus net debt or minus net cash (as shown in the Group reconciliation of net cash flow to movement in net cash).

We divide the average net cash or debt in the year by EBITDA. EBITDA is the profit before interest, tax, depreciation and amortisation. This is calculated as operating profit (as shown in the Group income statement) plus depreciation and amortisation from continuing operations as shown in note 5 to the financial statements.

We record the number of reportable accidents, which have occurred across the Group. Reportable accidents are work-related accidents, which legally have to be reported to a statutory body or have to be recorded in a specific format.

We divide the total number of sick days recorded across the Group by the total number of employees.

WORKING RESPONSIBLY

REACHING BUSINESS GOALS

is critical to the Group's success – how we achieve them is equally important

At Treatt, we take our social responsibility seriously and have a reputation for behaving ethically and in a socially responsible way. This has become increasingly important since the outbreak of COVID-19, which has tested the sustainability of businesses across the world, exposing them to a multitude of issues including staffing, health and safety, supply chain resilience and decreasing revenue. Operating with COVID-19 in mind we have protected our people and helped our local communities, whilst meeting customer needs and delivering on our strategic objectives.

SUSTAINABILITY

92%
OF OUR PURCHASED KGS ARE NATURAL

74%
OF OUR PRODUCT PORTFOLIO IS NATURAL

"Throughout COVID-19, Treatt has continued to take proactive steps to look after our peoples' needs, and ensure we support the local community. The wellbeing and safety of our people is extremely important and we are exceptionally proud of the way in which strong team connections have been maintained, and staff have operated to protect and support each other. We expect Treatt to emerge from the pandemic, resilient and stronger together."

Jo Mapston
Global Head of HR

WORKING RESPONSIBLY

We understand that everything we do has an impact on people and the environment, which is why we operate in an

ETHICAL AND SOCIALLY

responsible way

Our global footprint and our integrated supply chain, whereby we manufacture as well as process sourced material, give us flexibility and agility that is valued by customers.

See our Market Overview on **page 10**

Material issues

Our activities are focused where we feel we can make a real difference in the following areas:

- our employees
- diversity and inclusion
- health and safety
- the environment
- business integrity and ethics
- community

Embedding sustainability throughout the business

Recognising the need to accelerate the good work that has already been done, Treatt has engaged a specialist independent consultancy to work with management to further develop our sustainability strategy and embed it throughout the business. They will assist us in identifying the areas we need to focus on, which are the most important to the business and our stakeholders. The engagement took place late in the financial year and we look forward to reporting our progress in our 2021 Annual Report.

How we measure and report

The Group is committed to providing greater transparency of critical issues, specifically environmental, social and governance (ESG) factors and we have continued to build on our reporting with reference to the Global Reporting Initiative (GRI) Sustainability Reporting Standards 2016. GRI is an independent international organisation that has pioneered sustainability reporting since 1997 and a GRI Standards index is available on our website.

WORKING RESPONSIBLY

Stakeholder engagement and S172

Developing and maintaining strong relationships with all of our stakeholders is key to the success of the Group. By engaging with stakeholders, listening to their feedback and understanding their perspective, the Board is able to ensure that there is sufficient consideration of the impact of its decisions on stakeholders and that their interests are balanced with corporate objectives. However, sometimes it may be necessary to make decisions that not all stakeholder groups find favourable. Thorough consideration is given to such decisions and steps to mitigate any negative impacts are sought and implemented as far as possible.

Not all engagement with stakeholders is made directly by the Board; engagement takes place at an operational level and is reported to the Board via the Executive Directors or through written reports from the Senior Leadership Team. Reports submitted to the Board highlight the impact of the subject matter, both positive and negative, and any long-term consequences, on a range of key stakeholders. This provides the Board with greater insight into the effect of our business on our stakeholders. The Board recognises that further visibility in respect of the engagement that takes place with customers and suppliers would be helpful and this will be an area of focus during the course of FY2021.

We have listened carefully to the views and feedback we have received from existing and prospective shareholders in respect of the Group's approach to ESG. The tone of this feedback over the last year has been to welcome the Group's approach to ESG, to encourage the business to create a greater awareness of its ESG activities as part of its investor communications and to further accelerate our existing sustainability initiatives, including those which form part of our capital investment programme.

Under section 172 of the Companies Act 2006, Directors must act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its stakeholders, having regard to the matters listed A-F below. Further details of where the Board incorporates consideration of these matters into its decision-making are referenced below:

A The likely consequences of any decision in the long term
A practical example of consideration of the long term consequences of Board decisions can be found on page 31.

B The interests of the Company's employees
See pages 29 and 31.

C The need to foster the Company's business relationships with suppliers, customers and others
See pages 29 and 30.

D The impact of the Company's operations on the community and the environment
See pages 30 and 31.

E The desirability of the Company maintaining a reputation for high standards of business conduct
See page 42 and 43.

F The need to act fairly as between members of the Company
See page 73.

COVID-19

Following the COVID-19 lockdown in March 2020 our Senior Leadership Team and operational teams regularly updated all our key stakeholders regarding the actions we were taking and how it affected them. We maintained close contact with our suppliers and customers to ensure continuity of supply to our customers, who were experiencing increased consumer demand as supermarket shelves emptied.

Swift action was taken by our Senior Leadership Team at our sites in the UK and US, and our office in China, to ensure the health and safety of those reduced numbers of employees continuing to work on site and frequent communication with all employees took place via email to keep them updated on developments as the crisis progressed.

The Board provided information to shareholders on the effects of COVID-19 in our trading updates on 7 April and 9 October, our half year results statement on 12 May and at subsequent investor presentations.

We worked with our local communities to provide a range of support measures through the pandemic, further details of which are on page 46.

Whilst COVID-19 remains a risk we will continue to engage with our key stakeholders, ensuring that the Board remains cognisant of their concerns and the effect of the issue on them.

Pages 29 and 30 sets out those we consider to be our key stakeholders and provides examples of how we have engaged with them during the course of the year.

COVID-19
CORONAVIRUS

In response to the pandemic emerging, our immediate priorities were the safety of our people and the continuation of our operations

WORKING RESPONSIBLY

Stakeholder engagement and S172

Employees

Why we engage:
Employees are essential to the success of our business; our culture drives business performance. Further details on our culture can be found on page 35

Key issues:
Regular, clear communication

Health and well-being

Training and development opportunities

Pay, benefits and share schemes

Open dialogue with the Board and management and opportunities to provide feedback

Details of all employee share schemes are on page 142

How we engaged:
Direct engagement took place through a variety of forms. The Board engaged via open door Employee Voice sessions led by the Chairman and designated Non-executive Director. The Executive Directors engaged through results presentations and the employee representative committee

Indirect engagement, reported to the Board via the Executive Directors and Senior Leadership Team, took the form of:

Site relocation open days

Regular leadership briefings and Town Hall meetings

Employee magazine

Wellbeing workshops and mental health awareness week

Employee of the quarter awards

Employee surveys

What we discussed:
Information on customer wins and Group results

Mental, physical and financial wellbeing

COVID-19

Sustainability

Core values

Flexible working

Executive remuneration

How we considered their interests:
The creation of a culture which promotes employee engagement and encourages questions and feedback throughout the management structure

Directors attended the UK and US sites and engaged with employees, although COVID-19 has prevented this engagement since March

Feedback received on any matter through Employee Voice sessions, further details of which are on page 69

Summaries of employee surveys are provided to the Board by HR

Shareholders

Why we engage:
Shareholder views inform our decision-making and engagement enables us to explain our strategic goals

Key issues:
Timely information on performance

Opportunities for engagement with management

Remuneration Policy

Sustainability

How we engaged:
The Board met with shareholders at the Annual General Meeting in January

Our Executive Directors met with current and prospective shareholders and presented annual and half year results

The Chair of the Remuneration Committee consulted with large shareholders on our remuneration policy for 2021 and the tenure of the Chairman (see pages 72 and 80 for further details)

Further details on our relationship with shareholders is on page 73

What we discussed:
Our financial results, providing opportunities for our shareholders to ask questions to better understand our business

COVID-19

Our new remuneration policy and the Chairman's tenure

Our approach to sustainability and their desire for its acceleration

How we considered their interests:
The Board was kept informed of all responses received as part of shareholder consultation

Feedback received from shareholders to our brokers following results presentations was shared with the Board

The Board considered and discussed the dividend policy

Customers

Why we engage:
It is important that we understand our customers' requirements to allow us to deliver the products and service they need and to develop innovative solutions for beverage and flavour and fragrance applications

Key issues:
Customer service

Innovative products

Product quality

Competitive pricing

Sustainability

How we engaged:
The Board indirectly engages with customers at an operational level:

Listening to our customers and their needs to tailor our innovation and products

Working with them on technical and regulatory matters that concern them, such as agricultural residues

Providing customers with our Market Intelligence Reports which provide comprehensive information on the raw material markets that are relevant to them

Visits and calls with customers with relevant Treatt specialists in attendance enables us to discuss market, technical, marketing and regulatory information

Webinars providing educational updates on certain raw materials

Updates through our website and direct communication

What we discussed:
COVID-19, ensuring customers were aware of our ability to meet their requirements through lockdown

Citrus and other raw material markets

Relocation to our new UK Headquarters in 2021

Impact of Brexit on customer deliveries

How we considered their interests:
The Board received regular updates from the CEO on the citrus markets, beverage sector performance and significant customers

Monthly business reviews provided details on customers and geographies and summaries of customer interactions

Engaging with our stakeholders

Suppliers

Why we engage:
We have a strong supplier base, located all over the world. To grow sustainably, we need strong supplier relationships to generate and capture value. We want to deal with those suppliers who are committed to Treatt and our values

Key issues:
Ethical conduct and integrity of our business practices

Payment practices

How we engaged:
The Board indirectly engages with suppliers through our Procurement Team, who are responsible for our supply chain relationships. They engaged with our suppliers through:

Supplier visits and regular virtual meetings

Virtual citrus global roadshow enabling suppliers to 'visit' our sites

Our Supplier Code of Conduct makes clear our expectations of suppliers when it comes to ethical behaviour and social and environmental responsibility

Initial qualification process and requalification every three years

What we discussed:
COVID-19; working together to maintain continuity of the supply chain and logistics routes through lockdown

Knowledge sharing

Strengthening relationships with key suppliers

Provenance and traceability

How we considered their interests:
The Board is committed to high standards of ethical business conduct and has a zero-tolerance approach to bribery and corruption

The Board reviewed the Group's Anti-Slavery & Human Trafficking Policy

Communities

Why we engage:
We care deeply about the communities in which we operate and have spent time developing relationships with our local communities to provide support and opportunities where we are able to do so

Key issues:
Support local and national charities and initiatives

Contribute positively to local communities

Create opportunities to recruit and develop local people

Health and safety standard of our facilities

How we engaged:
Community relationships are managed locally with involvement of the CEO, with each business focusing on communities important to them

Providing financial and non-financial donations to community projects and charities

Provision of work experience, internships and sponsorship of academic and careers events

Workforce volunteering

Local press releases

Further details of our work with local communities can be found on pages 30 to 47

What we discussed:
Providing assistance during COVID-19 lockdown through financial donations, food donations and by manufacturing and donating hand sanitiser to care homes

Proactive support for local schools and colleges to create STEM resources and careers guidance that students could access from home

Providing volunteer hours, donations, and equipment to assist local charities through the COVID-19 pandemic

How we considered their interests:
The Board recognises the importance of contributing to our communities and considered the long-term impact of our operations on them

The Board was made aware of our work with our communities

Environment

Why we engage:
We aim to make a positive contribution to our environment and the sustainability of our products

Key issues:
Controlling the environmental impact of the Group's operations

Improving the sustainability of the business and its operations

Further details, including emissions data, can be found on page 42

How we engaged:
Embedding sustainable practices throughout the Group was a central theme during the Board's strategy sessions

Other engagement has taken place indirectly with members of the UK relocation project team working hard to ensure that the project delivers a building with good environmental credentials

Research is being undertaken on fruit and vegetable waste streams and how waste might be reduced, reused or recycled

What we discussed:
The project team engaged with local planners on the landscaping scheme at the new UK Headquarters and the provision of appropriate facilities to encourage employees to consider their environmental impact from travel to work

The Senior Leadership Team has engaged a consultant to work with us on our sustainability strategy and the embedding of sustainable practices throughout the Group

How we considered the environment:
The Board is conscious of the Group's impact on the environment and the recent US expansion and current UK relocation provided an opportunity to improve the environmental impact of the buildings from which the Group will operate

WORKING RESPONSIBLY

Stakeholder engagement and S172

Board decision-making in practice

One of the decisions made during the course of the year was the disposal of the Kenyan businesses to local management for a nominal sum. The former Earthoil businesses, which had not been included as part of the sale of Earthoil Plantations Limited in May 2018, were loss-making and not considered core to Treatt's activities. In making this decision the Board took into account the interests of all stakeholders. To provide an example of how the Board considers stakeholders, a summary of stakeholder views in respect of this matter is set out below:

Employees

Employees want Treatt to provide security and opportunities for the future. They want to be kept informed of changes in the business and to be listened to where changes affect them.

The Kenyan operations employ approximately 70 people. In order to try and secure the future of these operations, management made a proposal to Treatt, which provided an opportunity to turn the businesses around and secure the employment of many of the Kenyan employees. By leaving the Treatt Group there was an opportunity to grow the customer base to increase the likelihood of making the businesses profitable.

The Kenyan operations were relatively standalone so the majority of employees in the rest of the Treatt Group were not significantly impacted by the disposal but those who worked closely with Kenya were aware of the aim to dispose of the businesses to enable them to focus on their core functions.

Shareholders

Our shareholders want us to act responsibly in maximising returns, making decisions that support our strategic objectives to grow our business in a sustainable way.

The remaining Kenyan operations were no longer core to our strategy and did not support our business model or product categories, which precluded further investment in them. They had been considered as a disposal group since the sale of Earthoil Plantations Limited and were loss-making. We had been unsuccessful in finding a commercial buyer for the group and transfer to management for a nominal fee would prevent further losses and enable focus on Treatt's core business.

Customers

Our customers want us to deliver the products they need and to develop innovative solutions for beverage and flavour and fragrance applications whilst acting in a responsible way.

There is little overlap between the customers of Treatt and those of the Kenyan business, where products are primarily for the personal care industry. The disposal allows Treatt to focus on its core business and invest in areas which will support customer needs. It will also allow the Kenyan operations to grow their customer base and provide an alternative source of products to support customer requirements.

Suppliers

Our suppliers want us to treat them fairly, to pay an appropriate price for the raw materials we purchase and to act ethically.

The Kenyan operations support over 900 farmers through the purchase of their oil and through the Fair Trade Fund and partnership with KOOFA (Kenyan Organic Oil Farmers Association). The longevity of the Kenyan operations was vital to the farmers and their families and the disposal enabled local management to work with its stakeholders to secure the future of the businesses. The suppliers of Treatt are unaffected by the disposal.

Communities

Our communities want us to continue to support them with local causes and issues and provide opportunities for people within the community.

The partnership with KOOFA and the Fair Trade Fund not only assists the farmers but also provides support to the local community through various initiatives including the provision of water tanks and educational scholarships. Providing local management with an opportunity to secure the future of the operations and expand the customer base will ultimately benefit the local communities.

Environment

This calls for us to minimise the impact of the Group's operations on the environment by working to ensure greater energy efficiency and sustainable working practices.

By enabling local management to buy-out the operations the local fair trade and organic operations can continue.

WORKING RESPONSIBLY

We give EXCEPTIONAL PEOPLE the freedom to do great things

People and culture

Treatt's supportive, collaborative culture is integral to the Group's success, and we take pride in our commitment to nurture and develop our employees. We attract exceptional people who are genuinely passionate about what they do. Our values are the fuel that drives the culture and success of our growing business. They are the bedrock of our organisation as they were created, owned and championed by our team of over 350 employees over three continents. This has shaped a culture where our employees are excited about their career and work together in an inclusive, diverse and inviting environment where they can uncover their true potential and thrive. Investing in our culture is integral to our business strategy. It differentiates us in a competitive marketplace and we believe investing in it is a critical part of why our customers choose to work with us time and time again.

Committed to developing our culture

A great place to work

At Treatt we try to think holistically and consider the whole person when we make decisions relating to our people; we want to be a great all-round employer. Our size makes us more agile, able to respond with ease and pace to the changing needs of our workforce. Most importantly, we want to get it right; we want to ensure that employees have the best experience of working at Treatt. With an engaged and motivated workforce, our customers will have an exceptional experience, and they will keep coming back for more. Our drive for a continuous cycle of employee engagement remains a key focus.

Committed to developing our people

The Group continues to invest in the development of our employees and recognises the huge value we add to the business when we grow and nurture our own people. The successful introduction of a global performance management programme has created the opportunity to explore individual performance by evaluating and aligning each employee's potential with individual future development plans.

A wide variety of training programmes are available to develop the skills required to be successful at Treatt, ranging from those needed for mandatory compliance and formal professional qualifications to targeted personal development. £125,000 was invested in staff training and development in 2020. Fortunately, during the COVID-19 pandemic, it has not been necessary for Treatt to furlough any employees or make redundancies or lay-offs. In fact, we have experienced an increase in vacancies due to additional headcount requirements within our sales and operations teams to support business demand, particularly in the US, and the relocation to our new UK Headquarters.

Wellbeing

A healthy workforce is important to Treatt, and we acknowledge our duty of care in supporting staff with their wellbeing. The Group is committed to providing everyone with effective education, support and signposting, to help them understand their own wellbeing and the positive part they can play in supporting their colleagues. Our Wellbeing Action Plan was formally created last year with a primary goal – think well, live well and be well. We strive to create the conditions where all team members can thrive, by challenging behaviours that undermine wellbeing and by educating the entire Treatt community. This is a holistic programme that focusses on the multiple factors affecting wellbeing: physical health, financial health, emotional health, attitudes at work, relationships and self-esteem.

In the UK we are piloting an intensive programme, which includes the introduction of wellbeing staff representatives, and activity weeks focusing on particular areas of the programme. Much of the programme for 2020 has been delivered remotely and has proven to be an extremely effective support for our staff through the COVID-19 lockdown. The wide variety of wellbeing initiatives includes external speakers, a packed social calendar of events, dedicated wellbeing resources and nutritional advice alongside the provision of free fresh fruit and subsidised exercise opportunities.

PHYSICAL HEALTH	FINANCIAL HEALTH	EMOTIONAL HEALTH
ATTITUDES AT WORK	RELATIONSHIPS	SELF-ESTEEM

WORKING RESPONSIBLY

COVID-19
CORONAVIRUS

Teamwork and remote knowledge sharing have been the key factors that have contributed to our success during this period, and our capacity to pull together with key personnel and departments epitomises the pride and passion of Treatt as a whole.

See our Strategy section on **page 16**

Flexibility

Recognising the shift in employee expectations through the pandemic, we know that success can be achieved through a wider variety of working styles. Being cognisant of business needs and different roles within the business we are accelerating the flexible working agenda across the Group, to maximise opportunities for employees to choose their working arrangements, whilst ensuring we protect our Treatt culture and values. We recognise that there are many benefits of working flexibly, both to our people and the Group, and we will continue to explore these fully. Our family friendly policies and supportive work environment support the attraction and retention of talent. Voluntary employee turnover across the Group for 2020 is at 6.3%.

Benefits

At Treatt, we have always recognised that the benefits we offer are an important part of looking after our people and we are committed to creating the best employee experience. We offer our employees a wide range of benefits globally to enhance their work and home life as well as financial stability, which are tailored to the needs of employees at each location. We see wellbeing as a very important element of our benefits package and many of our offerings have been developed with our employee's wellbeing at the forefront of our mind. We are continually reviewing the effectiveness of our benefits to ensure they meet the changing needs of our people.

Community matters

Treatt has a very genuine responsibility to the communities in which we operate; to support them both financially and with resource. We also recognise that by enabling our staff to do something for the community in which they live and work, it will aid their sense of greater purpose and community spirit. We recognise the importance of providing our people with the opportunity to make a difference to our local communities and we actively encourage the exploration of opportunities to lend a helping hand to local causes. We continue to partner with local organisations and schools to enhance the educational opportunities to the future working generation. In the UK we have two members of staff fulfilling the role of Enterprise Network Advisors, partnered to support a local high school in Bury St. Edmunds; this work is so pivotal to preparing children for the working world, and giving something back to the community.

Our benefits include:

Wellbeing and health benefits

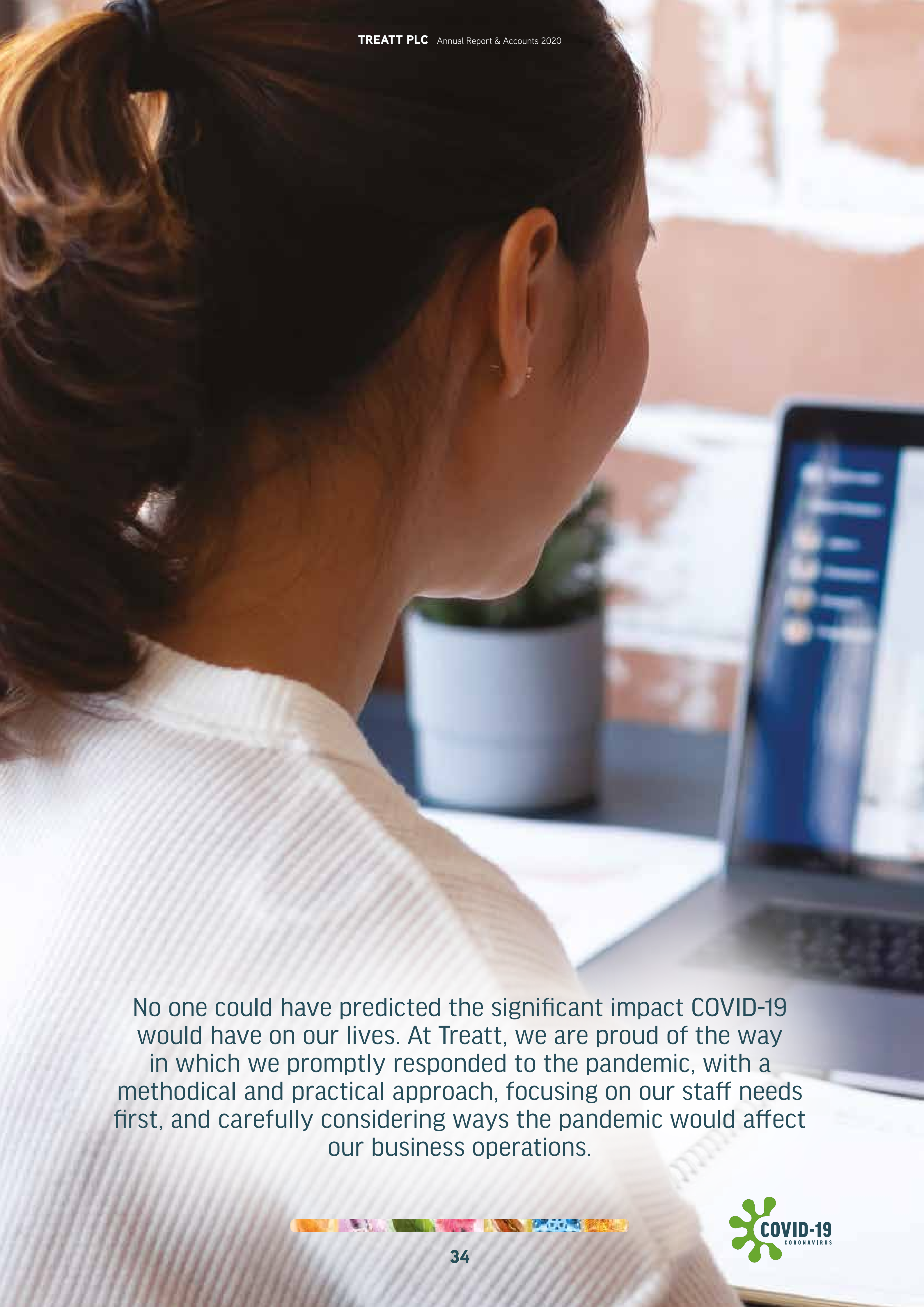
- Responsibility-based flexibility allows our employees to work flexibly while supporting the needs of the business
- Wellbeing initiatives
- Annual leave plus additional leave for Christmas shutdown and Holiday Purchase Scheme
- Health cover and health cash plans alongside generous sick pay and Group Income Protection schemes

Financial and recognition benefits

- Competitive salary and annual bonus based on performance of the Group
- UK Share Incentive Plan providing free/partnership/matching/dividend shares and equivalent free stock for US employees alongside UK and US Share Save schemes
- Competitive pension and 401K schemes
- Tax efficient cycle to work and technology schemes

Development benefits

- Annual performance review programme to support development within the business, including succession planning and personal development plans
- Company-wide mentoring scheme to share valuable expertise within the business
- Extensive training and development budget to support the ongoing development of our employees including a wide variety of professional qualifications and short courses



No one could have predicted the significant impact COVID-19 would have on our lives. At Treatt, we are proud of the way in which we promptly responded to the pandemic, with a methodical and practical approach, focusing on our staff needs first, and carefully considering ways the pandemic would affect our business operations.

COVID-19
CORONAVIRUS

STRATEGY IN ACTION

Investing in our culture

COMMITTED TO DEVELOPING OUR CULTURE

Throughout the pandemic Treatt has remained focused on our staff welfare, protecting our business, and supporting the local communities in which we operate. Our staff have responded seamlessly to the changes in the way we work, innovatively creating new ways to undertake their normal duties, demonstrating adaptability and a great deal of resilience. We are very proud of the contribution our staff make to ensure we continue to deliver an exceptional service to our customers.

DEMONSTRATING OUR S172 DUTIES

To be an employer of choice, offering something different from other employers with wellbeing, flexibility and work-life balance a priority, is central the culture of our business. That our shared values encourage our employees to go the extra mile for each other and for our customers has been compellingly evidenced during COVID-19. In our UK employee pandemic experience survey, 91% of employees felt cared for at Treatt and 94% recognised the steps we have taken to look after their health and wellbeing.

- LEVERAGING STRONG AND COLLABORATIVE CULTURE DURING COVID-19 PANDEMIC
- STAFF SUPPORTED WITH WELLBEING, FOOD, AND ESSENTIAL ITEMS
- NO STAFF FURLOUGHED
- CULTURE AT THE HEART OF EVERYTHING WE DO
- REGULAR REMOTE VIDEO MEETINGS ACROSS GLOBAL OPERATIONS
- MANUFACTURED HAND SANITISER DONATED TO LOCAL COMMUNITY
- EMPLOYEE RETURN TO NURSING – TREATT FUNDING SALARY
- SUPPORTING STAFF DEVELOPMENT

See our Our Ambition & Strategy on **pages 16 and 17**

STRATEGIC REPORT

WORKING RESPONSIBLY

Diversity and inclusion

Diversity is a key aspect of our approach to resourcing the needs of the business, developing our colleagues and recruiting new talent. We truly believe that a performance culture that promotes understanding and appreciation of all perspectives, backgrounds and experiences is integral to creativity and competitive advantage. Our approach to diversity and inclusivity underpins our culture and sets out the standards for building inclusive behaviours. We aim to create an inclusive environment that values all differences in people, as diverse teams are more likely to be innovative when drawing from cultural differences and experiences. We also feel that a diverse and inclusive environment ensures that everyone feels valued and can perform at their best.

Gender diversity across the Group shows the strong representation of women in management and senior roles. At Treatt, we recognise the importance of improving women's visibility in roles such as chemical engineering that have traditionally reflected societal stereotypes. Making these sectors more inclusive will provide role models and encourage the future generations of engineers to pursue careers in these fields.

Whilst acknowledging the benefits of diversity, individual appointments are made irrespective of personal characteristics such as race, disability, gender, sexual identification and orientation, religion or age.

Position	Male	Female	Total
Group Directors	7	2	9
Senior Managers	5	4	9
Direct reports of Senior Managers	27	31	58
Other Employees	181	110	291
Total Employees[1]	220	147	367

1 Actual number of employees at the year-end date. This differs to the headcount in note 6 to the financial statements which is the average number of employees during the year.

Health and safety

Health and Safety continues to be a priority with all areas of the business striving to improve their safety risk control. The Group's ongoing investment in health and safety continued during the financial year, despite obvious challenges and this has remained at the forefront of all site operations. We have continued our programme of general and process safety audits; and have shared findings across both the UK and US sites.

Our plan of competency training for high risk procedures has also continued. This competence framework allows us to monitor individual staff attainment and progress, which feeds into our staff performance management programme.

We have Health & Safety Committees in the UK and US, which meet regularly and are attended by senior management. All areas of the business are involved with minutes and agendas published internally. The formation of health and safety policies and procedures is done in collaboration with employees across the Group who provide feedback concerns and questions, as well as contribute to the identification of engineering and administrative controls that could potentially reduce or eliminate possible accidents. Where employees are required to be competent in a skill or procedure (safety critical), they are assessed by a trained competence assessor and the dialogue and outcome recorded. All policies and procedures are document controlled and accessible via our online portal.

All employees have training requirements identified related to their role. This includes general induction to health and safety and COMAH (Control of Major Accident Hazards).

CASE STUDY

A Story from the Front-Line

I have worked at Treatt for over four years as the Health and Safety Manager based in the UK. I started my working career initially as an engineer and then as an NHS Nurse in London, specialising in Acute, Emergency and Intensive Care. After 13 years on the front-line I moved into Occupational Health and Workplace Wellbeing. I have since worked in manufacturing and the public sector but maintained my nursing registration over the last 30 years.

During the initial, overwhelming, phase of the recent pandemic I was contacted, (along with all qualified nurses) to support the NHS. With the support of Treatt and my colleagues I retrieved my stethoscope and commenced a short induction course at the local NHS hospital in Bury St. Edmunds.

Although it had been 20 years since I worked in intensive care I found that I had retained a lot of the underlying knowledge of patient care and supportive treatments. The technology has changed and is more computer-based; a change from the big patient paper charts that we used to fill in with different colour pens!

During the pandemic I worked at West Suffolk Hospital in the intensive care unit and at the new Papworth Hospital in Cambridge, looking after COVID-19 patients. It was hard, hot and stressful work, self-isolating from my family and friends. You spend the whole 12 ½ hour shift wearing a mask, gown, one or two pairs of gloves and a visor or safety glasses.

I have been amazed at my fellow nurses, doctors and all other NHS and key workers. They all put themselves on the front-line during this crisis.

Treatt supported my return to the NHS and my colleagues covered my role for me. If we can take one small positive from this year – it is how we all did what we could, whether it was continuing to do our job, isolating, shielding or helping others.

Ken Ferguson
Health & Safety Manager

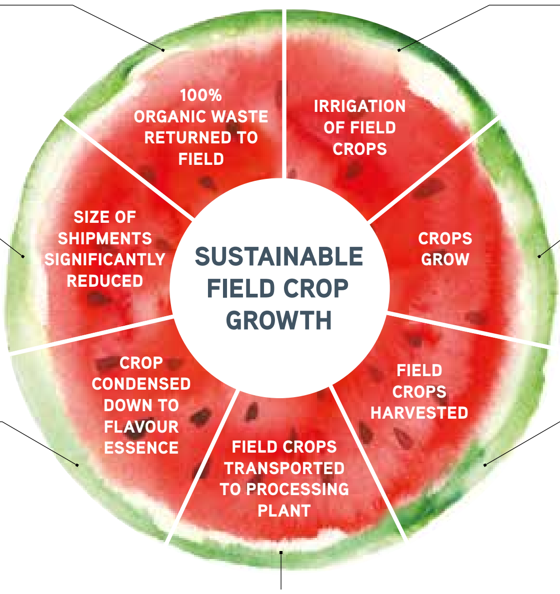
WORKING RESPONSIBLY

CASE STUDY
SUSTAINABLE FIELD CROP GROWTH – NATURAL WATERMELON EXTRACT

The pulp and wastewater is collected from our plant for use as a fertiliser, returning nutrients to the soil.

Where possible, crop irrigation is solely dependent on rainfall and where necessary augmented with irrigation using on-location pumped well water.

Shipping a concentrated extract enables us to ship all over the world with a lower impact on emissions compared to shipping an entire truck of fruit or a less concentrated extract.



Adopting good agricultural practices in accordance with growing certificates, such as GMO-free.

Our unique solvent-free processes are used to ensure maximum flavour is achieved in minimum quantity.

Local farmers and labour used, creating seasonal employment opportunities.

Local transportation companies are used and distances covered are often as little as 30 miles, meaning lower emissions and costs.

Depending on their role further training is given for Control of Substances Hazardous to Health (COSHH), Risk Assessment, Food Safety, Manual Handling and Dangerous Substances and Explosive Areas (DSEAR). Team leaders and Managers are expected to attain further IOSH (Institution of Occupational Safety and Health) or NEBOSH (National Examination Board in Occupational Safety and Health) safety qualifications as part of their role. Additional training is given to our Safety, Health and Environment Champions, who are employee representatives with additional health and safety responsibilities, for which they receive payment, ensuring that safety remains a top priority of the business. Relevant employees have appropriate task safety training such as process safety, confined space or scaffolding.

We use a Management of Change process and follow the hierarchy of controls and review tasks by risk assessment or a Hazard Operability study to understand impact and how risk can be mitigated or eliminated. If a significant risk remains it will be reviewed via the Health and Safety, Chemical and Process or Quality steering meetings which will ensure the risk has been reduced as far as is reasonably practicable and agree a way forward, which may be adopting alternate methodology, further investment or a decision to cease the activity. Chemical exposure is a significant concern and we manage such exposure via a specific New Chemical Review Group prior to new substances being brought on site. We encourage reporting as part of our no blame culture. We have an internal Active and Open Concern Recording System as well as a Quality Concern Raising System that is run by a third-party, which enables employees to anonymously raise issues of concern. All employees are also able to highlight concerns via the Safety, Health and Environment Champions in all areas of the workplace or through line managers.

During the last 12 months we have increased our UK-based Health and Safety team to specifically work alongside contractors as safety partners in the design of the new UK Headquarters, specifically with regards to security, spill control, hazardous area assessment and control of potentially explosive atmospheres. Both our existing UK site and our new UK Headquarters are designated as upper tier sites under COMAH; this is regulated by a Competent Authority, being the Health and Safety Executive and the Environment Agency. The main aim of the regulations is to prevent and mitigate the effects of major accidents involving substances which can cause damage or harm to people and/or the environment. As well as staff and site visitors we have to consider and consult our nearest neighbours, both business owners and local residents.

Environment

The Group is committed to good environmental practices. It places importance on the impact of its operations on the environment and on ensuring that it operates and adopts responsible practices.

Our business very much relies on the sustainability of nature's bounty. Climate change and resource scarcity are matters of deep concern not only to humanity generally but also to Treatt in particular. Robust, high quality and affordable crops of our natural ingredients are essential, whether oranges or tea, watermelon or honey, limes or roses. Whatever the raw material we work with, we are passionate about its sustainability. From carbon emissions to the use of water, from reduced sugar to optimal natural extraction, the Group strives to be at the forefront of first-rate stewardship. At the end of last year, we were invited to take part in the IFRA-IOFI Sustainability Initiative. In August 2020 we were welcomed as a member of the Florida Orange Sustainability Project; a collaboration of key industry players who engage to collectively accelerate the widespread adoption of sustainable agricultural practices.

WORKING RESPONSIBLY

Environmental performance and strategy

The Group continues to manage energy, fuel and waste disposal with the aim of lessening our environmental impact whilst reducing cost and improving efficiencies. In accordance with The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the Group is required to report its greenhouse gas emissions. The release of greenhouse gases, notably carbon dioxide generated by burning fossil fuels, is understood to have an impact on global temperatures, weather patterns and weather severity, which can directly and indirectly affect the Group's business.

As a supplier of natural ingredients, we are constantly reminded of the many factors that can influence price increases and present supply challenges. Consolidation of supply from source, fresh fruit market prices, changes in political and economical climates, major fluctuation in supply versus demand, as well as adverse weather conditions and disease are the main drivers of volatility.

Weather conditions have a direct impact on fresh crop production. To help keep up with our customer's demands we need to understand how environmental factors impact climate change and ensure our production practices consider sustainability and consistency at their core. Over the course of this year so far, there has been a drought in Brazil, abnormally hot, dry and windy weather conditions in Florida and the most significant Saharan dust cloud in 50 years in the Gulf of Mexico. Droughts and high temperatures directly impact fruit size and overall crop yields. COVID-19 has also impacted both the processing industries and fresh fruit markets worldwide. The fresh fruit market in particular felt the effects, as people were forced to stay in their homes, causing a rapid drop in demand, with the exception of consumer demand for fresh lemons for their high Vitamin C content, well-known for its immune boosting properties. As markets fluctuate, it is never more important to work in partnership with our suppliers. The strength of having global strategic supply alliances comes into play when we are challenged with such radical volatility of natural crops and having access to these sources is key to being able to mitigate risk and drive business growth.

We are constantly looking at how we can reduce waste and our environmental impact. The introduction of a paperless policy and the reduction of freestanding waste bins has been effective in encouraging thoughtful recycling and disposal. We are continuing to reduce the number of printed copies of the report and accounts required to be posted to shareholders, ensuring our financial reporting process has a reduced environmental impact.

The completed site expansion at Treatt USA provides us with the benefit of modernised facilities and cost-effective infrastructure which continues to reduce the environmental impact of our business and we look forward to similar opportunities from our new UK Headquarters in 2021.

Our new UK Headquarters Relocation Team has been working on the internal finishes of the facility, to design an appropriate and cost-effective infrastructure that will help to reduce the environmental impact of the buildings. The building is being constructed to a BREEAM rating of 'very good', a performance equivalent to the top 25% of UK non-domestic buildings. Having worked with assessors to measure expected ratings, covering everything from energy and water use to waste and pollution, new plant equipment has been purchased and is beginning to be installed and tested. We have also worked with an ecologist to ensure habitat improvements including trees, hedgerows, grassland and shrubs that will provide foraging and nesting opportunities for a number of bird and invertebrate species, ensuring that any detrimental impact of our building on the wildlife is minimised.

The interior of the office building in the new facility has been designed, where possible, with sustainability in mind. Many of the materials proposed have a high level of recycled content such as counter tops formed from fully recycled yoghurt pots, carpeting made with over 45% recycled materials and internal branding made from 100% natural moss, which, together with some of the other flooring selections are all carbon neutral. Acoustic features are made from 100% recycled materials, 60% of which is from recycled PET bottles, the fibres from which support safer indoor air quality and will not become a potential airborne pollutant; lighting pendants made from 100% recycled materials feature throughout the office building.

CASE STUDY

ZERO WASTE PRODUCTION

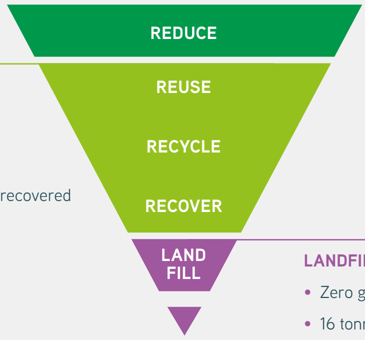
from 1,000kg of fresh oranges

1 Brix is a measure of the amount of dissolved sugar in a liquid.

WORKING RESPONSIBLY

CASE STUDY

WASTE MANAGEMENT PYRAMID



As a business, we have a responsibility to ensure we produce, store, transport and dispose of business waste to reduce our impact on the environment.

REUSE/RECYCLE/RECOVER

- 97% of total waste in the UK is reused, recycled or energy recovered including 100% of general waste and 57.5% of hazardous waste
- 25% of total waste in the US is reused, recycled or energy recovered
- 100% of UK used drums are reused or recycled
- 6.3 tonnes of UK cardboard is recycled or recovered
- 100% of pallets are reused or recycled across the Group

LANDFILL

- Zero general waste to landfill in the UK
- 16 tonnes of aged product, unsuitable for recycling or recovery, was sent to landfill (accounting for just 3% of all waste)
- 66.7% of general waste was sent to landfill in the US

We are responsible for our waste from the point it is produced, until we have transferred it to an authorised body. However, our duty of care for the waste we produce does not end there and extends along the entire chain of waste management. We need to ensure that the company that accepts our waste holds the relevant registrations and permits for transportation and final recovery or disposal. Alternatives that use less resources and produce less waste are always a consideration at Treatt; new purpose-built facilities along with new ways of working will provide opportunities to do things differently, with the environment in mind.

The hierarchy of waste management can be used to focus our efforts to reduce waste first and ensure as little as possible goes to landfill.

Alongside the introduction of our paperless policy in the UK, by only buying recycled paper, we have made the following differences to the environment:

1,974	4.57m^3	1,184	63,168	34
KGS OF RECYCLED PAPER USED	LANDFILL WASTE SAVED	CO_2 EMISSIONS SAVED (KG)	LITRES WATER SAVED	TREES SAVED

Much of the furniture is also made from recycled content and comes with environmental product declarations. One of the predominant fabrics intended for the furniture is made from 95% wool and has the EU Ecolabel. The manufacturer also partners with Just A Drop, the international water aid charity, and for every metre of fabric they sell, they make a donation to a specific project around the world, helping to provide clean and safe water to those in need. Feature walls will be painted in water-based paint with a minimal/low VOC so as not to impact air quality.

How we utilise the space compared with our current UK facility is also part of our sustainable drive. Consolidation of printers, new AV equipment and increased use of portable devices all go to support a more paperless way of working throughout. More meetings are planned to take place in our dedicated video conferencing rooms rather than requiring travel.

Waste

A consistent theme in the Group's environmental ethos is a commitment to recycle as much waste as possible and constant improvements are being sought in the reduction of waste streams. At our UK site, 57.5% of hazardous waste was recycled and/or recovered (2019: 63%) and 100% of used drums have been recycled (2019: 100%). 97.1% of our total waste was diverted from landfill, with a total of 544 tonnes of waste being recycled or sent to energy recovery facilities for electricity generation. Use of the cardboard skip for production packaging, introduced in August 2018 as a dedicated waste stream, has increased with 6.3 tonnes being diverted from general waste for recycling or recovery (2019: 4 tonnes). In addition, waste oil with a calorific value is sent for use as biomass, thereby further reducing the Group's carbon footprint and eliminating disposal costs. At Treatt USA, 318 tonnes of waste (25% of total waste produced) was recycled or recovered. All plastic and wooden pallets are sent for recycling in full loads.

Water

Ongoing process reviews and improvements have continued to be routinely undertaken. At Treatt USA, increased production combined with our recent manufacturing expansion has necessitated a close working relationship with the Municipal Water and Wastewater Department as well as the Lakeland Economic Development Council to understand and manage our water use and wastewater discharge. To gain a better understanding of our waste streams, we are currently securing quotes to install a wastewater flowmeter. This will allow us to quantify our wastewater and give us a powerful tool in our waste reduction efforts. New product development has resulted in us re-examining our use of de-ionised water. We are transitioning from de-ionising to reverse osmosis for all our treated water, which will provide significant economic savings and reduce our water consumption. The installation of a third well in addition to increasing the depth of our injection wells, has led to an improvement in our cooling capacity without resorting to less sustainable equipment. Installation of automatic water valves for hand sinks and water closets enhances our conservation of potable water. We remain committed to identifying and implementing improvements in our use of water and the move to the new UK Headquarters in 2021 will assist us to improve our water efficiency in the UK.

STRATEGY IN ACTION

Reducing our environmental impact

EMBEDDING SUSTAINABILITY

throughout the business

Sustainability has never been such an important factor in how businesses are scrutinised by customers, investors, employees, and society as a whole. At Treatt, sustainability is a core focus and we are committed to enhancing our sustainability responsibilities across the Group. A focus at Board level, discussions on the importance of sustainability as our product lines evolve and our employee numbers expand, keep sustainability factors at the forefront of business growth. We aim to strengthen our sustainability credentials and embed sustainable practices across the Group. We believe transparency is key with regards to demonstrating to our stakeholders how we perform against our sustainability ambitions.

DEMONSTRATING OUR S172 DUTIES

Our customers want greater transparency of our sustainability; of our environmental, social and governance (ESG) factors. We have engaged an experienced consultancy to help us further develop our sustainability strategy and to embed it across the business. We will improve our reporting of ESG factors so that our customers and wider stakeholders understand the actions we are taking. The sustainability page on our website has already been improved.

GROWING NATURAL PORTFOLIO AND SUSTAINABILITY DRIVE

TRANSPORTING GOODS VIA LOGISTICS GROUPS WORKING AS PART OF THE SUSTAINABLE SHIPPING INCENTIVE

NATURAL SUPPLY CHAIN

PURPOSE-BUILT ENERGY EFFICIENT PREMISES

See our Our Ambition & Strategy on **pages 16 and 17**

WORKING RESPONSIBLY

SUSTAINABLE SHIPPING

We believe in our duty to improve the sustainability of our logistical operations. We actively work with agents who are committed to reducing CO_2 emissions through their own sustainability strategy, which allows us to make a conscious choice when securing freight transportation. With the Sustainable Shipping Incentive bringing leading companies together with the aim of creating a sustainable industry by 2040, Treatt can be confident that sending our products around the world will contribute to this effort. We have increased our use of these sustainable shipping companies to approximately 23% of our shipments from the UK compared to approximately 13% in 2019.

Water efficiency

	2020	2019
Total water used (m^3)	63,011	55,596
Water efficiency (litres per kg of product shipped)	7.06	7.37

The increase in water consumption primarily results from an overall increase in production in the US and a change in the mix of products towards those which use more water during processing.

Our SECR approach

The Group has adopted a greenhouse gas reporting policy and a management system based on the ISO 14064-1:2006 methodology, which has been used to calculate the Group's Scope 1 and 2 emissions in 2020 for activities within the operational control of the Group. It is not currently intended to report Scope 3 emissions. The Group completed a compliance report in December 2019 with regards to Phase 2 of the Energy Saving Opportunity Scheme, which the UK Government established to implement Article 8 (4 to 6) of the EU Energy Efficiency Directive (2012/27/EU) and is administered by the Environment Agency. The Group's GHG reporting is also in line with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implemented the government's policy on Streamlined Energy and Carbon Reporting (SECR).

