TREATT

ANNUAL REPORT & ACCOUNTS 2021


TREATT

TREATT

WHERE AMAZING HAPPENS...

...Everyday

Working at the cutting edge of the flavour and fragrance industry, we create outstanding ingredients, designed around our customers' needs

"The strength of our culture, aligned with our purpose and values, permits us to be ambitious about what we can achieve.

Daemmon Reeve
Chief Executive Officer

WELCOME

WHAT MAKES US UNIQUE

A PURPOSE-DRIVEN ORGANISATION

Extracting

While Treatt is known for extracting market-leading flavour and fragrance ingredients, this powerful word also encompasses our ability to bring out the best in our people, our community and our customers, while creating a collaborative company culture that inspires success every day.

Excellence

Excellence captures the importance of quality products, customer service and reputation; this extends to colleagues as we are known for hiring well, working to retain and attract talent. It elevates us and incorporates company values as we strive to be the best, do the best and provide the best in all aspects of the business.

Enhancing

We consider Treatt to be an experience enhancer, making something better or improving what is already there.

This is true for the products we are a part of, our workplace, the relationships we build and of course, our people. We actively look for ways to enhance our local community, charities, and environment, making the world a better place to be.

Everyday

Every day we collaborate, innovate, and inspire.

Products we consume everyday wouldn't be what they are without Treatt.

We are the secret ingredient of everyday life. The unsung hero of everyday moments.

People with purpose

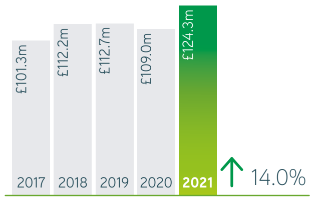
As most of our staff are shareholders, we knew that our new purpose had to come from our people if it was going to feel like a true representation of why we are here. In June, 28 Treatt employees from across the world applied to be part of our Purpose Team, and nine people were selected. They collaborated for a number of months to discover our enduring reason for being, and we couldn't be prouder of what they have uncovered.

HIGHLIGHTS

FINANCIAL

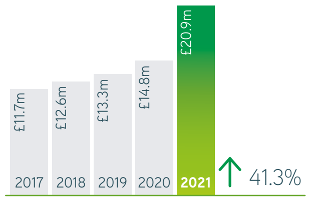
REVENUE[1]

£124.3m



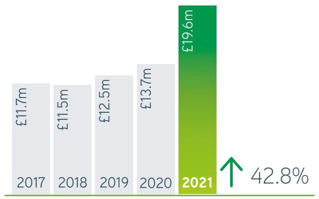
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS[1]

£20.9m



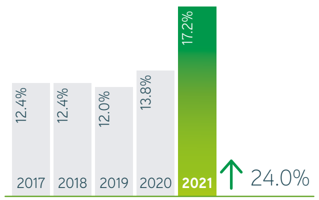
PROFIT BEFORE TAX[1]

£19.6m



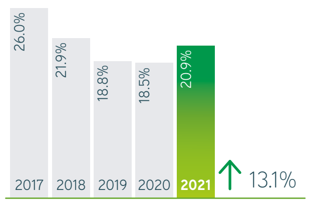
NET OPERATING MARGIN[3,4]

17.2%



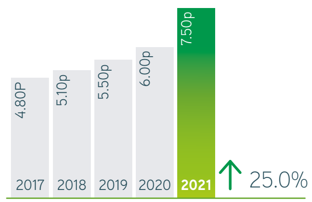
RETURN ON AVERAGE CAPITAL EMPLOYED[3,5,6]

20.9%



DIVIDEND PER SHARE[2]

7.50p



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 the corresponding financial year, details of which are provided in note 12 of the financial statements.
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 financial key performance indicators are shown on page 25.
6 More details on alternative performance measures are provided in note 33 of the financial statements.

HIGHLIGHTS CONTINUED

OPERATIONAL

DELIVERING EXCEPTIONAL PERFORMANCE DURING A YEAR OF ECONOMIC CHALLENGE

Strong growth in profits and margins, exceeding original Board expectations.