In measuring the Group's greenhouse gas emissions, the sales office in China has been excluded on the basis that emissions from utility consumption, which is included in the rent, is estimated to be less than a materiality threshold of 5% of overall Group emissions. Data has been accurately recorded from invoices, meter and mileage readings. GHG emissions detailed in the table have been calculated using the appropriate 2020 DEFRA conversion factors, except for overseas electricity which used the 2015 IEA conversion factor for reporting consistency.

The Group's UK site continues to operate under the threshold limits of the Solvent Emissions Directive 1999/13/EC for the industry at less than 1.5 tonnes, with the threshold limit set at 10 tonnes. Group Chiller Operating CO_2 emissions are 206 tonnes (2019: 104 tonnes). This increase is due to the completion and full operational use of the improved site in the USA which incorporates greater chilling equipment to support increased production. Total GHG CO_2 emissions for Scope 1 and Scope 2 have increased to 3,640 tonnes (2019: 3,529 tonnes). This is primarily a result of increased energy consumption at Treatt USA related to an increase in production. The UK site has seen a decrease in Scope 1 and 2 emissions against last year despite an increase in production.

Measures have been taken to improve the energy efficiency of our new UK Headquarters, which is being constructed to a BREEAM 'very good' rating. Energy efficiency measures have been utilised throughout the building including in relation to lighting, thermal efficiency of materials and incorporation of a building management system and a HVAC system (heating, ventilation and air conditioning).

The expansion of the US facility, which was completed last year, also incorporated similar energy efficiency measures throughout.

In the UK, 100% of our electricity is provided from renewable resources through renewable electricity contracts.

GHG emissions

	2020	2019
Scope 1 – Direct emissions (tonnes CO_2e)	1,706	1,864
Scope 2 – Indirect emissions (tonnes CO_2e)	1,934	1,665
Total emissions (tonnes CO_2e)	3,640	3,529
gCO_2 emissions per kg of product shipped	408	476

Energy and transport fuel consumed

	2020 (MWh)
UK operations	3,817
International operations	9,198
Group	13,015

*This is the first year the Group is reporting this data so no previous data available for comparison.

Business integrity and ethics

We work in partnership with our suppliers to bring our customers the latest from the world's key growing regions, to mitigate risk and drive business growth. A global team expertly manage the procurement of over 2,500 products across our seven product categories, each with its own unique supply chain. Our expertise and skill is a core part of our Group's value proposition and is integral to how we consistently deliver excellence to our customers. As markets continue to fluctuate, it has never been more important to keep all lines of communication open.

WORKING RESPONSIBLY

During COVID-19 we have continued to work closely with various stakeholders and have adapted measures required to ensure that business can continue in as normal a fashion as possible. Such measures have included looking at our payments and receipts processes and, if necessary, facilitating restructuring of payment terms and other considerations, to ensure those further down the supply chain are not forced into financial difficulties because of the unprecedented strains experienced due to COVID-19. Our proven ability to provide our customers with consistently high-quality products is testament to the strategic investment in our relationships with raw material farmers, producers and processors.

As a leading ingredients manufacturer, we take huge pride in the stability and transparency of our supply chains. Our sustainability commitments are graded on a global scale. We have been awarded the Silver Standard by Ecovadis, who provide a ratings platform to assess corporate social responsibility and sustainable procurement. We have also submitted the in-depth sustainability questionnaire compiled by CDP (formerly Carbon Disclosure Project) who operate a non-profit global environmental disclosure platform. We feel strongly that these initiatives not only provide a benchmark for our performance but also enable us to see where we can improve the sustainability of our own business, as well as contribute to collaborations to further the industry's sustainability as a whole.

The Group is also a member of Sedex, a global membership organisation dedicated to driving improvements in ethical and responsible business practices in global supply chains. They use a collaborative approach to help buyers and suppliers share and exchange data, helping improve management of social and environmental risks within our supply chain, and positively impact responsible sourcing. We are also proud to be accredited to use the Rainforest Alliance Green Frog certification seal for certain products, which indicates that the Group meets standards that require environmental, social, and economic sustainability. To support our beliefs, we are committed to meeting the Ethical Trading Initiative best practice requirements.

Supplier code of conduct

Ethical concerns and human rights issues have always played an important role in our Group's philosophy and our Supplier Code of Conduct details the standards of behaviour which Treatt regards as acceptable. We place supplier integrity and adherence to high level ethical standards above everything, including purchase price. Provision of a safe, clean working environment, free from discrimination, coercion and the use of child or forced labour is a basic right of all employees, which Treatt expects of its business partners as a minimum standard. The Supplier Code of Conduct also sets out the standards expected with regard to anti-bribery and corruption, modern slavery, health and safety and good environmental practices. The Code of Conduct, which is published on our website, forms part of the raw material supplier evaluation process and the approval of any new supplier will be subject to their acknowledgement that they materially comply with its provisions. Suppliers are revalidated every three years and must reconfirm their compliance with the Code of Conduct as part of that process. We do not deal with suppliers who do not pass our high ethical standards or comply with our Code of Conduct.

Human rights

Treatt complies with the full requirements of the Ethical Trading Initiative Base Code, which is founded on the conventions of the International Labour Organisation and is an internationally recognised code of labour practice. It is a requirement of doing business with Treatt that our suppliers comply with the Base Code.

Anti-bribery and corruption

Treatt has a zero-tolerance policy as regards bribery and corruption. This extends to all businesses and transactions and includes a prohibition on offering or receiving inappropriate gifts or levels of hospitality. The Board reviews anti-corruption policies, which are communicated and accessible to all Group staff, on a biennial basis to ensure that they remain appropriate. Any changes to policies are communicated across the Group. All staff receive anti-bribery and anti-facilitation of tax evasion training on joining the Group. A new interactive training platform is being rolled out across the Group to furnish our employees with an easy-to-use learning experience whilst ensuring that relevant staff automatically have their training on anti-bribery refreshed every two years.

Modern slavery

Treatt published its first Modern Slavery Act Statement in 2016 and has worked since to raise awareness of this important issue with employees, through the Anti-Slavery and Human Trafficking Policy and with suppliers, through the Supplier Code of Conduct. The Group has a zero-tolerance of slavery and human trafficking in all its different forms in any part of its business and in its supply chain. All employees are required biennially to undertake training using online resources. We ensure that everyone who works for Treatt benefits from a working environment in which their fundamental rights and freedoms are respected and we are committed to taking appropriate steps to ensure that our suppliers' treatment of their employees is consistent with this.

GUIDING PRINCIPLES

Together with teamwork, challenge and pride & passion, integrity is one of our core values which are the four pillars on which we stand. As a Group we understand and respect the need to promote and maintain trust in our business; the Group has a reputation for honesty and integrity in its relationships with its stakeholders. Our Employee of the Quarter awards recognise those whose behaviour reflects the values, as voted for by their colleagues.

INTEGRITY **PRIDE & PASSION** **TEAMWORK** **CHALLENGE**

WORKING RESPONSIBLY

Employees

Customers choose to partner with us time and time again because our people love what they do and are driven by the desire to delight everyone we work with. The Group is committed to a policy of recruitment and promotion on the basis of aptitude and ability whilst promoting inclusivity without discrimination. Applications for employment received from people with disabilities are given full and fair consideration for suitable vacancies, having regard to their particular aptitudes and abilities.

Training

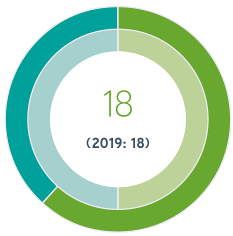
Generally, COVID-19 has not hampered our focus on training, which has continued throughout 2020. We are committed to continuously improving the skills of our employees through both general and targeted training programmes provided by internal and external providers. Lunch-and-learn style training provides the opportunity for knowledge sharing across the Group on a variety of subjects relevant to our business, whilst also providing the opportunity for staff to spend time together. By improving communication between colleagues these initiatives are vital to the sustainable growth of the business. The Group has embraced the use of virtual platforms to provide training for our employees during the COVID-19 lockdown, including mandatory training related to health and safety and food safety. We have also enrolled seven of our UK managers onto The Institute of Leadership and Management (ILM) courses. The Group supports the ongoing development of staff, which includes apprenticeship programmes at NVQ level, right through to further education including masters degree level. Professional qualifications and memberships are highly valued by Treatt, and we work with a number of professional bodies for accredited qualifications across multiple disciplines including IT, Procurement, HR, Technical, Engineering, Marketing and Health & Safety.

As a Group we are committed to the active encouragement of future career development in the fields of science, technology, engineering and maths (STEM). This year we have three apprentices across the business at the UK site who are provided with a structured training and qualification programme. There are also four interns who, whilst developing their knowledge and gaining practical experience, are providing a valuable resource to the technical department. These initiatives also strengthen the Group's links with universities and develop relationships with the next generation of talented candidates. Educational support is provided in the UK and school children are encouraged to spend time in the business through educational

TOTAL UK TRAINING HOURS

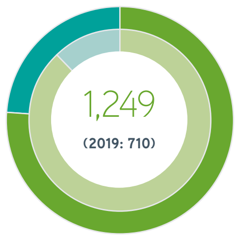
2020		2019	
Male	2,655	Male	2,216
Female	1,338	Female	1,595

AVERAGE UK TRAINING HOURS PER EMPLOYEE



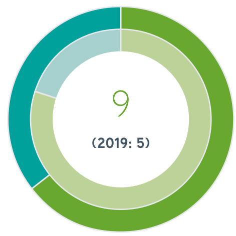
2020		2019	
Male	21	Male	18
Female	13	Female	18

TOTAL US TRAINING HOURS



2020		2019	
Male	951	Male	624
Female	298	Female	86

AVERAGE US TRAINING HOURS PER EMPLOYEE



2020		2019	
Male	11	Male	8
Female	6	Female	2

CASE STUDY

A WORKING ENVIRONMENT IN WHICH TO FLOURISH

Office accommodation at new UK Headquarters

Inspiring, yet calming and comfortable, the office area has been designed to resemble an open community

Workflows shape designated departmental locations with a proportion of sit/stand desks, plus a wide range of other furniture and design touches to support agile working

The interior scheme and furniture proposed allows for an increased range of movement in the working day

Indicative design.

Along with biophilia and increased natural daylight through glazed areas, the new scheme aims to improve overall wellbeing and offer a much-enhanced working environment in which the Treatt community can flourish

Quiet pods, collaboration tables, acoustic meeting booths, soft seating breakout spaces, as well as more vibrant open communal areas all offering choice and variety dependant on the task

WORKING RESPONSIBLY

CASE STUDY
COVID-19 support
CORONAVIRUS

During the COVID-19 pandemic, the safety and wellbeing of our staff has been our number one priority both physically and mentally

Employees first, profit second – it was always going to be the case that the safety of our staff was the absolute number one priority, and throughout the pandemic decisions have been made that will ensure our employees' safety

COVID secure – on-site two-metre distancing, face coverings, increased cleaning, provision of hand sanitiser, staggered working, team bubbles, internal contact tracing

Acts of kindness – grocery supplies to support our on-site personnel, regular free food on site, simple gifts of thanks to our staff working from home

Remote working – continued support to those at home, providing equipment, workstation assessments, advice to managers supporting those at home through peer support sessions

Support – wellbeing activities and education, promotion of the EAP (Employee Assistance Program)

Staying current – continued updates to our company processes and risk assessments throughout the pandemic to respond to the most up to date advice and guidance

Communication – very regular updates and drop-in video sessions

visits and work experience placements. In February, our CEO hosted an on-site Q&A with manufacturing and engineering students from Cambridge University. During peak lockdown, the Treatt team worked together to create STEM and careers resources, mainly in the form of virtual presentations which could be accessed remotely, which were sent out to local schools. Funding was also provided to assist with digital careers resources for a local Academy which we work closely with as Enterprise Advisors. In 2021, Treatt plans to attend workplace preparation events at local schools who have a specialism in STEM and a commitment to invest in this education stream. Expertise will also be shared with students at careers and science fairs.

Employee involvement

We believe that communication between colleagues is vital to sustainable growth. Executive Directors make half-yearly results presentations to all colleagues and encourage questions and dialogue on every aspect of the Group's performance and activities. At Treatt in the UK the Information Exchange Committee (IEC) enables an exchange of ideas and information between the Company and its employees. The IEC is chaired by the CEO and its members are all colleagues below management level who represent every department and area of the business in the UK. The Executive Directors regularly have lunch with colleagues to hear their views on the business. At Treatt USA, the Vice Presidents regularly hold 'town hall meetings' to communicate a variety of subjects and provide colleagues with the opportunity to ask questions and challenge management.

During COVID-19 specifically, we are proud that the channels of communication have not been prevented from flowing freely. The Board's 'open door' policy has continued to be facilitated, albeit on a virtual level. The 'Employee Voice' initiative hosted by the Chairman and Non-executive Director David Johnston invites employees, in one-to-one sessions, to discuss any matter they wish whilst also providing the opportunity to give direct feedback. Virtual 'coffee mornings' hosted by the CEO and regular virtual meetings involving the Senior Leadership Team have ensured the provision of a forum for employee discussions even whilst continuing to work from home. Our two-way mentoring programme, launched this summer, is designed to complement other training and development polices whilst offering support and guidance for self-development in a structured approach.

All-employee bonus schemes, based on the performance of the business, remain in place and employees are encouraged to become involved in the success of the Group through share-save schemes and the Share Incentive Plan (see note 28 to the financial statements). The Share Incentive Plan is run for all UK employees, with a similar plan for US employees. Under these plans, all eligible UK and US employees have received free shares (or their US equivalent) since 2014 and will do so again in December 2020; UK staff will also be able to buy additional partnership shares, which Treatt will match on a 1:1.5 basis in accordance with the rules of the plan. The Directors believe that by encouraging greater employee shareholding the interests of employees are further aligned with shareholder interests.

As employees based in the US can find it problematic to sell shares in a UK-listed company the Group has set up a Vested Share Trust Account. This provides a platform from which US employee shareholders can sell their shares more easily which we hope will encourage higher levels of employee ownership in the US.

WORKING RESPONSIBLY

Looking after our people

Promotion of our employees' health is extremely important across the Group and never has it been more so than during COVID-19. Our philosophy regarding our people is 'think well, live well, be well'. We understand the importance of mental health as well as physical health. We have provided mental health awareness training to all our managers and staff and subsidise a programme of pilates at work. We actively encourage colleagues to take time away from their desks, whether working from home or remaining on-site, to improve their physical and mental health. We identify health risks from general risk assessments and COSHH assessments (Control of Substances Hazardous to Health). We have a third-party occupational health service who work with us to identify any additional health risks and carry out regular health screening and surveillance to monitor workers' health in relation to exposure. This includes wellbeing and general physical and mental health support and we carry out a quarterly review of our service delivery.

Local employment

Our operations in Bury St. Edmunds and Lakeland provide direct employment opportunities, with a significant number of our workforce in these locations living within the local postal districts, including seven of our eleven Senior Leadership Team and Executive Directors.

We encourage local businesses to be part of our supply chain, and actively seek to work with local service providers in order to support the local economy and build local skills and expertise. We are especially looking forward to developing new local relationships at our new UK Headquarters next year and have already identified local providers to facilitate our employees' needs.

Our established flexible working policy, which enables employees, as far as their roles permit, to work from home and provide general flexibility has been a success during COVID-19. With over half of the Group's workforce having to remain off-site for the majority of 2020, we have been able to assist with many home-life challenges this has presented and have worked closely with employees dealing with childcare and other responsibilities during these unprecedented times. Such policies assist in the recruitment and retention of a diverse workforce. We recognise that our employees have lives outside of work and aim to provide a flexible workplace that enables them to achieve a balance between their role with Treatt and their responsibilities at home. As a Group we believe that we have a responsibility to support the future local working generation. As such we endeavour to host visits to our technical areas from local schools, attracting the local workforce of the future in both the UK and US. We are also committed to encouraging and hosting work experience placements from local schools as we recognise this is the pool which will provide future talent for our workforce.

We attract exceptional people who are genuinely passionate about what they do. This has shaped a culture where our employees are excited about their career and work together in an open, fun and inviting environment where they can uncover their true potential and thrive. Investing in our culture is integral to our business strategy as it is the cornerstone of what makes us successful.

CASE STUDY

TREATT'S COVID-19 CORONAVIRUS RESPONSE IN THE COMMUNITY

We have sought to support our local communities during the pandemic

Sponsorship of garden supplies (bird feeders and bird feed) for St Nicholas Hospice to enable patients to spend more time in the hospice garden, surrounded by wildlife, during the peak of COVID-19 when guests were not allowed to visit

Donation to MyWiSH 'Help your NHS Appeal' to go towards treats for staff and vital equipment needed

Manufacture of hand sanitiser for donation to St Peters House, St Nicholas Hospice, Care UK and seven local care homes

Donation to kidsPACK, Lakeland to support feeding children in need during the pandemic

Donation to Gatehouse Food Bank, Suffolk

Donation to Royal Papworth Hospital

Fresh produce donations to Lighthouse Ministries, Lakeland

WORKING RESPONSIBLY

Community and charity initiatives

Treatt is an advocate of the premise that the business world has a responsibility to the communities in which they operate. We understand that everything we do has an impact on people, their communities and the environment, which is why we operate in an ethical and socially responsible way. We endeavour to have a positive impact on the communities in which we operate. The pandemic has made it ever more critical to ensure we support our local communities in recovery and, where we can, donate to those charities which have been unable to generate the income to run the services needed. We recognise that by enabling our staff to do something for the community in which they live and work, it will aid their sense of greater purpose and community spirit. Under our 'Community Matters' programme opportunities are provided for employees to support local causes and we have set the objective to increase the Community Matters fund by a minimum of 10% each year. During the year the Group made charitable donations of £54,875 to local and national causes and has been involved in many initiatives across its locations.

'Payroll Giving', operates in the UK and enables colleagues to donate regularly to their chosen charities from their gross pay; money is also raised for a local charity via a monthly lottery administered through payroll. The Group donates additional funds to money raised by colleagues during fundraising activities through its matching scheme. UK colleagues carried out their own version of The Apprentice raising £4,828 for the West Suffolk charity, Upbeat Heart Support. Other activities carried out include a coffee morning in aid of Macmillan Cancer Support, a reverse advent calendar for Gatehouse Food Bank, 'Girls Night Out Walk' for St Nicholas Hospice, who we are proud to say have recently accepted us as a member of their Corporate Supporters Club, and a sizeable donation to the Bury in Bloom project to part fund a community project where children and families collected recycled materials and decorated them to produce a crown-themed installation.

Similar initiatives take place in the US, and a party of volunteers regularly give their own time to collect rubbish on local roads as part of the Florida Department of Transportation's 'Adopt A Highway' scheme. The farming industry in the USA has been greatly affected during COVID-19 by the closing of schools and restaurants; in support of local farmers, Treatt USA has been buying crops in bulk to provide our employees with a range of free healthy food options. Remaining produce purchased has been donated to Lighthouse Ministries in Lakeland, a non-profit organisation that aims to help men and women, who need shelter, with learning programmes.

The charities Treatt supports include: kidsPACK children's charity, Florida Youth Fair, the Grow Into You Foundation for teens leaving the foster system and Toys for Tots-Boxes in the US, together with East Anglia's Children's Hospice, My Wish Charity supporting West Suffolk Hospital, UpBeat Heart Support, St Nicholas Hospice, MIND and Bury in Bloom in the UK.

What our people say...

"Treatt stood out to me as a company that strives for the wellbeing of its employees, not only through some amazing company benefits but also a strong social network. I was fascinated by the idea of working with products that bring joy on a day-to-day basis to consumers globally."

Julie Barnes
Citrus, Fruit & Vegetable Category Manager, USA

"We all work as a Team at Treatt to ensure we provide an excellent service to our customers. Every day is different, and I love the challenges that this brings. Treatt is fast-moving, it is motivating to be part of this evolving company, I am really looking forward to the future."

Olivia Reid
Customer Care Coordinator, UK

"Treatt is like a big family. There is competition and cooperation, opportunities and challenges. We have the freedom to realise our business strategy in China."

Simona Loh
Sales & Marketing Supervisor, China

"Today, Treatt's active encouragement of staff interests and ambitions produces remarkable results and innovative ways to help our customers succeed."

Andrew Campbell
Business Development Manager, UK

Future focus

We recognise the need to invest in tomorrow and as such, we provide internships, apprenticeships, graduate trainee and work experience placements in many areas of the Company. By working with local schools and colleges, we're doing our part to develop the next generation

This Strategic Report was approved by the Board on 23 November 2020.

Anita Guernari
Group Legal Counsel and Company Secretary

FINANCIAL REVIEW

A robust performance in spite of COVID-19 uncertainty with adjusted[1] earnings per share

UP 10.7%

and dividend per share increased by 9.1%

> ***Non-citrus revenue grew by 4.4% driven by health & wellness which grew by 16.1%. The fruit & vegetables category continued to perform well with growth of 9.9%."***

Overview

The Group delivered a strong set of financial results for the year. Whilst revenues were lower, as expected due to lower orange oil prices, growth in higher margin categories and an improved performance from the citrus category resulted in profit before exceptional items[1] increasing for the eighth successive year.

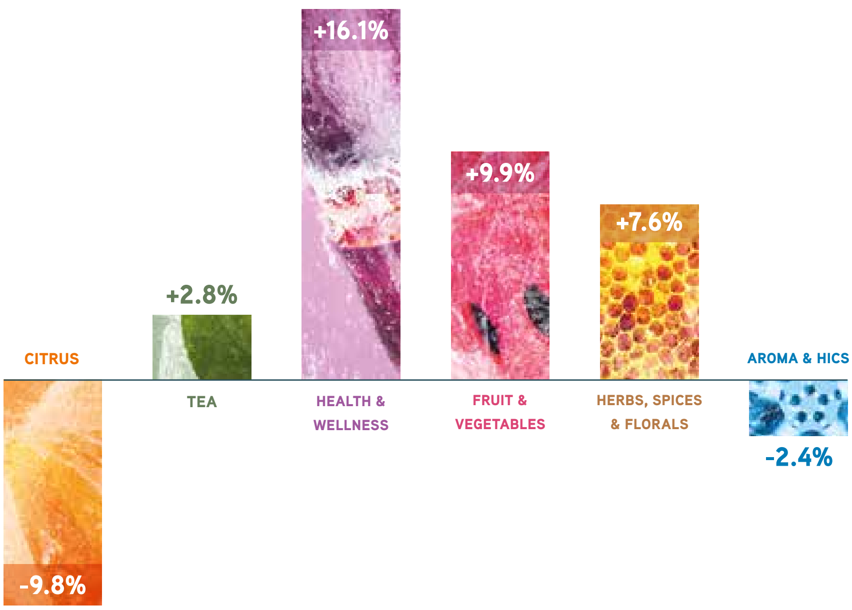
The year also saw a good cash performance with the Group remaining in a net positive cash position, despite having invested almost £25m in capital projects, including over £20m on the new UK headquarters.

Income statement[1]

Revenue and profit

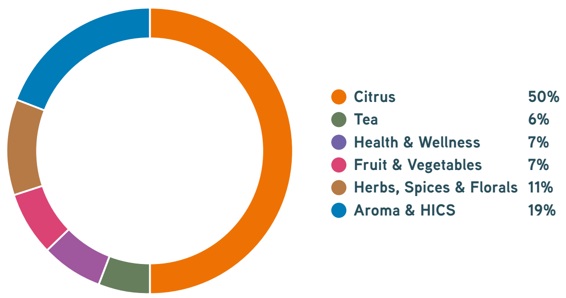
Revenue for the year from continuing operations fell by 3.3% to £109.0m (2019: £112.7m). Whilst citrus volumes increased by 25%, revenue in citrus, which represents 50.3% (2019: 54.0%) of Group sales, fell by 9.8% as a result of the sharp fall in orange oil prices during the prior year. Across non-citrus categories, revenue grew by 4.4% with health & wellness (which includes sugar reduction) driving performance with growth of 16.1%. The tea category was impacted by the effective closure, due to COVID-19, of some significant on-trade channels, such as the hospitality sector – bars, restaurants and theatres, reflected in the much lower growth rate than seen in the prior year. The fruit & vegetables category continued to perform well, with growth of 9.9%, with passion fruit, watermelon and cucumber natural extracts leading the way. Within other categories, whilst more than 70% of the Group's revenue now comes from our natural and clean-label

% Change in sales – 2020 v 2019

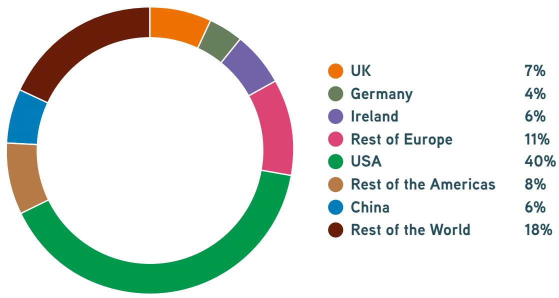


FINANCIAL REVIEW

Categories % share of sales – 2020



Geographical % share of sales – 2020



product ranges, revenue from our aroma and high impact chemical (HIC) category into the synthetic flavour and fragrance market fell by 2.4% compared with the prior year. The Group's traditional range of herbs, spices & florals, many of which are traded, grew by 7.6% to £11.5m.

In constant currency terms, revenue from continuing operations also fell by 3.3%, in line with the reduction in reported revenue, as there was no material change to the average Pound Sterling/US Dollar exchange rate as compared to the prior year.

A geographical analysis of revenues shows that the fall in citrus prices impacted all geographic markets to a level broadly consistent with the relative proportions of citrus revenues to the whole. Whilst COVID-19 is also a factor that has impacted individual product lines, generally speaking we have benefitted from the resilience of demand from the end-user markets which we serve.

The Group's strategic focus continued to be on China and the US. As a relatively unpenetrated market for Treatt, revenues in China were impacted by COVID-19, but recovered as the market did generally. Consequently, reported revenue to China was broadly unchanged at £6.9m (2019: £6.8m). In the Group's largest market, representing 40% of Group revenue, revenue in the US remained consistent at £43.7m (2019: £43.7m). Within the US market, the Group benefitted from particularly strong growth in the alcoholic seltzer market which continues to provide material opportunities. Whilst mainland Europe represented 21.2% of Group revenue (2019: 23.4%), the impact of lower orange oil prices and falling on-trade sales of carbonated soft drinks due to COVID-19, resulted in a 12.7% fall in revenue. In the UK, revenues contain a disproportionate volume (compared with other markets) of traded citrus by-products, which therefore resulted in a notable, price-led, fall in revenue of 6.1%. Also impacted by lower orange oil prices and COVID-19, sales to the Rest of the World (excluding China) fell by 3.5% to £19.4m (2019: £20.1m).

Gross profit grew by 11.2% with gross profit margins increasing from 25.4% to 29.2%. The increase in margins resulted from the combined effect of growth in higher margin product categories, such as health & wellness and fruit & vegetables, coupled with improved citrus margin rates as compared to the prior year. The focus on higher margin, added-value solutions supports the Group's strategy of diversifying the product portfolio away from traded and minimally processed citrus products, building additional resilience into the business. There was a notable slowdown in new product innovation from our customer base due to the impact of COVID-19, however, we continued to grow margins with new clients through our collaborative, science-led approach.

Administrative expenses grew by 10.7% in the year to £16.8m (2019: £15.2m). The £1.6m net increase in administrative expenses is after a £1.1m favourable movement in foreign exchange gains and losses compared to the prior year, partially offsetting a £2.4m increase in employment costs (see note 6), reflecting the targeted retention and recruitment of highly skilled scientists and a focus on strengthening the commercial team to drive continued growth in the business. Headcount numbers across the Group have increased by 8% globally, with the Group's recruitment and induction processes having successfully adapted to the current restrictions imposed in response to COVID-19.

Net operating margin[2] increased in the year to 13.8% (2019: 12.0%). This compares with 10.8% five years ago. Consequently, operating profit[1] increased by 11.8% to £15.1m (2019: £13.5m).

Return on capital employed[2] decreased to 16.7% (2019: 19.0%) as a direct consequence of the continued investment in the Group's capacity increasing the amount of capital employed.

As plans progressed towards the relocation of the Group's UK headquarters to a new ten-acre site in Bury St. Edmunds, non-capital costs relating to the relocation were incurred during the year totalling £1.1m (2019: £0.8m) and are included in exceptional items (see note 9). These included legal fees, planning consultants, architects and manufacturing plant and machinery design and installation specialists.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the year increased by 14.2% to £17.0m (2019: £14.9m). Profit before tax and exceptional items from continuing operations rose by 11.3% to £14.8m (2019: £13.3m). Reported profit for the year of £9.8m represents an increase of 11.1% on the prior year.

Foreign exchange gains and losses

Whilst the Group's functional currency is the British Pound ('Sterling'), the amount of business which is transacted in other currencies creates foreign exchange exposure, particularly the US Dollar and, to a lesser extent, the Euro. During the year sterling gradually strengthened against the US Dollar which ended the year 5% stronger at £1=$1.29 (2019: £1=$1.23); however there

1 Unless indicated otherwise all measures are based on continuing operations.

2 For details of how this has been calculated, see the Key Performance Indicators on pages 24 and 25.

FINANCIAL REVIEW

Excluding the impact of the expenditure on the UK relocation, free cash flow[3] was a strong

£10.0m

for the year

was no material change to the average Pound Sterling/US Dollar exchange rate as compared to the prior year. The Group hedges its foreign exchange risk at our UK business by holding and managing US Dollar borrowings and taking out forward currency contracts and options. This can result in timing differences in the short-term, giving rise to re-translation gains or losses in the income statement. The impact in 2020 was a gain on foreign exchange contracts and re-translation in aggregate of £0.3m (2019: £0.8m loss). There was a foreign exchange loss of £2.1m (2019: £2.1m gain), in the 'Statement of Comprehensive Income' in relation to the Group's investment in Treatt USA.

Finance costs

The Group's net finance costs increased to £0.3m (2019: £0.2m) as, after total capital expenditure and related exceptional costs of £24.8m, the Group's net cash positive position fell from £16.0m at the start of the year, to close at £1.1m (excluding IFRS 16 lease liabilities). In addition, £0.1m of finance costs were capitalised in accordance with IAS 23, 'Borrowing costs', as part of the US expansion project. Within the net cash positive position, the Group has in place a $6.5m seven-year term loan in the US to part fund the $15m US expansion which completed in 2019, of which $5.4m remains outstanding. In addition, although in a cash positive position, there were a number of fixed costs for maintaining facilities for future use including facility fees and non-utilisation fees which were funded from operating cash flows. Following the increase in net finance costs, interest cover for the year before exceptional items and discontinued operations reduced to a still very healthy 44.9 times (2019: 67.8 times).

Group tax charge

After providing for deferred tax, the overall tax charge increased by £0.2m to £2.9m (2019: £2.7m); an overall effective tax rate (after exceptional items) of 21.1% (2019: 21.3%). There were also adjustments reducing this year's tax charge by £0.4m (2019: £0.4m reduction) relating to revisions to the previous year's tax estimates. The Group now benefits from a US corporation tax rate of 21% which means that the main rates of corporation tax which affect the Group are now broadly similar in both the UK and the US, with the UK rate currently at 19%. The UK deferred tax rate increased from 17% to 19% following the UK Government's decision to cancel a previously enacted reduction in the main rate of UK corporation tax.

Discontinued activities

The disposal of Earthoil Plantations Limited was completed in 2018 for an enterprise value of £11.3m and since that time the Kenyan operations, which remained part of the Group, have been held as discontinued activities in accordance with IFRS 5, 'Non-current assets held for sale and discontinued activities'. It did not prove possible to attract a suitable acquirer for those businesses and since support for the local management, employees and their families was a priority throughout the sales process, a buy-out of the business by local management took place during the year for a nominal sum. As reported in May 2020, there was an exceptional impairment of the Kenyan businesses of £0.6m in the year which took place prior to the sale. In addition, there was a trading loss for the year of £0.3m (2019: £0.2m) and a loss on disposal of £0.3m. The loss after tax from discontinued activities (all of which related to the Kenyan businesses) totalled £1.1m.

Earnings per share

Basic earnings per share from continuing operations (as set out in note 11) increased by 8.6% to 18.12p (2019: 16.69p). Adjusted basic earnings per share excluding exceptional items and discontinued operations for the year increased by 10.7% to 19.72p (2019: 17.82p). The calculation of earnings per share excludes those shares which are held by the Treatt Employee Benefit Trust (EBT) and Treatt SIP Trust (SIP), which are not beneficially owned by employees since they do not rank for dividend, and is based upon adjusted profit after tax.

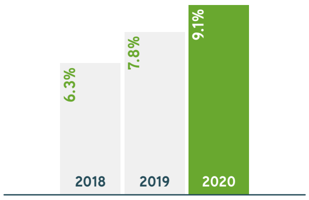
Dividends

The proposed final dividend of 4.16p per share (2019: 3.80p) increases the total dividend per share for the year to 6.00p, a 9.1% increase on the prior year (2019: 5.50p), representing dividend cover of 3.3 times continuing pre-exceptional earnings for the year and a rolling three-year cover after exceptional items of 3.1 times. The Board's long-term policy is to maintain dividend cover on a consistent basis at between 2.0 and 2.5 times three-year rolling cover. However, in light of the Group's capital investment programme, this year's dividend increase has, as in the preceding year, been set with a more prudent level of dividend cover. The Board considers this to be appropriate given the equity fund raise which took place in 2017 and the forthcoming cash requirements of the business in order to fund the remaining costs of the UK site relocation. The Board is also mindful of the economic uncertainty in respect of the COVID-19 pandemic.

FINANCIAL REVIEW

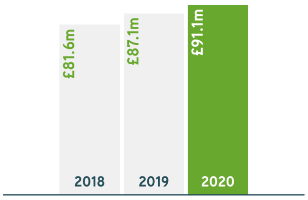
DIVIDEND GROWTH PER ANNUM

9.1%



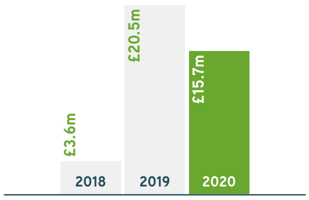
NET ASSETS

£91.1m



CASH INFLOW FROM OPERATIONS

£15.7m



Balance sheet

Shareholders' funds grew in the year by £4.0m to £91.1m (2019: £87.1m), with net assets per share increasing by 4% to 151p (2019: 145p). Over the last five years net assets per share have grown by 140%. The Board has chosen not to avail itself of the option under IFRS to revalue land and buildings annually and, therefore, all the Group's land and buildings are held at historical cost, net of depreciation, on the balance sheet.

Cash flow

During the year the Group invested £24.8m (2019: £10.6m) on capital projects, of which £20.3m was incurred on the UK relocation project (more details of which are set out on page 52). The balance of the capital expenditure related to further expansionary capex in the US on building out our coffee platform, the final regulatory-driven refinements on our expanded US facility and the normal investment in on-going routine renewal and maintenance capex. Despite a year of significant investment, the Group ended the year with a net cash position of £1.1m (2019: net cash of £16.0m), excluding IFRS 16 lease liabilities. Excluding the impact of the expenditure on the UK relocation, free cash flow[3] was a strong £10.0m for the year.

Working capital remained consistent with the prior year, with an overall outflow in the year of £0.2m (2019: inflow £5.6m); the £1.3m increase in receivables being compensated by a £1.5m increase in payables.

Inventory held at the year-end was £36.1m (2019: £36.8m), a decrease of £0.7m. The level of inventory, which is highly significant in cash terms, arises because as an ingredients specialist, Treatt takes many annual, and in some cases longer-term, contracts with customers as well as servicing the immediate spot needs of its diverse customer base. The success of the business has been built upon managing geographic, political and climatic risk of supply for our customers by judicious purchasing and inventory management to ensure continuity of supply and availability. Therefore, it is part of the Group's business model to hold significant levels of inventory.

The cash flow benefit of delaying certain capital projects in the UK in anticipation of the new site will inevitably reverse as both delayed projects, and brought forward capital expenditure, will occur on the relocation of the UK business.

Net cash position

The Group's net positive cash position is in part due to the fact that there remains approximately £12.2m (prior to the sale of the existing site) to be spent on the new UK facility. The Group therefore retains a mix of secured and unsecured borrowing facilities totalling £20.4m, of which £2.3m expires in one year or less, more details of which can be found in note 22. During the year, the Group closed its facilities totalling £6.5m with Lloyds Banking Group. Post year-end the Group is in the process of arranging an additional £7.0m three-year revolving credit facility (which can be extended ultimately to five years) with HSBC together with a £6.5m accordion (a pre-approved facility). This change to the structure of the Group's UK banking facilities is being undertaken to both match some of the Group's expected borrowings over the next year to the assets which they have been used to finance, as well as to reduce the cost of facilities. Consequently, the Group's borrowing facilities are now held with HSBC and Bank of America with the majority held on three to five-year terms with expiry dates staggered to fall in different years. The Group continues to enjoy positive relationships with its banks and expects all facilities to be renewed when they fall due.

Capital investment programme

In 2017 the Group announced a capital investment programme to expand the US facility (a $15.0m capacity-driven project) and a once-in-a-generation relocation of the UK facility (a net £36.1m investment). This programme of investment is now approximately 75% complete as follows:

US site expansion

In 2019 we completed the expansion of our facility in Lakeland, Florida, resulting in a total footprint of 130,500 square feet compared to the previous size of 65,500 square feet. The total cost of the expansion was $15.3m, of which $3.3m related to new plant and machinery. This project was multi-faceted, primarily resulting in a substantially larger natural extracts manufacturing facility, doubling our capacity for the key product categories of tea, health & wellness (including sugar reduction) and fruit & vegetables, with space for further expansion.

UK relocation

During the year we made significant progress relocating our UK business from its current site in Bury St. Edmunds, to a brand-new purpose-built facility nearby. The Group acquired a ten-acre greenfield site on the new Suffolk Park in Bury St. Edmunds in mid-2017. Readie Construction Limited began work on site in September 2019 and, whilst COVID-19 has impacted the original timescales for completing the project, work continued on site throughout the financial year. Due to the previously announced delays caused by COVID-19 we now expect to begin relocating to the site in mid-2021.

1 Unless indicated otherwise all measures are based on continuing operations.

2 For details of how this has been calculated, see the Key Performance Indicators on pages 24 and 25.

3 Calculated as net cash from operating activities minus the purchase of property, plant, equipment and intangible assets, adjusted to exclude the UK relocation costs.

FINANCIAL REVIEW

The £48m capital investment programme announced in 2017 is now 75% COMPLETE

Practical completion of the buildings part of the project occurred after the financial year-end and we are pleased to confirm that the project remains on budget. As well as the land and buildings infrastructure, the project also incorporates significant investment in new and upgraded plant and machinery, including the implementation of a number of new technologies for the UK business such as automated warehousing, clean-in-place and computer-controlled stills.

The overall estimated costs (and the basis of these estimates) of the UK relocation are set out below:

			Spend to date (£'000)		
Capital expenditure:	**Note**	**Budget £'000**	**To 30/9/19**	**Year to 30/9/20**	**Total spend to date**
Land		3,823	3,823	–	3,823
Buildings		17,483	1,033	14,858	15,891
Plant & machinery		16,863	1,259	5,035	6,294
Existing site disposal		(4,965)	–	–	–
Net capital expenditure		33,204	6,115	19,893	26,008
Procurement, installation & commissioning	1	2,884	640	730	1,370
Net relocation costs		36,088	6,755	20,623	27,378
Other exceptional items:					
Accelerated depreciation (non-cash)	2	434	434	–	434
Relocation costs	3	2,052	786	330	1,116
		2,486	1,220	330	1,550

Note 1: These costs relate to expenditure which does not fall to be capitalised and will be expensed as exceptional items with the remaining costs expected to be incurred in the year ending 30 September 2021.

Note 2: Accelerated depreciation relates to the reduction in the estimated useful lives of assets which will not transition to the new site and was accounted for in the years ended 30 September 2018 and 2019.

Note 3: Other exceptional items include initial design costs, parallel running costs, additional staffing resources and costs associated with the physical transfer of the business to the new site. The remaining costs are expected to be incurred in the years ending 30 September 2021 and 2022.

It should be noted that in accordance with IAS 23 'Borrowing costs', and in addition to the above, the interest charges incurred on funds utilised on the relocation project prior to its completion, expected to total £0.1m, fall to be capitalised in the year ending 30 September 2021 rather than expensed.

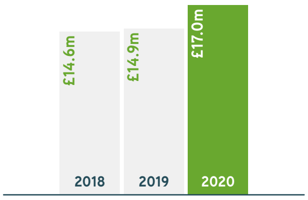
We expect the project to be completed and transition to the new site to commence mid-2021 and consequently the cash outflows for the project are expected to result in rolling Group net debt to EBITDA[1] peaking at less than 0.5x EBITDA[1].

Whilst the detailed costs for the project have been prepared in full quantity surveyor detail, and the design and build contract is at a fixed price, the Board recognises the risks inherent in a project of this scale. The Board is pleased with the fact that, with the building part of the project virtually complete, the project continues to track in line with the previously announced budget, whilst still maintaining appropriate levels of contingency on future expenditure. The Board has also taken appropriate advice from risk management consultants who monitor the project on a regular basis. These factors, combined with the funding provided by the share placing in 2017, give the Board confidence that risks inherent in the UK relocation project have been mitigated as far as practicable.

FINANCIAL REVIEW

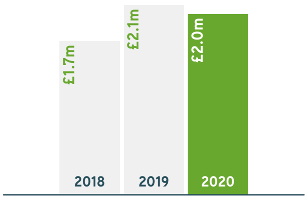
EBITDA[1]

£17.0m



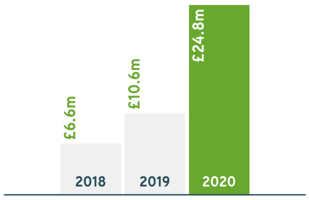
INVESTMENT IN R&D

£2.0m



CAPITAL INVESTMENT

£24.8m



As a business we keep abreast of new technologies which can add value to our operations and the move gives us the opportunity to incorporate some of these in the design and build of the new facility. Of the £16.9m of planned plant and machinery capex at the new UK site, approximately £7.0m relates to projects which would have been undertaken at the current site in the last five years, had the impending site move not been on the horizon; the balance relates to new and enhanced technologies. The table on page 52 breaks down the cost estimates for the project.

Treatt Employee Benefit Trust and Treatt SIP Trust

The Group has an HMRC-approved Share Incentive Plan (SIP) for its UK employees, and as far as practicable, also offers a similar scheme to its US staff. All UK staff with a year's service were awarded £625 (2019: £600) of 'Free Shares' during the year as part of the Group's employee incentive and engagement programme as the Board is firmly of the view that increased employee share ownership is an important tool for driving positive employee engagement in the business. A similar scheme exists for US staff who were awarded $925 (2019: $900) of Restricted Stock Units during the year. These shares are forfeited by employees who leave within three years from the date of grant.

Under the SIP, UK employees could also purchase up to £1,800 (or 10% of salary, whichever is lower) of Treatt shares out of gross income at no cost to the Company which the Company matched on a one and a half for one basis. In the year, a total of 48,000 (2019: 33,000) matching shares were granted.

During the year, nil (2019: nil) shares were issued to the SIP at par (2 pence per share). The SIP currently holds 444,000 shares (2019: 507,000), of which nil (2019: 138,000) are beneficially owned by the Company and are available for future awards. It is anticipated that going forward the obligations under the SIP will be satisfied through the issue of new shares.

In addition, the Group continued its annual programme of offering share option saving schemes to staff in the UK and US. Under US tax legislation, staff at Treatt USA are able to exercise options annually, whilst the UK schemes provide for three-year saving plans.

Under the Long Term Incentive Plan, which was approved by shareholders at the 2019 Annual General Meeting, Executive Directors and certain key employees were granted 245,000 (2019: 251,000) nil cost share options during the year which will vest after three years on a sliding scale, subject to performance conditions. In total, options were granted over 389,000 (2019: 401,000) shares during the year, whilst 348,000 (2019: 760,000) were exercised from options awarded in prior years which have now vested.

During the year, 100,000 (2019: 700,000) shares were issued to the Employee Benefit Trust (EBT) at par (2 pence per share). The EBT currently holds 219,000 shares (2019: 454,000) in order to satisfy future option schemes. It is anticipated that going forward, all-employee savings-related share schemes will continue to be satisfied by shares held within the EBT, to which further shares will be issued as necessary.

Final salary pension scheme

The R C Treatt final salary pension scheme (the 'scheme') has not been subject to any further accruals since 31 December 2012 and instead members of the scheme were offered membership of the UK defined contribution pension plan with effect from 1 January 2013. This means that the defined benefit scheme has been de-risked as far as it is practicable and reasonable to do so.

The last three-year actuarial review of the scheme was carried out as at 1 January 2018, the result of which was that the scheme had an actuarial surplus of £473,000 (1 January 2015: £314,000). This represented a funding level of 102%. Consequently, the Group was able to agree with the trustees that with effect from 1 October 2018 it would continue not to make any further contributions to the scheme. It was further agreed that if the annual actuarial funding updates, before the next full actuarial review in 2021, revealed that the funding level had fallen to 95% or less of the scheme liabilities, then the Company would voluntarily resume contributions.

In this regard, and as required by The Pension Regulator, the actuarial review was updated on a consistent basis as at 30 September 2020 which showed a deficit of £4.5m (2019: deficit of £2.5m), being a funding level of 82% (2019: 90%). This has arisen due to a reduction in discount rate used to calculate future liabilities as well as lower than expected asset returns in the last year. Consequently, the Company has agreed with the trustees to make contributions of £0.5m (2019: £0.3m) per annum until the next full actuarial review is concluded. The next full triennial valuation will be carried out as at 1 January 2021 the results of which are expected towards the middle of 2021.

The IAS 19, 'Employee Benefits' pension liability in the balance sheet, net of deferred tax, increased in the year from £6.5m to £8.1m. The increase in the deficit was also largely the result of a significant fall in the discount rate used to measure the liabilities of the scheme.

1 Unless indicated otherwise all measures are based on continuing operations.

FINANCIAL REVIEW

Financial risk management

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

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

The nature of Treatt's activities is such that the Group could be affected by movements in certain exchange rates, principally between Sterling and the US Dollar, but other currencies such as the Euro can also have a material effect. This risk manifests itself in a number of ways.

Firstly, the value of the foreign currency net assets of Treatt USA (the Group's main overseas subsidiary) can fluctuate with Sterling.

Secondly, with R C Treatt (the Group's main UK subsidiary) exporting throughout the world, fluctuations in the value of Sterling can affect both the gross margin and operating costs. Sales are principally made in two currencies in addition to Sterling, with the US Dollar being the most significant. Even if a sale is made in Sterling, its price may be set by reference to its US Dollar denominated raw material price which therefore can have an impact on the Sterling gross margin. Raw materials are also mainly purchased in US Dollars and bank accounts are operated through which US Dollar denominated sales and purchases flow. Hence it is the relative strength of Sterling 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 competitive advantage.

When the Group is in a net debt position, the Group has a policy of maintaining the majority of cash balances, including the main Group overdraft facilities, in US Dollars and, to a lesser extent in Euros, as this is the most cost-effective means of providing a natural hedge against movements in exchange rates. Where it is more cost effective to do so, the Group will also enter into forward currency contracts and options. Consequently, during the year forward currency contracts have been entered into which hedge part of R C Treatt's foreign exchange risk. These contracts (and options if applicable) have been designated as formal hedge arrangements, with movements in mark-to-market valuations initially taken to equity and re-cycled to the income statement to match with the appropriately hedged currency receipts. Under the technical provisions of IFRS, if any options or forward contracts are deemed to be ineffective hedges then the related foreign exchange gain or loss is included within 'other gains and losses' in the income statement. The foreign exchange gains or losses charged to 'other gains and losses' in the year was £0.05m (2019: £nil). Currency accounts are also run for the other main currencies to which R C Treatt is exposed. This policy helps manage against short-term fluctuations in currencies.

Summary

Over the last two years the business has continued to perform well, despite being faced with the sharp market shocks caused by, firstly, the 50% fall in orange oil prices in 2019, and secondly the biggest sudden change in global consumer behaviour caused by the COVID-19 pandemic. Since the business was re-shaped in 2012, profit before tax and exceptional items has increased every year which is testament to the underlying strength and resilience of our business model.

Of particular note is that whilst the impact of COVID-19 resulted in some temporary reduction in demand in 2020, this was more than offset by increased market share in sectors of the beverage market which are growing strongly in response to consumer trends such as health and wellness (driven by our sugar reduction offerings) and the fast growing market for alcoholic seltzers.

Over the last year we have continued to make excellent progress on our capital investment programme with the US expansion complete, the UK facility now built and with the fit-out underway. To end the year in a net cash positive position puts the Group in an excellent position to continue to deliver in the years to come.

Richard Hope
Chief Financial Officer
23 November 2020

FINANCIAL REVIEW

Group Five Year Trading Record

*2017, 2018, 2019 and 2020 show discontinued operations separately. 2016 has not been restated.	2016 £'000	2017* £'000	2018* £'000	2019* £'000	2020* £'000
INCOME STATEMENT					
Revenue	88,040	101,250	112,163	112,717	109,016
EBITDA[1]	11,038	14,083	14,577	14,871	16,982
Operating profit	9,549	12,547	13,944	13,499	15,092
Profit before taxation and exceptional items	8,846	11,696	12,642	13,300	14,801
Growth in profit before taxation and exceptional items	*11.3%*	*32.2%*	*8.1%*	*5.2%*	*11.3%*
Exceptional items	(553)	–	(1,105)	(755)	(1,060)
PROFIT BEFORE TAXATION	8,293	11,696	11,537	12,545	13,741
Taxation	(2,144)	(3,129)	(2,284)	(2,673)	(2,896)
Discontinued operations	–	978	2,976	(1,084)	(1,080)
Profit for the year attributable to owners of the Parent Company	6,149	9,545	12,229	8,788	9,765
BALANCE SHEET					
Goodwill	2,727	2,727	–	–	–
Intangible assets	637	604	752	845	1,358
Property, plant and equipment	11,361	14,821	20,038	29,485	50,159
Right-of-use assets	–	–	–	–	1,173
Net deferred tax asset/(liability)	325	616	672	(319)	(924)
Current assets	54,435	68,230	102,402	98,158	69,472
Current liabilities	(16,388)	(27,003)	(35,781)	(28,905)	(15,989)
Non-current bank loans	(7,755)	(7,293)	(3,001)	(4,369)	(3,450)
Post-employment benefits	(7,401)	(5,821)	(3,457)	(7,788)	(10,051)
Lease liabilities	–	–	–	–	(628)
Non-current derivative financial instruments	(754)	(403)	–	–	–
Total equity	37,187	46,478	81,625	87,107	91,120
CASH FLOW					
Cash generated from operations	10,804	4,683	3,581	20,544	15,677
Taxation paid	(2,022)	(2,822)	(2,978)	(2,208)	(2,191)
Net interest paid	(703)	(913)	(610)	(199)	(191)
Dividends paid	(2,095)	(3,025)	(2,876)	(3,080)	(3,378)
Additions to non-current assets net of proceeds	(788)	(5,203)	(6,579)	(10,570)	(24,814)
(Acquisition)/disposal of subsidiaries	(752)	(900)	8,746	1,033	(136)
Purchase of redeemable loan notes	–	(675)	–	–	–
Net sale of own shares by share trust	265	355	586	526	547
Proceeds on issue of shares	–	–	20,833	14	2
Adoption of IFRS 16 Leases	–	–	–	–	(659)
Other cash flows	(208)	(71)	(419)	(161)	(388)
Movement in (debt)/cash	4,501	(8,571)	20,284	5,899	(15,531)
Total net (debt)/cash	(1,654)	(10,225)	10,059	15,958	427
RATIOS					
Net operating margin[2]	10.8%	12.4%	12.4%	12.0%	13.8%
Return on capital employed[3]	24.6%	22.1%	18.5%	19.0%	16.7%
Average net (debt)/cash to EBITDA[4]	(0.35)	(0.42)	(0.01)	0.87	0.48
Adjusted[5] basic earnings per share	12.84p	16.41p	18.02p	17.82p	19.72p
Growth in adjusted[5] basic earnings per share	7.5%	27.8%	9.8%	(1.1%)	10.7%
Dividend per share[6]	4.35p	4.80p	5.10p	5.50p	6.00p
Dividend cover (adjusted to exclude exceptionals)[6]	2.94	3.40	3.42	3.22	3.28
Net assets per share	71.0p	87.9p	137.3p	144.8p	151.2p

Notes:

1 EBITDA is calculated as profit before interest, tax, depreciation, amortisation and exceptional items, from continuing operations.
2 Operating profit divided by revenue from continuing operations.
3 Profit before interest, taxation & exceptional items divided by total equity plus net debt.
4 Average of net (debt)/cash at start and end of financial year divided by EBITDA[1].
5 All adjusted measures exclude exceptional items – see note 9 in the financial statements.
6 The dividend per share shown relates to the interim dividend declared and final dividend proposed for the corresponding financial year.

PRINCIPAL RISKS AND UNCERTAINTIES

RISK MANAGEMENT

Risk management framework

Our risk management framework provides a consistent and structured process for identifying, assessing, responding to and monitoring risk.

The Board

The Board has overall responsibility for the management of risk at Treatt

The Board defines and monitors the actions required to mitigate our risks and is responsible for:

Setting and communicating the Group's risk appetite

Aligning the risk mitigation approach with the Group's strategic objectives

Reviewing and challenging the risk register

Embedding effective risk management in the culture of the Group

Empowering people at all levels to engage with risk management and internal control systems

Executive Directors

Responsible for:

Day-to-day risk management

Reviewing and monitoring risk and mitigation strategies across the business

Senior Leadership Team

Responsible for:

Identifying key risks facing the business

Compiling Group risk registers

Determining appropriate and proportionate risk mitigation strategies

Colleagues

Responsible for:

Identifying key risks facing the business

Management of risk through applying appropriate controls, policies and processes

How we manage risks

The management of risk is embedded within the framework of the Group, which includes:

A dedicated team reviewing adherence to internal procedures and operational controls, requiring action where non-conformances are identified

The process of strategy setting

Oversight of risk by the Board

The quality of our people and culture

Established policies, procedures & internal controls

Processes for identification, review and monitoring of risk

Regular dissemination of financial and non-financial information and Key Performance Indicators (KPIs)

A clear understanding of market conditions and raw material prices

PRINCIPAL RISKS AND UNCERTAINTIES

Risk appetite

The Board has overall responsibility for the management of risk at Treatt. This includes the establishment of an appropriate risk culture, setting the Group's risk appetite and overseeing its risk management and internal control systems. Day-to-day risk management is delegated to the Executive Directors who work closely with the Senior Leadership Team in reviewing and monitoring risk and mitigation strategies across the business.

Risk appetite is an expression of the type and amount of risk we are willing to accept to achieve our strategic objectives. The Board sets the appetite for risk across the business by reviewing and challenging the risk register, ensuring that risks are considered and mitigated to an appropriate degree and that they are consistent with the strategic objectives of the business. The register inherently defines the level of risk the Board is content for the business to be subjected to and is a key consideration in decision-making across the Group. It also helps to define and monitor the actions required to mitigate our risks. Effective risk management is embedded in the culture of the Group and in the way we do business.

We operate in a competitive market and recognise that strategic, commercial and investment risks may be incurred in seizing opportunities and delivering results. Consequently, we are prepared to accept certain risks in pursuit of our strategic objectives provided that the potential benefits and risks are fully understood and appropriate mitigation strategies are in place to minimise the effects of the risks should they materialise. An understanding of risk encourages clear decision-making.

Risk identification

Risk identification is an integral part of the day-to-day activities of people at every level; they are empowered to manage risk through appropriate controls, policies and processes.

The Senior Leadership Team is responsible for compiling Group risk registers to identify key risks facing the business, their potential effects and determining appropriate and proportionate risk mitigation strategies. Responsibility for monitoring and reviewing each risk is taken by a designated senior member of staff to ensure that there is appropriate accountability. More than 80 risks are included in the register, rated on their probability and impact and then re-rated after mitigation. Those responsible for each risk will use a variety of tools to monitor their risk at a more granular level, including more detailed sub-registers and pertinent Key Performance Indicators (KPIs).

Where significant projects are undertaken, such as the recent site expansion at Treatt USA and the current site relocation in the UK, specific project risk registers are established to record all risks that could have a significant effect on the success of the project. This ensures that there is accountability for the mitigation strategies that are put in place and enables regular monitoring of risk identification and the effectiveness of mitigating actions throughout the project.

All risks with a potential impact that remains classified as high or medium post mitigation form the Board risk register, providing details of those risks that may impact upon the performance of the business and its strategic direction. The Board formally reviews this register twice a year and upon any material change, with any amendments, control issues, accidents or commercial, financial, regulatory or reputational issues being reported to the Board in the meantime.

Employee involvement

Our risk management framework incorporates a top-down approach, setting the risk appetite and identifying our principal risks, and a bottom-up approach to identify our operational risks.

During the course of the year a comprehensive bottom-up risk review exercise took place across the Group, which involved interviewing a large number of managers and team leaders on risks which they perceive exist within the organisation. The results of this exercise were presented to the Senior Leadership Team and where appropriate, additional risks were included on the Group risk register or highlighted to relevant departments for monitoring.

Board review of risk

As well as reviewing risk registers and discussing risk throughout the year, the Board holds one meeting each year dedicated entirely to risk. At this meeting, the Board hears from members of staff responsible for the risks being reviewed in greater detail. This enables the Board to understand and challenge the mitigation to satisfy itself that appropriate action is being taken. Having undertaken detailed reviews of numerous key risks on an annual basis since 2017, the Board is comfortable that risk mitigation is inherent in the Group's policies and procedures and that those responsible for risk explore ways of continuously improving our internal systems to ensure that we work within the risk appetite set by the Board.

The Board has also conducted a review of the effectiveness of the Group's system of internal controls. The Board reviewed and discussed a paper prepared by management on the Group's internal controls, covering all material controls, including those which are financial, operational and compliance related. The Board has monitored and reviewed the effectiveness of the Group's overall approach to risk management, including any control failures and has received a comprehensive report on the review of the Group's financial controls, which took place during the course of the year. The Board also engaged KPMG to undertake an independent assessment of risk management at Treatt and provide suggestions as to how it might be further improved. The Board has concluded that it has taken all reasonable steps necessary to satisfy itself that the current risk management procedures for identifying risks and considering risk mitigation are appropriate.

In 2018 the Board reviewed the process of risk management and whether risk should fall within the remit of the Audit Committee, with the Board retaining overall responsibility. It was decided that risk management should remain with the full Board.

Emerging risks

The Senior Leadership Team is closely involved in day-to-day matters and have a breadth of experience across corporate, regulatory, commercial, supply chain, operations, HR and financial matters. Within their field of specialism, they consider emerging risks that have the potential to adversely impact the business or its stakeholders and ensure collectively that such risks are appropriately mitigated, as required. One such example is COVID-19, which arose rapidly and had a significant effect on the day-to-day operation of the business, requiring mitigation strategies to be put in place quickly and effectively. Significant emerging risks are raised and discussed at Board level.

In identifying emerging risks, senior management have regular contact with customers and suppliers to understand their needs and gain insight into their businesses, as well as with other businesses, trade bodies and professional organisations to ensure that risk monitoring activities are as broad as possible. Reports are also commissioned and briefings arranged on wide-ranging, pertinent topics to understand changes within the industry and wider environment.

PRINCIPAL RISKS AND UNCERTAINTIES

Brexit

Following the United Kingdom's exit from the European Union we have continued to monitor the impact that the end of the transition period, on 31 December 2020, may have on the business. Beyond the impact of currency movements there remains, to date, no visible impact on the business from Brexit. Whilst the UK Government continues to negotiate trade agreements, management believes that Treatt's global footprint provides flexibility to face any challenges that may arise.

We will continue to monitor the situation with respect to the end of the transition period, including the following areas of potential impact on our business:

- Short-term volatility in exchange rates. Whilst Treatt benefits from the weakness of Sterling against the currencies in which the Group trades, compared with pre-Brexit referendum levels, we regard a stronger but stable US Dollar as being beneficial for our business. As Richard Hope reports in more detail in his Financial Review, our foreign exchange hedging model mitigates short-term volatilities.
- Increases or decreases to import or export tariffs both with EU countries and globally. As well as potential increases to cost, new customs procedures and paperwork might result in increased shipping times. However, having manufacturing locations in the UK and US gives us some flexibility to respond to this.
- The process for ensuring continued compliance with EU REACH (Registration, Evaluation and Authorisation of Chemicals) regulations post-Brexit remains uncertain. The Only Representative Organisation (ORO) is the international trade association of REACH 'Only Representatives'. Only Representatives have a role that enables non-EU companies to place their product on the EU market in accordance with Article 8 of REACH (1907/2006) and consequently the Group has appointed an 'Only Representative' on a contingency basis in order to ensure that it can maintain its support to its EU customer base affected by these regulations.
- Any changes to immigration rules within the EU have the potential to cause us some short-term disruption to the recruitment of talented individuals from EU countries. The ability to attract talent from around the world is important for Treatt's future growth.

Principal risks

We have carried out a robust assessment of the principal risks and uncertainties facing the business, including those that would threaten the business model, future performance, solvency or liquidity. The following list of principal risks and uncertainties are those which individually or collectively might be expected to have the most significant impact on the long-term performance of the business and its strategic priorities. It is not intended to be an exhaustive list and additional risks not presently known to management, or risks currently deemed to be less material, may also have potential to cause an adverse impact on the business.

COVID-19, which has been introduced as a new principal risk factor, has the potential to have a profound impact on people and businesses globally and is reported in more detail on page 59. One such potential impact is the risk of a prolonged global recession, which may affect demand for our products and result in a slowdown in some of our customers' new product development activities, with customers retrenching into existing brands. However, as a supplier to the beverage, flavour, fragrance and consumer product industries our business has in the past been able to withstand recession as people continue to eat, drink and use cleaning materials. The Board believes that the Group is well placed to deal with both the disruption and opportunities that COVID-19 may bring. The Group retains a strong focus on keeping its employees safe and working closely with customers, suppliers and other stakeholders, whilst helping our communities where we can.

Treatt is particularly experienced in managing volatility in raw material prices and their availability. Strategic decisions are regularly taken to mitigate price movements, which, whilst not eliminating risk, have a history of being effective. Having seen one of the sharpest ever price declines in orange oil last year we have seen the price stabilise and begin to steadily increase, with opportunities resulting from the risk mitigation strategies we put in place when the price was falling. Having increased our assessment of this risk last year, the stabilisation of the market has led us to decrease the risk rating to the previous level. We continue to manage this category through a diversified supply base, strong supplier relationships, early action when markets move and strategic make-or-buy decisions, which mitigate our exposure.

As our business encompasses so many products derived from natural sources, adverse weather continuously affects the availability and pricing of our raw materials, particularly with the increase in significant weather events across the globe. Some recent examples include unusually heavy snowfall in various growing regions of China in late 2017, which affected a number of products including star anise and ginger; hurricane Irma, which hit Florida in mid-September 2017, resulted in the largest and most sustained price increase ever seen for grapefruit oils; and unusual weather patterns in Florida during the first half of 2019 caused a delay in the regular processing of spring crops such as cucumbers, watermelons, peppers and cantaloupe. We closely monitor market conditions and produce a regular Market Intelligence report, available on our website, which provides our customers and others with updates on citrus and other crops, where yields vary annually and are affected by the climate and other factors. The key to working with natural crops, where movements in the market can be unexpected, is ensuring the availability of alternative supply sources; establishing and maintaining relationships with different suppliers is a core responsibility of the procurement function.

The risk caused by pressure on our infrastructure to continue to deliver strategically important business has reduced with the completion of the expansion project at Treatt USA, delivering greater capacity through the addition of new plant and machinery as well as increased warehousing and cold storage. However, the risk level remains unchanged pending the completion of the UK headquarters relocation, now delayed by COVID-19 to 2021, which will add further capacity in the UK. In addition, the shifting of work patterns across both sites to extend the working week provides further opportunities to increase capacity and ensure greater efficiency within manufacturing areas.

PRINCIPAL RISKS AND UNCERTAINTIES

FINANCIAL

1 Further impact of COVID-19

Reduction in demand, decrease in new product development briefs from customers, changes in consumer habits, difficulties within the supply chain, production, incoming and outgoing logistics and welfare of our employees.

Strategic impact

1 2 3 **4** **5** **6**

Mitigation

- Continual monitoring of the situation and adopting a flexible approach to ensure appropriate response to support the business;
- the health, safety and wellbeing of our employees is paramount and our response has focused on our employees, customers and our local communities;
- adapted work practices to enable everyone who can, to work from home and to arrange our sites with safety in mind to ensure all vital operations and projects remain on track;
- working closely with existing and new customers, coming to us as a result of the pandemic, to manage their immediate and longer-term needs;
- maintaining regular contact with our supply chain to ensure continuity of supply;
- monitoring the regulatory landscape and market conditions;
- managing cash and headroom to protect the Group's liquidity; and
- Senior Leadership Team providing regular COVID-19 updates to keep all staff informed and maintain team spirit.

Risk climate

New risk

2 Overspend on UK site relocation and/or risk of business disruption caused by the move

Increased costs, reduction in working capital headroom, a need to cut costs in other areas and inability to satisfy customer orders.

Strategic impact

1 2 3 4 5 **6**

Mitigation

- Project specification agreed to achievable budget before commencement with suitable contingency included;
- third party project managers appointed to run the project;
- appointment of a third party project supervisor for the construction phase;
- appointment of a consultant to supervise the plant and machinery element of the project;
- robust contracts in place with contractors and suppliers;
- regular budget meetings with Directors to ensure project remains on budget;
- close monitoring of the build through regular site meetings with the project manager and contractor to ensure that completion of the project is timely and on budget;
- internal control processes in place to fully evaluate any additions to the schedule of works; and
- new site fully commissioned prior to move, distillation move phased over several months providing contingency capacity on the existing site, appropriate levels of safety stock and detailed planning on moving key production plant.

Risk climate

→

3 Movements in citrus commodity raw material price

Can materially impact revenue, contribution and onerous stock provisions. Possible stock shortages.

Strategic impact

1 2 3 **4** **5** 6

Mitigation

- Detailed inventory control procedures;
- monitoring and communication of market conditions and long-term raw material contracts;
- maintaining close relationships with suppliers;
- continuing to identify new suppliers for key raw materials or those where shortages exist;
- assisting our customers with managing price volatility or raw material shortages as part of the Treatt service; and
- citrus category team providing greater management across the Group of Treatt's largest raw materials.

Risk climate

↓

Risk climate key:

→ No change ↑ Increase ↓ Decrease

Strategic impact key:

1 Engaging with our communities
2 Investing in our culture
3 Reducing our environmental impact
4 Investing in our core categories
5 Diversifying into new categories
6 Investing for future growth

See our Strategy on **pages 16 and 17**

PRINCIPAL RISKS AND UNCERTAINTIES

PEOPLE

4

Loss of key staff through retention policy and failure to manage succession

A lack of experienced and engaged employees will have a detrimental impact on all areas of the business.

Strategic impact

1 2 3 4 5 6

Mitigation

- Ensure we secure an emotional attachment to the business, that remuneration packages are appropriate to the position, that staff are empowered and have opportunities within the business through training, enabling upskilling and providing career development opportunities;
- continue to develop succession planning for positions across the Group; and
- utilising engagement surveys and other employee voice mechanisms to provide staff with an opportunity to provide feedback and ideas.

Risk climate

→

OPERATIONAL

5

Pressure on infrastructure for strategic business

Loss of revenue, damage to reputation, loss of key strategic customer.

Strategic impact

1 2 3 4 5 6

Mitigation

- Ensure appropriate infrastructure through new headquarters in UK and expansion in the US;
- keep close communication between sales and operations to determine likelihood of large order and capacity constraints to manage customer expectations; and
- manage sub-contractor relationships.

Risk climate

→

6

Structural damage to production facilities from storm or hurricane damage at Treatt USA, due to its Florida location

Loss of use of buildings, danger to staff, loss of equipment and product. Major incident due to type of products stored.

Strategic impact

1 2 3 4 5 6

Mitigation

- Regularly inspect and maintain building components;
- implement hurricane action plan when necessary;
- sufficient spread of inventory between production facilities in UK and US;
- comprehensive maintenance programmes across the UK and US sites; and
- improved capacity to withstand storm damage following expansion of the US facility.

Risk climate

→

Risk climate key:

→ No change
↑ Increase
↓ Decrease

Strategic impact key:

1 Engaging with our communities
2 Investing in our culture
3 Reducing our environmental impact
4 Investing in our core categories
5 Diversifying into new categories
6 Investing for future growth

See our Strategy on **pages 16 and 17**

PRINCIPAL RISKS AND UNCERTAINTIES

7

Inadequate documentation of processes and/or non-adherence to required processes

Failure of BRC, HACCP or regulatory audits and damage to reputation as problem-free supplier.

Investment in rectification of any non-compliances noted.

Strategic impact

1 2 3 **4** **5** 6

Mitigation

- Strong Group-wide commitment to disciplined compliance with internal quality programmes;
- commitment to permit third-party auditing by customers and for certification and regulatory purposes; and
- internal auditing of systems and processes against Standard Operating Procedures and British Retail Consortium (BRC) requirements.

Risk climate

→

8

IT issues including network, hardware, data and security

Loss of IT systems and/or data, impacting on the ability of the business to function effectively.

Reputational damage and litigation in respect of data protection.

Strategic impact

1 2 3 4 **5** **6**

Mitigation

- Well-constructed IT infrastructure with failover capabilities, supported by a comprehensive asset management database and best practice maintenance processes;
- multi-layered security protection system in place;
- security team continuously searches for and fixes vulnerabilities, including those reported by third-party security consultants;
- continued investment in infrastructure and particularly software security;
- continued focus on raising of staff awareness of cyber security through test scenarios;
- insurance cover taken out to protect the business against the highest cyber risks and consequent business interruption; and
- ad hoc hacking attempts by third-party security consultants.

Risk climate

→

9

Product failure

Potential product recall causing financial and reputational loss.

Strategic impact

1 2 3 **4** **5** **6**

Mitigation

- Strong supplier qualification process, intake testing and analysis;
- regular review of risk matrix for every raw material handled;
- use of barcode scanners on all orders to avoid mispicks;
- range of testing to detect contamination;
- obtain up-to-date information for all suppliers via Supplementary Application Questionnaire documentation;
- supplier risk assessment to determine in-house test schedule;
- continuation of visits to suppliers;
- thorough investigation of errors leading to appropriate action such as retraining or amendment of procedures;
- combination of self-insurance and recall insurance; and
- annual desk top testing of product recall procedure.

Risk climate

→

PRINCIPAL RISKS AND UNCERTAINTIES

OPERATIONAL CONTINUED

10

Commoditisation of established Treatt products

Effect on revenues and margin attrition.

Strategic impact

1 2 3 **4** **5** 6

Mitigation

- Innovation and development of new products;
- broaden into other associated sectors;
- continued focus on citrus as area of strength;
- identification and implementation of process improvements and new equipment to increase efficiency; and
- increasing value-added proposition.

Risk climate

→

11

Shortening value chain and new entrants in proprietary technology-based aqueous distillates

Customers demonstrating increased competence to fold, fractionate and break bulk.

Increased competition.

Strategic impact

1 2 3 **4** **5** 6

Mitigation

- Continued value-added in-house innovation;
- strengthen product knowledge and sourcing;
- further rationalisation of product portfolio to remove low margin products and improve efficiency; and
- working with customers on make-or-buy decisions where Treatt has the expertise available, enabling customers to buy rather than process in-house.

Risk climate

→

12

Single-sourced for synthetic speciality chemicals, many Treattarome® raw materials and materials for applications work

Potential loss of primary supply source. The nature of the materials concerned would indicate individual company IP is involved.

Strategic impact

1 2 3 **4** **5** 6

Mitigation

- Closer collaboration with existing suppliers;
- identifying alternative suppliers where possible – there was a 40% reduction in single sourced raw materials during the year;
- investigate alternative sources of supply of, if not identical, similar materials;
- creation of alternative blends using substitutes; and
- long-term supply agreements put in place.

Risk climate

→

Risk climate key:

→ No change
↑ Increase
↓ Decrease

Strategic impact key:

1 Engaging with our communities
2 Investing in our culture
3 Reducing our environmental impact
4 Investing in our core categories
5 Diversifying into new categories
6 Investing for future growth

See our Strategy on **pages 16 and 17**

PRINCIPAL RISKS AND UNCERTAINTIES

LEGAL AND REGULATORY

13

Sourcing of natural products

Loss of supply, increase in market price or impact on quality resulting from fluctuations in yields caused by weather, disease, etc.

Squeeze on margins.

Strategic impact

1 2 3 **4** **5** 6

Mitigation

- Enhancing relationships with competitors and brokers and other supply channels, combined with forward purchasing contracts for medium to longer-term supply;
- visits to existing and new suppliers for key product groups;
- attendance at industry conferences and seminars providing opportunities to meet with potential new suppliers; and
- strategic buying of core products.

Risk climate

→

14

Failure to comply with relevant UK and US environmental, H&S and other applicable legislation

HSE and/or EA investigation.

Probable enforcement action involving fines, enforcement notices.

Risk of site closure.

Strategic impact

1 2 **3** **4** **5** 6

Mitigation

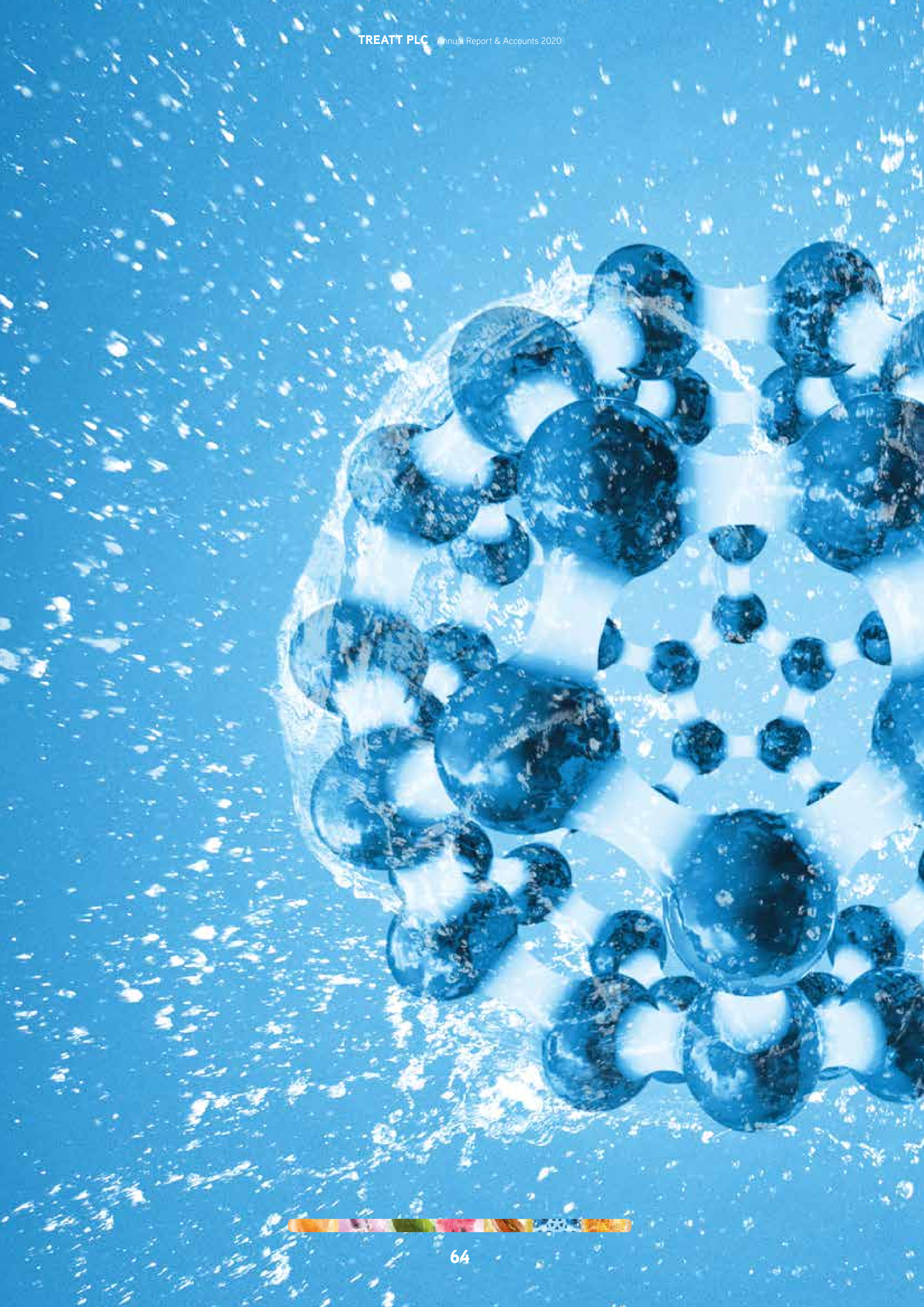
- Detailed understanding of legislative requirements with internal involvement, consultative support and capital investment;
- pro-active role in ensuring the Group's systems and procedures are adapted to ensure compliance;
- working closely with the Environment Agency and relevant authorities in respect of Control of Major Accident Hazards; and
- continuation of relevant training and assessment of employee skills across the Group.

Risk climate

→

The Group regularly reviews its commercial insurance programme and maintains an appropriate and adequate portfolio of insurance policies in line with the nature, size and complexity of the business, which provides further mitigation in certain areas of risk.

During 2018, a full-scale review of the Group's business continuity plans took place with the assistance of an external consultant, the cost of which was covered by the Group's insurers. A full business impact analysis was conducted improving our understanding of the business's resilience and how to minimise the impact and disruption of an incident or crisis to both operations and reputation. A more robust business continuity plan has been designed to incorporate emergency response, crisis management and business recovery and strategic IT disaster recovery aligned with best principles set out in ISO22301, the international standard for Business Continuity.



GOVERNANCE

CORPORATE GOVERNANCE

74
Nomination
Committee Report

76
Audit
Committee Report

80
Remuneration
Committee Report

BOARD OF DIRECTORS

An experienced Board with over

55 YEARS'

combined experience at Treatt

Tim Jones

Non-executive Chairman

C

Led Treatt's Board as its Chairman since his appointment in 2012 and appointed Daemmon Reeve as the Group's CEO in the same year.

A Member of the Chartered Institute of Securities and Investments and an Associate of the Chartered Insurance Institute, Tim began his career in financial services and held posts in the Middle East, the US and Europe before entering the beverage/water bottling sector including the establishment of a joint venture in the Balkans. He is now Chairman of fixed income broker City and Continental, a subsidiary of the social impact organisation Allia.

He is a Fellow at Cambridge Judge Business School and actively involved in the City of London where he is a Court Assistant and Chairman of Communications at the International Bankers Company.

Key External Appointments:

Chairman of TMJ (Taylor Made Joinery Interiors Limited)

Non-executive Director of Retail Charity Bonds plc

Daemmon Reeve

Chief Executive Officer

Appointed Chief Executive Officer in 2012.

Daemmon joined R C Treatt & Co Limited, the Group's UK operating subsidiary, in 1991 and gained extensive industry experience and knowledge from his time in technical, operational, sales and purchasing disciplines. He was appointed CEO of Treatt USA in 2010 and became Group CEO in 2012.

A key part of his role is to help provide the cultural environment for the success of Treatt and its fantastic team, making Treatt a fun place to work along the way. It is the output of the engaged teams which is driving the success of Treatt. Seeing our excellent team succeed is what excites Daemmon most about Treatt.

In August 2019, Daemmon's contribution to Treatt and the wider community was recognised by the award of an honorary doctorate by the University of Suffolk.

Key External Appointments:

No external appointments

Richard Hope

Chief Financial Officer

Appointed Chief Financial Officer in 2003.

Richard qualified as a Chartered Accountant in 1992 at Price Waterhouse, which is now part of PwC, and was certified a Fellow of the Institute of Chartered Accountants in England and Wales in 2010. Richard has held several senior finance positions for almost 25 years in value-added manufacturing businesses, including Hampshire Cosmetics Limited.

He was awarded Finance Director of the Year at the 14th Grant Thornton Quoted Company Awards in February 2018 and was a Finalist for the Shares Magazine Finance Director of the Year award, part of the UK Stock Market Awards, in 2017.

Key External Appointments:

No external appointments

Yetunde Hofmann

Non-executive Director

Appointed to the Board as Non-executive Director in 2019.

Yetunde is a seasoned business leader with significant experience gained in mergers and acquisitions; business and operating model transformation; organisational capability development; growth and international expansion.

She has been named in the Cranfield University FTSE Board Report '100 Women to Watch'.

She is a Non-executive Director and Chair of the Remuneration committee at the Chartered Institute of Personnel and Development (CIPD) and is Champion for the Middle East. She is a Board Trustee and Chair of the Remuneration Committee of The Education Development Trust, a Trustee of The Institute of Business Ethics and a Visiting Fellow at Henley Business School.

Yetunde's career began in Nigeria at the International Institute of Tropical Agriculture (IITA) and progressed through FTSE 100 and global organisations across a variety of industries such as Unilever, Northern Foods, Allied Domecq and Imperial Brands.

Key External Appointments:

Non-executive Director CIPD

Trustee of the Institute of Business Ethics

Trustee of Education Development Trust

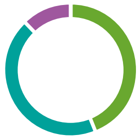
BOARD OF DIRECTORS

Board Gender Diversity

Female	22%
Male	78%

Board Independence

Independent	67%
Non-independent	33%



Length of Service

0–5 years	44%
6–10 years	44%
Over 10 years	12%

David Johnston

Non-executive Director

Appointed to the Board as Non-executive Director in 2011.

David started his career working as a biochemist for the UK government prior to transferring to Switzerland where he worked on an international programme to enhance the resistance of plants to pathogens.

He then joined one of the leading flavour and fragrance companies, Firmenich SA, in a variety of commercial and technical roles over 13 years. He finished his career at Firmenich SA as head of flavour innovation globally. He then started his own company, Natural Taste Consulting SARL, which focuses on the development and sales of taste modifying compounds. Since December 2019, David has been an independent member of the scientific advisory committee of Driscolls, a California-based global leader in the production and sales of fresh berries.

Key External Appointments:
Independent Member of Driscolls Scientific Advisory Committee

Vijay Thakrar

Non-executive Director

Appointed to the Board as Non-executive Director in 2020.

Vijay is a Chartered Accountant with extensive strategy, commercial and governance experience in FMCG, including the food and beverage sector and was previously a partner at EY and Deloitte, Chairing Deloitte's mid-cap listed companies' practice. Vijay has served on various boards in a non-executive capacity, including The Quoted Companies Alliance and Quorn Foods.

Vijay is a Non-executive Director and Audit Committee Chair of Walker Greenbank Plc, Alumasc Group plc and Non-executive Director of RSM UK Holdings Limited, serving on their Public Interest Board and Audit Committee.

Key External Appointments:
Non-executive Director of Walker Greenbank Plc

Non-executive Director of Alumasc Group plc

Non-executive Director of RSM UK Holdings Limited

Jeff Iliffe

Non-executive Director

C

Appointed to the Board as Non-executive Director in 2013.

Jeff has widespread experience of the City, industry and internet-based businesses, including acquisitions, business integration and investor relations.

He was CFO of Abcam plc from 2007 until 2016, as the company delivered huge growth to become a world-leading life sciences business.

Previously, he was a corporate financier at Panmure Gordon & Co, during which time he advised Treatt, and has held senior financial positions in environmental, biotechnology and internet-based businesses.

Key External Appointments:
Non-executive Director of Cambridge Nutraceuticals Limited

Trustee of Cambridge Arts Theatre

Lynne Weedall

Non-executive Director

C

Appointed to the Board as Non-executive Director in 2019.

Lynne is an experienced Group HR and Strategy Director who has worked in a number of FTSE 100 companies and family businesses, including Waitrose, Tesco, Whitbread, BUPA, Carphone Warehouse and Selfridges Group. She has key expertise in business strategy, organisation design, strategic change management and employee engagement.

Lynne has served as a Non-executive Director on a number of Boards and spent seven years on the Board of Greene King.

Lynne is Chair of the Remuneration Committee at both William Hill PLC and Stagecoach Group plc.

Key External Appointments:
Non-executive Director of William Hill PLC

Non-executive Director of Stagecoach Group plc

Director of TruePoint

Senior Independent Director

Richard Illek

Non-executive Director

Appointed to the Board as Non-executive Director in 2016.

Richard retired from PepsiCo in March 2016, following 28 years with the company. During that time he served in various senior positions around the world including Plant Manager, QA Manager and Technical Services Director, culminating in his most recent role as Senior Director of Manufacturing and Formulations.

Key External Appointments:
No external appointments

Remuneration Committee | Audit Committee | Nomination Committee | C Committee chair

CORPORATE GOVERNANCE STATEMENT

At Treatt our commitment to EFFECTIVE CORPORATE GOVERNANCE across the Group is reflected in our principles, policies and practices

"I am clear that good governance ultimately produces a better company and optimum long-term performance."

Introduction from the Chairman

Board and effectiveness

As the business continues to grow it needs a strong, effective, entrepreneurial and engaged Board with the right skills and experience to oversee the strategy, governance, risk and financial frameworks across the organisation. Following the introduction of two new Non-executive Directors in 2019, a further Non-executive Director, Vijay Thakrar, was appointed to the Board on 1 September 2020. Vijay is a Chartered Accountant with extensive strategic, commercial and governance experience in FMCG, including the food and beverage sector and was previously a partner at EY and Deloitte, Chairing Deloitte's mid-cap listed companies' practice. Vijay has served on various boards in a non-executive capacity and will be the future successor for Jeff Iliffe, Chair of the Audit Committee, who will have served nine years in 2022.

The Nomination Committee continues to review the Board's composition to ensure that it maintains appropriate skills, experience, independence and diversity and that its culture is based on open and collegiate accountability, whilst encouraging constructive debate and robust challenge.

The highest standards of governance drive the Company, balancing the interests of its shareholders, employees, the environment and its wider stakeholders of customers, suppliers and the communities in which the Group does business. At Treatt our commitment to effective corporate governance is reflected in our principles, policies and practices. I am clear that good governance ultimately produces a better company and optimum long-term performance.

Culture

The Board has a role in setting and monitoring the Group's culture to ensure that there is balance between accountability, collaboration and respect, enabling agile decision-making and constructive challenge, which promote innovation and teamwork. These are qualities that will drive the continued growth of Treatt.

CORPORATE GOVERNANCE STATEMENT

Strategy

The Board is strongly committed to the setting, monitoring and reviewing of Group strategy, and ensuring that any risks that threaten the strategy are managed or mitigated. During the course of the year, the annual strategy day was held, with external facilitation enabling an in-depth review of the current strategy and its execution, and consideration of the longer term direction of the Group. The Board will continue its focus on developing the Group's strategic plans in the coming year.

Stakeholders

We are conscious that, as a Board, we are accountable to all our shareholders and must have regard to other stakeholders such as employees, customers, suppliers, the communities in which we operate and the environment. We have maintained an active dialogue with our shareholders throughout the year and listen to views of representatives of investors and financial institutions.

Employee engagement

Taking the opportunity to engage with our UK and US employees is important to the Board and David Johnston and I have held virtual open door sessions where any member of staff is able to drop in and chat about any matter they wish. These Employee Voice sessions have, pleasingly, been very well supported and are invaluable to the Board in gaining employees' perspectives on the business and ensuring that all staff know that the Board and its Chairman can always be approached. I thank employees for their openness and honesty, and their willingness to engage.

Effect of COVID-19

Unfortunately due to COVID-19 our annual Board meeting at Treatt USA was unable to take place this year, nor have we been able to visit the UK site since March.

As the COVID-19 pandemic developed, the Board changed its usual working practices and held Board meetings using video conferencing, as permitted by the Company's Articles. The Board already receives its papers electronically, using a secure board portal. I have maintained regular contact with the executive team and the rest of the Board as I aim to ensure that there is an appropriate level of support, oversight and challenge, a focus on entrepreneurship as much as on risks, a commitment to transparency and a culture of continuous improvement.

I have also continued to meet with the Non-executive Directors virtually, without the presence of the Executives.

Annual General Meeting 2021

It is currently intended that the Annual General Meeting in 2021 will be an open meeting for all shareholders but this will be subject to review nearer the time in light of the COVID-19 situation. In the event that it is necessary to protect the health and wellbeing of our staff and shareholders and is permitted by the Corporate Insolvency and Governance Act 2020, the Annual General Meeting may subsequently be held as a closed meeting and shareholders will be unable to attend. Should this measure become necessary, shareholders will be notified before the meeting through our website and by a Regulatory News Service announcement and will be invited to submit questions to the Board in advance of the meeting. Answers to questions submitted will be published on the Group's website (www.treatt.com) as soon as practicable after the Annual General Meeting.

Compliance with the Corporate Governance Code

The Company is subject to the 2018 UK Corporate Governance Code, which is issued by the Financial Reporting Council (FRC) and is available at www.frc.org.uk. The Code is a guide to a number of key components of effective board practice and is based on the underlying principles of good governance: accountability, transparency, probity and focus on the sustainable success of a company over the longer term. UK listed companies are required to disclose whether they have complied with the Code throughout the financial year and provide an explanation where they have not done so.

I am pleased to report that throughout the year ended 30 September 2020 the Group has complied with the provisions set out in the 2018 Corporate Governance Code.

Tim Jones
Chairman

CORPORATE GOVERNANCE STATEMENT

Role of the Board

The Board is accountable to shareholders for managing the Company in a way which promotes long-term sustainable success for the benefit of its stakeholders. It sets the Group's strategic objectives and oversees their implementation by the CEO.

Operation of the Board

The Board has a schedule of matters reserved to it for decision and the requirement for Board approval on these matters is communicated widely throughout the senior management of the Group. These matters, which are reviewed periodically, include strategy, material capital commitments, commencing or settling major litigation, business acquisitions and disposals, appointments to subsidiary company boards, risk, dividend policy and full and half year results.

The Board meets formally a minimum of six times a year with additional meetings held as required. Meetings are scheduled around events in the corporate calendar such as the full and half year results, year-end and the Annual General Meeting. Standing agenda items include updates from the CEO on performance of the business against strategic objectives, a review of the financial and trading position from the CFO, Health and Safety, HR and Legal. In the last few years, time has also been dedicated to the US site expansion and the UK site relocation at each meeting. During the year, the Board holds days dedicated to discussion of key matters including Group strategy, Board evaluation and performance and risk evaluation and mitigation.

Day-to-day management of the Group is delegated to the Executive Directors, who are supported by a Senior Leadership Team, with members located in the UK and US. The Executive Directors attend Treatt USA Board meetings with the US members of the Senior Leadership Team at least six times a year and have regular contact outside of these meetings, with the CEO usually travelling to the US on a regular basis. Meetings are held with the UK members of the Senior Leadership Team on a six-weekly basis.