REVENUE AND MARGIN GROWTH LED BY OUR HEALTHIER LIVING CATEGORIES

Robust growth in tea, health & wellness and fruit & vegetables categories meeting the ever growing demand for authentic, natural and clean-living ingredients.

PERFORMANCE THAT WAS UNDERPINNED BY OUR PURPOSE AND VALUES

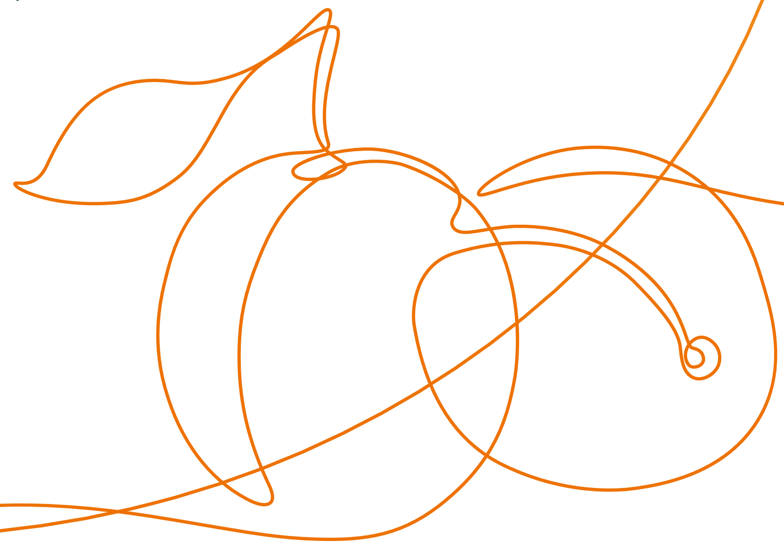
Our culture, driven by our purpose and values, is the key foundation of our success. Collaboration and agility across our global team has positioned us well to address challenges within our markets and supply chain.

KEY MILESTONES ACHIEVED IN BUILDING OUR PLATFORM FOR FUTURE GROWTH

Our new UK Headquarters opened for office-based staff during the year, providing the springboard for continued growth over the medium-term with a carefully phased transfer of our manufacturing operations taking place between now and mid-2023. Treatt China, our new wholly-owned foreign enterprise, is now fully operational, opening up significant opportunities for further growth.

EVOLVING OUR APPROACH AND COMMITMENT TO SUSTAINABILITY

Whilst always present in our DNA, we have made great progress during the year in further embedding sustainability as a cornerstone of our business.



AT A GLANCE

A GLOBAL TEAM OF…

…Creative thinkers

We make the world taste better by creating and supplying exceptional natural extracts and flavour ingredients, enjoyed by millions of people, every day

EMPLOYEES[1]
423

CUSTOMERS
785

PRODUCTS SOLD IN 75+ COUNTRIES
1,733

NATURAL PRODUCTS
76%

SALES
£124m

PRODUCT CATEGORIES
7

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.

With more than 130 years' experience, the world's biggest beverage, consumer goods and flavour companies trust our people to re-imagine what is possible. Whether it is 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.

We are innovative scientists, ground-breaking technologists and creative thinkers, passionate about differentiating flavour and fragrance ingredients unlike any other.

AT A GLANCE CONTINUED

WHERE WE OPERATE

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

We service customers in more than 75 countries from our facilities in the UK, the US and China.

OUR GEOGRAPHIES

UK

The investment in our new UK Headquarters at Skyliner Way in Suffolk is transforming our business, bringing our distillation, manufacturing, logistics, technical and office-based functions together in one purpose-built facility. The first phase of occupation was completed in September 2021. The next phase will see the transition of our manufacturing capabilities to Skyliner Way between mid-2022 and mid-2023. Our new UK Headquarters will accelerate the partnership-based model, enhancing technical collaboration and innovation with our customers.