Information and support

Contact is maintained by the Board through email, telephone and video calls with written updates provided in respect of on-going issues, enabling regular input from all Board members. To enable the Board to function effectively and Directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including regular business progress reports and discussion documents regarding specific matters. Board meetings are of sufficient duration to enable debate and discussion, ensuring adequate analysis of issues during the decision-making process. Further opportunity for more informal and extended discussion is provided at Board lunches which, with the exception of this year due to COVID-19, take place after every Board meeting and also provide the Board with an opportunity to meet members of staff, who are sometimes invited to attend.

If necessary, there is an agreed procedure for Directors to take independent professional advice at the Group's expense. This is in addition to the access which every Director has to the Company Secretary. The Secretary is charged by the Board with ensuring that Board procedures are followed and that there are good information flows within the Board and its committees and between senior management and Non-executive Directors.

Culture

The Board believes that good governance is driven not just from the operation of the Board but also from the culture of the organisation and the way in which employees conduct themselves on a day to day basis.

At the heart of our culture are our core values, set out on page 43, which are the cornerstones of our organisation, having been created and championed by all of our employees across three continents, who feel a great sense of ownership and pride in them. Continual focus on these values is supported by employee of the quarter awards, where colleagues nominate other employees that they feel have demonstrated strong commitment to the values.

The Board receives regular updates on indicators to assist its understanding and oversight of the Group's culture. This includes feedback from Employee Voice sessions held twice a year by the Chairman and David Johnston, which are open to all employees, results of engagement and pulse surveys, a summary of the outcome of the performance management process and other reports, such as health and safety, internal control and whistleblowing.

Further details on the culture of the Group and our approach to investing in and rewarding our employees are set out on pages 44 to 46.

Attendance at meetings

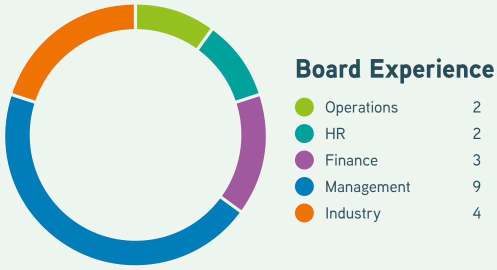
The members of the Board during the year and its committees, together with their attendance, are shown below:

	Board	Audit Committee	Nomination Committee	Remuneration Committee	Chair
Number of meetings held in year	7	5	4	6	
Daemmon Reeve – Chief Executive Officer	7	N/A	4	N/A	
Richard Hope – Chief Financial Officer	7	N/A	N/A	N/A	
Tim Jones – Non-executive Director and Chairman (stepped down from the Audit Committee on 1 September 2020)	7	5	4	N/A	Board & Nomination
David Johnston – (stepped down from the Remuneration and Audit Committees on 1 May 2020)	6	3	N/A	1	Remuneration (until 1 May 2020)
Richard Illek – Non-executive Director	5	N/A	3	N/A	
Jeff Iliffe – Non-executive Director	7	5	N/A	6	Audit
Yetunde Hofmann – Non-executive Director	5	5	4	6	
Lynne Weedall – Senior Independent Non-executive Director	6	N/A	4	6	Remuneration (from 1 May 2020)
Vijay Thakrar – Non-executive Director (appointed to the Board and the Audit and Nomination Committees on 1 September 2020)	1	1	1	N/A	

CORPORATE GOVERNANCE STATEMENT

7
Board meetings in the year

90%
Meeting attendance



Division of responsibilities

Roles and responsibilities

Details of the Directors who served during the year, the positions they hold, and the committees of which they are members are shown on pages 66 and 67. The Board consists of Non-executive Chairman, Tim Jones, and six further Non-executive Directors together with Daemmon Reeve, CEO, and Richard Hope, CFO.

There is a clear division of responsibility between the CEO, whose primary role is the day-to-day running of the Company's businesses, the development and agreement with the Board of the strategy required to best promote the success of the Company in the best interests of its shareholders and wider stakeholders and the implementation of that strategy, and the Chairman who is responsible for leadership of the Board and ensuring it operates effectively and entrepreneurially for the Group.

The Chairman ensures that the Board and its committees are effective and operate under the highest standards of corporate governance. The Chairman:

- sets the Board agenda;
- ensures that adequate time is allowed for discussion, in particular, of strategic, complex or contentious issues in anticipation of which accurate, timely and clear information has been circulated in good time;
- ensures appropriate delegation of authority from the Board to executive management and constructive, open relations between them;
- acts as a sounding board, counsel and mentor to the CEO;
- ensures that the Company maintains a dialogue with its principal shareholders about strategy, direction, Directors' and senior managers' remuneration and is aware of shareholders' issues or concerns ;
- ensures that employees are able and encouraged to maintain dialogue directly with the Board; and
- ensures that the performance of individual Directors, the whole Board and its committees is evaluated at least annually and that Directors are continually encouraged to update their skills, knowledge and familiarity with the Company, its employees and all stakeholders as required to fulfil their role.

The Chairman has regular contact with the Non-executive Directors without the presence of the Executive Directors. Concerns relating to the executive management of the Group or the performance of the other Non-executive Directors may be raised with Lynne Weedall, who is the Senior Independent Director. The role of the Senior Independent Director is also to provide a sounding board for the Chairman, to serve as an intermediary for the other Directors and to lead the performance evaluation of the Chairman.

The Group Company Secretary is secretary to the Board. Her responsibilities include ensuring the Board has the information, time and resources it needs in order to discharge its duties and function effectively and efficiently.

Committees

The Board has three sub-committees; the Nomination Committee chaired by Tim Jones, the Audit Committee chaired by Jeff Iliffe and the Remuneration Committee chaired by Lynne Weedall. During the year the Board reviewed the membership of these committees and made changes following nine years' service by David Johnston, resulting in him stepping down from the Remuneration and Audit Committees. Although the Chairman is no longer a member of the Remuneration or Audit Committees, he regularly attends the committee meetings at the invitation of the committee Chair. Delegation of responsibilities to these committees ensures that sufficient time is spent on matters within their responsibility.

Further details of the committees can be found on page 74 to 96. The terms of reference of all the committees can be found on the Treatt website at www.treatt.com.

Independence

The Board considers that, with the exception of David Johnston, all of the Non-executive Directors are independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. In compliance with the Corporate Governance Code at least half of the Board are Non-executive Directors, which the Board considers to be independent. On 1 May 2020 David Johnston stepped down as Chair of the Remuneration Committee, as a member of the Audit Committee and as Senior Independent Director, having reached nine years' service on the Board. Accordingly, in line with best practice under the UK Corporate Governance Code, the Board no longer considers David Johnston as independent. As reported last year, having consulted with major shareholders during 2019, the Board determined that it was in the best interests of the business and its stakeholders for David Johnston to remain on the Board, subject to annual re-election. Lynne Weedall has succeeded David Johnston as Chair of the Remuneration Committee, having had significant experience as Chair of Greene King's Remuneration Committee and as Senior Independent Director.

CORPORATE GOVERNANCE STATEMENT

Commitment

The Board typically meets between six and ten times each year and more frequently where business needs require; generally, one meeting a year is held at Treatt USA. Directors are required to be available for meetings and the Annual General Meeting with attendance in person or if necessary by video conference, except where prior engagements exist. To facilitate this, meetings are scheduled two years in advance. In addition, contact is maintained between meetings to ensure regular input from all Board members in respect of ongoing matters. It is anticipated that the time commitment required of Non-executive Directors is up to 30 days a year and more for the Chairman. The service contracts of Non-executive Directors do not permit them to accept other board appointments without approval from the Board, which will consider any potential conflicts of interest with the Group or potential constraints on time required to fulfil the commitment to the Company. During the year, Lynne Weedall was permitted to accept a position as a Non-executive Director of Stagecoach Group plc. The Board is satisfied that the other commitments of Board members do not detract from the extent or the quality of the time which they are able to devote to the Group.

Composition, succession and evaluation

Board composition

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

The importance of Board diversity is recognised and supported by the Directors of Treatt. Our policy is to recruit the best possible candidate for each individual role having regard to qualifications, experience and personality, without prejudice to a candidate's gender, sexual orientation, disability and other characteristics. Further details on the Group approach to diversity are given on page 36.

The Chairman, Tim Jones, was independent on appointment and in the opinion of the Board, remains independent. However, in February 2021 he will also have served on the Board for nine years. Whilst provision 19 of the 2018 Corporate Governance Code provides that a Chairman should not remain in post beyond nine years from the date of their first appointment to the Board, the Board has determined that, whilst the Company completes its largest ever investment in the new UK headquarters and in order to facilitate an effective succession, Tim Jones will remain as Chairman for a further period, subject to annual re-election. During this further period, which will exceed 12 months, but is likely to be limited to two years, a suitable successor will be sought by the Nomination Committee.

During his tenure, Tim has overseen many changes at Treatt leading to substantial growth in the Company and a ten-fold increase in its share price as it has transitioned from a trading to a value-added business. Such changes have included the disposal of Earthoil, the expansion of Treatt's international operations and significant appointments to its Board including Daemmon Reeve as CEO, Jeff Iliffe, Richard Illek, Yetunde Hofmann, Lynne Weedall and Vijay Thakrar as vital and diverse Non-executive Directors and committee chairs. His contribution, insight and effectiveness has been, and continues to be, significant and the Board regards him remaining as Chairman to be in the best interests of the Company and its stakeholders. This view is strongly supported by our major shareholders, whose opinions were sought on this subject during the year by the Senior Independent Director, Lynne Weedall.

All Non-executive Directors receive a fixed fee for their services. However, in exceptional circumstances, where significant additional time commitment is required, a Non-executive Director may, if approved by the Board or Remuneration Committee, be paid an additional fee in accordance with the Remuneration Policy.

Appointments to the Board

A formal process is undertaken for the search and selection of appropriate candidates for Board vacancies, details of which are set out in the Nomination Committee report on pages 74 and 75.

Induction and development

On appointment, where appropriate, Directors are provided with access to relevant training and advice in respect of their role and duties as a public company director. All new Directors receive an induction to acquaint them with the Group. This takes the form of site tours, meetings with other Board members and senior management and the provision of a comprehensive induction pack, which contains general information about the Group, its structure and key personnel, together with copies of relevant policies and procedures, financial information and briefings on Directors' responsibilities and corporate governance.

The Chairman is responsible for ensuring that all Non-executive Directors receive ongoing training and development. In 2018 the Board became members of the Institute of Directors ('IoD'), and registered with the IoD Academy, providing a range of learning and development programmes to expand and update Directors' knowledge and skills. Directors are able to access appropriate CPD content from a variety of sources in addition to attendance at seminars and workshops. Membership of the IoD has been renewed for 2020. Our Directors understand the need to keep themselves properly briefed and informed about current issues. Regular updates on regulatory and legislative developments are provided to the Board by the Company Secretary.

Re-election

The Company meets the requirements of provision 18 of the 2018 Corporate Governance Code, in that all Directors offer themselves for re-election annually. Following the annual evaluation of the Board and its committees, the Nomination Committee has determined that all Directors standing for re-election at the Annual General Meeting continue to be effective, hold recent and relevant experience and continue to demonstrate commitment to the role. Biographical details of each Director standing for re-election are set out on pages 66 and 67.

CORPORATE GOVERNANCE STATEMENT

Evaluation

The Board is aware of the need to continually monitor and improve performance and recognises that this can be achieved through annual Board evaluation, which provides a valuable feedback mechanism for improving Board effectiveness. In 2019 an external evaluation was undertaken by Board Excellence, an advisor with no other connection to the Company.

In order to ensure the effectiveness of the external evaluation, the Board revisited the recommendations made by the independent evaluator, to ensure that they had been fully discussed and actioned, as appropriate. The Board was pleased that feedback from Directors was positive, and improvements were noticeable, including in the detail of reports submitted to the Board, agenda structure and time spent on strategic matters.

During the year an evaluation of the Board, its committees and each individual Director was carried out internally, with the assistance of the Company Secretary. The Board and committee reviews are conducted under the supervision of the appropriate Chairman. The Board evaluation process used a tailored questionnaire that reviewed effectiveness through selected questions focusing on the principles of corporate governance and the results were discussed by the Board. In addition, the skills matrix of each of the Directors was reviewed and the skills and experience mix discussed in relation to performance of the Board. The performance of individual Directors was evaluated by the Chairman and the Chairman was evaluated by the Senior Independent Director, having sought input from the other Non-executive Directors. The process involved completion of a self- assessment, the results of which formed the basis of the discussions and the agreement, with the Chairman, of objectives for the coming year.

The evaluation process demonstrated that the performance of the Directors, the Board and the committees is effective overall, but the Board will continue to focus on the recommendations from the 2019 evaluation to ensure continuous improvement.

Leadership and purpose

Shareholder relations

The Group places a great deal of importance on communication with shareholders and recognises their role in safeguarding the Company's effective governance. The Board receives updates on the views of our shareholders expressed during our interactions with them and from our brokers.

In the event that shareholders have any concerns, which they do not wish to address through the CEO or CFO, the Chairman or Senior Independent Director are available to address them. Both make themselves available, as required, for meetings with shareholders on issues relating to the Company's governance and strategy.

Engagement with shareholders takes place through:

Results presentations

Three days of analyst and investor meetings and presentations are held following the release of the full and half year results. As many institutional shareholders are seen as possible, providing them with an opportunity to ask questions about the Company. These presentations are made available to all shareholders through the Company website. This year, these presentations took place over video conference due to COVID-19.

Shareholder meetings

During the year, conference calls and meetings took place with existing and potential shareholders. These meetings were attended by either the CEO, the CFO or both. The meetings provide an overview of our business and the industry in which we operate and focus on the implementation of our strategy.

Annual General Meeting

The Annual General Meeting, generally held at the registered office, gives shareholders the opportunity to meet with Directors individually both before and after the meeting and to hear about the general development of the business and to ask questions of the Board.

Consultation

In recent years we have consulted with our major shareholders in relation to Director remuneration, auditor rotation, remuneration policy and length of service of Board members. Consultation provides us with an opportunity to gauge shareholder opinion and respond to any concerns raised.

Information

We provide updates on the progress of the business through regulatory news announcements, press releases and updates to the investor section of our website.

This report was approved by the Board on 23 November 2020.

Anita Guernari
Group Legal Counsel and Company Secretary

NOMINATION COMMITTEE REPORT

The Nomination Committee is RESPONSIBLE FOR SUCCESSION PLANNING for the Board, its committees and senior management

Nomination Committee members

Tim Jones (Chair)
Chairman

Daemmon Reeve
Chief Executive Officer

Richard Illek
Non-executive Director

Lynne Weedall
Non-executive Director

Yetunde Hofmann
Non-executive Director

Vijay Thakrar
Non-executive Director

Introduction

I am pleased to introduce our Nomination Committee report, which explains the committee's focus and activities during the year. The committee has sought to ensure that the size, composition and structure of the Board is appropriate for the delivery of the Group's strategic objectives.

Membership and meetings

Membership of the committee was refreshed during the year with the appointment of Vijay Thakrar to the Board and committee. It is intended that during the forthcoming year Lynne Weedall will succeed me as Chair of the Nomination Committee as I reach nine years' service on the Board.

As explained in more detail on page 72, Lynne Weedall, as Senior Independent Director, consulted with significant shareholders and it is proposed that, in order to facilitate an effective succession I will remain as Chairman for a further period, which will exceed 12 months but is likely to be limited to two years, in which time a suitable successor will be sought by the Nomination Committee.

The committee has met four times during the course of the year.

Role and responsibilities

The committee operates under terms of reference, which are reviewed annually and are available on the Group's website. The main responsibilities of the Nomination Committee are:

- to regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and its committees and make recommendations to the Board with regard to any changes that are deemed necessary;
- to identify and nominate candidates for the approval of the Board to fill Board and committee vacancies as and when they arise;
- to oversee succession planning for the Board and senior management, taking into account current and future strategy, the challenges and opportunities facing the Group and the skills and expertise needed on the Board for the future; and
- to review the results of the Board and committee performance evaluation process that relate to the composition of the Board and committees and to assess whether the Non-executive Directors are providing sufficient value in fulfilment of their duties.

NOMINATION COMMITTEE REPORT

4
Committee meetings in the year

96%
Meeting attendance

Activities since the last report

- recruitment of Vijay Thakrar;
- receive a report from the Chairman on the individual evaluation of the Directors;
- review of the Board evaluation as it relates to the composition of the Board and performance of the committee;
- review the time commitment required from Non-executive Directors and determine whether sufficient value is being provided to the Company;
- Board succession planning;
- receive an update from the Global Head of HR on senior management and organisation succession plans; and
- review of the terms of reference of the committee.

Appointments

Appointments to the Board of both Executive and Non-executive Directors are considered by the Nomination Committee, which ensures that a wide range of candidates are considered. The committee considers the skills mix of the Board to identify potential gaps or areas where increased strength is required. The skills matrix requires Board members to rate the strength of their experience in a range of skills across areas such as strategy, finance, risk management, stakeholder engagement and corporate governance and ethics. The skills matrix is reviewed annually by each Director and the Chairman.

With Jeff Iliffe approaching nine years' service on the Board in 2022, the committee identified a need for a Non-executive Director with relevant financial experience for succession of the Chair of the Audit Committee. The committee engaged Pure Executive, an independent search and selection agency, which is a division of Pure Resourcing Solutions Limited. Both Pure Executive and Pure Resourcing have previously provided recruitment services to Treatt but do not provide any other services. Pure Executive were instructed to search for suitable candidates for the role of Non-executive Director and provide an initial shortlist to the committee. The time commitment required for the role and existing demands on a candidate's time were considered as part of the selection criteria. Members of the committee were involved in the initial interview process with Board members meeting the final shortlisted candidates. The appointment of the new Director was approved by the Board unanimously.

Succession planning for the Board and senior management continues to be a focus of the committee: alignment with Treatt's culture together with the right balance of insight, skills, entrepreneurialism, diversity, approach to risk and sustainability are key considerations in its deliberations.

Diversity

The Board recognises the benefit of having an appropriate level of diversity on the Board and in management positions throughout the Group to support the achievement of its strategic objectives. The committee considers the benefits of all aspects of diversity including race, gender, disability, sexual orientation, religion, belief, age and culture when appointing Non-executive Directors; independence is also a key consideration.

During the year the Board increased from eight to nine Directors, reducing the percentage of women on the Board to 22% (2019: 25%) but increasing our ethnic diversity. The Board is mindful of the current gender imbalance but believes that there is good diversity of skills, experience, independent thinking and cognitive style on the Board.

Further details on gender diversity within the Group are set out on page 36.

Committee evaluation

The effectiveness of the committee was considered as part of the Board evaluation detailed on page 73 and reviewed as part of the committee's own processes. The evaluation of the Nomination Committee concluded that its performance was good and noted a number of recommendations for the forthcoming year: to focus on diverse global talent development and measurement in light, in particular, of technical and sustainability developments and to continue to refresh qualitative and quantitative KPI reporting to the Board.

Tim Jones

Chair – Nomination Committee

This year's achievements

- Refreshing the Board with the appointment of a Non-executive Director
- Internal Board evaluation
- Board succession planning

Future plans

- Chairman's succession
- Continuing development of Global Leadership talent
- Enhanced oversight of senior management succession plans
- Continuing review and development of Board and committee memberships

AUDIT COMMITTEE REPORT

The Audit Committee is an essential part of TREATT'S GOVERNANCE FRAMEWORK which oversees accounting and financial reporting processes

Audit Committee members

Jeff Iliffe (Chair)
Non-executive Director

Yetunde Hofmann
Non-executive Director

Vijay Thakrar
Non-executive Director

Accountability

Membership and meetings

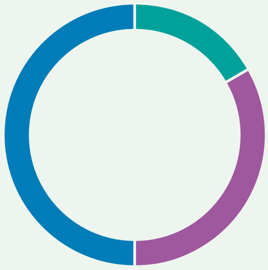
Membership of the Audit Committee was refreshed on 1 September 2020 with the appointment of Vijay Thakrar in place of Tim Jones, who stepped down from the committee. David Johnston also stepped down from the committee during the year on reaching nine years' service. Current membership is therefore Jeff Iliffe (Chair), Yetunde Hofmann and Vijay Thakrar. Each of the members is deemed to be independent. Jeff Iliffe joined the committee as Chairman in February 2013 and is deemed by the Board to have significant, recent and relevant financial experience. He is a Chartered Accountant with over 20 years' experience in the financing and management of companies, both in the City of London and in industry. The other members of the committee have financial and commercial expertise, with Vijay Thakrar also being a Chartered Accountant and having significant financial experience, having been a partner at EY and Deloitte. It is intended that Vijay will succeed Jeff as Chair of the committee in due course.

The committee met five times during the year. The outgoing auditor, RSM UK Audit LLP ('RSM'), attended one of these meetings and the new auditor, BDO LLP ('BDO'), another. Neither attended meetings at which their appointment, resignation or performance was being reviewed. The CEO, CFO and other senior finance staff were invited to attend as appropriate. The committee has discussions at least once a year with the auditor without management being present. Furthermore, the committee Chairman meets informally with, and has access to, the CFO to discuss matters considered relevant to the committee's duties and maintains a regular dialogue with the audit partner.

AUDIT COMMITTEE REPORT

5
Committee meetings in the year

100%
Meeting attendance



Audit Committee Experience

HR	1
Finance	2
Management	3

Role and responsibilities

The committee operates under terms of reference, which are reviewed annually and are available on the Group's website. The main responsibilities of the Audit Committee are:

- to review the Group's Annual Report and any formal announcements relating to the Group's financial performance and to report to the Board on significant financial reporting issues and judgements contained therein, having regard to matters communicated to it by the auditor;
- to review the content of the Annual Report and advise the Board on whether, taken as a whole, it is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model and strategy;
- to oversee the relationship with the auditor and assess the effectiveness of the external audit process, including making recommendations to the Board on their appointment, remuneration and terms of engagement. The committee also monitors their independence and objectivity;
- to make recommendations to the Board on the requirement for an internal audit function; and
- to ensure that procedures are in place whereby staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Group has arrangements in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

Activities since the last report

- managing the audit tender process and making a recommendation to the Board on the appointment of new auditors to succeed RSM;
- review of and report to the Board on the half year report and trading update;
- meeting with the audit partner to approve the audit plan and identification of risks;
- reviewing the auditor's findings, management's response and ensuring robust challenge;
- reviewing the auditor's performance and the audit process to ensure that they remain objective and independent, and to assess the effectiveness of the audit, providing feedback to the auditor in this respect;
- approval of the fees paid to the auditors for the audit;
- review of and report to the Board on the Group's Annual Report for 2020 to ensure that, taken as a whole, it was fair, balanced and understandable. This included consideration of a report from the auditor on their audit and review of the financial statements, significant financial reporting issues and judgements contained therein, and discussions with management;
- review of the clarity and completeness of the treatment and disclosure of exceptional items;
- review of the Whistleblowing Policy and consideration of any whistleblowing reports (of which there was one during the year);
- reviewing the potential requirement for an internal audit function;
- reviewing the operation of the policy on the provision of non-audit services by the external auditor and approving any such work undertaken;
- reviewing the performance of the Audit Committee; and
- reviewing the terms of reference of the Audit Committee.

Financial reporting

During the year the committee and the Board monitor the integrity of any formal announcements relating to the Group's financial performance. Reports are requested from management on particular matters, especially where a significant element of judgement is required. Additionally, the Chairman of the committee has regular contact with the audit partner and the committee meets with the audit partner without the presence of the Executive Directors.

In respect of the Annual Report, the Chairman of the committee reviews early drafts to keep appraised of its key themes and to raise any issues early in the process. The 2020 Annual Report was reviewed at a committee meeting in November 2020; after due challenge and debate the committee was content with the appropriateness of the accounting policies adopted, and that the key judgements applied, which where possible are supported by external advice or other corroborative evidence, are reasonable and therefore agreed with management recommendations.

AUDIT COMMITTEE REPORT

Having discussed the key judgements and risk areas monitored by the auditors, the Board concluded that, as in prior years, the half year results would not be subject to an external audit or a formal audit review. In reaching that conclusion, regard was given to the matters subject to judgement and the processes established for addressing and supporting these, the output of the enhanced work undertaken on risk identification and management, the consistent application of accounting policies, and the practice of similar-sized listed companies. The review by the Board prior to approval of the half year report included the receipt of a report from management on the key areas of judgement made for the half year results and how the outputs were arrived at.

Significant judgements and issues

Amongst the matters considered by the committee were the key accounting issues, matters and judgements in relation to the Group's 2020 Annual Report relating to:

COVID-19 and Brexit

After the initial lockdowns in the UK and US in March 2020 the committee considered the potential impact of the COVID-19 pandemic on the cashflows and liquidity of the Group, particularly in relation to the preparation of the Group's half year report on a going concern basis. Appropriate financial modelling has since been undertaken to support the assessment of the business as a going concern and its longer-term viability with the significant uncertainties caused by COVID-19 and the potential impact of Brexit. The Group's going concern and viability statements are set out on pages 98 and 99, and these set out the approach taken and the conclusions reached.

Inventory valuation and provisions

Given the nature of the Group's products and the processes involved in their manufacture, a degree of estimation and judgement is involved in the valuation of inventory, including determining the level of provisions required against obsolete, slow moving and defective inventory, and for onerous customer contracts which are likely to result in a loss to the Group. This involved discussions with management on the basis of valuation and the detailed exercises undertaken to identify the relevant provision levels, and with the auditors on their findings following their review of the work done on inventory valuation and the controls in place over the processes involved.

Pension liability

The assumptions used to calculate the Group's pension liability in accordance with IAS 19 arising from the final salary pension scheme. This included confirming that they are in accordance with advice received from the scheme actuaries, Barnett Waddingham, and that these assumptions had been critically reviewed by the auditors.

Revenue recognition

The core principle of IFRS 15 is that an entity should recognise revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying a particular performance obligation is transferred to the customer. The key performance obligation is considered to be satisfied at the point in time that the goods are either collected by, or dispatched to, the customer, or where goods are sold to a customer but retained physically on a bill and hold arrangement, at the point that the goods are assigned to the customer. This policy has been consistently applied both before and after the Company's adoption of IFRS 15 in 2019. This was reviewed by the committee in the context of the terms of trade and the committee concluded that it continued to be consistent and appropriate.

Fair, balanced and understandable

In assessing whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, the committee ensures that:

- an experienced team is responsible for co-ordination of content, which is subject to a detailed cross-functional review;
- senior management confirm that the content in respect of their areas of responsibility is considered to be fair, balanced and understandable; and
- the committee receives an early draft of the Annual Report to enable timely review and comment.

These processes allowed the committee to provide an assurance to the Board to assist them in making the statement required by the 2018 UK Corporate Governance Code.

The Committee also reviewed compliance with the disclosure requirements on Directors' remuneration and the Strategic Report.

Risk management and internal controls

The committee continues to consider the requirements of the 2018 UK Corporate Governance Code and the FRC Guidance on Audit Committees. Following reviews in 2015 and 2018, responsibility for risk management and monitoring the effectiveness of internal controls remain with the full Board, rather than being delegated to the Audit Committee. Consistent with this approach, the Board also retains responsibility for reviewing the assumptions underlying both the going concern and longer-term viability statements made in the Annual Report as detailed on pages 98 and 99. As the Group continues to grow, the delegation of these matters will remain under review. The principal risks and uncertainties are set out on pages 56 to 63.

The committee annually reviews the requirement for an internal audit function and did so this year with the assistance of KPMG, who undertook a strategic assurance mapping exercise to understand the levels of assurance the Group has for some of its key strategic risks. They reported to the Board that whilst there is scope to further enhance and embed Treatt's Risk Management Framework, there are a number of good practice controls and assurance mechanisms in place and best practice would be for Treatt's controls maturity to be increased as the business develops. A number of recommendations as to how this could be achieved were made which will be reviewed and taken on as appropriate.

Given the size and structure of the Group, and the level of control exercised by the management team, the establishment of a formal internal audit function was not considered to be necessary at present.

During the planning phase of the external audit the auditors confirm their understanding of the internal controls relevant to the external audit. Where they plan to place reliance on internal controls, they will test the operation of those controls and if their examination of internal controls leads them to believe there may be significant deficiencies therein, they will report their findings to the Audit Committee.

AUDIT COMMITTEE REPORT

External auditor appointment

RSM had, in one form or another through various changes of name and consolidation with other audit firms, been Treatt's auditor for 32 years, although they complied with legislative and governance requirements to rotate the audit partner every five years, with the most recent rotation taking place in 2017.

As previously reported, it was the committee's intention to undertaken a competitive tender process with new auditors being appointed to undertake the audit in respect of FY2020. The tender process was overseen by the Audit Committee and the management of the process was delegated to the Chair of the committee and the CFO. The Company announced, on 29 May 2020 that BDO had been successful in the audit tender process and were appointed for FY2020 with the appointment for the subsequent financial year being subject to approval by the Company's shareholders at the Annual General Meeting to be held in 2021.

The Committee would like to record its thanks to RSM and its partners and staff for its many years of service to the shareholders of Treatt.

External auditor assessment

The committee has oversight of the relationship with the external auditor and is responsible for monitoring their independence, objectivity and compliance with professional and regulatory requirements. The committee undertakes an annual assessment of the effectiveness of the external auditor to facilitate continued improvement in the external audit process. This assessment considers:

- the delivery of an efficient, robust audit in compliance with the agreed plan and timescale;
- the provision of robust and perceptive advice on key areas of judgement, and technical issues;
- the demonstration of a high level of professionalism and technical expertise;
- continuity within the audit team; and
- adherence to independence policies and other regulatory requirements.

The committee has monitored and discussed BDO's performance and was satisfied that these requirements have been met and that they demonstrated commitment to perform high-quality work.

External auditor independence

A key consideration during the audit tender process was that the firm chosen had procedures and safeguards in place to ensure that they were able to fully comply with the relevant ethical standards on independence. The committee has undertaken an assessment of the effectiveness of BDO's performance and relationship with Treatt and was satisfied that BDO delivered a robust audit and remains independent of Treatt, having no previous connection with the Company. The committee has therefore recommended to the Board that BDO be reappointed as the Company's Auditor at the Annual General Meeting in 2021.

The level of non-audit fees and their effect on the auditor's independence or objectivity is also considered on a regular basis. The split between audit and non-audit fees for the year under review appears in note 5 to the financial statements. The committee has a policy for the provision of non-audit services by the Company auditor, which is aligned with the requirements of the UK Financial Reporting Council's Ethical Standards (2016 and 2019); it ensures that objectivity and independence are not compromised. Under the policy, all non-audit services to be contracted with the external auditor will require the approval of the committee. BDO has not provided any non-audit services to the Group since their appointment and when considering the use of the auditor to undertake such assignments, consideration will be given at all times to the provisions of the FRC Guidance on Audit Committees with regard to the preservation of independence.

Whistleblowing

We require our employees and business partners to maintain the highest standards of integrity and to act in good faith. Although our open culture encourages the raising of issues, we recognise that there might be times when it is not appropriate, or a person will not be comfortable, raising a concern with their line manager.

During the year the committee reviewed the Whistleblowing Policy and is satisfied that appropriate arrangements are in place so that employees of the Group may, in confidence, seek advice or raise concerns about possible illegal or unethical practices or matters of integrity.

The Group-wide Whistleblowing Policy provides staff with a direct means of contacting, in confidence, the Chairman of the Board, the Audit Committee Chairman or the Senior Independent Director if they feel unable to discuss a matter with their line manager or a member of senior management.

No employee will be victimised or prejudiced because they have raised a legitimate concern and if misconduct is discovered as a result of any investigation under this procedure the organisation's disciplinary procedure will be used, in addition to any appropriate external measures.

During the year, one incident was raised under the Whistleblowing Policy related to a safety concern. The concern was investigated in a timely manner in accordance with the policy and it was determined that no further action was required.

Effectiveness of the committee

The effectiveness of the committee was considered as part of the Board evaluation detailed on page 73 and reviewed as part of the committee's own processes. The committee received positive feedback on the way it challenges the business and it was agreed that the committee continued to work effectively.

Jeff Iliffe
Chair – Audit Committee

Future plans

- Monitor and report to the Board on responses to the recommendations made by KPMG in relation to further improving internal controls and plans to increase controls maturity as the business develops.
- ESG measurements and reporting.

DIRECTORS' REMUNERATION REPORT

The policy is to ensure that remuneration structures are TRANSPARENT AND PROPORTIONATE

Remuneration Committee members

Lynne Weedall (Chair)
Non-executive Director

Jeff Iliffe
Non-executive Director

Yetunde Hofmann
Non-executive Director

Chair's statement

Following my appointment as Chair of the Remuneration Committee in May 2020, I am pleased to present the Directors' Remuneration Report for Treatt.

COVID-19

As reported throughout this document, Treatt has shown resilience in the face of COVID-19 and the Group met expectations in 2020, without having sought any financial assistance available to businesses, or furloughing any of its staff. The Remuneration Committee monitored executive pay in the context of COVID-19 and its effect on the business and its stakeholders and determined that no specific actions for remuneration were required during the course of the year, albeit restraint has been shown when awarding pay rises for this year. This situation will remain under review as the pandemic continues to have the potential to impact people and businesses globally, presenting further challenges in the coming year.

Remuneration policy review

The committee is mindful of the continuing debate around Executive Director remuneration from both a workforce and wider social perspective. There has been a considerable movement in the regulation of UK directors' remuneration with the introduction of the 2018 Corporate Governance Code and the expansion of remuneration reporting requirements, including under the Shareholder Rights Directive.

It is in this context that we have conducted a thorough review of our remuneration policy and concluded that it has remained aligned with our strategy, delivering remuneration outcomes appropriate to stakeholder expectations and market circumstances. Consequently the changes adopted in this policy build upon the 2018 policy structure, further improve the alignment of the policy with the interests of shareholders and support prevailing market and best practice. No increases to quantum are proposed.

The proposed new policy, which would be effective from 2021 to 2024, if approved by shareholders at the 2021 Annual General Meeting, is set out on pages 82 to 88. The main changes to our proposed policy, having taken on board feedback from our major shareholders during consultation, are as follows:

Annual bonus

Although the policy already has flexibility to apply metrics other than profit before tax, it has been clarified that up to 30% of bonus may be based on non-financial performance measures in any year during the life of this policy

There is no proposal to apply non-financial measures in FY2021. Non-financial measures and targets when applied will be disclosed appropriately

Share ownership requirement

CFO ownership requirement increased to 200% of salary

Post-cessation shareholding requirement

Introduction of a post-cessation holding period of two years with a 200% of salary shareholding requirement in year one and a 100% of salary shareholding requirement in year two

Malus and clawback

Enhanced malus and clawback provisions in respect of LTIP and bonus awards

The existing policy already provides for pension arrangements which are aligned with the wider workforce. The committee believes that, having conducted a thorough review and considered a range of alternative or additional

DIRECTORS' REMUNERATION REPORT

6
Committee meetings in the year

100%
Meeting attendance

performance measures, profit before tax and earning per share remain the right measures on which to base the bonus plan and LTIP respectively in FY2021, in accordance with our remuneration principles of simplicity and alignment to wider workforce.

Whilst we have decided not to use additional metrics for the annual bonus for FY2021, we have built in the flexibility to enable us to do so in future years and have ensured that management are set objectives, as part of a wider performance management process, that ensure they are focused on all stakeholder interests and delivering the culture and values of Treatt. We have noted feedback received during the consultation in respect of the type of additional metrics investors would like to see when we review the addition of non-financial metrics for FY2022.

The committee has also reviewed the minimum level of share ownership of the CEO (which is also 200% of salary) and considers this to remain appropriate for the new policy, recognising that both Executive Directors' shareholdings are significantly in excess of this minimum.

Overall, we believe that our incentive arrangements for our Executive Directors remain appropriate and take account of the latest market best practice requirements from both corporate governance guidance and feedback from shareholder engagement.

Wider workforce remuneration

The committee has updated the remuneration principles, set out on page 82, to include the remuneration policies and practices of the wider workforce, which have been used to determine the new remuneration policy for Executive Directors. The committee is comfortable that the incentives and rewards available to the wider workforce are directly linked to the culture and strategy of the Group at all levels, including the remuneration policy for Executive Directors.

Key performance outcomes for 2020

The Group exceeded pre COVID-19 expectations in 2020, with profit before tax and exceptional items[1] increasing for the eighth consecutive year. Following a review of the Group's performance against prior year and in accordance with the rules of the Executive Directors' Annual Bonus Scheme, a bonus payment of 100% of salary was awarded to the Executive Directors on the basis that annual growth in like-for-like profit before tax[1] was 11.3% against a maximum target of 10%.

The Remuneration Committee reviewed this outcome against the backdrop of COVID-19 and the experience of investors and other stakeholders over the period. On the basis that the Company has exceeded its expectation, the dividend per share (paid and proposed) for 2020 has been increased by 9.1%, the share price has grown 34.5% since December 2019 (as at 17 November 2020, being the latest practicable reporting date prior to publication) and all Group staff are to receive a bonus in December 2020, the committee is satisfied that the total remuneration received by Executive Directors in 2020 is a fair reflection of performance over the period.

In respect of the LTIPs granted to the Executive Directors in 2017, earnings per share growth (from continuing and discontinued activities) over the three-year performance period has not met the performance target set by the Remuneration Committee at the time of grant (average annual growth of between 3% and 10% over three financial years) and consequently the awards will lapse in full.

The committee exercised what it regards as normal commercial judgement in respect of Directors' remuneration throughout the year (and in all cases in line with the approved remuneration policy) including in relation to:

- Setting performance metrics for normal course annual bonuses and LTIPs in the year; and
- Confirming the outcome of performance metrics for annual bonuses and LTIPs in the year.

There were no other exercises of judgement or discretion by the committee save as detailed in this report.

Remuneration in 2021

The average salary increase across the Group for 2021 is 2.75% with a baseline increase of 1%. The baseline increase will apply to the Executive Directors. The annual bonus plan for 2021 will operate on a basis consistent with that for 2020. Performance conditions will again be based on demanding profit before tax targets.

We will make further annual LTIP awards to our Executive Directors at a level of 100% of base salary, with performance conditions subject to targets based on growth in earnings per share over a three-year performance period, and with any vesting shares subject to a two-year holding period.

For completeness, the fees of the Chairman and the Non-executive Directors will also increase by the 1% baseline level referred to above (noting that the fees of the Non-executive Directors are appropriately approved by the Board and not by the committee).

We are happy to receive feedback from shareholders at any time in relation to our remuneration policies and hope to receive your support for the resolution on the Implementation Report referred to above at the forthcoming Annual General Meeting. I will be available at the Annual General Meeting to answer any questions you may have and in the event that it becomes necessary to close the meeting to shareholders due to COVID-19, as set out on page 100, there will be an opportunity to submit questions to me prior to the meeting.

Lynne Weedall
Chair – Remuneration Committee

1 Refers to profit before tax and exceptional items from continuing operations.

DIRECTORS' REMUNERATION REPORT

Policy section

Policy report

The following sets out the proposed remuneration policy, which is subject to a binding shareholder vote at the Annual General Meeting on 29 January 2021 and, if approved by shareholders, will apply to payments made on and from this date. This Policy will replace in full the remuneration policy set out in the 2017 Annual Report.

Remuneration principles

The committee's policy is to ensure that remuneration structures align with those of the wider workforce, are simple, transparent and proportionate to the size and complexity of the business, whilst ensuring that we pay people fairly, and recognise and reward good performance. The main principles of the remuneration policy are:

- we will always aim to compete on salary and other benefits, but executives should not be overpaid when compared with external pay relativity and wider workforce remuneration and conditions;
- we will recognise strong contribution from performance, experience and industry expertise as well as demonstrating our culture and values;
- all colleagues participate in a good pension plan, with the same pension contribution rates applying to all employees in a country;
- remuneration packages should align with Treatt's strategic objectives and the interests of shareholders by using stretching performance metrics that provide a strong link to the creation of shareholder value;
- variable pay should incentivise delivery against performance in accordance with our culture where employees are accountable and rewarded for their performance;
- all employees can participate in a bonus, and we have high alignment of business-based targets for bonus across all employees;
- we aspire to give all employees the opportunity to participate in share plans and we believe it is right that colleagues can share in value created for our shareholders; and
- our Executive Directors retain shares from share plans and stay invested in our business journey.

Changes from the previous policy

The committee is responsible for ensuring that the remuneration of Executive Directors and senior management is aligned to the Group's strategic objectives. It is key that the Group is able to attract and retain leaders who are focused and also appropriately incentivised to deliver the Group's strategic objectives in accordance with a remuneration policy, which is aligned with the long term interests of the Company's shareholders. The committee believes that the previous remuneration policies have achieved this and consequently the changes adopted in this policy build upon the 2018 policy structure, further improve the alignment of the policy with the interests of shareholders and support prevailing market and best practice.

Specifically, this policy includes:

- Introduction of a post-cessation holding period of two years with a 200% of salary shareholding requirement in year one and a 100% of salary shareholding requirement in year two;
- increase in the shareholding requirement of the CFO to 200% of salary;
- ability to award up to 30% of annual bonus based on non-financial performance measures; and
- enhanced malus and clawback provisions

The current intention is that the framework of this remuneration policy will apply for three years from the date of the 2021 Annual General Meeting.

Executive Directors' remuneration

The committee will continue to review its policy and the individual elements of the remuneration package annually to ensure that they remain effective, in line with good practice and support delivery of the strategy and long-term success of the Group.

The table below sets out a summary of each element of the Executive Directors' remuneration, how it operates, the maximum opportunity available, and applicable performance metrics:

Element: base salary

Purpose and link to strategy	Helps recruit and retain high-calibre Executive Directors Provides a competitive salary relative to the size of the Group
Operation	Salary levels will relate to the nature of the role, skill and experience of the individual, market positioning and pay and conditions in the Group Salaries are reviewed annually by the committee with changes taking effect for 12 months from 1 October, unless a change in responsibility requires an interim review Any change in salary is influenced by increases in the salaries of other Group employees, changes to the complexity of the role, personal performance and a periodic review of market conditions for similar roles in comparable organisations
Maximum opportunity	Any basic salary increases are applied in line with the outcome of annual reviews Annual increases should not normally exceed the average salary increase of employees within the Group. Exceptions can be made when a review is required by a change in role or responsibility, or where there is a significant change in the role and/or size, value or complexity of the Group which has resulted in material market misalignment
Performance metrics	Not applicable

DIRECTORS' REMUNERATION REPORT

Element: benefits

Purpose and link to strategy	Helps recruit and retain high-calibre Executive Directors
Operation	Entitlement to the following benefits on the same terms as employees in the country in which the Director is resident: Private healthcare – except that Daemmon Reeve also receives family cover; life assurance; permanent health insurance; car allowance; all-employee share schemes Life assurance for UK tax resident Directors will be provided by means of a Lifetime Plus policy Any new benefits introduced to staff generally shall be provided to Directors on equal or comparable terms
Maximum opportunity	Except as otherwise stated these are on the same terms as the benefits received by other employees in the country in which the Director is resident
Performance metrics	Not applicable

Element: pension

Purpose and link to strategy	Helps recruit and retain high-calibre Executive Directors and to provide a competitive package
Operation	Entitlement to receive employer contributions into a defined contribution pension scheme on the same terms as employees in the country in which the Director is resident. This can be received as a cash amount where the lifetime allowance is reached, and with the payments made reduced for the impact of Employers' NICs
Maximum opportunity	UK employees – 9% base salary contribution or 15% where previously a member of the defined benefit pension scheme (no personal contribution required in either case)
Performance metrics	Not applicable

Element: annual bonus (notes 1 – 6)

Purpose and link to strategy	Provides an element of at risk pay, which incentivises delivery of performance in the current financial year Encourages and rewards actions consistent with the annual priorities of the Group Aligns Directors' interests with shareholders and other stakeholders
Operation	The rules of the Executive Directors' Bonus Scheme and the performance targets are reviewed annually Annual bonuses are calculated by reference to the achievement of performance targets for the financial year and each Director is entitled to a percentage of salary based upon this calculation, subject to the maximum opportunity Bonuses are subject to determination by the committee in accordance with scheme rules after year-end and are paid in cash, with payments normally made in December
Maximum opportunity	100% of salary per annum
Performance metrics	Bonuses are based on the growth in Group profit before tax and exceptionals compared to the prior financial year, which aligns with all employee bonus schemes across the Group Up to 30% of bonus may be based on non-financial performance measures Bonus payments are based against financial performance on a sliding scale. No bonus is payable unless a minimum level of financial performance is achieved Different performance measures and/or weightings may be used for the annual bonus in future years to help drive the strategy of the business during the period of this policy, although the Remuneration Committee would expect to consult with major shareholders before making material changes to the current performance measures (except for the possible introduction of the non-financial measures as described above)

DIRECTORS' REMUNERATION REPORT

Element: Long Term Incentive Plan (LTIP) (notes 1 – 6)

Purpose and link to strategy	Incentivises Directors to achieve returns for shareholders over a longer time frame Aligns Directors' interests with shareholders
Operation	The committee will consider awards of shares under the LTIP annually and will review the quantum of awards to ensure that they are in line with market rates Awards will be made at nil cost, with vesting dependent on the achievement of performance conditions over a period determined by the committee, which shall be a minimum of three years Awards will be subject to a two-year holding period following vesting, net of any tax liability arising on either vesting or exercise The committee may also exercise the specific discretions contained within the rules of the scheme, as approved by shareholders
Maximum opportunity	100% of salary per annum based on market value of shares at date of grant
Performance metrics	The vesting of the awards will normally be based on growth in adjusted basic EPS exceeding a minimum level during the period from date of grant to date of vesting Targets are set by the committee for each award on a sliding scale basis. No more than 25% of awards will vest for threshold performance, with full vesting taking place for equalling or exceeding maximum performance conditions Different performance measures and/or weightings may be used for future LTIP awards to help drive the strategy of the business during the period of this policy, although the Remuneration Committee would expect to consult with major shareholders before making material changes to the current performance measures applied Awards lapse if performance criteria are not met at the end of the three-year performance period

Element: shareholding requirement

Purpose and link to strategy	Aligns Directors' interests with shareholders
Operation	Minimum shareholding requirements: CEO – 200% of basic salary CFO – 200% of basic salary Directors are required to retain shares acquired under share-based incentive awards until the shareholding requirements are met, save that they are permitted to sell sufficient shares to pay any exercise price and all applicable taxes due in respect of that award Directors are subject to a post cessation shareholding requirement of 200% in year one and 100% in year two, with this requirement applicable to all shares acquired following approval of the Remuneration Policy at the AGM in January 2021
Maximum opportunity	Not applicable
Performance metrics	Not applicable

Element: malus and clawback

Purpose and link to strategy	To ensure Executive Directors do not benefit from errors or misconduct
Operation	Malus and clawback provisions are included in relation to LTIPs and bonus to enable an award to be reduced or cancelled or to require the return of some or all of an award after vesting, in the following circumstances: • material misstatement of the financial results used to determine an award • error in the determination of the number of shares awarded • Director's misconduct • liquidation or administration of the Company • to prevent serious reputational damage in the view of the committee • to give effect to a provision for clawback under the LTIP or bonus scheme
Maximum opportunity	Not applicable
Performance metrics	Not applicable

DIRECTORS' REMUNERATION REPORT

Notes:

1 The committee considers that the forward-looking targets for the annual bonus are commercially sensitive and has, therefore, chosen not to disclose them in advance. Details of the targets will be set out retrospectively in next year's Remuneration Report. However, the committee considers that the level of performance required for the annual bonus is appropriately stretching. The bonuses of staff and senior management are restricted to a maximum of between 12% and 60% of base salary depending on seniority, role and market conditions.

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

3 Subject to the achievement of the applicable performance conditions, Executive Directors are eligible to receive payment from any award made prior to the approval and implementation of the Directors' remuneration policy detailed in this report.

4 For both annual bonus and LTIP, while performance conditions will generally remain unchanged once set, the Remuneration Committee has the ability to amend the measures, weightings and targets in exceptional circumstances (such as a major transaction) where the original conditions would cease to operate as intended.

5 The committee retains discretion, consistent with market practice in regard to the operation and administration of the annual bonus and LTIP, including:

– the timing and size of awards (within the overall limits of this policy);

– the determination of performance measures and targets and resultant vesting;

– when dealing with a change of control (e.g. the timing of testing performance conditions) or restructuring of the Group;

– determination of a good/bad leaver based on the rules of each plan and the appropriate treatment chosen; and

– adjustments in certain circumstances, such as rights issues, corporate restructuring events and special dividends.

6 Consistent with the latest Corporate Governance Code, the Remuneration Committee may apply discretion to override formulaic outcomes for both annual bonus and LTIP if the outcomes are considered inconsistent with the underlying performance of the Group.

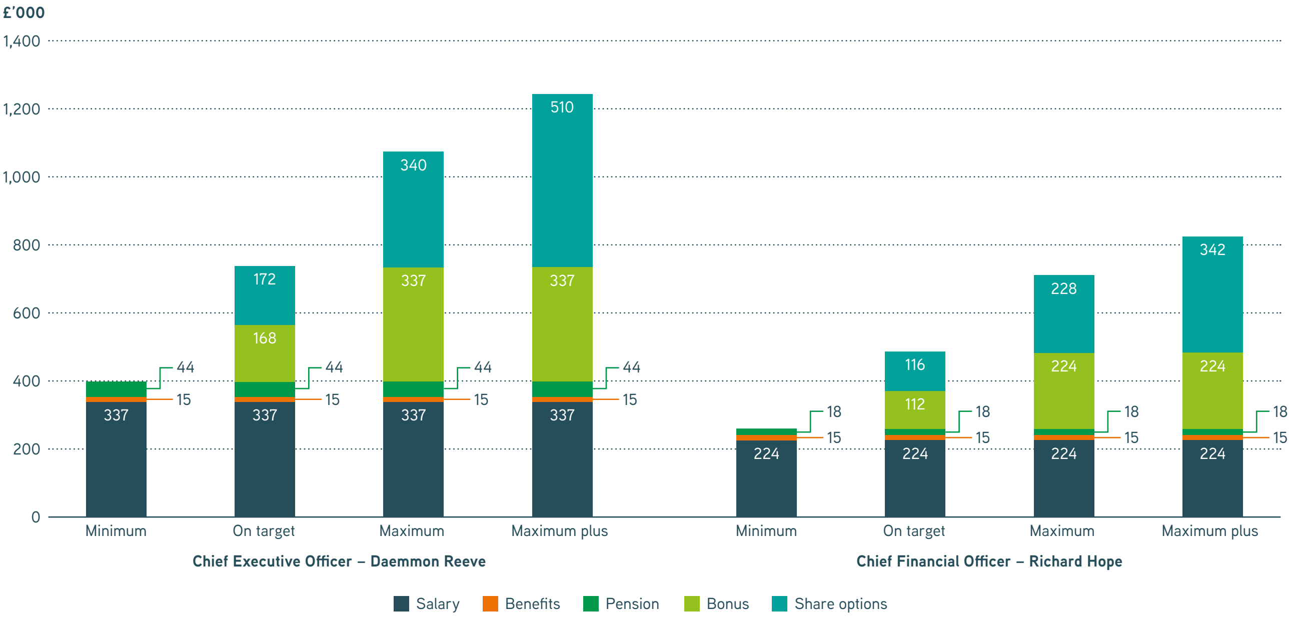
Non-executive Directors' remuneration

Element: fees	
Purpose and link to strategy	Helps recruit high-calibre Non-executive Directors Rewards additional responsibility by virtue of position as Chairman of the Board or Chair of a committee
Operation	Excluding the Chairman, subject to an aggregate limit within the Articles of Association (currently £300,000 as approved by shareholders at the Annual General Meeting in January 2020) Reviewed annually for each Non-executive Director with changes taking effect from 1 October The Chairman's fees are reviewed by the committee and the other Non-executives' fees are reviewed by the Board (excluding the Non-executives) Any change in fees is influenced by increases in the salaries of other Group employees, personal performance and a periodic review of market conditions for similar roles in comparable organisations Additional fees may be paid in respect of increased responsibility or time commitment required by the role or in respect of invoiced consultancy fees, where relevant
Maximum opportunity	Any fee increases are applied in line with the outcome of annual reviews

Illustration of remuneration policy

The graph below provides estimates of the potential future reward for each of the Executive Directors based on their current roles, the remuneration policy outlined on pages 82 to 88 and base salaries as at 1 October 2020.

The assumptions used in preparing the chart on page 85 are as follows:



DIRECTORS' REMUNERATION REPORT

Minimum

- basic salary, pension or cash in lieu of pension and benefits, no bonus and no vesting of the LTIP;

On target

- basic salary, pension or cash in lieu of pension, benefits, and
- a bonus of 50% and an LTIP of 100% of basic salary (with notional vesting at 50%);

Maximum

- basic salary, pension or cash in lieu of pension, benefits, and
- a bonus of 100% and an LTIP of 100% of basic salary (with notional vesting at 100%); and

Maximum plus

- as maximum plus effect of 50% share price growth compared to share price at the date of grant for the LTIP value.

Comparison of Directors' remuneration policy with arrangements for employees

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

The committee receives regular updates on salary and bonus levels across the Group and is aware of how the remuneration of Directors compares to employees. Budgeted salary increases for Group employees are taken into consideration when determining increases for the Executive Directors.

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

The Group has not expressly sought the views of employees when drawing up the remuneration policy. However, engagement with employees takes place across the business through open door sessions held with the Chairman and the designated Non-executive Director for employee engagement. Further details can be found on page 69. This enables the Board to understand the views of employees on a variety of subjects, including executive remuneration, and allows the Board, where requested, to clarify how executive pay aligns to and supports our overall strategy.

Recruitment of Executive Directors

The committee expects any new Executive Director to be engaged on terms that are consistent with the policy. However, it cannot anticipate the circumstances in which any new Executive Director may be recruited and the committee may determine that it is in the interests of the Company and shareholders to secure the services of a particular individual, which may require it to take account of the terms of that individual's existing employment.

The committee will ensure that:

- salary will be set to reflect the skills and experience of the incoming Director and the market rate for the role to be undertaken;
- existing benefits and incentives of the Group will be used with participation on the same basis as existing Directors using existing Treatt performance conditions when appropriate;
- payment of relocation expenses, where relevant, will be reasonable and detailed in the relevant remuneration report (and will be limited to a period of two years from first appointment);
- in the event of an internal promotion, any commitments made prior to promotion may continue to be honoured when they would otherwise be inconsistent with this policy; and
- discretion may be exercised in exceptional circumstances and existing entitlements with a current employer, such as bonus and share schemes, may be bought out on a like-for-like basis and subject to comparable performance conditions and time vesting requirements, where appropriate. Any buy-out awards will be subject to the maximum value of any outstanding awards forgone by the recruit (but are not subject to a formal cap).

In determining the remuneration of a new Director, the committee will balance shareholder expectations, current best practice and the circumstances of any new Director. It will strive not to pay more than is necessary to recruit the right candidate and will give full details in the next Remuneration Report.

DIRECTORS' REMUNERATION REPORT

Directors' contracts

Executive Directors

The committee reviews the contractual terms of new and existing Executive Directors to ensure that they reflect best practice and are designed to attract and retain suitable candidates. The committee considers that a rolling contract terminable on 12 months' notice by either party is appropriate.

Summary of Directors' service contracts as at 30 September 2020:

	Date of contract	Notice period
Daemmon Reeve	6 April 2016	12 months
Richard Hope	1 October 2013	12 months

Summary of the key elements of Directors' service contracts:

Provision	Summary
Notice period	12 months by either party
Termination payment	No provision for payment in lieu of notice
Salary	Reviewed annually with effect from 1 October each year
Benefits	Private healthcare, life assurance, permanent health insurance, pension
	Participation in discretionary incentive arrangements determined by the committee

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

Future contracts are to provide for remuneration obligations comparable to those set out above taking into consideration role and responsibility.

Non-executive Directors

All Non-executive Directors are subject to the same terms and conditions of appointment which provide for the payment of fees for their services in connection with Board and Board Committee meetings. In their non-executive capacities they do not qualify for participation in any of the Group's bonus, share option or other incentive schemes, and they are not eligible for pension scheme membership.

The terms and conditions of the appointment of Non-executive Directors are available for inspection at the Company's registered office during normal business hours.

Payments for loss of office

In accordance with the 2018 UK Corporate Governance Code, notice periods shall not exceed a maximum of 12 months.

In normal circumstances, it is expected that termination payments for Executive Directors should not exceed current salary, pension and benefits for the notice period. When determining termination payments in the event of early termination, the committee will take into account a variety of factors including length of service, personal and Group performance, the Director's obligation to mitigate their loss, statutory compensation to which a Director may be entitled and legal fees and other payments which may be payable under a settlement agreement. As part of a settlement agreement, the Company may reimburse reasonable legal costs incurred in connection with a termination of employment and/or agree to make a contribution towards outplacement services, if the committee considers it appropriate.

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

Directors have no entitlement to performance-related share-based incentives, the unvested portion of which will generally lapse following termination of employment. However, where it is considered appropriate to allow a Director 'good leaver' treatment, a time pro-rated proportion of outstanding share plan awards (as determined by the committee) may be retained and can vest subject to attainment of the performance conditions at the normal vesting time for the awards. Any originally specified holding periods would normally continue to be applied to the vesting shares.

In certain circumstances, such as injury, disability, or death, a time pro-rated number of share awards, may vest subject to an assessment of the performance conditions and may be exercised within six months of leaving the Group (and the committee may disapply holding periods).

DIRECTORS' REMUNERATION REPORT

External appointments

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

Shareholder views

The Remuneration Committee maintains a regular dialogue with its major shareholders and will continue to monitor trends and developments in corporate governance and market practice to ensure that the structure of executive remuneration remains appropriate. The views of shareholders were taken into consideration in developing the new remuneration policy for approval at the 2021 AGM, and specifically shareholders have commented on the shareholding requirements of the proposed remuneration policy for 2021, revised clawback provisions and the two-year holding period for LTIPs. The committee will also consult with major shareholders prior to any further material changes to the remuneration policy, which might be necessary in the future.

Implementation report

Membership and meetings

David Johnston stepped down as Chairman of the committee during the year; having served nine years on the Board as he is no longer deemed to be independent. Lynne Weedall succeeded David Johnston as Chair. Current membership is Lynne Weedall (Chair), Jeff Iliffe and Yetunde Hofmann. All members of the Remuneration Committee are considered to be independent.

The committee met six times during the course of the year.

Role and responsibilities

The committee operates under terms of reference, which are reviewed annually and are available on the Group's website. The main responsibilities of the Remuneration Committee are to:

- set the remuneration policy for all Executive Directors, the Chairman and Non-executive Directors including, where appropriate, bonuses, share-based incentive schemes and post-retirement benefits;
- determine the remuneration packages for the Executive Directors, the Chairman and senior management, which includes the Company Secretary;
- approve the design of, and determine targets for, any performance-related incentive schemes operated by the Group and approve the total annual payments made under such schemes; and
- review the design of all share incentive plans requiring approval by the Board and shareholders. For any such plans, the committee shall determine each year, taking into account the recommendations of the CEO as appropriate, whether awards will be made and, if so, the amount of such awards to the Executive Directors, senior management and other key members of staff, and any performance targets to be used.

Activities since the last report

- approval of the 2020 Directors' Remuneration Report;
- agreement of the bonuses payable for the 2020 financial year;
- grant of options to Executive Directors, senior management and other key members of staff under the Treatt LTIP and the setting of performance conditions;
- agreeing a new remuneration policy and consulting with major shareholders and proxy advisory services;
- reviewing salary levels for the Executive Directors and Chairman and agreement of salary and fee increases for the 2021 financial year;
- determination of the salary increases of Group senior managers for the 2021 financial year;
- consideration of the award of free and matching shares to UK employees under the Share Incentive Plan and equivalent awards of restricted stock units to US employees under the Long-Term Incentive Plan;
- reviewing the quality of the advice received from FIT Remuneration Consultants and whether it was objective and independent;

DIRECTORS' REMUNERATION REPORT

- discussing the new remuneration requirements of the 2018 Corporate Governance Code and The Companies (Miscellaneous Reporting) Regulations 2018;
- reviewing Executive Directors' shareholdings against the requirements of the Share Retention Policy;
- reviewing the terms of reference of the Remuneration Committee; and
- reviewing the performance of the Remuneration Committee.

In addition, the committee has ensured that the new policy and practices are consistent with the six factors set out in Provision 40 of the Code:

Clarity – Our policy is well understood by our senior executive team and has been clearly articulated to our shareholders and representative bodies.

Simplicity – The committee is mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. Therefore, a key objective of the committee is to ensure that our executive remuneration policies and practices are straightforward to communicate and operate.

Risk – Our policy has been designed to ensure that inappropriate risk-taking is discouraged and will not be rewarded via (i) the balanced use of both annual incentives and LTIPs, (ii) the significant role played by shares in our incentive plans (together with LTIP holding periods and in employment and post cessation shareholding guidelines) and (iii) malus/clawback provisions within all our incentive plans.

Predictability – Our incentive plans are subject to individual caps, with our share plans also subject to market standard dilution limits. The weighting towards use of shares within our incentive plans means that actual pay outcomes are highly aligned to the experience of our shareholders.

Proportionality – There is a clear link between individual awards, delivery of strategy and our long-term performance. In addition, the significant role played by incentive pay, together with the structure of the Executive Directors' service contracts, ensures that poor performance is not rewarded.

Alignment to culture – Our executive pay policies are fully aligned to Treatt's culture through the application of our developed remuneration principles which were widely reviewed by our Board before being settled.

External advisors

During the year the committee continued to engage the services of FIT Remuneration Consultants LLP, who were appointed in the latter stages of 2017 following a selection process led by the Chairman of the Remuneration Committee. FIT Remuneration Consultants are a founder member of the Remuneration Consultants' Group and adhere to its code of conduct and do not provide any other services to Treatt. Fees totalling £37,766 have been paid for their services during the year for the provision of advice to the committee on various aspect of remuneration within the FTSE SmallCap sector. The committee has reviewed the quality of the advice provided and whether it properly addressed the issues under consideration and is satisfied that the advice received during the year was objective and independent.

Effectiveness of the Committee

The effectiveness of the committee was considered as part of the Board evaluation detailed on page 73 and reviewed as part of the committee's own processes. It was regarded that the committee is effective, receives good quality, timely information in respect of regulatory changes and best practice and communicates well with the rest of the Board.

DIRECTORS' REMUNERATION REPORT

Implementation of policy in 2021

Element of remuneration policy	Implementation of policy for 2021
Base salaries	Daemmon Reeve – £339,966 (FY2020: £336,600) Richard Hope – £226,644 (FY2020: £224,400) Represents a 1% increase, in line with the baseline annual increase for Group employees
Benefits	Unchanged from FY2020. Private healthcare (including family cover for Daemmon Reeve); life assurance; permanent health insurance; car allowance; all-employee share schemes
Pensions	Unchanged from FY2020 Daemmon Reeve – 15% of salary (as a former member of the Defined Benefit plan) Richard Hope – 9% of salary Contributions are paid as cash and reduced for the impact of Employers' NICs, giving actual contribution rates of 13.2% and 7.9% of salary respectively
Annual bonus	Operation is unchanged from FY2020 Maximum is 100% of base salary for Executive Directors FY2021 targets are based on Group profit before tax and exceptionals and are calibrated by reference to the performance of the Group in FY2020 Bonuses are paid in cash after finalisation of the Group's results for FY2021 The committee considers that the forward-looking targets for the annual bonus are commercially sensitive and has, therefore, chosen not to disclose them in advance. Details of the targets will be set out retrospectively in next year's Remuneration Report
Long Term Incentive Plan (LTIP)	Operation is unchanged from FY2020 Annual LTIP award to Executive Directors of shares worth 100% of base salary (calculated using share prices at the time of award) FY2021 awards will be subject to performance conditions measured over three financial years to FY2023 The performance condition will again be based on growth in adjusted basic earnings per share measured from FY2020 as the base point and with a performance range as follows: – Threshold (25% vests) – average 3.0% p.a. growth – Maximum (100% vests) – average 10% p.a. growth After performance vesting at three years, LTIP awards are subject to a further two-year holding period
Share retention policy	Daemmon Reeve – 200% of basic salary Richard Hope – 200% of basic salary At 30 September 2020 Daemmon Reeve and Richard Hope held 883% and 1,069% of basic salary respectively
Malus and clawback	Applies to all performance-related elements of Executive Directors' remuneration
Chairman and Non-executive Directors' fees	The base fee for the Chairman and Non-executive Directors for FY2021 has been increased by 1% in line with the baseline annual increase for Group employees . Accordingly, fee levels for the Chairman and Non-executive Directors in FY2021 are as follows: Chairman – £103,020 (FY2020: £102,000) For all other Non-executive Directors: Base fee – £42,445 (FY2020: £42,025) Audit Committee Chair fee – £7,959 (FY2020: £7,880) Remuneration Committee Chair fee – £5,306 (FY2020: £5,253) Senior Independent Director – £2,653 (FY2020: £2,627)

DIRECTORS' REMUNERATION REPORT

The following section of this report provides details of the implementation of the policy for the year ended 30 September 2020.

Directors' remuneration (audited)

The tables below report a single figure for total remuneration, and the proportion of fixed and variable pay is shown below for the Executive Directors and for each individual Executive and Non-executive Director respectively.

Executive Directors:

	Daemmon Reeve		Richard Hope	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
Fixed pay:				
Salary	337	330	224	220
Taxable benefits[1]	16	16	16	16
Pension[2]	44	43	18	17
Total fixed pay	397	389	258	253
Variable pay:				
Annual bonus	337	206	224	138
Share options vesting in the financial year[3]	485	906	323	460
Total variable pay	822	1,112	547	598
Total single figure of remuneration	1,219	1,501	805	851

1 Taxable benefits provided to Executive Directors relate to private medical insurance and car allowances.

2 Pension contributions relate to pay in lieu of pension after deduction of employers' NI.

3 Options which vested in 2020 included those granted in 2016, during which times share price growth has been 41%. The maximum average adjusted EPS growth required was 10% per annum, and the actual EPS growth achieved was 12.6% per annum. Details of share options which vested in the year are shown on page 94. The percentage of the value which vested during the year which related to share price growth was 70% for Daemmon Reeve and 71% for Richard Hope.

Details relating to the annual bonus are as follows:

The annual bonus for Executive Directors is calculated based on the annual growth in profit before tax, adjusted for exceptional items ('PBT&E').

Bonus payments range from 2.5% of salary at threshold level, rising incrementally to a maximum of 100%. The ranges are set out below in comparison to the actual achieved growth in the year.

The achieved growth represented 11.3% growth from 2019's equivalent PBT&E, and, having also considered a range of factors including the company's response to the challenges of COVID-19, the committee considered it appropriate for the bonus outcome to apply as per the originally set target range without further adjustment.

	Percentage bonus attainable	**2020 PBT&E £'000**
Threshold	2.5%	12,835
Maximum	100%	14,630
Actual achieved	100%	14,801

DIRECTORS' REMUNERATION REPORT

Percentage bonus awarded

The annual bonus, as a percentage of the maximum bonus achievable (100% of salary), was as follows:

	2020	2019
Daemmon Reeve	100.0%	62.5%
Richard Hope	100.0%	62.5%

Non-executive Directors:

	Fees (fixed pay)	
	2020 £'000	2019 £'000
Tim Jones	102	100
Jeff Iliffe	50	49
Yetunde Hofmann	42	22[1]
Richard Illek	42	41
David Johnston	47	49
Lynne Weedall	45	22[1]
Vijar Thakrar	4[2]	–
Anita Haines	–	13[3]
	332	**296**

1 Yetunde Hofmann was appointed on 20 March 2019 and Lynne Weedall on 6 April 2019.

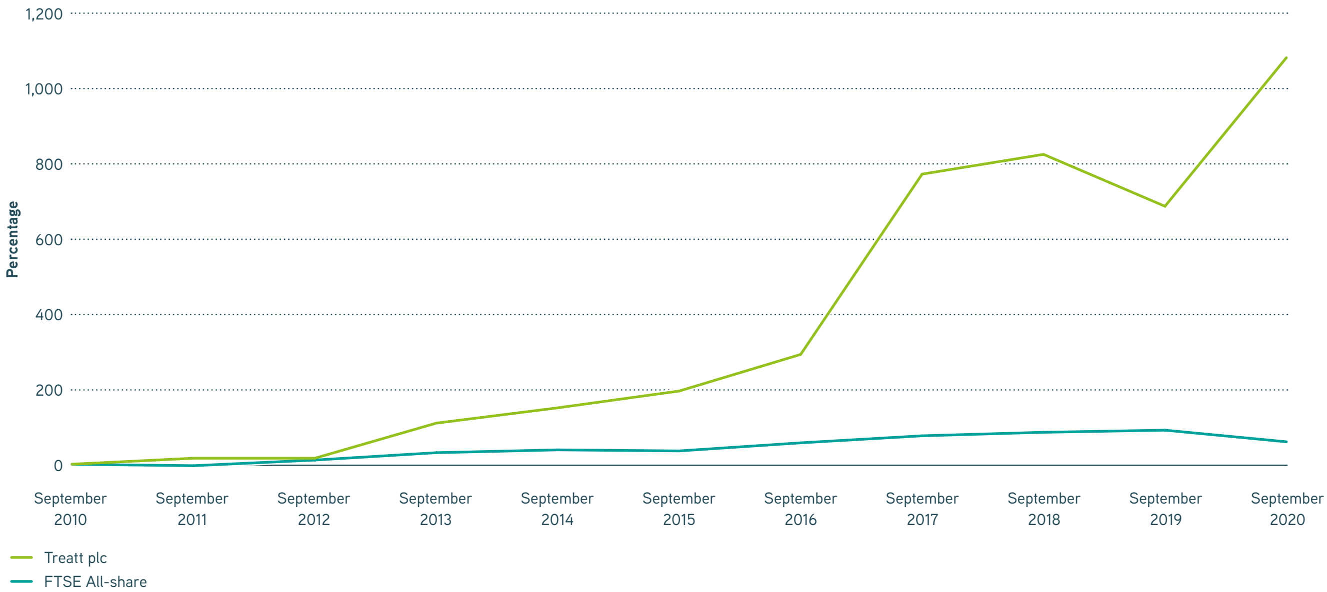
2 Vijay Thakrar was appointed on 1 September 2020.

3 Anita Haines retired on 25 January 2019.

Performance graph

This performance graph shows Treatt plc's performance, measured by total shareholder return, compared with that of the FTSE All-Share Index, which has been selected by the Board as being the most appropriate measure against which to benchmark its performance.

Total shareholder return 2010–2020



Source: Thomson Reuters Datastream

DIRECTORS' REMUNERATION REPORT

CEO remuneration

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012[2]	2011
Total remuneration (£'000)	1,219	1,501	1,757	603	580	470	436	405	274	447
Annual bonus as % of maximum[1]	100%	62.5%	92.5%	100%	88%	92%	95%	85%	11%[3]	104%
Share options vesting as % of maximum	100%	100%	100%	N/A[4]	N/A[4]	100%[5]	100%[5]	100%[5]	100%[5]	100%[5]

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

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

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

4 There were no options which vested during the year.

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

Change in remuneration of employees and Directors

The table below shows the percentage change in remuneration of the Directors and employees of the business between the years ended 30 September 2019 and 30 September 2020.

	% change from FY19 to FY20	
	Salary or fees	**Bonus**
Employees[1]	4.9%	22.9%[2]
Executive Directors:		
Daemmon Reeve	2.0%	63.6%
Richard Hope	2.0%	62.3%
Non-executive Directors:		
Tim Jones	2.0%	n/a
Yetunde Hofmann[3]	2.0%	n/a
Jeff Iliffe	2.0%	n/a
Richard Illek	2.0%	n/a
David Johnston[4]	(4.7%)	n/a
Lynne Weedall[3,4]	10.0%	n/a

1 The employees used for comparison are those UK and US employees who, for the salary comparison, were employed for the whole of the 2020 financial year.

2 Employee bonuses are based on a combination of Group performance and the performance of the entity they are employed by. US all-staff bonuses were 12.0% of salary (2019: 2.5%) and UK all-staff bonuses were 4.0% of salary (2019: 10.5%).

3 Yetunde Hofmann was appointed on 20 March 2019 and Lynne Weedall on 6 April 2019, the percentage increase is calculated on a pro-rata basis.

4 David Johnston stepped down from his position as Chair of the Remuneration Committee on 1 May 2020 and was superseded by Lynne Weedall.

Relative importance of spend on pay

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

	2020 £'000	2019 £'000	Movement
Total remuneration[1]	16,691	14,739	+13%
Dividends[2]	3,378	3,080	+10%
Current tax[3]	1,587	1,494	+6%

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

2 Dividends paid in the financial year as disclosed in note 12.

3 Current tax charge in respect of the financial year as disclosed in note 10.

DIRECTORS' REMUNERATION REPORT

Directors' interests (audited)

The Directors who held office at 30 September 2020 had the following interests in the shares of the Parent Company:

	Shares held outright or vested		Unvested share options with performance conditions		Unvested all-employee share options	
	2020	2019	2020	2019	2020	2019
Executive Directors						
Daemmon Reeve	492,656	434,632	221,942	252,318	4,986	4,986
Richard Hope	396,585	357,566	147,666	166,740	4,733	4,718
Non-executive Directors						
Tim Jones	37,508	137,508	–	–	–	–
Vijay Thakrar	1,641	–	–	–	–	–
Richard Illek	–	64,000	–	–	–	–

Between 1 October 2020 and 17 November 2020, the latest date practicable to obtain the information prior to publication of this document, there were no changes in the Directors' interests.

The table below shows the value of Executive Directors' interests in shares as at 30 September 2020 as a percentage of their base salary:

	Value of shares held[1] outright or vested		Base salary[2]		Value of interest as % of base salary		
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 %	2019 %	Target % of base salary
Daemmon Reeve	2,976	1,765	337	330	883%	535%	200%
Richard Hope	2,395	1,452	224	220	1,069%	660%	200%

1 Based upon a share price of £6.04 as at 30 September 2020.

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

Share option schemes (audited)

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

	Scheme	Basis	Date of grant	Share price at date of grant	Face value £'000[1]	Min performance award	Performance end date
Daemmon Reeve	LTIP 2019[2]	Executive	13 Dec 2019	£4.55	337	25%	30 Sept 2022
Richard Hope	SAYE 2020[3]	All-staff	8 July 2020	£5.11	8	N/A	N/A
	LTIP 2019[2]	Executive	13 Dec 2019	£4.55	224	25%	30 Sept 2022

1 Face value is calculated based upon share price at date of grant as shown above.

2 Executive LTIPs are granted at Nil cost, subject to performance conditions.

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

DIRECTORS' REMUNERATION REPORT

The performance conditions for Executive LTIP options are as follows:

Average annual growth in adjusted basic earnings per share for the three financial years ending on the performance end date shown on page 94. The options shall vest on a sliding scale: 25% where average annual growth equals or exceeds 3%, increasing to 100% where average annual growth equals or exceeds 10%. If the average annual growth in adjusted EPS is less than 3%, the options will lapse.

The share options of the Directors in office during the year are as set out below:

	Exercise dates	Exercise price	At 1 Oct 2019	Granted during the year	Exercised during the year	Expired during the year	At 30 Sept 2020
Daemmon Reeve	Sept 2022 – Feb 2023	361.0p	4,986	–	–	–	4,986
	Dec 2019 – Dec 2026	Nil	104,354	–	(104,354)	–	–
	Dec 2020 – Dec 2027	Nil	67,477	–	–	–	67,477
	Dec 2021 – Dec 2028	Nil	80,487	–	–	–	80,487
	Dec 2022 – Dec 2029	Nil	–	73,978	–	–	73,978
			257,304	73,978	(104,354)	–	226,928
Richard Hope	Sept 2020 – Feb 2021	413.0p	1,481	–	(1,481)	–	–
	Sept 2021 – Feb 2022	373.0p	1,592	–	–	–	1,592
	Sept 2022 – Feb 2023	361.0p	1,645	–	–	–	1,645
	Sept 2023 – Feb 2024	409.0p	–	1,496	–	–	1,496
	Dec 2019 – Dec 2026	Nil	68,392	–	(68,392)	–	–
	Dec 2020 – Dec 2027	Nil	44,690	–	–	–	44,690
	Dec 2021 – Dec 2028	Nil	53,658	–	–	–	53,658
	Dec 2022 – Dec 2029	Nil	–	49,318	–	–	–
			171,458	50,814	(69,873)	–	152,399

The aggregate amount of gains made by the Directors on the exercise of share options in the year was £808,000 (2019: £1,366,000).

There have been no further changes in the interests of the Directors to subscribe for or acquire shares between 1 October 2020 and 17 November 2020, the latest date practicable to obtain the information prior to publication of this document.

The market price of the shares at 30 September 2020 was £6.04 and the range during the financial year was £3.10 to £6.38. All market price figures are derived from the Daily Official List of the London Stock Exchange.

Pensions (audited)

The Chief Executive Officer is a deferred member of the R C Treatt & Co Limited Pension & Assurance Scheme following its closure to future accruals on 31 December 2012. The plan was a non-contributory, HM Revenue & Customs approved, defined benefit occupational pension scheme.

The pension entitlement is as follows:

		Accrued total pension	
	Normal retirement date	2020 £	2019 £
Daemmon Reeve	24 Sept 2036	14,324	14,078

The transfer values have been calculated on the basis of actuarial advice in accordance with Statutory Instrument 2013 No 1981 – The Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. Further details of the scheme are included in note 29.

DIRECTORS' REMUNERATION REPORT

Contributions to defined money purchase pension plans were made as follows:

	2020 £'000	2019 £'000
Daemmon Reeve	44	43
Richard Hope	18	17

Pension contributions include pay in lieu of pension after deduction of employers' NI in order to be cost neutral to the Group.

Statement of voting

At the Annual General Meeting held on 31 January 2020, the votes cast in respect of the resolution to approve the Directors' Remuneration Report, was as follows:

Directors' Remuneration Report	For 99.84%	Against 0.16%	Votes withheld 14,362

The remuneration policy was approved at the Annual General Meeting held on 26 January 2018 and the votes cast in respect of the resolution to approve the remuneration policy, was as follows:

Remuneration Policy	For 99.83%	Against 0.17%	Votes withheld 149,909

Audit notes

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

This report was approved by the Board and signed on its behalf on 23 November 2020.

Anita Guernari
Group Legal Counsel and Company Secretary

DIRECTORS' REPORT

Financial statements

The Directors present their report and the audited financial statements for the Group for the year ended 30 September 2020.

Results and dividends

The results of the Group for the year are set out on page 109. Reported profit before tax for the year was £13,741,000 (2019: 12,545,000). Profit before tax and exceptional items from continuing operations was £14,801,000 (2019: £13,300,000).

The Directors recommend a final dividend of 4.16p (2019: 3.80p) per ordinary share. This, when taken with the interim dividend of 1.84p (2019: 1.70p) per share paid on 13 August 2020, gives a total dividend of 6.00p (2019: 5.50p) per share for the year ended 30 September 2020.

Corporate governance

The Corporate Governance Statement on pages 68 to 73 forms part of this Directors' Report.

Directors

The Directors of the Company are shown on pages 66 and 67.

Appointment and replacement of Directors

The appointment and replacement of Directors is governed by the Company's Articles of Association, the UK Corporate Governance Code, the Companies Act and related legislation. Directors can be appointed by the Company by ordinary resolution at a general meeting or by the Board. If a Director is appointed by the Board, such Director will hold office until the next Annual General Meeting and shall then be eligible, subject to Board recommendation, for election at that meeting. All Directors will offer themselves for re-election annually; further details are provided in the Corporate Governance Statement on pages 68 to 73.

Details of the Executive Directors' contracts and notice periods are given in the Directors' Remuneration Report on page 87. The Executive Directors' contracts are terminable by the Group giving the required notice period of 12 months. The appointments of the Non-executive Directors can be terminated by the Company giving three months' notice at any time. The Company can remove a Director from office, either by passing an ordinary resolution of which special notice has been given or by notice being given by all the other Directors.

Directors' interests in shares

The interests of Directors in shares of the Company are shown in the Directors' Remuneration Report on page 94.

Substantial shareholders

In accordance with Rule 5 of the Disclosure and Transparency Rules of the Financial Conduct Authority, the Company has been notified of the following holdings of 3% or more of the voting rights at 17 November 2020 (the latest practicable reporting date prior to publication of this document).

	Number	Issued %	Voting %
Blackrock Inc	6,770,325	11.23%	11.36%
Rights and Issues Investment Trust	3,500,000	5.81%	5.87%
Canaccord Genuity Group Inc	3,495,134	5.80%	5.86%
Liontrust Asset Management	2,646,533	4.39%	4.44%
Hargreaves Lansdown Plc	2,237,441	3.71%	3.75%
James Sharp & Co	1,809,972	3.00%	3.04%

Conflicts of interest

No Director had an interest in any contract of significance during the year. The Group has procedures in place for managing conflicts of interest. If a Director becomes aware that they, or a connected party, have an interest in an existing or proposed transaction with the Group, they should notify the Company Secretary as soon as possible. Directors have a continuing obligation to update any changes to conflicts and the Board formally reviews these annually. Details of other directorships held by members of the Board can be found in the Director profiles on pages 66 and 67.

Directors' and Officers' liability insurance

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

Research and development

Product innovation and research and development are a critical part of the Group's strategy and business model as outlined in the Strategic Report on pages 14 to 17. The main research and development activity undertaken by the Group is in the area of new product development.

The Group utilises its strong technical capabilities to develop innovative products that provide solutions for customers, particularly in the food and beverage sectors. In this way, it seeks to make itself indispensable to a key group of major global multi-national companies. In the opinion of the Directors, continuity of investment in this area is essential for the maintenance of the Group's market position and for future growth.

DIRECTORS' REPORT

Financial and internal control

The Board confirms that a process for the on-going identification, evaluation and management of significant risks faced by the Group has been in place throughout the year and to the date of approval of this report, which complies with the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' issued by the FRC in September 2014.

The Board has overall responsibility for ensuring that the Group maintains a system of internal controls and for reviewing its effectiveness. This covers financial, operational and compliance controls including those in relation to financial reporting processes (including the preparation of consolidated accounts). In addition to monitoring reports received via the Executive Directors, the Board considers whether the control systems are appropriate and consults with those responsible for environmental, insurance, legal and health and safety compliance as appropriate. There were no significant internal control issues identified during the year.

Such a system can only provide reasonable, but not absolute, assurance against material misstatement or loss. The key procedures that the Directors have established to provide effective internal controls are as follows:

Financial reporting

A detailed formal budgeting process for all Group businesses culminates in an annual Group budget and a five-year forecast which is approved by the Board. Results for the Group and its main constituent businesses are reported monthly against the budget to the Board and revised forecasts for the year are prepared throughout the year. The Group uses a standardised consolidation system for the preparation of the Group's monthly management accounts, half year and annual consolidated financial statements, which is subject to review by senior management throughout the consolidation process.

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

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 accounting policies is reviewed where necessary as part of the external audit.

Information technology

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

Capital investment

The Group has clearly defined guidelines for capital expenditure. These include annual budgets, appraisal and review procedures, and levels of authority. Post-investment appraisals are performed for major investments. Further information in respect of the new UK Headquarters is set out in the Financial Review on page 52.

Risk management

Details of the risk management system and the principal risks associated with the Group's activities are given in the Strategic Report on pages 56 to 63.

Financial instruments

Information on the Group's financial risk management objectives and policies and on the exposure of the Group to relevant risks in respect of financial instruments is set out in note 31 of the financial statements.

Going concern and viability statement

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 10 to 63. Information on the principal risks and uncertainties and how they are managed can also be found in the Strategic Report.

In accordance with the 2018 UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a longer period than the twelve months required by the Code. The Board conducted this review for a period of five years, which is consistent with the longer-term financial plans for the Group.

In determining the longer-term viability of the Group, the Directors considered the Group's business activities, together with the factors likely to affect its future development, performance and position. The review also included the financial position of the Group, its cash flows, and available sources of finance.

The process adopted to assess the viability of the Group involved the modelling of a series of theoretical 'stress test' scenarios linked to the Group's principal risks and also a number of scenarios specifically related to the impact of the continuing global COVID-19 pandemic at varying degrees of severity. In assessing the Group's prospects and resilience, the Directors have done so with reference to its current financial position and prospects, its recent and historical financial performance, and forecasts. The Board's risk appetite and the principal risks and mitigating factors are described on pages 56 to 63.

The key factors considered by the Directors within the five-year review were:

- the implications of the challenging economic environment, notably the global COVID-19 pandemic and the future uncertainties on the Group's revenues and profits, and also the imminent impact of the end of the Brexit transition period;
- the implications of fluctuating prices of the Group's strategic raw materials;
- the implication of the ongoing UK headquarters relocation;
- the impact of the competitive environment within which the Group's businesses operate;
- the potential actions that could be taken in the event that revenues are worse than expected, to ensure that operating profit and cash flows are protected;
- the Group's cash balances;
- the Group's access to short, medium and long-term borrowing facilities to meet day-to-day working capital requirements and capital expenditure on the UK relocation project, as well as long-term investment requirements;
- the Group's ability to access equity as a source of finance;

DIRECTORS' REPORT

- a sensitivity analysis which involves flexing several of the main assumptions underlying the five-year plan, and considering the implications of a number of risks materialising during a short-term period; and
- additional sensitivity analysis for the various degrees of severity of the continuing COVID-19 pandemic, including a reverse stress test to determine the scenario and circumstances that would need to prevail to render the business unviable.

These tests were assessed against the Group's current and projected liquidity position, in particular the headroom on existing facilities and compliance with banking covenants. Excluding the COVID-19 scenarios which are discussed in the next section, none of the modelled stress test scenarios resulted in any breach of facility headroom or banking covenants. Although during the viability period, three out of four of the Group's current banking facilities would expire, it was considered reasonable to assume that the financial position of the Group would be sufficiently robust that the Group could renew those facilities should it wish to. The Group's financial and bank facilities track record supports this assumption, including its experience since the onset of the COVID-19 pandemic. Furthermore, as outlined in the Financial Review on page 51, the Group are currently negotiating an additional £7.0m RCF with HSBC, with an option to extend this by a further £6.5m through an 'accordion'. However, the stress test modelling excluded any benefit from these additional facilities.

COVID-19 stress testing and impact on going concern and viability assessment

The ongoing global COVID-19 pandemic presents a unique and unforeseeable variety of outcomes, and its impact on markets now and in the next twelve to twenty-four months is highly uncertain. While detailed scenario planning is difficult, the Directors have modelled four scenarios representing varying degrees of severity. All four scenarios assume that the chief factor to consider is lost sales volume, which would adversely impact cash generation and profitability, and that this decline in sales volume will be felt over the first twenty-four months of the viability period, before the Group returns to growth at a rate commensurate with un-stressed forecasts. Using these assumptions, headroom and covenant compliance have been assessed throughout the going concern (twelve-month) and viability (five-year) periods. These scenarios have then been stress-tested further by overlaying the adverse impact of a decline in profit margins.

Outcome of COVID-19 stress testing

The first three tests considered a decline in sales volumes ranging between 6% and 26% over the next twenty-four months followed by a return to growth in years three to five. The 6% stress test is based on the level of decline in volumes experienced during the pandemic between March 2020 and September 2020, and an additional 10% points reduction was assumed in the 16% stress-test, with an additional 20% points reduction in the 26% stress-tests alongside a fall in gross margin of 3%.

Under none of these scenarios were headroom or covenant requirements breached, and sufficient headroom and cash resources were in place to meet the expected needs of the business over the going concern and viability periods. Flexing for other variables, such as a potential overspend on the UK relocation, failure to renew a banking facility or variability in FX rates, the Directors still consider that the business would remain a going concern and viable under these circumstances over the period.

Under the fourth test, a particularly severe scenario was determined in which banking covenant requirements would be breached during the next twenty-four months, the so-called 'reverse stress testing scenario'. In this test, it was determined that a decline in sales of greater than 36.3% per annum compared to expectations over the first twenty-four months of the viability period, with no mitigating measures put in place, would result in a breach of financial covenants.

Based on the Group's experience over the past eight months since COVID-19 impacted its main markets and the Group's current trading performance whilst many countries are in their second national lockdowns, the possibility of this severe scenario materialising is considered remote. In addition, it is implausible that the Group would not act swiftly and decisively to activate mitigations such as operating cost savings, reduction in capital expenditure, accessing Government support and delaying or cancelling future dividend payments to avoid a breach of its banking covenants. It should be noted that even in this remote scenario, the Group would remain within its overall banking facilities.

Conclusion on going concern and viability

Having considered the current cash and liquidity position of the Group, the range of scenarios discussed above and the Group's proven ability to adapt to and manage adversity, the Directors have not identified any material uncertainties which would affect the Group and Parent Company's ability to continue as a going concern for a period of twelve months from the date of this Annual Report. Furthermore, the Directors have a reasonable expectation that the Group has adequate resources available to it to continue in business and meet its liabilities over the five-year period of their viability assessment.

Health and safety

The Group's disclosures on health and safety have been included within the Working Responsibly section on pages 36 to 37.

Streamlined Energy and Carbon Reporting (SECR) compliance

In compliance with the SECR requirements, our greenhouse gas emissions, energy consumption and energy reduction initiatives are reported within the Working Responsibly section on page 42.

Employees

The Group's disclosures on employees have been included within the Working Responsibly section on pages 44 to 46.

Employee engagement

The Group's disclosures on how the Board has engaged with employees and how it has had regard to employee interests have been included within the Section 172 statement on pages 29 to 30.

Business relationships

The Group's disclosures on how the Board has had regard to the need to foster the Company's business relationships with suppliers, customers and others have been included within the Section 172 statement on pages 29 to 30.

Political donations

The Group made no political donations in 2020 (2019: £nil).

DIRECTORS' REPORT

Branch disclosure

The subsidiary, R C Treatt & Co Limited, has a branch in China, which was established in July 2006.

Structure of share capital

The Parent Company's share capital comprises 60,270,670 ordinary shares with a nominal value of 2 pence each. All of the Parent Company's issued ordinary shares are fully paid up and rank equally in all respects. The rights attached to them, in addition to those conferred on their holders by law, are set out in the Articles, a copy of which can be found on the Treatt website or obtained on request from the Company Secretary.

Details of the issued ordinary share capital of the Parent Company and movements during the year are set out in note 26 of the financial statements. During the year the Parent Company issued 100,000 shares to the Employee Benefit Trust (2019: 700,000).

Restrictions on transfer of securities

There are no restrictions on the transfer of ordinary shares or on the exercise of voting rights attached to them, except (i) where the Company has exercised its right to suspend their voting rights or to prohibit their transfer following the omission of their holder or any person interested in them to provide the Company with information requested by it in accordance with Part 22 of the Companies Act 2006 or (ii) where their holder is precluded from exercising voting rights by the Financial Conduct Authority's Listing Rules or the City Code on Takeovers and Mergers.

Rights and obligations of ordinary shares

On a show of hands at a general meeting, every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote and on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. Subject to the relevant statutory provisions and the Articles, holders of ordinary shares are entitled to a dividend where declared or paid out of profits available for such purposes.

Articles of Association

The powers of the Directors are conferred on them by UK legislation and the Articles of Association. Changes to the Articles must be approved by shareholders passing a special resolution at a general meeting.

Powers of the Directors and purchase of own shares

At the forthcoming Annual General Meeting in 2021, the Company will be seeking a renewal of the shareholder authority for the Directors to purchase up to 10% of the Parent Company's ordinary shares, although at present the Directors have no plans to buy back any shares. It is, however, considered prudent to have the authority in place so that the Company is able to act at short notice if circumstances warrant.

A resolution will also be proposed at the 2021 Annual General Meeting to renew the power given to the Directors to issue new shares up to an aggregate nominal value in line with the latest Investment Association guidelines, of which an aggregate nominal value of up to 10% of the existing issued share capital can be issued by disapplying pre-emption rights, of which 5% can only be issued for the purposes of financing an acquisition or other capital investment.

It is the Directors' intention to seek renewal of these general authorities annually. Further information is set out in the notice of Annual General Meeting on page 155.

Treatt Employee Benefit Trust (the 'EBT')

The EBT holds ordinary shares in the Company in order to meet obligations under the Group's employee share option schemes. No shares (2019: nil) were purchased by the EBT during the year ended 30 September 2020. During the year 100,000 (2019: 700,000) shares were issued to the EBT under a block listing application. The trustees have waived their voting rights and their right to receive dividends in respect of the ordinary shares held by the EBT.

Treatt SIP Trustees Limited (the 'SIP Trust')

During the year the Company outsourced the administration of the UK Share Incentive Plan to Link Asset Services Trustees, who hold 444,017 shares, all of which are allocated to participants under the rules of the SIP. Voting rights are waived on all shares held in the SIP Trust. Dividends received by the SIP Trust on behalf of participants are reinvested in shares at market value on the date of reinvestment.

Annual General Meeting and restrictions on voting deadlines

The Annual General Meeting will be held at Treatt plc, Northern Way, Bury St. Edmunds, Suffolk, IP32 6NL on 29 January 2021. It is currently intended that it will be an open meeting for all shareholders but this will be subject to review nearer the time in light of the COVID-19 situation. In the event that it is necessary to protect the health and wellbeing of our staff and shareholders and is permitted by the Corporate Insolvency and Governance Act 2020, the meeting will be held as a closed meeting and shareholders will be unable to attend. In these circumstances, shareholders will be notified in writing and will be invited to submit questions to the Board in advance of the meeting. Answers to questions submitted will be published on the Group's website as soon as practicable after the Annual General Meeting. The Notice of Meeting and explanatory notes are given on pages 155 to 162. The notice of any general meeting will specify the deadline for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be proposed at a general meeting. The number of proxy votes for, against or withheld in respect of each resolution are announced and published on the Treatt website after the meeting (www.treatt.com).

Auditors

Following their appointment during the course of the year, BDO LLP has indicated its willingness to continue in office. On the recommendation of the Audit Committee, as set out on page 79, resolutions are to be proposed at the Annual General Meeting for the re-appointment of BDO LLP as auditors of Treatt plc and its subsidiaries, and to authorise the Board to fix their remuneration. The remuneration of the auditors for the year ended 30 September 2020 is disclosed in note 5 of the financial statements.

DIRECTORS' REPORT

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report, the Strategic Report, the Directors' Remuneration Report, the Corporate Governance Statement and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group financial statements and have elected to prepare the Parent Company financial statements for each financial year. The Directors are required under company law and the listing rules of the Financial Conduct Authority to prepare Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and have elected under company law to prepare the Parent Company financial statements in accordance with IFRS as adopted by the EU.

The Group financial statements are required by law, and IFRS adopted by the EU, to present fairly the financial position of the Group and the Parent Company and the financial performance of the Group. The Companies Act 2006 provides, in relation to such financial statements, that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of the profit of the Group for that period.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

a. select suitable accounting policies and apply them consistently;

b. make judgements and estimates that are reasonable and prudent;

c. state whether they have been prepared in accordance with IFRSs adopted by the EU, subject to material departures disclosed and explained in the financial statements;

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business; and

e. prepare a Directors' Report, a Strategic Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Treatt plc website.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed in the Directors' Report, confirms that, to the best of their knowledge:

a. the financial statements, prepared in accordance with IFRS as adopted by the EU and Article 4 of the IAS Regulation, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Parent Company and the undertakings included in the consolidation taken as a whole;

b. the Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

c. consider the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Statement as to disclosure of information to auditors

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

This report was approved by the Board on 23 November 2020.

Signed on behalf of the Board.

Anita Guernari
Group Legal Counsel and Company Secretary

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

OTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT

to the members of Treatt Plc

OPINION

We have audited the financial statements of Treatt Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 September 2020 which comprise the Group Income Statement, Group Statement of Comprehensive Income, Group and Parent Company Statements of Changes in Equity, Group and Parent Company Balance Sheets, Group and Parent Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the directors' confirmation set out on pages 56 to 63 in the annual report that they have carried out a robust assessment of the Group's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the directors' statement set out on pages 98 and 99 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on pages 98 and 99 in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

INDEPENDENT AUDITOR'S REPORT

to the members of Treatt Plc

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How we addressed the key audit matter in the audit
Valuation of Inventory	
The Group has significant inventory balances, which due to the nature of the products include a degree of estimation and judgement in the valuation process, as well as provisions against inventory for slow moving or obsolete items. Accordingly, this was determined to be a key audit matter. The accounting policies and critical judgements applied are disclosed in Note 3 on page 121. The Group inventory note can be found in Note 19,	Our audit work included but was not limited to: • We critically assessed management's policy in respect of the recognition of inventory provisions to determine its appropriateness in relation to the age, nature and condition of the Group's inventory and the requirements of the applicable accounting standards; • Challenged management's judgements in relation to inventory provisions by reviewing the utilisation of prior year provisions in the context of current year inventory write-offs to assess the appropriateness of management's estimation process; • Tested a sample of year-end inventory items via discussion with management and examination of supporting evidence to determine that where a provision was required it had been appropriately included in the year-end provision; • Critically challenged management's judgement applied when setting overhead recovery rates, including verifying the nature of categories of overheads absorbed and reviewing the underlying assumptions applied in the calculations; • Critically reviewed direct costs and overheads to check that those relevant to the manufacturing process were included in management's overhead absorption calculations; • Considered variances between budgeted overhead and actual overhead recovery to confirm that the proportion of overheads absorbed was accurate; • Tested a sample of overheads absorbed in Cost of Sales to the budgeted overhead recovery rates set at the beginning of the financial year; • Tested a sample of works orders completed in the year checking that there was a corresponding overhead recovery charge where appropriate; • Checked the mathematical accuracy of managements overhead absorption and inventory provision calculations; **Key observations** We found management's judgements and estimates used in the valuation of inventory to be appropriate and in line with the requirements of applicable accounting standards.

There were no Key Audit Matters identified in relation to the Parent Company.

INDEPENDENT AUDITOR'S REPORT

to the members of Treatt Plc

OUR APPLICATION OF MATERIALITY

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements. We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced.

We have determined materiality based on our professional judgement for the financial statements as a whole as follows:

	Group	Parent company
Materiality	£733,000	£608,000
Basis	5% of continuing profit before tax and exceptional items	1.5% of total assets
Rationale	We consider the use of 5% of continuing profit before tax and exceptional items to be the most appropriate threshold since this removes the impact of certain one-off or exceptional items impacting the underlying profit of the Group and is also a key measure for stakeholders based on market practice and investor expectations. Exceptional items are detailed in note 9 to the financial statements.	The Parent Company is a non-trading holding company and the most significant balance in its financial statements is total assets.

Further materiality measures applied in the conduct of the audit include:

	Measure	Application
Performance materiality	Group – £476,000 equivalent to 65% of Materiality Parent company – £395,000 equivalent to 65% of Materiality	The application of materiality at the individual account or balance level is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. We consider 65% of materiality to be appropriate due to this being a first year of audit by BDO and in order to reflect that there are a number of balances subject to estimation or judgement which are not able to be determined with precision.
Component materiality	The range of materiality used for significant components ranged from £201,000 to £608,000.	Our audit work at each component has been executed at levels of materiality applicable to each individual entity based on its size and risk as approved by the Group audit team and in each case, lower than that applied to the Group.
Reporting threshold	Group – £25,500 Parent Company – £21,000	All audit differences in excess of the 'reporting threshold' are reported to the Audit Committee, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.
Quantitative & qualitative disclosures	We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.	

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our group audit was scoped by obtaining an understanding of the group and its environment, including the group's system of internal control, and assessing the risks of material misstatement in the financial statements.

The Group operates through a number of legal entities set out in Note 17. Treatt Plc, R.C.Treatt Limited and Treatt USA Inc were the only components which were determined as significant to the Group. All significant components were subject to full scope audits. The Kenyan subsidiaries were subject to desktop reviews. All audits and desktop review procedures were completed by BDO LLP.

Capability of the audit to detect irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component levels to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006, the UK Listing Rules and tax legislation.

Our tests included agreeing the financial statement disclosures to underlying supporting documentation, review of board and committee meeting minutes, enquiries with management and enquiries of in-house legal counsel.

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

INDEPENDENT AUDITOR'S REPORT

to the members of Treatt Plc

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 101** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on pages 76 to 79** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 69** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the statement of directors' responsibilities set out on page 101, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

to the members of Treatt Plc

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 29 June 2020 to audit the financial statements for the year ending 30 September 2020 and subsequent financial periods. The period of total uninterrupted engagement is one year, covering the year ending 30 September 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

USE OF OUR REPORT

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Tracey Keeble (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Ipswich, UK

23 November 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

GROUP INCOME STATEMENT

for the year ended 30 September 2020

	Notes	2020 £'000	2019 £'000
CONTINUING OPERATIONS			
Revenue	4	**109,016**	112,717
Cost of sales		**(77,140)**	(84,060)
Gross profit		**31,876**	28,657
Administrative expenses		**(16,784)**	(15,158)
Operating profit[1]	5	**15,092**	13,499
Other gains – hedge ineffectiveness	7	**45**	–
Finance income	8	**67**	141
Finance costs	8	**(403)**	(340)
Profit before taxation and exceptional items		**14,801**	13,300
Exceptional items	9	**(1,060)**	(755)
Profit before taxation		**13,741**	12,545
Taxation	10	**(2,896)**	(2,673)
Profit for the year from continuing operations		**10,845**	9,872
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	11	**(1,080)**	(1,084)
Profit for the year attributable to owners of the Parent Company		**9,765**	8,788
Earnings per share			
From continuing and discontinued operations:			
– Basic	13	**16.32p**	14.86p
– Diluted	13	**16.16p**	14.66p
– Adjusted basic[2,3]	13	**19.42p**	17.38p
– Adjusted diluted[2,3]	13	**19.24p**	17.15p
From continuing operations:			
– Basic	13	**18.12p**	16.69p
– Diluted	13	**17.95p**	16.47p
– Adjusted basic[2]	13	**19.72p**	17.82p
– Adjusted diluted[2]	13	**19.53p**	17.58p

1 Operating profit is calculated as profit before other gains, net finance costs, exceptional items and taxation.

2 All adjusted earnings per share measures exclude exceptional items and the related tax effect, details of which are given in note 9.

3 Excludes the impairment of discontinued operations as detailed in note 11.

Notes 1 to 32 form part of these financial statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2020

	Notes	2020 £'000	2019 £'000
Profit for the year attributable to owners of the Parent Company		**9,765**	8,788
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences on foreign currency net investments		**(2,094)**	2,123
Current tax on foreign currency translation differences	10	**82**	(72)
Fair value movement on cash flow hedges	25,31	**(6)**	93
Deferred tax on fair value movement	10	**2**	(16)
		(2,016)	2,128
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on defined benefit pension scheme	29	**(2,418)**	(4,230)
Current tax on defined benefit pension scheme liability	10	**(29)**	–
Deferred tax on actuarial loss	10	**586**	719
		(1,861)	(3,511)
Other comprehensive expense for the year		**(3,877)**	(1,383)
Total comprehensive income for the year attributable to owners of the Parent Company		**5,888**	7,405

Notes 1 to 32 form part of these financial statements.

GROUP AND PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 September 2020

Group	Notes	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 2018		1,189	23,484	(34)	50	3,515	53,421	81,625
Profit for the year		–	–	–	–	–	8,788	8,788
Other comprehensive income:								
Exchange differences		–	–	–	–	2,123	–	2,123
Fair value movement on cash flow hedges	25	–	–	–	93	–	–	93
Actuarial loss on defined benefit pension scheme	29	–	–	–	–	–	(4,230)	(4,230)
Taxation relating to items above	10	–	–	–	(16)	(72)	719	631
Total comprehensive income		–	–	–	77	2,051	5,277	7,405
Transactions with owners:								
Dividends	12	–	–	–	–	–	(3,080)	(3,080)
Share-based payments	28	–	–	–	–	–	653	653
Movement in own shares in share trusts		–	–	33	–	–	–	33
Gain on release of shares in share trusts		–	–	–	–	–	506	506
Issue of share capital	26	14	–	(14)	–	–	–	–
Taxation relating to items recognised directly in equity	10	–	–	–	–	–	(35)	(35)
Total transactions with owners		14	–	19	–	–	(1,956)	(1,923)
30 September 2019		1,203	23,484	(15)	127	5,566	56,742	87,107
Adoption of IFRS 16[1]		–	–	–	–	–	(37)	(37)
1 October 2019		1,203	23,484	(15)	127	5,566	56,705	87,070
Profit for the year		–	–	–	–	–	9,765	**9,765**
Other comprehensive income:								
Exchange differences		–	–	–	–	(2,094)	–	**(2,094)**
Fair value movement on cash flow hedges	25,31	–	–	–	(6)	–	–	**(6)**
Actuarial loss on defined benefit pension scheme	29	–	–	–	–	–	(2,418)	**(2,418)**
Taxation relating to items above	10	–	–	–	2	82	557	**641**
Total comprehensive (expense)/income		–	–	–	(4)	(2,012)	7,904	**5,888**
Transactions with owners:								
Dividends	12	–	–	–	–	–	(3,378)	**(3,378)**
Share-based payments	28	–	–	–	–	–	875	**875**
Movement in own shares in share trusts		–	–	12	–	–	–	**12**
Gain on release of shares in share trusts		–	–	–	–	–	537	**537**
Issue of share capital	26	2		(2)	–	–	–	**–**
Taxation relating to items recognised directly in equity	10	–	–	–	–	–	116	**116**
Total transactions with owners		**2**	**–**	**10**	**–**	**–**	**(1,850)**	**(1,838)**
30 September 2020		**1,205**	**23,484**	**(5)**	**123**	**3,554**	**62,759**	**91,120**

1 The opening retained earnings balance is restated for the adoption of IFRS 16; more information is provided in note 16.

Notes 1 to 32 form part of these financial statements.

GROUP AND PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 September 2020

Parent Company	Notes	Share capital £'000	Share premium account £'000	Own shares in share trusts £'000	Retained earnings £'000	Total equity £'000
1 October 2018		1,189	23,484	(34)	13,728	38,367
Profit for the year		–	–	–	2,903	2,903
Total comprehensive income		–	–	–	2,903	2,903
Transactions with owners:						
Dividends	12	–	–	–	(3,080)	(3,080)
Movement in own shares in share trusts		–	–	33	–	33
Capital contribution to subsidiary undertakings	17	–	–	–	653	653
Gain on release of shares in share trusts		–	–	–	506	506
Issue of share capital	26	14	–	(14)	–	–
Total transactions with owners		14	–	19	(1,921)	(1,888)
1 October 2019		1,203	23,484	(15)	14,710	39,382
Profit for the year		–	–	–	2,900	**2,900**
Total comprehensive income		–	–	–	2,900	**2,900**
Transactions with owners:						
Dividends	12	–	–	–	(3,378)	**(3,378)**
Movement in own shares in share trusts		–	–	12	–	**12**
Capital contribution to subsidiary undertakings	17	–	–	–	875	**875**
Gain on release of shares in share trusts		–	–	–	537	**537**
Issue of share capital	26	2	–	(2)	–	**–**
Total transactions with owners		**2**	–	**10**	**(1,966)**	**(1,954)**
30 September 2020		**1,205**	**23,484**	**(5)**	**15,644**	**40,328**

The adoption of IFRS 16 has not had any impact on the Parent Company's results as reported.

Notes 1 to 32 form part of these financial statements.

GROUP AND PARENT COMPANY BALANCE SHEETS

as at 30 September 2020

Registered Number: 01568937

	Notes	Group 2020 £'000	Group 2019 £'000	Parent Company 2020 £'000	Parent Company 2019 £'000
ASSETS					
Non-current assets					
Intangible assets	14	**1,358**	845	**–**	–
Property, plant and equipment	15	**50,159**	29,485	**–**	–
Right-of-use assets	16	**1,173**	–	**–**	–
Investment in subsidiaries	17	**–**	–	**34,097**	7,663
Deferred tax assets	18	**1,358**	1,400	**–**	–
		54,048	31,730	**34,097**	7,663
Current assets					
Inventories	19	**36,050**	36,799	**–**	–
Trade and other receivables	20	**24,167**	23,020	**735**	86
Current tax assets		**1,057**	455	**–**	–
Derivative financial instruments	25	**459**	–	**–**	–
Cash and bank balances	21	**7,739**	37,187	**5,758**	33,210
Assets classified as held for sale		**–**	697	**–**	–
		69,472	98,158	**6,493**	33,296
Total assets		**123,520**	129,888	**40,590**	40,959
LIABILITIES					
Current liabilities					
Borrowings	22	**(3,203)**	(16,860)	**–**	–
Provisions	23	**(146)**	(261)	**–**	–
Trade and other payables	24	**(12,441)**	(11,331)	**(262)**	(1,577)
Lease liabilities	16	**(31)**	–	**–**	–
Current tax liabilities		**–**	(124)	**–**	–
Derivative financial instruments	25	**(168)**	(315)	**–**	–
Liabilities classified as held for sale		**–**	(14)	**–**	–
		(15,989)	(28,905)	**(262)**	(1,577)
Net current assets		**53,483**	69,253	**6,231**	31,719
Non-current liabilities					
Borrowings	22	**(3,450)**	(4,369)	**–**	–
Lease liabilities	16	**(628)**	–	**–**	–
Post-employment benefits	29	**(10,051)**	(7,788)	**–**	–
Deferred tax liabilities	18	**(2,282)**	(1,719)	**–**	–
		(16,411)	(13,876)	**–**	–
Total liabilities		**(32,400)**	(42,781)	**(262)**	(1,577)
Net assets		**91,120**	87,107	**40,328**	39,382

GROUP AND PARENT COMPANY BALANCE SHEETS

as at 30 September 2020

		Group		Parent Company	
	Notes	2020 £'000	2019 £'000	2020 £'000	2019 £'000
EQUITY					
Share capital	26	**1,205**	1,203	**1,205**	1,203
Share premium account	27	**23,484**	23,484	**23,484**	23,484
Own shares in share trusts		**(5)**	(15)	**(5)**	(15)
Hedging reserve		**123**	127	**–**	–
Foreign exchange reserve		**3,554**	5,566	**–**	–
Retained earnings		**62,759**	56,742	**15,644**	14,710
Total equity attributable to owners of the Parent Company		**91,120**	87,107	**40,328**	39,382

Notes 1 to 32 form part of these financial statements.

The Parent Company reported a profit for the year of £2,900,000 (2019: £2,903,000). The adoption of IFRS 16 has not had any impact on the Parent Company's results as reported.

The financial statements were approved by the Board of Directors and authorised for issue on 23 November 2020 and were signed on its behalf by:

Tim Jones
Chairman

Richard Hope
Chief Financial Officer

GROUP AND PARENT COMPANY STATEMENTS OF CASH FLOWS

for the year ended 30 September 2020

	Notes	Group 2020 £'000	Group 2019 £'000	Parent Company 2020 £'000	Parent Company 2019 £'000 (as restated)
Cash flow from operating activities					
Profit before taxation including discontinued activities		**12,584**	11,477	**2,890**	2,865
Adjusted for:					
Depreciation of property, plant and equipment		**1,809**	1,559	**–**	–
Amortisation of intangible assets	14	**75**	90	**–**	–
Impairment of discontinued operations	11	**638**	825	**–**	–
Loss on disposal of subsidiary	11	**185**	–	**–**	–
Net finance costs/(income)	8	**191**	199	**(389)**	(286)
Share-based payments	28	**886**	637	**–**	–
(Decrease)/increase in fair value of derivatives		**(611)**	7	**–**	–
Increase in post-employment benefit obligations	29	**145**	101	**–**	–
Dividend income settled via intercompany account	24	**–**	–	**(1,642)**	(518)
Operating cash flow before movements in working capital		**15,902**	14,895	**859**	2,061
Movements in working capital					
(Increase)/decrease in inventories		**(458)**	3,970	**–**	–
(Increase)/decrease in receivables		**(1,278)**	5,293	**–**	1,387
Increase/(decrease) in payables	24	**1,511**	(3,614)	**11**	(469)
Cash generated from operations		**15,677**	20,544	**870**	2,979
Taxation (paid)/received		**(2,191)**	(2,208)	**9**	36
Net cash from operating activities		**13,486**	18,336	**879**	3,015
Cash flow from investing activities					
Disposal of subsidiaries		**(136)**	1,033	**–**	1,033
Acquisition of shares in existing subsidiaries	17	**–**	–	**(25,559)**	–
Purchase of property, plant and equipment		**(23,909)**	(10,392)	**–**	–
Purchase of intangible assets	14	**(905)**	(178)	**–**	–
Interest received	8	**67**	141	**57**	58
		(24,883)	(9,396)	**(25,502)**	1,091
Cash flow from financing activities					
(Repayment)/increase in bank loans		**(724)**	1,874	**–**	–
Interest paid	8	**(258)**	(340)	**–**	(3)
Employer contributions to defined benefit pension scheme	29	**(300)**	–	**–**	–
Dividends paid	12	**(3,378)**	(3,080)	**(3,378)**	(3,080)
Proceeds on issue of shares	26	**2**	14	**2**	14
Net sale of own shares by share trusts		**547**	526	**547**	526
		(4,111)	(1,006)	**(2,829)**	(2,543)
Net (decrease)/increase in cash and cash equivalents		**(15,508)**	7,934	**(27,452)**	1,563
Effect of foreign exchange rates		**(318)**	82	**–**	–
Movement in cash and cash equivalents in the year		**(15,826)**	8,016	**(27,452)**	1,563
Cash and cash equivalents at beginning of year		**21,076**	13,060	**33,210**	31,647
Cash and cash equivalents at end of year		**5,250**	21,076	**5,758**	33,210
Cash and cash equivalents comprise:					
Cash and bank balances	21	**7,739**	37,187	**5,758**	33,210
Bank borrowings	22	**(2,489)**	(16,111)	**–**	–
		5,250	21,076	**5,758**	33,210

The adoption of IFRS 16 has not had any impact on the current or comparative period of the Parent Company's results as reported.

Notes 1 to 32 form part of these financial statements.

GROUP RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

for the year ended 30 September 2020

	2020 £'000	2019 £'000
Movement in cash and cash equivalents in the year	**(15,826)**	8,016
Repayment/(increase) in bank loans	**724**	(1,874)
Cash (outflow)/inflow from changes in net cash in the year	**(15,102)**	6,142
Effect of foreign exchange rates	**230**	(243)
Movement in net cash in the year	**(14,872)**	5,899
Net cash at beginning of year	**15,958**	10,059
Lease liability recognised as debt[1]	**(659)**	–
Net cash at end of year	**427**	15,958

Analysis of movement in net cash during the year:

	At 30 September 2019 £'000	IFRS 16 lease liabilities at 1 October 2019 £'000[1]	At 1 October 2019 £'000	Cash flow £'000	Foreign exchange movements £'000	At 30 September 2020 £'000
Cash and bank balances	37,187	–	37,187	(29,130)	(318)	**7,739**
Bank borrowings	(16,111)	–	(16,111)	13,622	–	**(2,489)**
Cash and cash equivalents	21,076	–	21,076	(15,508)	(318)	**5,250**
Bank loans and overdrafts	(5,118)	–	(5,118)	724	230	**(4,164)**
Lease liabilities	–	(660)	(660)	(1)	2	**(659)**
Net cash at end of year	15,958	(660)	15,298	(14,785)	(86)	**427**

	At 1 October 2018 £'000	Cash flow £'000	Foreign exchange movements £'000	At 30 September 2019 £'000
Cash and bank balances	32,304	4,801	82	37,187
Bank borrowings	(19,244)	3,133	–	(16,111)
Cash and cash equivalents	13,060	7,934	82	21,076
Bank loans and overdrafts	(3,001)	(1,874)	(243)	(5,118)
Net cash at end of year	10,059	6,060	(161)	15,958

1 Lease liabilities are recognised following the adoption of IFRS 16; more information is provided in note 16.

This statement of reconciliation of net cash flow to movement in net cash does not form part of the primary statements.

Notes 1 to 32 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

1. GENERAL INFORMATION

Treatt plc ('the Parent Company') is a public limited company incorporated in the United Kingdom and domiciled in England and Wales. The Parent Company's shares are traded on the London Stock Exchange. The address of the registered office is included within the Parent Company Information section on page 163.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

New and amended accounting standards

The consolidated entity has adopted all of the new or amended accounting standards and interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period. Any new or amended accounting standards or interpretations that are not yet mandatory have not been early adopted.

The Group has adopted IFRS 16, 'Leases' from 1 October 2019 using the modified retrospective approach which means that the standard is applied retrospectively with the cumulative effect of initially applying the standard being recognised within opening retained earnings and comparative information is not restated. This standard is mandatory for financial periods beginning on or after 1 January 2019 and, therefore, relevant to the Group for the first time for the financial year ended 30 September 2020.

IFRS 16 Leases

The objective of IFRS 16 is to report information that (a) faithfully represents lease transactions and (b) provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. To meet that objective, the lessee should recognise assets and liabilities arising from a lease.

IFRS 16 replaces IAS 17 and removes the distinction between operating leases and finance leases, instead introducing a single lessee accounting model requiring a lessee to recognise liabilities ('lease liabilities') and assets ('right-of-use assets') for all leases with a term of more than twelve months, unless the underlying asset is of low value.

Lease liabilities

A lease liability is recognised at the inception of a contract at an amount equal to the present value of payments due under the lease, discounted at an incremental borrowing rate that reflects the nature and duration of the lease in question. The lease liability is subsequently measured using the effective interest rate method with an associated finance cost charged to the income statement.

On transition to IFRS 16, the liability associated with existing leases is calculated at the transition date of 1 October 2019 as the present value of the remaining lease payments, discounted at an incremental borrowing rate specific to the lease.

Right-of-use assets

At the inception of the contract, a right-of-use asset is recognised equal to the lease liability, adjusted to reflect any lease incentives or associated direct costs. The right-of-use asset is depreciated over the useful life of the asset, which can be no longer than the lease term, and the depreciation cost is charged to the income statement.

On transition to IFRS 16, the Group was permitted to choose to measure the value of right-of-use assets of existing leases at an amount equal to the lease liability; or as if IFRS 16 had always been applied but using the incremental borrowing rate at the date of transition.

The Group adopted the latter approach and has also applied the following practical expedients allowable under IFRS 16 when applying the standard to leases previously classified as operating leases under IAS 17:

- The exclusion of low-value leases and leases with a remaining lease term of less than twelve months at 1 October 2019 from its transition workings.
- The decision not to reassess whether a contract is, or contains, a lease at the date of initial application and instead has relied on its assessment whether an arrangement contains a lease previously made under the application of IAS 17.

The impact of adopting this standard on the financial statements of the Group is provided in note 16.

No other accounting standards which became mandatorily effective for the current reporting period have had any material effect on the financial statements of the Group.

Accounting standards in issue but not yet effective

There are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group or Parent Company.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been used in the preparation of these financial statements are set out below.

Accounting convention

The Group is required to prepare its annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted for use by the European Union. The Parent Company has also prepared its own financial statements in accordance with IFRS as adopted by the European Union. The financial statements have also been prepared under the historical cost convention (unless a fair value basis is required by IFRS) and are in accordance with the Companies Act 2006 applicable for companies reporting under IFRS.

The Parent Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 and has not presented its own income statement in these financial statements.

The financial statements are prepared in Sterling which is the functional currency of the Parent Company and Group.

Basis of consolidation

The Group accounts consolidate the accounts of Treatt plc and all of its subsidiaries (entities controlled by the Parent Company) made up to 30 September each year. Control is achieved where the Parent Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Going concern

The process adopted by the Directors to assess the viability of the Group involved modelling a number of scenarios of varying degrees of severity that reflect the principal risks and uncertainties of the Group as set out on pages 56 to 63. In these tests a range of plausible scenarios were considered, and the Group has measured its position against available headroom and banking covenant compliance over a five-year period. In assessing the Group's prospects and resilience, the Directors have done so with reference to its current financial position, its recent and historical financial performance, and forecasts.

As discussed in more detail in the Directors' Statement on pages 98 and 99, under none of these plausible scenarios were covenants or headroom limits breached over a five-year period. In response to the COVID-19 pandemic a particularly severe scenario was reverse-engineered in which banking covenant requirements would be breached during the next twenty-four months, however the likelihood of this scenario materialising is considered remote. Having considered the range of stress-test scenarios and the Group's proven ability to adapt to and manage adversity, the Directors have not identified any material uncertainties which would affect the Group and Parent Company's ability to continue as a going concern for a period of at least twelve months from the date of this report. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Presentation of financial statements

The primary statements within the financial information contained in this document have been presented in accordance with IAS 1, 'Presentation of Financial Statements'.

Alternative performance measures

The Group has defined certain measures that it uses to understand and manage performance. These non-GAAP measures are not defined under IFRS and are not intended to be a substitute for any IFRS measures of performance. They have been included to provide stakeholders with additional helpful information on the performance of the business.

Investments in subsidiaries

Investments in subsidiaries in the Parent Company balance sheet are stated at cost, less any provision for impairment.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, 'Business combinations' are recognised at their fair value at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

Revenue recognition

Revenue represents amounts receivable net of trade discounts, VAT and other sales-related taxes. Revenue is recognised in these financial statements when goods are physically dispatched from the Group and/or Parent Company's premises or other storage depots, irrespective of the terms of trade. Where goods are sold to a customer, but retained physically on a bill and hold arrangement, revenue is recognised at the point that the goods are assigned to the customer. At the point of physical dispatch or assignment, the goods are derecognised by the Group and are no longer available for sale, therefore the Directors believe that this is the point at which control transfers to the customer in accordance with IFRS 15, 'Revenue from Contracts with Customers'.

Effect of changes in foreign exchange rates

Transactions in currencies other than Sterling are recorded at the rate of exchange at the date of transaction. Assets and liabilities in foreign currencies are translated into Sterling in the balance sheet at the year-end rate.

Income and expense items of the Group's overseas subsidiaries are translated into Sterling at the average rate for the year. Their balance sheets are translated at the rate ruling at the balance sheet date.

Exchange differences which arise from the translation of the opening net assets and results of foreign subsidiaries and from translating the income statement at an average rate are taken to reserves. Under IAS 21, 'The Effects of Changes in Foreign Exchange Rates', these cumulative translation differences which are recognised in the Statement of Comprehensive Income are separately accounted for within reserves and are transferred from equity to the income statement in the event of the disposal of a foreign operation. All other exchange differences are taken to the income statement.

Research and development expenditure

Expenditure on research activities is recognised as an expense and charged to the income statement in the period in which it is incurred.

Expenditure arising from any specific development is recognised as an asset only if all of the following conditions are met:

- An asset is created that can be identified;
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Development expenditure meeting these conditions is amortised on a straight-line basis over its useful life. Where these conditions for capitalising development expenditure have not been met, the related expenditure is recognised as an expense in the period in which it is incurred.

Leases

From 1 October 2019, when the Group becomes party to a lease arrangement it applies IFRS 16, 'Leases' and recognises a right-of-use asset and a lease liability upon commencement, except for leases of low value (less than £3,000) or for leases with a duration of less than twelve months. The lease liability and right-of-use asset is initially measured at the present value of the lease payments payable over the lease term, discounted at the incremental borrowing rate for that lease. The amount charged to the income statement comprises the depreciation of the right-of-use asset and the interest cost on the lease liability.

The comparative period results are stated as previously reported under IAS 17, 'Leases' and all rentals payable under operating leases, where substantially all of the benefit and risks of ownership remain with the lessor, were charged against profits on a straight-line basis over the term of the lease.

Rentals receivable under operating leases continue to be recognised in the income statement as and when they fall due.

Taxation

The tax expense comprises current and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date. Where the Group and/or Parent Company have a net current tax asset in one legal jurisdiction, a liability in another, and consequently have no legal right of set off, then these assets and liabilities will be shown separately on the balance sheet as required by IAS 12, 'Income Taxes'.

Current tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the current tax is also dealt with in equity.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Where the Group and/or Parent Company have a net deferred tax asset in one legal jurisdiction, a liability in another, and consequently have no legal right of set off, then these assets and liabilities will be shown separately on the balance sheet as required by IAS 12, 'Income Taxes'.

Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case deferred tax is also dealt with in equity.

Exceptional items

The Group has elected to classify certain items as exceptional and present them separately on the face of the income statement. Exceptional items are classified as those which are separately identified by virtue of their size, nature or expected frequency, to allow a better understanding of the underlying performance in the year.

Post balance sheet events and dividends

IAS 10, 'Events after the Balance Sheet Date' requires that final dividends proposed after the balance sheet date should not be recognised as a liability at that balance sheet date, as the liability does not represent a present obligation as defined by IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets'. Consequently, final dividends are only recognised as a liability once formally approved at the Annual General Meeting and interim dividends are not recognised until paid.

Cash flow

The Statement of Cash Flows explains the movement in cash and cash equivalents and short-term borrowings.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition or construction of the assets. Assets are recognised only when it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the asset can be measured reliably.

Depreciation is provided on all property, plant and equipment and right-of-use assets, except freehold and long leasehold land, using the straight-line basis to write off the cost of the asset, less estimated residual value. Property, plant and equipment residual values and useful lives are reviewed annually, and are as follows:

- Buildings: 50 years
- Plant and machinery: 4 – 10 years
- Fixtures, fittings and equipment: 4 – 10 years
- Lab equipment: 5 years

Property, plant and equipment is derecognised on disposal or where no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing the net proceeds with the carrying amount and are recognised within administration expenses.

Intangible assets

Intangible assets comprise licences for software and development costs that meet the criteria for capitalisation as set out in the research and development expenditure accounting policy note. Amortisation (which is included within administrative expenses) is provided on all intangible assets, using the straight-line basis to write off the cost of the asset, less estimated residual value, as follows:

- Software licenses: 4 – 12 years
- Development costs: 10 years

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

Impairment of property, plant and equipment and intangible assets

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

The carrying amounts of the Group's non-current assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the need for an impairment is assessed by comparison of the carrying value of the asset against the higher of fair value less costs of disposal and value in use. The value in use is estimated using a discounted cash flow model.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on raw material costs plus attributable overheads.

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

Onerous contracts

Provisions for onerous contracts are recognised when the expected benefits from a contract are lower than the unavoidable costs of meeting the contract's obligations.

Financial instruments

Financial assets and financial liabilities are recognised on the Group and/or Parent Company's balance sheet when the Group and/or Parent Company have become a party to the contractual provisions of the instrument.

Financial assets

Financial assets held by the Group are classified in accordance with IFRS 9, 'Financial Instruments'. Financial assets at the reporting date comprise trade receivables, loans, other receivables and cash and cash equivalents. The classification depends on both the nature of contractual cash flows due from the instrument, and the business model in which it is expected the cash flows will be realised.

Trade receivables

The Group generally holds trade receivables with the objective to collect the contractual cash flows, and so it measures them initially at fair value then subsequently at amortised cost using the effective interest method, less an allowance for expected credit losses ('ECLs'). The Group may sell trade receivables from some customers before the due date; these sales are true sales of debt that result in derecognition. Any receivables from such customers not sold at the reporting date are classified as 'held to collect and sell' and held at fair value with changes recognised in other comprehensive income. The Group has adopted the simplified approach to impairment as permitted under IFRS 9 and recognises the lifetime ECLs for trade receivables at initial recognition. ECLs have been estimated using the Group's historical credit loss experience and the current and anticipated future market conditions at the reporting date.

Loans receivable

All loans receivable are initially recognised at fair value. After initial recognition, interest-bearing loans are measured at amortised cost using the effective interest method, less an allowance for ECLs. Impairment provisions for receivables from related parties and loans to related parties are recognised based on the forward looking ECL model. For those receivables where the credit risk has not increased significantly since initial recognition, twelve-month ECLs are recognised. ECLs measured over the lifetime of the financial asset are only recognised where it is determined that the credit risk has increased significantly.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the consolidated cash flow statement. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into, and in accordance with IAS 32, 'Financial Instruments: Presentation'. An equity instrument is any contract that evidences a residual interest in the assets of the Group or Parent Company after deducting all of its liabilities.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received, net of issue costs. After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. All borrowing costs are recognised in the income statement in the year in which they are incurred unless they meet the criteria for capitalisation under IAS 23, 'Borrowing Costs'.

Trade payables

Trade payables are not interest-bearing and are stated at their nominal value.

Equity instruments

Equity instruments issued by the Parent Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

The Group's activities expose it to both the financial risks of changes in foreign currency exchange rates and interest rates. From time to time the Group uses foreign exchange forward and option contracts and interest rate swap contracts to hedge some of these exposures. The Group does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the Board. Further information on currency and interest rate management is provided in note 31.

Hedge accounting

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with the Group's risk management objectives and strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group prospectively documents whether the hedging instrument that is used in a hedging relationship is effective in offsetting changes in fair values or cash flows of the hedged item.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. If a hedging transaction is no longer expected to occur, the net cumulative gain or loss that was recognised in equity is reclassified to profit and loss as a reclassification adjustment through reserves. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Cash flow hedges

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedging instruments are initially recognised directly in equity. Where the hedged item is cash flows that are to be recognised in the income statement, amounts deferred in equity are recognised in the income statement at the same time in which the hedged items affect net profit or loss. Any ineffective portion is recognised immediately in the income statement as other gains and losses. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had been previously recognised in equity are included in the initial measurement of the asset or liability.

Pension costs

One of the Group's UK subsidiaries, R C Treatt & Co Limited, operates a defined benefit scheme through an independently administered pension scheme.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with full actuarial valuations being carried out every three years and updated at each balance sheet date. The post-employment benefits obligation recognised in the balance sheet represents the present value of the defined benefit pension obligations adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the scheme.

In accordance with IAS 19, 'Employee Benefits', the asset or liability in the defined benefit pension scheme is recognised as an asset or liability of the Group under non-current assets or liabilities under the heading 'Post-employment benefits'. The deferred tax in respect of 'Post-employment benefits' is netted against other deferred tax assets and liabilities relating to the same jurisdiction (see taxation accounting policy) and included in the deferred taxation asset or liability shown under non-current assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

The service cost and net interest on assets, net of interest on scheme liabilities, are reflected in the income statement for the period, in place of the actual cash contribution made. All experience gains or losses on the assets and liabilities of the scheme, together with the effect of changes in assumptions are reflected as a gain or loss in the Statement of Comprehensive Income.

The Group also operates a number of defined contribution pension schemes. The contributions for these schemes are charged to the income statement in the year in which they become payable.

Share options, the employee benefit trust and share incentive plan trust

Shares held by the Treatt Employee Benefit Trust ('EBT') for the purpose of fulfilling obligations in respect of various employee share plans are deducted from equity in the Group and Parent Company balance sheets. The treatment in the Parent Company balance sheet reflects the substance of the entity's control of the trust.

The Group has an HMRC-approved share incentive plan ('SIP'). The Group also has a wholly-owned UK Trust, Treatt SIP Trustees Limited ('Trust'), to whom shares are issued at nominal value for the purpose of fulfilling obligations under the SIP. The treatment of the Trust in the Group and Parent financial statements is consistent with that of the EBT as explained above.

Share-based payments

IFRS 2, 'Share-based Payments', requires that an expense for equity instruments granted be recognised in the financial statements based on their fair value at the date of grant. The Group has adopted the Black-Scholes model for the purposes of computing the fair value of options under IFRS. The fair value excludes the effect of non market-based vesting conditions. This expense, which is in relation to share option schemes for staff in the UK and US, is recognised on a straight-line basis over the vesting period of the scheme, based on the Group's estimate of the number of equity instruments that will eventually vest.

At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the retained earnings reserve.

Savings-related share options granted to employees are treated as cancelled when employees cease to contribute to the scheme. Cancelled options are accounted for as an acceleration of vesting. The unrecognised grant date fair value is recognised in profit or loss in the year that the options are cancelled.

The Group has an HMRC-approved SIP for its UK-based employees under which employees can be awarded 'Free' and 'Matching' Shares. The fair value of shares awarded under the SIP is the market value of those shares at the date of grant, which is then recognised on a straight-line basis over the vesting period.

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

Critical accounting estimates, assumptions and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The Group has evaluated the estimates and assumptions that have been made in relation to the carrying amounts of assets and liabilities in these financial statements.

The key accounting judgements and sources of estimation uncertainty with a significant risk of causing a material adjustment to assets and liabilities in the next financial year include the following:

Pensions

Movements in equity markets, interest rates and life expectancy could materially affect the level of surpluses and deficits in the defined benefit pension scheme. The key assumptions used to value pension assets and liabilities are set out in note 29 'Post-employment benefits'.

Useful economic life and residual value estimates

The Group reviews the useful economic lives and residual values attributed to property, plant and equipment and intangible assets on an on-going basis to ensure they are appropriate. Changes in economic lives or residual values could impact the carrying value and charges to the income statement in future periods.

Provisions

Using the information available at the balance sheet date, the Directors make judgements based on experience on the level of provision required against assets, including inventory and trade receivables, and for liabilities including onerous contracts.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Share-based payments

In accordance with IFRS 2, 'Share-based Payments', share options and other share awards are measured at fair value at the date of grant. The fair value determined is then expensed in the income statement on a straight-line basis over the vesting period, with a corresponding increase in equity. The fair value of the options is measured using the Black-Scholes option pricing model. The valuation of these share-based payments requires several judgements to be made in respect of the number of options that are expected to be exercised. Details of the assumptions made in respect of each of the share-based payment schemes are disclosed in note 28 'Share-based payments'. Changes in these assumptions could lead to changes in the income statement expense in future periods.

Taxation

The Group operates in a number of tax jurisdictions and estimation is required of taxable profit in order to determine the Group's current tax liability. There are transactions and calculations that can lead to uncertainty over income tax treatments and the Group applies the guidance of IFRIC 23, 'Uncertainty over Income Tax Treatments' in order to evaluate whether it is probable that any such tax treatments may not be acceptable to a relevant tax authority and whether provision is required to reflect the Group's estimate of the most likely resolution.

Deferred tax assets

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Description of the nature and purpose of each reserve within equity

Share capital

Share capital represents the value of all called up, allotted and fully paid shares of the Parent Company.

Share premium account

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

Own shares in share trusts

Own shares in share trusts relate to shares held in the Treatt Employee Benefit Trust (the 'EBT') and Treatt SIP Trustees Limited (the 'SIP Trust'). The shares held in the EBT and SIP Trust are all held to meet options to be exercised by employees, and share awards and tax-approved purchases by employees under the SIP. Dividends on those shares not beneficially held on behalf of employees have been waived.

Hedging reserve

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

Foreign exchange reserve

The foreign exchange reserve records the cumulative exchange differences arising from the translation of the financial statements of overseas subsidiaries.

Retained earnings

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

4. SEGMENTAL INFORMATION

Group

Business segments

IFRS 8, 'Operating segments' 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 the profit performance from the Group's operations.

The Group operates one global business segment engaging in the manufacture and supply of a diverse and sustainable portfolio of natural extracts and ingredients for the beverage, flavour and fragrance industries with manufacturing sites in the UK, US and until the end of May 2020, Kenya. Many of the Group's activities, including sales, manufacturing, technical, IT and finance are managed globally on a Group basis.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

Geographical segments

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

Revenue by destination		2020 £'000 Continuing	2020 £'000 Discontinued	2020 £'000 Total	2019 £'000 Continuing	2019 £'000 Discontinued	2019 £'000 Total
United Kingdom		7,434	649	**8,083**	7,920	1,496	9,416
Rest of Europe	– Germany	4,383	–	**4,383**	6,142	–	6,142
	– Ireland	6,782	–	**6,782**	7,434	–	7,434
	– Other	11,914	–	**11,914**	12,846	–	12,846
The Americas	– USA	43,701	–	**43,701**	43,689	–	43,689
	– Other	8,457	–	**8,457**	7,787	–	7,787
Rest of the World	– China	6,915	–	**6,915**	6,766	–	6,766
	– Other	19,430	89	**19,519**	20,133	81	20,214
		109,016	738	**109,754**	112,717	1,577	114,294

All Group revenue is in respect of the sale of goods, other than property rental income of £18,000 (2019: £23,000). No country included within 'Other' contributes more than 5% of the Group's total revenue. The largest customer represented 10.1% of Group revenue (2019: 9.8%).

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

Continuing operations	2020 £'000	2019 £'000
United Kingdom	**30,357**	10,412
United States	**22,333**	19,918
	52,690	30,330

5. PROFIT FOR THE YEAR

Profit[1] for the year is stated after charging/(crediting):

Group	2020 £'000 Continuing	2020 £'000 Discontinued	2020 £'000 Total	2019 £'000 Continuing	2019 £'000 Discontinued	2019 £'000 Total
Depreciation of property, plant and equipment and right-of-use assets	1,770	39	**1,809**	1,289	60	1,349
Amortisation of intangible assets[2]	75	–	**75**	82	–	82
Research and development costs	2,037	–	**2,037**	2,128	–	2,128
Research and development tax credits	(146)	–	**(146)**	(149)	–	(149)
Net foreign exchange loss/(gain)[3]	657	(3)	**654**	(424)	–	(424)
Rent receivable	(18)	–	**(18)**	(23)	–	(23)
Cost of inventories recognised as an expense[4]	63,702	498	**64,200**	72,427	889	73,316
Write down of inventories recognised as an expense	252	1	**253**	516	4	520
Shipping costs	2,075	22	**2,097**	1,960	27	1,987
IT & telephony costs	776	10	**786**	737	15	752
Insurance costs	829	14	**843**	634	25	659
Energy & utility costs	700	11	**711**	595	19	614

1 Figures refer to operating profit which is calculated as profit before other gains, net finance costs, exceptional items and taxation.

2 Included in administrative expenses.

3 Excludes foreign exchange gains or losses on financial instruments disclosed in note 25.

4 Included in cost of sales.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

5. PROFIT FOR THE YEAR CONTINUED

The analysis of auditor's remuneration is as follows:

	2020 £'000	2019 £'000
Fees payable to the Parent Company's auditors and their associates for the audit of:		
– the Parent Company and Group accounts	**54**	37
– the Group's subsidiaries pursuant to legislation	**114**	86
Total audit fees	**168**	123
Fees payable to the Parent Company's auditors and their associates for other services to the Group:		
– other assurance services	**–**	2
Total non-audit fees	**–**	2

6. EMPLOYEES

Number of employees

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

Group	2020 Number Continuing	2020 Number Discontinued	2020 Number Total	2019 Number Continuing	2019 Number Discontinued	2019 Number Total
Technical and production	189	63	**252**	175	63	238
Administration and sales	152	5	**157**	141	5	146
	341	68	**409**	316	68	384

The total number of staff employed by the Group at the year-end date is 367 (2019: 399), no staff were employed by the Parent Company in the current or prior year. During the year, the Directors shown on pages 66 and 67 were employed by R C Treatt & Co Limited.

Employment costs

The following costs were incurred in respect of the above:

Group	2020 £'000 Continuing	2020 £'000 Discontinued	2020 £'000 Total	2019 £'000 Continuing	2019 £'000 Discontinued	2019 £'000 Total
Wages and salaries	15,535	224	**15,759**	13,564	319	13,883
Social security costs	1,538	1	**1,539**	1,400	1	1,401
Pension costs (see note 29)	923	9	**932**	842	14	856
Share-based payments (see note 28)	886	–	**886**	637	–	637
	18,882	234	**19,116**	16,443	334	16,777

Directors

During the year, the aggregate emoluments in respect of the Executive and Non-executive Directors was as follows:

Group	2020 £'000	2019 £'000
Directors in aggregate		
Emoluments in respect of qualifying services	**1,122**	894
Fees paid to Non-executive Directors in respect of qualifying services	**332**	296
Taxable benefits in respect of qualifying services	**32**	32
Gains made on the vesting of share options	**808**	1,366
Pension contributions to money purchase schemes	**62**	60
	2,356	2,648

Further information on Directors' emoluments and share options are set out on pages 91 to 96.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

7. OTHER GAINS

Group	2020 £'000	2019 £'000
Hedge ineffectiveness on cash flow hedges	**45**	–

The ineffectiveness of certain cash flow hedges in the year arose due to a shortfall in receipts against expectations. These shortfalls were the consequence of a slowdown in receipts from customers, partly caused by the COVID-19 pandemic.

8. NET FINANCE COSTS

Group	2020 £'000 Continuing	2020 £'000 Discontinued	2020 £'000 Total	2019 £'000 Continuing	2019 £'000 Discontinued	2019 £'000 Total
Finance income						
Bank interest received	67	–	**67**	139	–	139
Other interest received	–	–	**–**	2	–	2
	67	–	**67**	141	–	141
Finance costs						
Bank overdraft interest paid	27	–	**27**	26	–	26
Other bank finance costs	207	–	**207**	213	–	213
Pension finance cost (see note 29)	145	–	**145**	101	–	101
Lease liability finance cost (see note 16)	24	–	**24**	–	–	–
	403	–	**403**	340	–	340

9. EXCEPTIONAL ITEMS

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

Group	2020 £'000	2019 £'000
Accelerated depreciation expense	**–**	217
UK relocation expenses	**1,060**	538
	1,060	755
Less: tax effect of exceptional items	**(104)**	(91)
	956	664

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 which is expected to take place in mid-2021, and which in management's view do not fall to be capitalised. The accelerated depreciation and amortisation in the prior year was in relation to the reduction in the estimated useful lives of UK assets which are not to transition to the new UK facility.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

10. TAXATION

Analysis of tax charge in income statement:

Group	2020 £'000 Continuing	2020 £'000 Discontinued	2020 £'000 Total	2019 £'000 Continuing	2019 £'000 Discontinued	2019 £'000 Total
Current tax:						
UK corporation tax on profits for the year	249	–	**249**	685	–	685
Adjustments to UK tax in respect of previous periods	(251)	–	**(251)**	(298)	–	(298)
Overseas corporation tax on profits for the year	1,957	–	**1,957**	1,166	–	1,166
Adjustments to overseas tax in respect of previous periods	(368)	–	**(368)**	(59)	–	(59)
Total current tax	1,587	–	**1,587**	1,494	–	1,494
Deferred tax:						
Origination and reversal of temporary differences	1,120	(47)	**1,073**	1,198	16	1,214
Effect of decreasing tax rate on opening deferred tax	(43)	–	**(43)**	(14)	–	(14)
Adjustments in respect of previous periods	232	(30)	**202**	(5)	–	(5)
Total deferred tax (see note 18)	1,309	(77)	**1,232**	1,179	16	1,195
Tax on profit on ordinary activities	2,896	(77)	**2,819**	2,673	16	2,689

Analysis of tax credit in other comprehensive income:

Group	2020 £'000	2019 £'000
Current tax:		
Foreign currency translation differences	**(82)**	72
Actuarial loss on defined benefit pension scheme	**29**	–
Total current tax	**(53)**	72
Deferred tax:		
Cash flow hedges	**(2)**	16
Defined benefit pension scheme	**(586)**	(719)
Total deferred tax	**(588)**	(703)
Total tax credit recognised in other comprehensive income	**(641)**	(631)

Analysis of tax (credit)/charge in equity:

Group	2020 £'000	2019 £'000
Current tax:		
Share-based payments	**(88)**	(418)
Deferred tax:		
Share-based payments	**(28)**	453
Total tax (credit)/charge recognised in equity	**(116)**	35

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

Factors affecting tax charge for the year:

The tax assessed for the year is different from that calculated at the standard rate of corporation tax in the UK of 19.0% (2019: 19.0%).

The differences are explained below:

Group	2020 £'000 Continuing	2020 £'000 Discontinued	2020 £'000 Total	2019 £'000 Continuing	2019 £'000 Discontinued	2019 £'000 Total
Profit before tax multiplied by standard rate of UK corporation tax at 19% (2019: 19%)	2,611	(220)	**2,391**	2,384	(203)	2,181
Effects of:						
Expenses not deductible in determining taxable profit	421	47	**468**	359	(6)	353
Research and development tax credits	(39)	–	**(39)**	(47)	–	(47)
Difference in tax rates on overseas earnings	332	4	**336**	354	68	422
Adjustments to tax charge in respect of prior years	(386)	(30)	**(416)**	(362)	–	(362)
Effect of increased rate on opening deferred tax	(43)	–	**(43)**	(15)	–	(15)
Impairment of discontinued operations not tax allowable	–	122	**122**	–	157	157
Total tax charge/(credit) for the year	2,896	(77)	**2,819**	2,673	16	2,689

The Group's effective UK corporation tax rate for the year was 22.5% (2019: 19.2%). The effective tax rate of US-based earnings is 21.7% (2019: 25.4%). The adjustments in respect of prior years relate to the finalisation of previous year's tax computations.

11. DISCONTINUED OPERATIONS

On 1 June 2020, the Group completed the sale of its Kenyan operations to local management for a nominal sum. Since the sale of Earthoil Plantations Limited in May 2018, these operations have not been considered core to the Group's existing business and growth strategy and were consequently classified as a disposal group held for sale.

On 31 March 2020, all assets were written down to a net book value of zero and an impairment charge of £638,000 was recognised within the income statement, this is reflected in the earnings per share figures below and the earnings per share from continuing and discontinued operations figures shown in note 13. Costs directly associated with the final sale are recognised as part of the loss on disposal of subsidiaries and general costs relating to the disposal in the year are recognised as exceptional items.

The results of the discontinued operations, which have been included in the income statement, were as follows:

	2020 £'000	2019 £'000
Revenue	**738**	1,577
Cost of sales	**(852)**	(1,587)
Gross loss	**(114)**	(10)
Administrative expenses	**(142)**	(233)
Operating loss and loss before taxation and exceptional items	**(256)**	(243)
Exceptional items – impairment of disposal group	**(638)**	(825)
Exceptional items – disposal costs	**(78)**	–
Loss on disposal of subsidiaries	**(185)**	–
Loss before taxation	**(1,157)**	(1,068)
Taxation	**77**	(16)
Loss for the period attributable to owners of the Parent Company	**(1,080)**	(1,084)

Earnings per share from discontinued operations: basic 1.80p loss (2019: 1.83p loss); diluted 1.79p loss (2019: 1.81p loss). Adjusted earnings per share (excluding exceptional items shown above) from discontinued operations: basic 0.61p loss (2019: 0.44p loss); diluted 0.60p loss (2019: 0.43p loss).

During the year, the discontinued operations contributed an outflow of £212,000 (2019: £274,000) to the Group's net operating cashflow, paid £nil (2019: £nil) in respect of investing activities and received £nil (2019: £nil) in respect of financing activities.

The adoption of IFRS 16 has had no impact on the results of the discontinued operations as reported.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

12. DIVIDENDS

Equity dividends on ordinary shares:

Parent Company and Group	Dividend per share for years ended 30 September 2020 Pence	2019 Pence	2018 Pence	2020 £'000	2019 £'000
Interim dividend	**1.84p[3]**	1.70p[2]	1.60p[1]	**1,103**	1,009
Final dividend	**4.16p[4]**	3.80p[3]	3.50p[2]	**2,275**	2,071
	6.00p	5.50p	5.10p	**3,378**	3,080

1 Accounted for in the year ended 30 September 2018.

2 Accounted for in the year ended 30 September 2019.

3 Accounted for in the year ended 30 September 2020.

4 The proposed final dividend for the year ended 30 September 2020 of 4.16 pence per share will be voted on at the Annual General Meeting on 29 January 2021 and will therefore be accounted for in the financial statements for the year ending 30 September 2021.

13. 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 Trust'), which do not rank for dividend.

Group	2020	2019
Profit after taxation attributable to owners of the Parent Company (£'000)	**9,765**	8,788
Loss from discontinued operations (£'000)	**1,080**	1,084
Profit from continuing operations attributable to owners of the Parent Company (£'000)	**10,845**	9,872
Weighted average number of ordinary shares in issue (No: '000)	**59,841**	59,140
Basic earnings per share – continuing and discontinued (pence)	**16.32p**	14.86p
Basic earnings per share – continuing (pence)	**18.12p**	16.69p

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:

Group	2020 No ('000)	2019 No ('000)
Weighted average number of shares	**60,188**	59,681
Weighted average number of shares held in the EBT and SIP	**(347)**	(541)
Weighted average number of shares used for calculating basic EPS	**59,841**	59,140
Executive share option schemes	**499**	639
All-employee share options	**72**	152
Weighted average number of shares used for calculating diluted EPS	**60,412**	59,931
Diluted earnings per share – continuing and discontinued (pence)	**16.16p**	14.66p
Diluted earnings per share – continuing (pence)	**17.95p**	16.47p

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

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:

Group	2020 £'000	2019 £'000
Profit after taxation attributable to owners of the Parent Company	**9,765**	8,788
Adjusted for:		
Exceptional items (see note 9)	**1,060**	755
Taxation thereon	**(104)**	(91)
Impairment of discontinued operations (see note 11)	**638**	825
Loss on disposal of subsidiary including disposal costs (see note 11)	**263**	–
Earnings for calculating adjusted earnings per share:		
From continuing and discontinued operations	**11,622**	10,277
Less: Loss from discontinued operations (see note 11)	**179**	259
Adjusted earnings from continuing operations	**11,801**	10,536
Adjusted basic earnings per share (pence)		
– Continuing and discontinued operations	**19.42p**	17.38p
– Continuing operations	**19.72p**	17.82p
Adjusted diluted earnings per share (pence)		
– Continuing and discontinued operations	**19.24p**	17.15p
– Continuing operations	**19.53p**	17.58p

14. INTANGIBLE ASSETS

Group	Development costs £'000	Lease premium £'000	Software licences £'000	Total £'000
Cost				
1 October 2018	–	343	885	1,228
Exchange adjustment	5	–	6	11
Additions	135	–	43	178
Disposals	–	–	(228)	(228)
30 September 2019	140	343	706	1,189
Exchange adjustment	(11)	–	(3)	**(14)**
Transfer to right-of-use assets	–	(343)	–	**(343)**
Additions	299	–	606	**905**
Disposals	–	–	(100)	**(100)**
30 September 2020	**428**	**–**	**1,209**	**1,637**
Amortisation				
1 October 2018	–	33	443	476
Exchange adjustment	–	–	6	6
Charge for year	–	4	86	90
Disposals	–	–	(228)	(228)
30 September 2019	–	37	307	344
Exchange adjustment	–	–	(3)	**(3)**
Transfer to right-of-use assets	–	(37)	–	**(37)**
Charge for year	–	–	75	**75**
Disposals	–	–	(100)	**(100)**
30 September 2020	**–**	**–**	**279**	**279**
Net book value				
30 September 2020	**428**	**–**	**930**	**1,358**
30 September 2019	140	306	399	845

Included in intangible assets are software licences in the course of construction totalling £743,000 (2019: £166,000) and included within development costs are ongoing projects totalling £428,000 (2019: £140,000) which are not yet subject to amortisation. Intangible assets with a net book value of £431,000 (2019: £146,000) have been pledged as security in relation to all US borrowings as detailed in note 22.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

15. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land & buildings £'000	Plant & machinery £'000	Fixtures, fittings & equipment £'000	Laboratory equipment £'000	Total £'000
Cost					
1 October 2018	17,038	9,001	1,561	804	28,404
Exchange Adjustment	703	479	42	14	1,238
Additions	4,185	4,926	845	44	10,000
Disposals	–	(634)	(168)	(187)	(989)
30 September 2019	21,926	13,772	2,280	675	38,653
Exchange adjustment	(655)	(516)	(51)	(13)	**(1,235)**
Transfer to right-of-use assets	(253)	–	–	–	**(253)**
Additions	14,730	7,183	1,292	442	**23,647**
Disposals	–	(472)	(176)	(101)	**(749)**
30 September 2020	**35,748**	**19,967**	**3,345**	**1,003**	**60,063**
Depreciation					
1 October 2018	1,690	5,213	946	517	8,366
Exchange adjustment	66	201	12	12	291
Charge for year	151	892	330	126	1,499
Disposals	–	(633)	(168)	(187)	(988)
30 September 2019	1,907	5,673	1,120	468	9,168
Exchange adjustment	(60)	(188)	(12)	(8)	**(268)**
Charge for year	247	993	392	121	**1,753**
Disposals	–	(472)	(176)	(101)	**(749)**
30 September 2020	**2,094**	**6,006**	**1,324**	**480**	**9,904**
Net book value					
30 September 2020	**33,654**	**13,961**	**2,021**	**523**	**50,159**
30 September 2019	20,019	8,099	1,160	207	29,485

Included within freehold land and buildings is £5,416,000 (2019: £5,475,000) of land which is not depreciated.

Included in property, plant and equipment are land and buildings assets in the course of construction totalling £15,952,000 (2019: £10,513,000), plant and machinery assets in the course of construction of £7,042,000 (2019: £4,850,000), fixtures, fittings and equipment in the course of construction totalling £923,000 (2019: £871,000) and laboratory equipment in the course of construction totalling £229,000 (2019: £nil) which are not yet being depreciated.

Included within plant and machinery additions is £129,000 (2019: nil) of interest payments capitalised in accordance with IAS 23, 'Borrowing Costs'.

Property, plant and equipment with a net book value of £21,868,000 (2019: £19,773,000) has been pledged as security in relation to all US borrowings as detailed in note 22.

Capital commitments	2020 £'000	2019 £'000
Contracted but not provided for	**7,608**	18,145

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

16. LEASES

Group as lessee

Following the adoption of IFRS 16 the Group now reports right-of-use assets and lease liabilities for all lease arrangements it is party to, excluding those with less than a twelve month duration or those of low value.

Right-of-use assets

Group	Leasehold land & buildings £'000	Plant & machinery £'000	Total £'000
Net carrying value			
1 October 2019	587	36	623
Transfer from intangible assets (see note 14)	**306**	**–**	**306**
Transfer from property, plant and equipment (see note 15)	**253**	**–**	**253**
Additions	**–**	**8**	**8**
Depreciation charge	**(8)**	**(9)**	**(17)**
30 September 2020	**1,138**	**35**	**1,173**

Lease liabilities

Group	£'000
1 October 2019	660
Exchange adjustment	**(2)**
Additions	**9**
Repayments of lease liabilities	**(32)**
Interest on lease liabilities	**24**
30 September 2020	**659**
Of which:	
Current lease liabilities	**31**
Non-current lease liabilities	**628**

The lease liability is determined by discounting the lease payments over the life of the leases using an incremental borrowing rate applicable to the respective lease. The weighted average incremental borrowing rate associated with the leases on transition to IFRS 16 was determined to be 3.4%.

The maturity analysis of the undiscounted contractual lease commitments is shown below for the current and prior year:

Group	2020 £'000
Maturity analysis – undiscounted lease commitments	
Within one year	**35**
In one to two years	**35**
In two to five years	**88**
In more than five years	**2,970**

Group	2019 £'000 (restated[1])
Maturity analysis – undiscounted lease commitments	
Within one year	67
In one to two years	36
In two to five years	102
In more than five years	2,992

1 Operating lease commitments for the period ended 30 September 2019 have been restated to be shown, correctly, on an undiscounted basis. The restatement results in amounts due within one and two years increasing by £2,000, within two to five years increasing by £18,000 and amounts due after five years increasing by £2,883,000.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

16. LEASES CONTINUED

The lease liabilities at 1 October 2019 can be reconciled to the operating lease commitments as of 30 September 2019 as restated on the previous page, as follows:

Group	£'000
Undiscounted operating lease commitments at 30 September 2019	3,197
Less: short-term leases recognised as an expense	**(111)**
Less: low value leases recognised as an expense	**(6)**
Plus: newly identified lease commitments	**36**
Remeasurement using incremental borrowing rate at 1 October 2019	**(2,456)**
Lease liability at 1 October 2019	**660**

The impact of the adoption of IFRS 16 results in charges/(credits) in the income statement is as follows:

Group	2020 £'000 Continuing	2020 £'000 Discontinued	2020 £'000 Total	2019 £'000 Continuing	2019 £'000 Discontinued	2019 £'000 Total
Depreciation of right-of-use assets	17	–	**17**	–	–	–
Interest on lease liabilities	24	–	**24**	–	–	–
Exchange adjustments	(2)	–	**(2)**	–	–	–
Short-term and low value leases expensed on a straight-line basis	6	–	**6**	–	–	–
Operating leases accounted for under IAS 17	–	82	**82**	28	105	133
	45	82	**127**	28	105	133

Group as lessor

As at 30 September 2020, the Group had contracted with tenants for the following future minimum lease payments which fall due as follows:

	2020 £'000	2019 £'000
Within one year	**9**	9

Adoption of IFRS 16 does not impact any lease relationships where the Group is a lessor in the current or comparative year results as reported.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

17. INVESTMENTS IN SUBSIDIARIES

Parent Company	£'000
Cost	
1 October 2018	7,010
Capital contributions to subsidiaries	653
30 September 2019	7,663
Capital contribution to subsidiaries	**875**
Acquisition of share capital in subsidiaries	**25,559**
30 September 2020	**34,097**

Parent Company	2020 £'000	2019 £'000
Subsidiary:		
R C Treatt & Co Limited – 100% (2019: 100%)	**25,557**	4,871
Treatt USA Inc – 100% (2019: 100%)	**8,540**	2,791
Treatt SIP Trustees Limited – 100% (2019: 100%)	**–**	–
Treatt Development Company Limited – 100% (2019: 100%)	**–**	–
Speciality Oils Holding Company Kenya Limited – 0% (2019: 100%)	**–**	1
	34,097	7,663

Speciality Oils Holding Company Kenya Limited and its' subsidiaries, which were classified as discontinued operations, were disposed of on 1 June 2020, as set out in note 11.

During the year the Parent Company had the following subsidiary undertakings:

Subsidiary	Country of incorporation	Holding	Principal activity
Wholly owned by Treatt plc:			
R C Treatt & Co Limited	England[1]	100%	Supply of flavour and fragrance ingredients
Treatt USA Inc	USA[2]	100%	Supply of flavour and fragrance ingredients
Treatt SIP Trustees Limited	England[1]	100%	Employee share trust
Treatt Development Company Limited	England[1]	100%	Dormant
Speciality Oils Holding Company Kenya Limited	Kenya[3]	100%	Intermediate holding company
Wholly owned by Speciality Oils Holding Co Kenya Limited:			
Athi River Oils EPZ Limited	Kenya[3]	100%	Supply of organic & fair trade vegetable oils
Nanyuki Oils Limited	Kenya[3]	100%	Supply of organic & fair trade essential oils

Registered office addresses:

1 Northern Way, Bury St. Edmunds, IP32 6NL, UK.

2 The Prentice-Hall Corporation System Inc., 1201 Hays Street, Suite 105, Tallahassee, FL 32301, USA.

3 LR. No. 3734/1018 Lavington, Insecta Building, Braeside Gardens off Muthangari Road, P. O. Box 76618-00508, Yaya Centre, Nairobi, Kenya.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

18. DEFERRED TAXATION

Group	2020 £'000	2019 £'000
UK deferred tax asset	**1,358**	1,400
Overseas deferred tax liability	**(2,282)**	(1,719)
Net deferred tax liability	**(924)**	(319)

A reconciliation of the net deferred tax liability is shown below:

	UK deferred tax				Overseas deferred tax		
Group	Post-employment benefits £'000	Fixed assets £'000	Cash flow hedge £'000	Share-based payments £'000	Fixed assets £'000	Other temporary differences £'000	Total £'000
1 October 2018	587	(118)	69	535	(775)	374	672
Exchange differences	–	–	–	–	(84)	22	(62)
Credit/(charge) to income statement:							
– For the year	18	27	–	(56)	(1,162)	(20)	(1,193)
– For change in tax rate	–	–	–	–	17	(3)	14
Credit/(charge) to other comprehensive income	719	–	(16)	–	–	–	703
Charge to equity	–	–	–	(365)	–	(88)	(453)
1 October 2019	1,324	(91)	53	114	(2,004)	285	(319)
Exchange differences	–	–	–	–	102	(14)	**88**
(Charge)/credit to income statement:							
– For the year	–	(568)	(47)	(25)	(731)	19	**(1,352)**
– For change in tax rate	–	(13)	–	–	57	(1)	**43**
Credit to other comprehensive income:							
– For the year	430	–	2	–	–	–	**432**
– For change in tax rate	156	–	–	–	–	–	**156**
Credit to equity:							
– For the year	–	–	–	10	–	5	**15**
– For change in tax rate	–	–	–	13	–	–	**13**
30 September 2020	**1,910**	**(672)**	**8**	**112**	**(2,576)**	**294**	**(924)**

At the balance sheet date, R C Treatt & Co Limited had a deferred tax asset in relation to its pension liability. R C Treatt & Co Limited has a specific plan in place to reverse the deficit and so this deferred tax asset has been recognised.

The deferred tax rate applied to UK companies within the Group is 19.0% (2019: 17.0%) as legislation was substantively enacted that set out the main rate of UK corporation tax as 19% from 17 March 2020. The deferred tax rate applicable to the Group's US subsidiary was 22.3% (2019: 23.0%).

19. INVENTORIES

Group	2020 £'000	2019 £'000
Raw materials	**14,709**	14,531
Work in progress and intermediate products	**18,323**	19,145
Finished goods	**3,018**	3,123
	36,050	36,799

Inventories are stated net of provisions for impairment of £1,648,000 (2019: £2,681,000).

Inventory with a carrying value of £19,781,000 (2019: £19,435,000) has been pledged as security in relation to all US borrowings as detailed in note 22.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

20. TRADE AND OTHER RECEIVABLES

	Group		Parent Company	
Current	**2020 £'000**	**2019 £'000**	**2020 £'000**	**2019 £'000**
Trade receivables[1]	**22,160**	21,412	**–**	–
Amounts owed by subsidiaries	**–**	–	**700**	52
Other receivables	**690**	388	**35**	34
Prepayments	**1,317**	1,220	**–**	–
	24,167	23,020	**735**	86

1 This includes £1,057,000 (2019: £99,000) of trade receivables which are classified under the business model of 'held to collect and sell' and are measured at fair value with changes through other comprehensive income.

The Group's credit risk is primarily attributable to its trade receivables. Before accepting any new customer, the Group uses a range of information, including credit reports, industry data and other publicly or privately available information in order to assess the prospective customer's credit quality and determine credit limits by customer, and where appropriate will only accept orders on the basis of cash in advance, or if secured through a bank letter of credit. Processes are in place to manage trade receivables and overdue debt and to ensure that appropriate action is taken to resolve issues on a timely basis. Credit control operating procedures are in place to review all new customers. Existing customers are reviewed as management become aware of any specific changes in circumstances.

The average credit period taken for trade receivables is as follows:

Group	**2020**	**2019**
Average debtor days	**73**	75

The Group recognises the lifetime expected credit losses ('ECLs') based on the difference between the contractual cash flows due and the cash flows the Group expects to receive over the life of the receivable. An ECL loss rate has been calculated based on the historical credit losses of the past five accounting years and adjusted to reflect current and forward-looking information. The carrying amount of receivables is reduced by the value of the provision, as determined by applying the ECL loss rate and providing for any specific provisions. A specific provision for impairment is made when there is objective evidence of impairment which is usually indicated by a significant delay in the expected cash flows or non-payment from customers.

An impairment review has been undertaken at the balance sheet date to assess whether the carrying amount of financial assets is deemed recoverable.

The amounts presented in the balance sheet are net of amounts that are individually determined to be impaired as follows:

Group	**2020 £'000**	**2019 £'000**
Impairment provision		
At start of year	**285**	258
Released in year	**(67)**	(170)
Provided in year	**404**	188
Foreign exchange	**(11)**	9
Balance at end of year	**611**	285

The ECL model is also applied to amounts owed by subsidiaries of the Parent Company. Application of the model did not result in the recognition of an impairment in the Parent Company accounts against amounts owed by subsidiaries

The Group's top five customers represent 34% (2019: 33%) of the Group's turnover. These customers have favourable credit ratings and consequently reduce the credit risk of the Group's overall trade receivables. The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. The Group holds no collateral against these receivables at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

20. TRADE AND OTHER RECEIVABLES CONTINUED

The ageing profile of impaired trade receivables is as follows:

Group	2020 £'000	2019 £'000
Number of days past the due date:		
1–30	**–**	3
31–60	**1**	2
Over 60	**610**	280

The currency risk in respect of trade receivables is managed in conjunction with the other currency risks faced by the Group as part of its overall hedging strategy. For further details see note 31 and the Financial Review on pages 48 to 55. The currency exposure within trade receivables of the principal foreign currencies, was as follows:

Group	2020 £'000	2019 £'000
US Dollar	**17,334**	15,890
Euro	**1,547**	1,897

Trade receivables with a carrying value of £11.2m (2019: £8.6m) have been pledged as security in relation to US borrowings as detailed in note 22.

21. CASH AND BANK BALANCES

Group and Parent Company

Cash and bank balances of £7,739,000 (2019: £37,187,000) comprise cash held by the Group and short term deposits with an original maturity of three months or less. The Parent Company held cash and bank balances of £5,758,000 (2019: £33,210,000). The carrying amount of these assets approximates to their fair value.

A detailed analysis of net cash balances by currency is shown in note 31. All material cash balances are held with the Group's main banks, being HSBC and Bank of America. The credit ratings of these banks are considered to be satisfactory.

22. BORROWINGS

Current

Group	2020 £'000	2019 £'000
Term loans	**714**	749
UK bank borrowings	**2,489**	16,111
	3,203	16,860

Non-current

Group	2020 £'000	2019 £'000
Term loans	**3,450**	4,369

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

Loans and borrowings

Term loans comprise the following:

Group	2020 £'000	2019 £'000
Treatt USA term loan – US	**4,164**	5,118

The Group has a three-year US Dollar overdraft facility ('US line of credit') of $6.0 million (with an additional $2.0 million seasonal line from March to July each year) expiring in 2023. At the year-end date the overdrawn balance was £nil (2019: £nil).

The Group initially entered into an agreement with Bank of America to finance the expansion of the Group's US facility through a construction line of credit for up to $7.5 million ('US construction loan'). On 14 August 2019, this finance facility was converted to a seven-year term loan of $6.5 million. The US line of credit and the term loan, both held by Treatt USA Inc, are secured by a fixed and floating charge over Treatt USA's current and non-current assets.

The Group's UK facilities are unsecured and consist of a five-year revolving credit facility of $12.0 million and overdraft facilities of $3.0 million. The Group's UK-based US Dollar denominated revolving credit facility and overdraft are operated on a pooling basis, whereby interest is only charged on the net overdrawn balance of the Group's UK-based accounts. At the year-end none of these facilities were incurring interest.

Borrowings are repayable as follows:

Group	2020 £'000	2019 £'000
Within one year	**3,203**	16,860
In one to two years	**713**	749
In two to five years	**2,142**	2,247
In more than five years	**595**	1,373
	6,653	21,229

Further information on Group borrowing facilities is given in notes 30 and 31, including a detailed analysis of cash balances by currency.

Borrowing facilities

At 30 September 2020, the Group had total borrowing facilities of £20,408,000 (2019: £28,659,000) of which £2,321,000 (2019: £9,303,000) expires in one year or less at the balance sheet date. At 30 September 2020 the Group had access to £21,494,000 (2019: £44,617,000) of financing facilities including its own cash balances at that date.

23. PROVISIONS

Group	2020 £'000	2019 £'000
Onerous contract provision:		
At start of year	**261**	58
Utilised in year	**(247)**	(55)
Provided in year	**135**	254
Foreign exchange	**(3)**	4
Balance at end of year	**146**	261

Onerous contract provisions relate to losses which are or were expected to materialise in the future on fixed price contracts as a result of raw material price increases or market pressure on selling prices. The onerous contract provision expense is included in cost of sales within the income statement and is expected to be utilised in the following financial year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

24. TRADE AND OTHER PAYABLES

	Group		Parent Company	
Current	**2020 £'000**	**2019 £'000**	**2020 £'000**	**2019 £'000**
Trade payables	**8,193**	7,858	**37**	199
Amounts owed to subsidiaries	**–**	–	**–**	1,308
Other taxes and social security costs	**453**	415	**–**	–
Accruals and other creditors	**3,795**	3,058	**225**	70
	12,441	11,331	**262**	1,577

Amounts owed to subsidiaries reduced in the year due to an interest receivable from R C Treatt & Co Ltd of £332,000 (2019: £232,000), together with dividend transactions settled via intercompany. In 2020, Treatt USA Inc paid a dividend due to Treatt Plc of £1,642,000 (2019: £518,000) in cash to its' fellow subsidiary R C Treatt & Co Ltd. These transactions reduced the existing intercompany payable by £1,974,000 (2019: £750,000) resulting in an intercompany receivable of £700,000 in 2020, as shown in note 20. As non-cash items, these have been adjusted in the Parent Company cash flow statement on page 115.

In 2019, the Parent Company cash flow statement incorrectly adjusted for both the similar dividend and interest income payments as a decrease in payables. This has been restated to include the dividend as an adjustment to operating cash flows and to reduce the amount previously included as interest received with the corresponding changes made to the (increase)/decrease in payables.

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

The currency risk in respect of trade payables is managed in conjunction with the other currency risks faced by the Group as part of its overall hedging strategy. For further details see note 31 and the Financial Review on pages 48 to 55. The currency exposure within trade payables of the principal foreign currencies, was as follows:

Group	2020 £'000	2019 £'000
US Dollar	**4,666**	4,368
Euro	**473**	512

25. DERIVATIVE FINANCIAL INSTRUMENTS

Group	2020 £'000	2019 £'000
Derivative financial assets		
Current:		
Foreign exchange contracts	**459**	–
Derivative financial liabilities		
Current:		
Foreign exchange contracts	**168**	315

The gains/(losses) on derivative financial instruments were as follows:

Group	2020 £'000	2019 £'000
Income statement:		
Foreign exchange contracts	**509**	(1,266)
Other comprehensive income:		
Foreign exchange contracts	**(6)**	93

Further details on the Group's hedging policies and derivative financial instruments are disclosed in note 31.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

26. SHARE CAPITAL

Parent Company and Group Called up, allotted and fully paid	2020 £'000	2020 Number	2019 £'000	2019 Number
At start of year	**1,203**	**60,170,670**	1,189	59,470,670
Issued in year	**2**	**100,000**	14	700,000
At end of year	**1,205**	**60,270,670**	1,203	60,170,670

The Parent Company has one class of ordinary shares with a nominal value of 2p each, which carry no right to fixed income.

During the year the Parent Company issued nil (2019: nil) ordinary shares to the Treatt SIP Trust for the purpose of meeting its obligations under an HMRC-approved share incentive plan in the UK as well as 100,000 (2019: 700,000) ordinary shares to the Employee Benefit Trust for the purpose of meeting obligations under employee share option schemes.

27. SHARE PREMIUM ACCOUNT

Parent Company and Group	2020 £'000
Balance at 1 October 2019 and 30 September 2020	**23,484**

28. SHARE-BASED PAYMENTS

The Group has applied the requirements of IFRS 2, 'Share-based Payments'.

The Group operates executive share option schemes for Directors, senior management and other key employees within the Group in addition to issuing UK and US approved savings-related share options for employees of certain subsidiaries. Options are granted with a fixed exercise price and will lapse when an employee leaves the Group subject to certain 'good leaver' provisions.

The Group also operates an HMRC-approved share incentive plan in the UK, and operates an equivalent scheme for its US employees.

The share-based payments charge was as follows:

Group	2020 £'000	2019 £'000
Share option schemes – see (a) below	**574**	467
Share incentive plans – see (b) below	**301**	186
	875	653
Effect of movement in foreign exchange rates	**11**	(16)
	886	637

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

28. SHARE-BASED PAYMENTS CONTINUED

(a) Share option schemes

Under the schemes listed below, options have been granted to subscribe for the following number of existing ordinary shares of 2p each in the capital of the Parent Company. These share options are expected to be settled via the transfer of shares out of the Treatt Employee Benefit Trust.

The equity-settled options which existed during the year were as follows:

	Number of share options outstanding	Number exercised in year	Exercise price per share	Date option exercisable
UK SAYE[1] Scheme 2017	1,132	76,299	413.0p	Sep 2020 – Feb 2021
UK SAYE[1] Scheme 2018	98,571	655	373.0p	Sep 2021 – Feb 2022
UK SAYE[1] Scheme 2019	124,803	401	361.0p	Sep 2022 – Feb 2023
UK SAYE[1] Scheme 2020	124,185	–	409.0p	Sep 2023 – Feb 2024
US ESPP[2] Scheme 2019	–	20,924	391.0p	July 2020
US ESPP[2] Scheme 2020	19,382	–	434.0p	July 2021
UK LTIP[3] Scheme 2014	12,565	–	Nil	Jun 2017 – Jun 2024
UK LTIP[3] Scheme 2015	14,045	3,439	Nil	Jun 2018 – Jun 2025
UK LTIP[3] Scheme 2016	15,984	3,352	Nil	Jun 2019 – Jun 2026
UK LTIP[3] Scheme 2017	8,337	21,362	Nil	Jun 2020 – Jun 2027
US LTIP[3] Scheme 2017	–	48,908	Nil	Jun 2020 – Mar 2021
UK LTIP[3] Scheme 2018	38,647	–	Nil	Jun 2021 – Jun 2028
US LTIP[3] Scheme 2018	50,470	–	Nil	Jun 2021 – Mar 2022
UK LTIP[3] Scheme 2019	47,588	–	Nil	Jun 2022 – Jun 2029
US LTIP[3] Scheme 2019	66,554	–	Nil	Jun 2022 – Mar 2023
UK LTIP[3] Scheme 2020	45,065	–	Nil	Jun 2023 – Jun 2030
US LTIP[3] Scheme 2020	74,136	–	Nil	Jun 2023 – Mar 2024
UK Executive[4] Options 2016	–	172,746	Nil	Dec 2019 – Dec 2026
UK Executive[4] Options 2017	112,167	–	Nil	Dec 2020 – Dec 2027
UK Executive[4] Options 2018	134,145	–	Nil	Dec 2021 – Dec 2028
UK Executive[4] Options 2019	123,296	–	Nil	Dec 2022 – Dec 2029

1 The SAYE schemes are HMRC-approved Save As You Earn share option plans which vest after three years. Options are forfeited where employees choose to leave the Group before the end of the three-year period.

2 The ESPP schemes are IRS-approved Employee Stock Purchase Plans which vest after one year. Options are forfeited where employees choose to leave the Group before the end of the vesting period.

3 Options are awarded to certain key employees in the UK and US under a Long Term Incentive Plan. All awards are nil-cost options which vest, subject to achievement of the relevant performance conditions, after three years and can be exercised over the following seven years in the UK, or upon vesting in the US. Save as permitted in the LTIP rules, awards lapse on an employee leaving the Group.

4 Details of the Executive options are provided in the Directors' Remuneration Report.

The fair value per option granted using the 'Black-Scholes' model, and the assumptions used in the share-based payments calculations, are as follows:

All-employee share schemes:	SAYE 2017	SAYE 2018	SAYE 2019	SAYE 2020	US ESPP 2019	US ESPP 2020
Share price at date of grant	516.3p	466.3p	451.0p	511.3p	451.0p	510.6p
Contractual life	3.5 years	3.5 years	3.5 years	3.5 years	1 year	1 year
Expected life	3 years	3 years	3 years	3.5 years	1 year	1 year
Expected volatility	25.6%	27.3%	31.1%	39.6%	32.4%	53.5%
Risk-free interest rate	0.49%	0.71%	0.53%	0.09%	0.53%	0.09%
Dividend yield	0.86%	1.06%	1.15%	1.10%	1.15%	1.10%
Expected cancellations	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Expected forfeitures	15.8%[1]	14.0%	14.0%	14.0%	1.6%[1]	5.0%
Fair value per option at date of grant	123.0p	114.3p	117.0p	158.5p	82.4p	124.8p

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

Key-employee share schemes:	UK LTIP 2017	US LTIP 2017	UK LTIP 2018	US LTIP 2018	UK LTIP 2019	US LTIP 2019
Share price at date of grant	503.5p	516.3p	483.0p	483.0p	455.0p	455.0p
Contractual life	10 years	3.2 years	10 years	3.2 years	10 years	3.2 years
Expected life	5 years	3.2 years	5 years	3.2 years	5 years	3.2 years
Expected volatility	25.6%	25.6%	27.3%	27.3%	31.1%	31.1%
Risk-free interest rate	0.51%	0.49%	0.68%	0.68%	0.62%	0.62%
Dividend yield	0.88%	0.86%	1.02%	1.02%	1.14%	1.14%
Expected cancellations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expected forfeitures	14.8%[1]	6.3%[1]	100%	100%	69.6%	69.3%
Fair value per option at date of grant	481.7p	502.2p	458.9p	467.4p	429.7p	438.6p

	UK LTIP 2020	US LTIP 2020
Share price at date of grant	485.0p	485.0p
Contractual life	10 years	3.2 years
Expected life	3.5 years	3.2 years
Expected volatility	39.6%	39.6%
Risk-free interest rate	0.05%	0.05%
Dividend yield	1.16%	1.16%
Expected cancellations	0.0%	0.0%
Expected forfeitures	14.5%	13.6%
Fair value per option at date of grant	465.7p	467.2p

1 Actual forfeiture experienced.

Executive share schemes:	UK Exec 2016	UK Exec 2017	UK Exec 2018	UK Exec 2019
Share price at date of grant	273.5p	452.0p	410.0p	455.0p
Contractual life	10 years	10 years	10 years	10 years
Expected life	5 years	5 years	5 years	3.5 years
Expected volatility	20.7%	25.6%	27.3%	31.1%
Risk-free interest rate	0.57%	0.51%	0.73%	0.59%
Dividend yield	1.59%	1.06%	1.24%	1.21%
Expected cancellations	0.0%	0.0%	0.0%	0.0%
Expected forfeitures	0.0%[1]	100%	68.0%	10.0%
Fair value per option at date of grant	252.3p	428.6p	385.3p	436.1p

1 Actual forfeiture experienced.

Expected volatility was determined by calculating the historical volatility of the Group's share price over a period equivalent to the expected life of the respective options prior to their date of grant.

The risk-free interest rate was based on the simple average of the historical daily gilt yields quoted for five year benchmark gilts during the month in which a grant of options is made.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

28. SHARE-BASED PAYMENTS CONTINUED

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

	2020 Number of options	2020 Weighted average exercise price	2019 Number of options	2019 Weighted average exercise price
Outstanding at start of year	**1,091,606**	**£1.15**	1,471,647	£0.82
Granted during the year	**386,756**	**£1.53**	401,193	£1.37
Forfeited during the year	**(18,706)**	**£1.67**	(19,897)	£2.97
Exercised during the year	**(348,086)**	**£1.15**	(759,911)	£0.57
Cancelled during the year	**(498)**	**£3.61**	(1,426)	£3.83
Outstanding at end of year	**1,111,072**	**£1.27**	1,091,606	£1.15
Exercisable at end of year	**71,445**	**£1.24**	49,385	£0.00

Forfeiture arises when the employee is no longer entitled to participate in the savings-related share option scheme as a consequence of leaving the Group whereas cancellation arises when a participant voluntarily chooses to cease their membership of a scheme within the vesting period.

The options outstanding had a weighted average remaining contractual period of 5.2 years (2019: 5.4 years). The weighted average actual market share price on the date of exercise for share options exercised during the year was 500.1 pence (2019: 431.9 pence) and the weighted average fair value of options granted during the year was 362.2 pence (2019: 295.6 pence).

(b) Share incentive plans

All UK-based employees are eligible to participate in an HMRC-approved SIP once they have been with the Group for a qualifying period of up to twelve months. US employees participate in a similar scheme through the use of nil cost Restricted Stock Units ('RSUs'). During the year UK employees were awarded £625 (2019: £600) of 'Free Shares', and US employees $925 (2019: $900) of RSUs, in Treatt plc. There are no vesting conditions attached to the Free Shares or RSUs, other than being continuously employed by the Group for three years from the date of grant. UK employees can also buy shares in Treatt plc out of pre-tax income, subject to an annual HMRC limit, currently £1,800. These shares are called 'Partnership Shares' and are held in trust on behalf of the employee. The employees must take their shares out of the plan on leaving the Group. For every Partnership Share acquired during the year, one and a half (2019: one and a half) 'Matching Shares' were awarded under the rules of the SIP. Matching Shares are subject to the same forfeiture rules as Free Shares.

Details of the movements in the SIP were as follows:

	Number of free and matching shares		Number of nil cost RSUs	
	2020	2019	2020	2019
Outstanding at start of year	**158,501**	184,845	**35,530**	44,617
Granted during the year	**73,044**	58,110	**14,592**	13,050
Vested during the year	**(44,431)**	(74,499)	**(14,136)**	(17,928)
Forfeited during the year	**(983)**	(7,691)	**(1,438)**	(1,099)
Released during the year	**(1,036)**	(2,264)	**–**	(3,110)
Outstanding at end of year	**185,095**	158,501	**34,548**	35,530

In accordance with IFRS 2, no valuation model is required to calculate the fair value of awards under the SIPs. The fair value of an equity-based payment under the SIPs is the face value of the award on the date of grant because the participants are entitled to receive the full value of the shares and there are no market-based performance conditions attached to the awards.

At 30 September 2020 the number of shares held by the EBT was 219,000 (2019: 454,000), and the number of shares held by the SIP was 444,000 (2019: 507,000), of which 444,000 (2019: 369,000) relate to shares beneficially held by employees (including those not yet vested shown above).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

29. POST-EMPLOYMENT BENEFITS

The Group operates a wholly-funded defined benefit pension scheme for certain current and former UK employees. The scheme's assets are held separately from the assets of the Group and are administered by trustees and managed professionally. From 1 October 2001 this scheme was closed to new entrants and from 1 January 2013 was not subject to any further accruals. Instead, members of the final salary pension scheme became eligible for membership of a defined contribution pension plan with effect from 1 January 2013.

Defined contribution schemes are operated on behalf of eligible employees throughout the Group, the assets of which are held separately from those of the Group in independently administered funds.

The pension charge for the year was made up as follows:

Group	2020 £'000	2019 £'000
Defined contribution schemes	**908**	832
Other pension costs	**24**	24
	932	856

The defined contribution schemes pension charge includes £9,000 (2019: £14,000) in respect of discontinued operations.

Defined benefit pension scheme

The Group accounts for pensions in accordance with IAS 19, 'Employee Benefits', details of which are as follows:

The valuation used for IAS 19 disclosures in respect of the defined benefit pension scheme ('the scheme') for the current and prior period has been based on the most recent actuarial valuation at 1 January 2018 carried out by Barnett Waddingham and updated by Mrs L Lawson, a Fellow of the Institute and Faculty of Actuaries, to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 30 September 2020. Scheme assets are stated at their market value as at that date.

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

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

The scheme exposes the Group to a number of risks:

- **Investment risk:** The scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- **Interest rate risk:** The scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the scheme holds assets such as equities the value of the assets and liabilities may not move in the same way.
- **Inflation risk:** A proportion of the benefits under the scheme are linked to inflation. Although the scheme's assets are expected to provide a good hedge against inflation over the long-term, movements over the short-term could lead to deficits emerging.
- **Mortality risk:** In the event that members live longer than assumed a greater deficit will emerge in the scheme.
- **Member options:** Certain benefit options may be exercised by members without requiring the consent of the trustees or the Group, for example exchanging pension for cash at retirement. In this example, if fewer members than expected exchange pension for cash at retirement then a funding strain will emerge.

The assets do not include any investment in shares of the Group and there were no plan amendments, curtailments or settlements during the period. The disclosure liability makes no allowance for discretionary benefits.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

29. POST-EMPLOYMENT BENEFITS CONTINUED

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

Group	2020	2019
Discount rate	**1.60%**	1.90%
Rate of inflation (RPI)	**3.10%**	3.30%
Rate of inflation (CPI)	**2.30%**	2.30%
Rate of increase in pensions in payment – CPI max 5%	**2.25%**	2.25%
Rate of increase in pensions in payment – CPI max 3%	**1.95%**	1.95%
Rate of increase in pensions in payment – CPI max 2.5%	**1.80%**	1.80%
Revaluation in deferment	**2.30%**	2.30%
Mortality table	**100% of S2PxA table with CMI_2016 projections with a long term average rate of improvement of 1.25% pa**	100% of S2PxA table with CMI_2016 projections with a long term average rate of improvement of 1.25% pa
Commutation allowance	**20%**	20%
Proportion married (at retirement or earlier death)	**75%**	75%
GMP equalisation allowance	**1% of liability value**	1% of liability value
Rate of increase in salaries	**N/A**	N/A
Life expectancy for male aged 65 in 20 years' time	**23.8**	23.7
Life expectancy for female aged 65 in 20 years' time	**25.7**	25.7
Life expectancy for male aged 65 now	**22.3**	22.2
Life expectancy for female aged 65 now	**24.2**	24.1

Effect of the scheme on future cash flows

The Group is required to agree a schedule of contributions with the trustees of the scheme following a full valuation which must be carried out at least once every three years. The latest valuation of the scheme took place as at 1 January 2018. The valuation revealed that there was a funding surplus in the scheme as at that date of £473,000, being a funding level of 102%. It was agreed with the trustees that, consequently, the Group could continue not to make contributions to the scheme for the foreseeable future. It was further agreed that if the annual actuarial funding update revealed that the scheme funding level had fallen to below 95%, then contributions would be resumed. The actuarial funding update as at 30 September 2020 revealed an actuarial deficit of £4,491,000 (2019: £2,538,000), being a funding level of 82% (2019: 90%). The Group therefore expects to make on-going contributions to its defined benefit pension scheme in 2021 of £450,000 (2020: £300,000). The weighted average duration of the defined benefit obligation is approximately 20 years.

Group	2020 £'000	2019 £'000
Scheme assets:		
Equities	**9,586**	10,292
Target return funds	**4,772**	6,818
Bonds	**6,715**	4,589
Other	**42**	153
Fair value of scheme assets	**21,115**	21,852
Present value of funded obligations (scheme liabilities)	**(31,166)**	(29,640)
Deficit in the scheme recognised in the balance sheet	**(10,051)**	(7,788)
Related deferred tax	**1,910**	1,324
Net pension liability	**(8,141)**	(6,464)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

Group	2020 £'000	2019 £'000
Changes in scheme liabilities		
Balance at start of year	**(29,640)**	(24,742)
Interest cost	**(557)**	(710)
Benefits paid	**645**	542
Remeasurement losses:		
– Actuarial loss arising from changes to demographic assumptions	**–**	(181)
– Actuarial loss arising from changes in financial assumptions	**(1,614)**	(4,549)
Balance at end of year	**(31,166)**	(29,640)
Changes in scheme assets		
Balance at start of period	**21,852**	21,285
Interest on scheme assets	**412**	609
Employer contributions	**300**	–
Benefits paid	**(645)**	(542)
Remeasurement gains:		
– Return on plan assets (excluding amounts included in interest expense)	**(804)**	500
Balance at end of year	**21,115**	21,852

Group	2020 £'000	2019 £'000
Amount charged to finance costs		
Interest on scheme assets	**412**	609
Interest on scheme liabilities	**(557)**	(710)
Net expense recognised in income statement	**(145)**	(101)
Amount recognised in statement of comprehensive income		
(Loss)/gain on scheme assets in excess of interest	**(804)**	500
Loss from changes to demographic assumptions	**–**	(181)
Loss from changes to financial assumptions	**(1,614)**	(4,549)
Remeasurement loss recognised in statement of comprehensive income	**(2,418)**	(4,230)
Actual (loss)/gain on scheme assets	**(392)**	1,109
Cumulative remeasurement loss recognised in statement of comprehensive income	**(11,123)**	(8,705)

Approximate effect of change of assumptions on liability values at 30 September 2020:

	Increase liability by: £'000
Reduce discount rate by 0.25% pa	**1,446**
Increase inflation and all related assumptions by 0.1% pa	**410**
Increase life expectancy by one year	**1,406**

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

30. CONTINGENT LIABILITIES

Parent Company

When the Parent Company enters into financial guarantee contracts that guarantee the indebtedness of group companies, the Parent Company considers these to be insurance arrangements. In this respect, the Parent Company treats the guarantee contract as a contingent liability until such a time it becomes probable that the Parent Company will be required to make payments under the guarantee. The Parent Company has guaranteed the borrowings, net of cash balances for Treatt USA Inc. At the balance sheet date, the liability covered by this guarantee amounted to $3,732,000 (£2,887,000) (2019: $4,808,000 (£3,902,000)).

The Parent Company has also guaranteed certain bank borrowings of its UK subsidiaries R C Treatt & Co Limited and Treatt Development Company Limited that are held within cash pooling arrangements. At the year-end the liabilities covered by this guarantee amounted to £2,489,000 (2019: £13,618,000).

31. FINANCIAL INSTRUMENTS

Parent Company and Group

Capital risk management

The Group and Parent Company manage their capital to ensure that entities in the Group continue as going concerns whilst maximising returns to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of net debt and equity shareholders' funds. The Group is not subject to any externally imposed capital requirements. Board policy is to operate with a mix of short and medium-term borrowings.

The Group has a mix of facilities, including a $12.0m (2019: $12.0m) five-year revolving credit facility with HSBC in the UK, together with a $6.0m (plus $2.0m from March to July each year) three-year line of credit facility with Bank of America in the US. The Group obtained a $6.5m term loan with Bank of America in July 2019 repayable over seven years. None of these facilities expire in the same financial years and all bank facilities are operated independently and are therefore not syndicated. The Group's net debt position is monitored daily and reviewed by management on a weekly basis. Further details of the Group's capital management are given in the Financial Review on pages 48 to 55.

Categories of financial instruments

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

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

	Group		Parent Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Financial assets				
Measured at amortised cost:				
Trade receivables[1]	**21,103**	21,313	**–**	–
Other receivables	**690**	388	**35**	34
Cash and cash equivalents	**7,739**	37,187	**5,758**	33,210
Amounts owed by subsidiaries	**–**	–	**700**	52
Derivative financial instruments measured at fair value through other comprehensive income:				
Trade receivables	**1,057**	99	**–**	–
Derivative financial instruments measured at fair value through profit and loss:				
Forward currency contracts (level 2)	**459**	–	**–**	–
	31,048	58,987	**6,493**	33,296

1 Trade receivables are shown net of lifetime expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

	Group		Parent Company	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
Financial liabilities				
Measured at amortised cost:				
Trade payables	**8,193**	7,858	**37**	199
Other creditors	**3,795**	3,058	**225**	70
Bank borrowings	**2,489**	16,111	**–**	–
Lease liabilities	**659**	–	**–**	–
Amounts owed to subsidiaries	**–**	–	**–**	1,308
US term loans	**4,164**	5,118	**–**	–
Derivative financial instruments measured at fair value through profit and loss:				
Forward currency contracts (level 2)	**168**	315	**–**	–
	19,468	32,460	**262**	1,577

Fair values of financial assets and liabilities

The estimated fair values of financial assets and liabilities is not considered to be significantly different from their carrying values.

Financial risk management objectives

The Group and Parent Company collate information from across the business and report to the Board on key financial risks. These risks include credit risk, liquidity risk, interest rate risk and currency risk. The Group has policies in place, which have been approved by the Board, to manage these risks. The Group does not enter into traded financial instruments as the costs involved currently outweigh the risks they seek to protect against. Speculative purchases of financial instruments are not made.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group or Parent Company. The Group's credit risk is primarily attributable to its trade receivables and details of how this risk is managed are explained in note 20. The credit risk on liquid funds is limited because the counterparties are banks with good credit ratings assigned by international credit rating agencies as outlined in note 21. The Directors are of the opinion that there are no significant concentrations of credit risk. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group and Parent Company's maximum exposure to credit risk.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

31. FINANCIAL INSTRUMENTS CONTINUED

Liquidity risk management

Liquidity risk refers to the risk that the Group may not be able to fund the day-to-day running of the Group. Liquidity risk is reviewed by the Board at all Board meetings. The Group manages liquidity risk by monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. The Group also monitors the drawdown of debt against the available banking facilities and reviews the level of reserves. Liquidity risk management ensures sufficient debt funding is available for the Group's day-to-day needs. Board policy is to maintain a reasonable headroom of unused committed bank facilities. The Board also monitors the Group's banking covenants which are calculated under IFRS. There were no breaches during the year or prior year.

The Group has a number of debt facilities, details of which, including their terms and maturity profile, are given in note 22. The undiscounted contracted maturity profile of the Group's financial instrument liabilities payable at year-end, including interest payments estimated using the prevailing floating rate at that date, is as follows:

Group	Within 0 to 3 months £'000	Within 3 to 12 months £'000	Within 1 to 2 years £'000	Within 2 to 5 years £'000	Over 5 years £'000
Non-derivative financial instruments:					
Trade payables	7,871	322	–	–	–
Other creditors	3,183	612	–	–	–
Bank borrowings	2,489	–	–	–	–
US term loan:					
– Capital repayments	178	535	714	2,142	595
– Interest repayments	18	50	56	91	5
Derivative financial instruments:					
Forward currency contracts	45	123	–	–	–

Group trade payables and other creditors are not interest-bearing and are all due within one year. Bank borrowings of £2,489,000 are not interest-bearing due to a net-off against positive cash balances held in a pooling arrangement for interest purposes, these borrowings are considered to be current and repayable on demand.

All financial instruments held by the Parent Company fall due within three months, and contractual interest due is £nil.

Interest rate risk management

The Group is exposed to interest rate risk on short to medium-term borrowings primarily with two major institutions being HSBC and Bank of America. The risk is managed by maintaining borrowings with several institutions across a number of currencies, principally US Dollar and Sterling. Long-term financing is primarily used to finance long-term capital investment.

The Group has facilities denominated in various currencies, all of which attract floating rate interest. Interest on floating rate bank deposits is based on UK base rates or currency LIBOR as applicable. Interest on bank overdrafts is charged at 1.2% – 1.75% (2019: 1.2% – 1.85%) above bank base or currency LIBOR rates.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

The Group's cash/(debt) position by currency at year-end, is as follows:

	Floating rate financial assets/(liabilities)		Fixed rate financial assets/(liabilities)	
Group	**2020 £'000**	**2019 £'000**	**2020 £'000**	**2019 £'000**
Bank balances:				
US Dollars	**1,537**	2,903	**–**	–
Sterling	**5,784**	33,313	**–**	–
Euro	**273**	804	**–**	–
Other	**145**	167	**–**	–
Overdrafts:				
Sterling	**(2,489)**	(16,111)	**–**	–
Term loans:				
US Dollars	**(4,164)**	(5,118)	**–**	–
Lease liabilities:				
Sterling	**–**	–	**(659)**	–
Total net cash/(debt)	**1,086**	15,958	**(659)**	–

Interest rate sensitivity analysis has been performed on the floating rate financial liabilities to illustrate the impact on Group profits if interest rates increased or decreased. A 100 bps increase or decrease has been used, comprising management's assessment of reasonably possible changes in interest rates. If interest rates had been 100 bps higher or lower, then profit before taxation for the year ended 30 September 2020 would have decreased or increased as follows:

	Group		Parent Company	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
Impact on profit before tax of 1% interest rate movement	**(16)**	(52)	**–**	–

Foreign currency risk management

Foreign currency risk management occurs at a transactional level on revenues and purchases in foreign currencies and at a translational level in relation to the translation of overseas operations. The Group's main foreign exchange risk is the US Dollar. The Group has a risk management strategy with regards to the hedging of foreign currency transactions which is approved by the Audit Committee. The policy for the UK business is to mitigate foreign currency transactional exposures by holding borrowings in US Dollars as well as by entering into foreign currency forward contracts and options on a rolling basis with the aim to match the value of the contracts, the hedging instrument, to the expected amount of foreign currency receipts or purchases in the period, the hedged item.

Where the hedged item and hedging instrument are aligned economically and matched on a 1:1 ratio, a hedge is considered effective and is accounted for using the principles of hedge accounting. Ineffectiveness can occur as a result of a mismatch between the hedged item and instrument, for example as a result of credit risk deterioration in the Group or the counterparty's credit risk, or more likely a shortfall in the amount of expected receipts or payments.

Further details of the Group's foreign currency risk management can be found in the Financial Review on pages 48 to 55.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

31. FINANCIAL INSTRUMENTS CONTINUED

Foreign currency contract assets and liabilities are shown under the heading of 'derivative financial instruments', in current assets and liabilities respectively within the Group balance sheet. The following table details the forward and option contracts outstanding at the year-end as well as information regarding their related hedged items:

Group – as at 30 September 2020	Average contract rate	Nominal currency '000	Contract GBP £'000	Fair value gains/(loss) £'000
US Dollars:				
Forward contract to sell USD within 1–3 months	**1.219**	**$10,000**	**8,203**	**459**
Forward contract to sell USD within 4–6 months	**1.311**	**$11,000**	**8,390**	**(115)**
Euros:				
Forward contract to sell EUR within 1–3 months	**1.122**	**€2,500**	**2,227**	**(45)**
Forward contract to sell EUR within 4–6 months	**1.105**	**€1,500**	**1,358**	**(8)**
				291

Group – as at 30 September 2019	Average contract rate	Nominal currency '000	Contract GBP £'000	Fair value gain/(loss) £'000
US Dollars:				
Forward contract to sell USD within 1–3 months	1.307	$10,750	8,223	(484)
Forward contract to sell USD within 4–6 months	1.216	$10,000	8,224	152
Euros:				
Forward contract to sell EUR within 1–3 months	1.146	€2,500	2,181	(34)
Forward contract to sell EUR within 4–6 months	1.077	€700	650	28
Swiss Francs:				
Option to purchase SFr within 4–6 months	1.302	SFr475	365	23
				(315)

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

The gain/(loss) recognised in the Group statement of comprehensive income on cash flow hedges of foreign currency receipts during the year, is as follows:

Group	2020 £'000	2019 £'000
Revenue	**464**	(1,266)
Other gains – hedge ineffectiveness	**45**	–
Other comprehensive income	**(6)**	70
	503	(1,196)

The gain on financial instruments used for the cash flow hedges of foreign currency asset purchases, to be recognised as a reduction in the carrying amount of a purchased asset, is as follows:

Group	2020 £'000	2019 £'000
Other comprehensive income	**–**	23

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

The reconciliation of the hedging reserve as shown in the statement of changes in equity is as follows:

Group	Hedging reserve £'000
1 October 2018	50
Fair value movement on:	
– Cash flow hedges of probable future receipts	(1,141)
Transfer from hedging reserve to:	
– Profit and loss account	1,234
Amounts recognised in other comprehensive income	93
Taxation relating to items above	(16)
30 September 2019	127
Fair value movement on:	
– Cash flow hedges of probable future receipts	**503**
Transfer from hedging reserve to:	
– Profit and loss account	**(464)**
– Profit and loss account – other gains	**(45)**
Amounts recognised in other comprehensive income	**(6)**
Taxation relating to items above	**2**
30 September 2020	**123**

The Group's currency exposure, being those exposures arising from transactions where the net currency gains and losses will be recognised in the income statement, is as follows:

Group – net foreign currency financial assets	2020 £'000	2019 £'000
US Dollar	**4,061**	6,833
Euro	**1,347**	2,188
Other	**353**	590
	5,761	9,611

A currency sensitivity analysis has been performed on the financial assets and liabilities to sensitivity of a 10% increase/decrease in the Sterling to US Dollar exchange rate. A 10% strengthening of the US Dollar has been used, comprising management's assessment of reasonably possible changes in US Dollar exchange rates. The impact on profit for the year in the income statement would be a gain on net monetary assets or liabilities as follows:

Group	2020 £'000	2019 £'000
Impact of 10% strengthening of US Dollar against Sterling	**451**	759

In management's opinion the sensitivity analysis is unrepresentative of the inherent foreign exchange risk since it is limited only to the year-end exposure and does not reflect the exposure during the year, nor does it include the impact of gains or losses that would have occurred on hedging instruments.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

32. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

Group

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate. Further information about the remuneration of individual Directors is provided in the Directors' Remuneration Report on pages 91 to 96.

Group	2020 £'000	2019 £'000
Salaries and other short-term employee benefits	**1,153**	1,222
Fees paid to Non-executive Directors in respect of qualifying services	**332**	296
Employer's social security costs	**205**	168
Pension contributions to money purchase schemes	**62**	60
Share-based payments charge in respect of qualifying services	**223**	477
	1,975	1,927

No Directors were members of a defined benefit pension scheme as the scheme was closed to future accrual with effect from 31 December 2012. Further details on Directors' pensions are given in the Directors' Remuneration Report on pages 95 and 96.

Parent Company

Transactions with subsidiaries:

Parent Company	2020 £'000	2019 £'000
Interest received from:		
R C Treatt & Co Limited	**332**	–
Dividends received from:		
R C Treatt & Co Limited	**1,669**	1,545
Treatt USA Inc	**1,642**	1,539

Balances with subsidiaries:

Parent Company	2020 £'000	2019 £'000
Amounts owed to/(by) Parent Company:		
Athi River Oils EPZ Limited[1]	**–**	52
R C Treatt & Co Limited	**700**	(1,308)

The Parent Company has guaranteed certain bank borrowings of its subsidiaries as set out in note 30. Amounts owed to the Parent Company are unsecured and will be settled in cash.

1 Athi River Oils EPZ Limited was part of the discontinued operations which were disposed of on 1 June 2020, as set out in note 11.

NOTICE OF ANNUAL GENERAL MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO WHAT ACTION TO TAKE YOU ARE RECOMMENDED TO CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT ADVISOR AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000.

If you have sold or transferred all of your ordinary shares in Treatt plc, you should pass this document, together with the accompanying form of proxy, to the person through whom the sale or transfer was made for transmission to the purchaser or transferee.

Notice of the Annual General Meeting ('AGM') which has been convened for 29 January 2021 at 10.30am at Treatt plc, Northern Way, Bury St. Edmunds, Suffolk, IP32 6NL is set out below.

Shareholders are requested to complete and submit their proxy appointment online by using the Signal Shares share portal service at www.signalshares.com as soon as possible and, in any event, by no later than 10.30am on 27 January 2021, being 48 hours before the time appointed for the holding of the AGM. To do so, you will need to log in to your Treatt plc Signal Shares account, or register if you have not previously done so. To register you will need your Investor Code, which is detailed on your share certificate or is available from our registrars, Link Asset Services. For those who hold their shares in uncertificated form in CREST, proxy appointments may be made via the CREST system.

Proxy appointments can also be made by completing a paper proxy form and returning it to Link Asset Services in accordance with the instructions printed on the form. If you require a paper proxy form, please contact Link Asset Services by email at enquiries@linkgroup.co.uk or by telephone on +44 (0) 371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. Lines are open 9.00am – 5.30pm Monday to Friday excluding bank holidays in England and Wales.

PART I – LETTER FROM THE CHAIRMAN OF TREATT PLC

Dear Shareholder

2021 Annual General Meeting

Treatt plc's (the 'Company') 2021 AGM will be held at Treatt plc, Northern Way, Bury St. Edmunds, Suffolk, IP32 6NL on 29 January 2021, at 10.30 am.

The Notice of AGM, which sets out the details of the resolutions to be proposed at the AGM and an explanation in respect of each resolution, is set out below.

The AGM is an important event in the Company's corporate calendar providing an opportunity for the Directors to engage with shareholders. As at the date of this letter, it is our intention to hold the AGM as an open meeting for all shareholders. However, the ongoing situation with COVID-19 must remain under review and in the event that it becomes necessary, for the health and wellbeing of us all, and provided we are permitted to do so under the Insolvency and Governance Act 2020, it may be necessary to change the AGM to a closed meeting. In such an event the AGM will be convened with the minimum necessary quorum of two shareholders facilitated by the Company. Should this change become necessary, shareholders will be invited to submit any questions to the Board in advance of the meeting. Following the meeting we would select representative questions and provide the Company's answers to these questions on the Company's website. We hope that should this become necessary, shareholders will understand.

Any changes to the AGM arrangements will be communicated to shareholders before the AGM through our website at treatt.com/investor-relations/shareholder-services/agm and by a Regulatory News Service announcement.

Your vote is important to the Company and all shareholders are encouraged to submit their votes by proxy in advance of the AGM. Further details on proxy voting are set out in the notes to the notice of the AGM. In the event that it is a closed meeting, the business of the AGM will be purely functional in order to ensure that the Company complies with the relevant legal requirements. As such shareholders should note that no presentations will be made.

Action to be taken

Voting on the business of the meeting will be conducted on a poll. I would encourage shareholders to exercise their right to vote in the following ways:

- you can complete and submit your proxy appointment online by using the Signal Shares share portal service at www.signalshares.com;
- you can complete a paper proxy form and return it to Link Asset Services in accordance with the instructions printed on the form; or
- CREST members may use the CREST electronic proxy appointment service.

NOTICE OF ANNUAL GENERAL MEETING

PART I – LETTER FROM THE CHAIRMAN OF TREATT PLC CONTINUED

Further details in respect of each of these methods of voting are set out in the notes on voting procedures on pages 161 to 162 below. Please note that all forms of proxy and appointments, whether postal or electronic, must be received by 10.30am (UK time) on 27 January 2021. The results of voting on the resolutions will be posted on the Company's website immediately after the AGM.

Shareholder queries

Should you have any queries on the documentation enclosed or the AGM generally, please do not hesitate to contact the Company Secretary, Anita Guernari, on 01284 702500 or by email on Cosec@treatt.com.

Recommendation

The Board believes that all of the resolutions to be put to the AGM are in the best interests of its shareholders and the Company as a whole. Accordingly, the Board recommends that shareholders vote in favour of all resolutions, as the Directors intend to do in respect of their own shareholdings in the Company.

Yours sincerely

Tim Jones

Chairman

8 December 2020

PART II – NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the AGM of the Shareholders of Treatt plc (the 'Company') will be held at Treatt plc, Northern Way, Bury St. Edmunds, Suffolk, IP32 6NL on 29 January 2021, at 10.30am for the for the purpose of considering and, if thought fit, passing the resolutions set out in this notice. Resolutions 1 to 16 (inclusive) will be proposed as ordinary resolutions. Resolutions 17 to 21 (inclusive) will be proposed as special resolutions.

ORDINARY RESOLUTIONS

Resolution 1 – Annual accounts and Directors' Report

1. To receive the audited accounts and related reports of the Directors and Auditors for the year ended 30 September 2020.

Explanatory note

Under the Companies Act 2006 (the 'Act') the Directors of the Company must present the accounts to the meeting.

Resolution 2 – Directors' Remuneration Report

2. To approve the Directors' Remuneration Report.

Explanatory note

The Act, implemented by the Enterprise and Regulatory Reform Act 2013, provides that a quoted company may not make a remuneration payment to a Director of the Company unless the payment is consistent with the Company's remuneration policy, as approved by shareholders, or the payment is approved by a Shareholders' Resolution. The legislation requires two resolutions to be put to shareholders on separate sections of the Directors' Remuneration Report. The first of these is an advisory resolution on the Implementation Section of the Directors' Remuneration Report, which details the remuneration packages paid to Directors during the year ended 30 September 2020. You can find the Implementation Section of the Directors' Remuneration Report on pages 86 to 94.

Resolution 3 – Final dividend

3. To approve a final dividend of 4.16p per share on the ordinary shares of the Company for the year ended 30 September 2020.

Explanatory note

A final dividend can only be paid after the shareholders at a general meeting have approved it. A final dividend of 4.16p per ordinary share is recommended by the Directors for payment to shareholders who are on the register of members at the close of business on 5 February 2021. If approved, the date of payment of the final dividend will be 18 March 2021. An interim dividend of 1.84 pence per ordinary share was paid on 13 August 2020. This represents an increase of 0.5 pence per share, or 9.1%, on the total 2019 dividend.

Resolutions 4 to 12 – Re-election of Directors

4. To re-elect Tim Jones as a Director of the Company.
5. To re-elect Daemmon Reeve as a Director of the Company.
6. To re-elect Richard Hope as a Director of the Company.
7. To re-elect David Johnston as a Director of the Company.
8. To re-elect Jeff Iliffe as a Director of the Company.
9. To re-elect Richard Illek as a Director of the Company.
10. To re-elect Yetunde Hofmann as a Director of the Company.
11. To re-elect Lynne Weedall as a Director of the Company.
12. To re-elect Vijay Thakrar as a Director of the Company.

Explanatory note

In accordance with the 2018 Corporate Governance Code all Directors will retire and stand for re-election annually. Short biographies of the Directors are given on pages 64 and 65. Having considered the performance of, and contribution made, by each of the Directors, the Board remains satisfied that the performance of each of the Directors continues to be effective and to demonstrate commitment to the role and, as such, recommends their re-election.

NOTICE OF ANNUAL GENERAL MEETING

Resolution 13 – Re-appointment of auditors

13. To re-appoint BDO LLP as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next AGM.

Explanatory note

At each general meeting at which the Company's Annual Report and Accounts are presented to its ordinary shareholders, the shareholders are required to appoint an auditor to serve until the next such meeting. Following a recommendation by the Audit Committee, the Board is proposing the reappointment of BDO LLP as auditors of the Company. The Board appointed BDO LLP as auditors during the year, following a competitive tender process.

Resolution 14 – Auditors remuneration

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

Explanatory note

The remuneration of the Company's auditors must be fixed by the Company in general meeting or in such manner as the shareholders may determine in general meeting. This resolution gives authority to the Directors to determine the remuneration of the auditors of the Company.

Resolution 15 – Approval of remuneration policy

15. THAT the Remuneration Policy be and is hereby approved.

Explanatory note

As referred to under Resolution 2 above, two resolutions are required to be put to shareholders on separate sections of the Directors' Remuneration Report. The second of these is a binding resolution, passed by a majority, to approve the Company's remuneration policy. The last remuneration policy was approved at the 2018 AGM and is therefore required to be approved by shareholders in 2021. The changes to the policy, which bring it into line with the 2018 Corporate Governance Code and with policies operated by other FTSE SmallCap companies, are set out on pages 78 to 80 of the Directors' Remuneration Report. Once approved, a remuneration policy only requires shareholder approval every three years unless any revisions are required. The policy, which is set out on pages 78 to 86, will apply to all payments made to Directors from the date the policy is approved by shareholders. In the event that this resolution is not passed at the AGM, the version of the remuneration policy approved by shareholders in 2018 will continue in force.

Resolution 16 – Authority to allot securities

16. THAT in accordance with section 551 of the Companies Act 2006 (the 'Act') the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company:

    (a) up to an aggregate nominal amount of £401,764 (such amount to be reduced by the nominal amount allotted or granted under paragraph (b) below in excess of such sum); and

    (b) comprising equity securities (as defined in Sections 560 of the Act) up to an aggregate nominal amount of £803,528 (such amount to be reduced by any allotments or grants made under paragraph (a) above) in connection with an offer by way of a rights issue in favour of ordinary shareholders in proportion (as nearly as may be practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities), but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of any regulatory body or stock exchange in, any territory or any other matter whatsoever,

    provided that this authority shall expire at the conclusion of the AGM of the Company to be held in 2022, or at close of business on 29 April 2022 (whichever occurs first) save that the Company may before such expiry make an offer or enter into an agreement which would or might require shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry and the Directors may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Explanatory note

The Company may only allot ordinary shares or grant rights over ordinary shares if authorised to do so by shareholders. This resolution seeks to grant authority to the Directors to allot unissued share capital of the Company and grant rights to subscribe for, or convert other securities into, shares and will expire at the conclusion of the next AGM of the Company in 2022 or, if earlier, on 29 April 2022 (the date which is 15 months after the date of passing of the resolution). Whilst the Board has no present intention of exercising these authorities, the Board believes it is in the best interests of the Company to have these authorities so that, if the need arises, the Board can allot securities at short notice and without the need to hold a general meeting of the Company.

NOTICE OF ANNUAL GENERAL MEETING

PART II – NOTICE OF ANNUAL GENERAL MEETING CONTINUED

The authority in paragraph (a) of the resolution will allow the Directors to allot new shares and grant rights to subscribe for, or convert other securities into, shares up to an aggregate nominal value of £401,764 (representing approximately one-third (33.33%) of the total issued ordinary share capital of the Company as at 17 November 2020, the latest practicable date prior to publication of this Notice).

The authority in paragraph (b) of the resolution will allow the Directors to allot new shares and grant rights to subscribe for, or convert other securities into, shares only in connection with a rights issue up to an aggregate nominal value of £803,528 (representing approximately two-thirds (66.66%) of the total issued ordinary share capital of the Company as at 17 November 2020, the latest practicable date prior to publication of this Notice (such amount to be reduced by the amount of any relevant securities issued under the authority conferred by paragraph (a) of resolution 15).

SPECIAL RESOLUTIONS

Resolution 17 – Authority to disapply pre-emption rights

17. THAT subject to the passing of resolution 16 above and in accordance with Sections 570 and 573 of the Act, the Directors be and are hereby given power to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by resolution 16 above and to sell ordinary shares (as defined in Section 560(1) of the Act) held by the Company as treasury shares for cash, as if Section 561 of the Act did not apply to any such allotment of equity securities for cash or sale of treasury shares, such power to be limited:

    (a) in connection with or pursuant to an offer of, or invitation to acquire, equity securities (but in the case of the authority granted under paragraph (b) of resolution 16, by way of a rights issue only) in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment or sale (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities) but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws; and

    (b) in the case of the authority granted under paragraph (a) of resolution 16 and/or in the case of any sale of treasury shares, (and otherwise than under paragraph (a) of this resolution) up to an aggregate nominal amount of £60,270,

    provided that this power shall expire at the conclusion of the AGM of the Company to be held in 2022 or at close of business on 29 April 2022 (whichever occurs first), save that the Company may before such expiry make an offer or enter into an agreement which would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the Directors may allot equity securities or sell treasury shares in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

Explanatory note

Under Section 561 of the Act, if the Directors wish to allot any of the unissued shares or grant rights over shares or sell treasury shares for cash (other than pursuant to an employee share scheme) they must in the first instance offer them to existing shareholders in proportion to their holdings. There may be occasions, however, when the Directors will need the flexibility to finance business opportunities by the issue of ordinary shares without a pre-emptive offer to existing shareholders. This cannot be done under the Act unless the shareholders have first waived their pre-emption rights.

Resolution 17 asks the shareholders to do this and, apart from rights issues or any other pre-emptive offer concerning equity securities, the authority will be limited to the issue of shares for cash up to a maximum aggregate nominal value of £60,270 (which includes the sale on a non pre-emptive basis of any shares held in treasury), which is equivalent to approximately 5% of the Company's issued ordinary share capital as at 17 November 2020, the latest practicable date prior to publication of this Notice. Shareholders will note that this resolution also relates to treasury shares and will be proposed as a Special Resolution.

This resolution seeks a disapplication of the pre-emption rights on a rights issue so as to allow the Directors to make exclusions or such other arrangements as may be appropriate to resolve legal or practical problems which, for example, might arise with overseas shareholders. If given, the authority will expire at the conclusion of the next AGM of the Company in 2022 or, if earlier, 29 April 2022 (the date which is 15 months after the date of passing of the resolution).

The Directors intend to adhere to the provisions in the Pre-Emption Group's Statement of Principles (the 'Statement of Principles') and to not allot shares for cash on a non pre-emptive basis pursuant to the authority in Resolution 17 (i) in excess of an amount equal to 5% of the total issued ordinary share capital of the Company; or (ii) in excess of an amount equal to 7.5% of the total issued ordinary share capital of the Company within a rolling three-year period, without prior consultation with shareholders.

NOTICE OF ANNUAL GENERAL MEETING

Resolution 18 – Authority to disapply pre-emption rights for the purposes of acquisitions or capital investments

18. THAT subject to the passing of resolutions 16 and 17 above and in addition to the power granted under resolution 16, the Directors be and are hereby given power pursuant to Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by resolution 16 above and to sell ordinary shares (as defined in Section 560(1) of the Act) held by the Company as treasury shares for cash, as if Section 561 of the Act did not apply to any such allotment of equity securities for cash and sale of treasury shares, such power to be:

    (a) limited to the allotment of equity securities for cash and sale of treasury shares up to an aggregate nominal amount of £60,270; and

    (b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors have determined to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice, or for any other purposes as the Company in general meeting may at any time by special resolution determine,

    provided that this power shall expire at the conclusion of the AGM of the Company to be held in 2022 or at close of business on 29 April 2022 (whichever occurs first), save that the Company may before such expiry make an offer or enter into an agreement which would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the Directors may allot equity securities or sell treasury shares in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

Explanatory note

The purpose of resolution 18 is to seek a further power from shareholders to allot equity securities or sell treasury shares for cash otherwise than to existing shareholders pro rata to their holdings to reflect the Statement of Principles for the disapplication of pre-emption rights.

Accordingly, resolution 18 will be proposed as a special resolution to grant such a power. The power will be limited to the allotment of equity securities and sales of treasury shares for cash up to an aggregate nominal value of £60,270, being approximately 5% of the Company's issued ordinary share capital as at 17 November 2020, the latest practicable date prior to publication of this Notice. This is in addition to the 5% referred to in resolution 17. If given, the authority will expire at the conclusion of the next AGM of the Company in 2022 or, if earlier, 29 April 2022 (the date which is 15 months after the date of passing of the resolution). The Directors will have due regard to the Statement of Principles in relation to any exercise of this power and in particular they confirm that they intend to use this power only in connection with an acquisition or other capital investment (of a kind contemplated by the Statement of Principles from time to time) which is announced contemporaneously with the announcement of the issue, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue.

The Directors have no present intention of exercising these powers but believe that this resolution will assist them in taking advantage of business opportunities as they arise.

Resolution 19 – Authority to purchase own shares

19. THAT the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 693 of the Act) of up to a maximum of 6,027,067 ordinary shares in the capital of the Company, subject to the following conditions:

    (a) the minimum price (excluding expenses) which may be paid for an ordinary share is the nominal amount of that share; and

    (b) the maximum price which may be paid for an ordinary share so purchased is an amount equal to 5% 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.

    The authority hereby conferred shall expire at the conclusion of the AGM of the Company to be held in 2022, or if earlier 29 April 2022, save that in relation to the purchase of ordinary shares the contract for which is concluded before such date and which would or might be executed wholly or partly on or after such date, the Company may purchase ordinary shares pursuant to any such contract under this authority.

Explanatory note

In certain circumstances, it may be advantageous for the Company to purchase its own shares and resolution 19 seeks the authority from shareholders to continue to do so. The Directors will continue to exercise this power only when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase earnings per share and is in the best interests of shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account when exercising this authority.

Any shares purchased in this way will be cancelled and the number of shares in issue will be reduced accordingly, save that the Company may hold in treasury any of its own shares that it purchases pursuant to the Act and the authority conferred by this resolution. This gives the Company the ability to re-issue treasury shares quickly and cost-effectively and provides the Company with greater flexibility in the management of its capital base.

NOTICE OF ANNUAL GENERAL MEETING

PART II – NOTICE OF ANNUAL GENERAL MEETING CONTINUED

It also gives the Company the opportunity to satisfy employee share scheme awards with treasury shares. Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of the shares. Further, no dividend or other distribution of the Company's assets may be made to the Company in respect of the treasury shares.

The resolution specifies the maximum number of ordinary shares that may be acquired (approximately 10% of the Company's issued ordinary share capital as at 17 November 2020, the latest practicable date prior to publication of this Notice) and the maximum and minimum prices at which they may be bought.

The total number of options to subscribe for ordinary shares that were outstanding at 17 November 2020, the latest practicable date prior to publication of this Notice, was 1,200,558. The proportion of issued share capital that they represented at that time was 1.99% and the proportion of issued share capital that they will represent if the full authority to purchase shares (existing and being sought) is used is 2.21%.

If given, the authority will expire at the conclusion of the next AGM of the Company in 2022 or, if earlier, 29 April 2022 (the date which is 15 months after the date of passing of the resolution).

Resolution 20 – Notice of general meetings

20. THAT a general meeting (other than an Annual General Meeting) of the Company may be called on not less than 14 clear days' notice.

Explanatory note

Under the Companies Act 2006, the notice period required for all general meetings of listed companies is 21 days; however, it is possible to reduce this period to 14 days (other than for AGMs), provided that the following two conditions are met: (i) that a company offers facilities for shareholders to submit proxy appointments by electronic means; and (ii) that there is an annual resolution of shareholders approving the reduction in the minimum notice period from 21 days to 14 days. This resolution would, if passed, allow the Company flexibility to call general meetings, other than AGM, on not less than 14 clear days' notice. This additional flexibility would not be used as a matter of routine for such meetings but would be used where the Board considers it appropriate in the circumstances. The approval will be effective until the Company's next AGM, at which meeting it is intended to propose a similar resolution for approval.

Resolution 21 – Amendment to Articles of Association

21. THAT the Articles of Association produced to the meeting and initialled by the Chairman for the purposes of identification be adopted as the Articles of Association of the Company ('New Articles') in substitution for, and to the exclusion of, the existing Articles of Association ('Existing Articles').

Explanatory note

The proposed New Articles have been updated for current procedural and governance requirements as well as to reflect recent developments in market practice in respect of the holding of combined physical and electronic general meetings (also known as 'hybrid' meetings) and to provide the Company with greater flexibility to hold general meetings in this way.

These hybrid meetings would enable members to attend and participate in the business of the meeting by attending a physical location or by means of an electronic facility or facilities if the Directors decide to hold a combined physical and electronic general meeting. The New Articles are not intended to permit the Company to hold general meetings wholly by electronic means. It is not the current intention of the Board to routinely hold combined physical and electronic general meetings.

The New Articles set out the procedures and processes for attendance at, and participation in, combined physical and electronic general meetings. This includes how attendance is determined and allowing Directors to make arrangements to enable attendees to exercise their rights to speak or vote as well as other consequential changes.

These amendments are being made to provide the Directors with the flexibility should they need to make alternative arrangements for participation in meetings (including where physical participation may be prevented or restricted). The New Articles showing all the changes as compared to the Existing Articles will be available for inspection on the Company's website at treatt.com/investor-relations/shareholder-services/agm.

By order of the Board

Anita Guernari

Group Legal Counsel
and Company Secretary

Registered Office:
Bury St. Edmunds
Suffolk
IP32 6NL

8 December 2020

The note on voting procedures and general rights of shareholders, together with explanatory notes on the resolutions to be put to the meeting form part of this notice.

NOTICE OF ANNUAL GENERAL MEETING

NOTES ON VOTING PROCEDURES AND GENERAL RIGHTS OF SHAREHOLDERS

Only those persons entered in the Register of Members of the Company (the Register) as at close of business on 27 January 2021 (the Record Date) shall be entitled to attend or vote at the AGM in respect of the number of ordinary shares in the capital of the Company registered in their names at that time. Changes to entries on the Register for certificated or uncertificated shares of the Company after the Record Date shall be disregarded in determining the rights of any person to attend or vote at the AGM. Should the AGM be adjourned to a time no more than 48 hours after the Record Date, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned AGM. Should the AGM be adjourned for a longer period, to be so entitled, members must have been entered on the Register by close of business two days prior to the adjourned AGM (excluding weekends and public holidays) or, if the Company gives notice of the adjourned AGM, at the time specified in such notice.

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

A member entitled to attend and vote at this meeting may appoint a proxy or proxies to attend and vote instead of him or her. The proxy need not be a member of the Company. Shareholders are requested to complete and submit their proxy appointment online by using the Signal Shares share portal service at www.signalshares.com as soon as possible and, in any event, by no later than 10.30am on 27 January 2021, being 48 hours before the time appointed for the holding of the AGM (or in the case of an adjournment, no later than 48 hours (excluding non-business days) before the time fixed for the holding of the adjourned meeting). To do so, you will need to log in to your Treatt plc Signal Shares account, or register if you have not previously done so. To register you will need your Investor Code, which is detailed on your share certificate or is available from our registrars, Link Asset Services.

Proxy appointments can also be made by completing a paper proxy form and returning it to Link Asset Services in accordance with the instructions printed on the form. If you require a paper proxy form, please contact Link Asset Services by email at enquiries@linkgroup.co.uk or by telephone on +44 (0) 371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. Lines are open 9.00am – 5.30pm Monday to Friday excluding bank holidays in England and Wales. Completion and return of a form of proxy will not preclude a member from attending and voting in person at the meeting or any adjournment of the meeting.

An abstention option is provided on the form of proxy to enable you to instruct your proxy to abstain on any particular resolution, however, it should be noted that an abstention in this way is not a 'vote' in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on 29 January 2021 and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Please note the following:

(a) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this notice of the AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means

(b) CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

NOTICE OF ANNUAL GENERAL MEETING

NOTES ON VOTING PROCEDURES AND GENERAL RIGHTS OF SHAREHOLDERS CONTINUED

(c) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. Members may change proxy instructions by submitting a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

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

A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the AGM. In accordance with the provisions of the Companies Act 2006 (as amended by the Companies (Shareholders' Rights) Regulations 2009), each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

Members satisfying the thresholds in Section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution which those members intend to move (and which may properly be moved) at the AGM. A resolution may properly be moved at the AGM unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. The business which may be dealt with at the AGM includes a resolution circulated pursuant to this right. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company no later than six weeks before the date of the AGM.

Members satisfying the thresholds in Section 338A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business at the AGM. A matter may properly be included in the business at the AGM unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company no later than six weeks before the date of the AGM.

In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting details the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.treatt.com.

As at 17 November 2020 the Company's issued share capital consists of 60,270,670 ordinary shares. The total number of voting rights in the Company as at 17 November 2020 (the latest practicable date prior to publication of this Notice) is 59,608,089.

A statement of Directors' share transactions and copies of their service contracts and the letters of appointment of the Non-executive Directors are available for inspection during usual business hours at the registered office of the Company from the date of this notice until the date of the AGM (Saturdays, Sundays and public holidays excluded).

Except as provided above, members who wish to communicate with the Company in relation to the meeting should do so using the following means:

Calling the Company Secretary on +44 (0) 1284 702500;

Emailing the Company Secretary on Cosec@treatt.com; or

Writing to: The Company Secretary, Treatt plc, Northern Way, Bury St. Edmunds, Suffolk, IP32 6NL.

PARENT COMPANY INFORMATION AND ADVISORS

Directors

Tim Jones
(Chairman and Non-executive Director)

Daemmon Reeve
(Chief Executive Officer)

Richard Hope
(Chief Financial Officer)

Jeff Iliffe
(Independent Non-executive Director)

Richard Illek
(Independent Non-executive Director)

David Johnston
(Non-executive Director)

Yetunde Hofmann
(Independent Non-executive Director)

Lynne Weedall
(Senior Independent Non-executive Director)

Vijay Thakrar
(Independent Non-executive Director – from 1 September 2020)

Company Secretary

Anita Guernari

Registered Office

Northern Way,
Bury St. Edmunds,
Suffolk, IP32 6NL

Tel: +44 (0) 1284 702500

Email: cosec@treatt.com

Website

www.treatt.com

Registered Number

01568937

Audit Committee

Jeff Iliffe (Chair)
Yetunde Hofmann
Vijay Thakrar

Remuneration Committee

Lynne Weedall (Chair)
Jeff Iliffe
Yetunde Hofmann

Nomination Committee

Tim Jones (Chairman)
Daemmon Reeve
Richard Illek
Lynne Weedall
Yetunde Hofmann
Vijay Thakrar

Brokers

Investec Bank plc
30 Gresham Street,
London, EC2V 7QP

Public Relations

MHP Communications
4th Floor,
60 Great Portland Street,
London, W1W 7RT

Auditors

BDO LLP
16 The Havens,
Ransomes Europark,
Ipswich, IP3 9SJ

Tax Advisors

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Botanic House,
98–100 Hills Road,
Cambridge, CB2 1JZ

Crowe LLP
124 South Florida Avenue, Suite 1,
Lakeland, Florida 33801-4629

Solicitors

Greene and Greene
80 Guildhall Street,
Bury St. Edmunds,
Suffolk, IP33 1QB

Bankers

HSBC Bank plc
140 Leadenhall Street,
London, EC3V 4PS

Bank of America
5th Floor, 101 E. Kennedy Boulevard,
Tampa, FL 33602

Registrars

Link Asset Services
The Registry,
34 Beckenham Road,
Beckenham, Kent, BR3 4TU

Share Price

Treatt plc's share price is available on www.ft.com

Annual and interim reports are available on the Group's website:
www.treatt.com

FINANCIAL CALENDAR

FINANCIAL YEAR 2019/20

Financial year ended	30 September 2020
Results for year announced	24 November 2020
Annual Report and Financial Statements published	8 December 2020
Annual General Meeting	29 January 2021
Final dividend for 2020 goes 'ex-dividend'	4 February 2021
Record date for 2020 final dividend	5 February 2021
Last day for dividend reinvestment plan election	25 February 2021
Final dividend for 2020 paid	18 March 2021

FINANCIAL YEAR 2020/21

Interim results to 31 March 2021 announced	11 May 2021*
Interim dividend for 2021 goes 'ex-dividend'	1 July 2021*
Record date for 2021 interim dividend	2 July 2021*
Last day for dividend reinvestment plan election	22 July 2021*
Interim dividend for 2021 paid	12 August 2021*
Financial year ended	30 September 2021
Results for year to 30 September 2021 announced	30 November 2021*
Final dividend for 2021 paid	17 March 2022*

* These dates are provisional and may be subject to change

TREATT

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