US

Due to continued success and new business growth in the healthier living categories in beverage, we have purchased additional land at our Lakeland campus to support future growth. We have also welcomed 44 new employees this year.

CHINA

The relocation to larger premises in 2020 and the expansion of our commercial team in China in 2021 will enable us to continue our significant growth. The wholly-owned foreign enterprise (WOFE) was founded in 2021. The WOFE allows us to create closer and more flexible import and export relationships in order to make us even more competitive.

Global

OUR BUSINESS MODEL

DELIVERS VALUE FOR ALL OUR STAKEHOLDERS

WHAT WE DO

We help our customers differentiate their products through authenticity and quality.

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 synthetic aroma ingredients. We offer everything from 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.

F&F houses

Flavour and fragrance (F&F) houses buy our products to incorporate within their own, which they then sell to FMCG customers. They look for competitive pricing and our technical, regulatory and application knowledge.

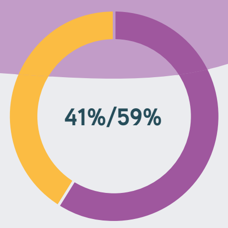
FMCG Strategy

Our truly natural flavour extracts and ingredients will be sought after for their ability to bring the 'real deal' to a finished beverage by the world's biggest brands, as well as start-ups tipped for success.

F&F Strategy

We will forge relationships with all the key F&F companies in each of our territories, developing strong connections shaped by our unrivalled ingredient knowledge and dedication to outstanding customer service.

- NORTH AMERICA REGIONAL COMMERCIAL STRATEGY
- UK, EUROPE AND REST OF THE WORLD REGIONAL COMMERCIAL STRATEGY
- CHINA REGIONAL COMMERCIAL STRATEGY



FMCG and other customers sales
Flavour and fragrance houses sales

We have worked with:

6	1	3	154
of our top ten customers	of our top ten customers	of our top ten customers	new customers
> 25yrs	> 20yrs	> 10yrs	NEW

OUR BUSINESS MODEL CONTINUED

WHY OUR CUSTOMERS CHOOSE TREATT

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

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

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 80% 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 1,700 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.

RESPONSIBLE 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. You can read more on pages 40 and 41.

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

87%
of customers surveyed rate Treatt products far above/above average.

94%
of customers surveyed are happy overall/happy.

Strong correlation between attributes customers look for in a supplier vs. the value proposition that they associate with Treatt's products and services.

44
NPS score.

90%
of customers surveyed believe Treatt understands their business needs very well/well.

OUR BUSINESS MODEL CONTINUED

HOW WE SHARE VALUE WITH OUR STAKEHOLDERS

Employees

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

423

Employees as at 30 September 2021

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 based on long-term relationships and trust.

We have worked with:
Four of our top ten suppliers > **20 years**
Five of our top ten suppliers > **10 years**
One of our top ten suppliers > **5 years**

Investors

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

12% p.a.

Compound annual dividend growth rate over the last five financial years, equating to a 72% increase.

Communities

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

£59,339

Group donations

"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. We are reinforcing our global teams, introducing additional complimentary skills to the business with strategic new hires.

Daemmon Reeve
Chief Executive Officer

INVESTMENT CASE

CREATING SUSTAINABLE VALUE

SUSTAINABLE PRACTICES

We are continually looking at ways to minimise our footprint on the environment and build upon the positive impact 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 our strategic objectives and create long-term shareholder value.

0%

of general waste is sent to landfill in the UK

92%

of our purchased kgs are natural

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.

130+

years of knowledge & innovation

3

sites across three continents

DIVERSIFIED BUSINESS

Utilising our broad portfolio of ready-made or tailored extracts and ingredients, 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.

75+

countries in which our products are sold

46%

of our revenue is from our top ten customers

INVESTMENT CASE CONTINUED

CLEAR STRATEGY ON CONSUMER GROWTH DRIVERS

Our focus on healthier living categories and our reputation in the complex science of flavour and fragrance ingredients is driving growth. Our health & wellness (including sugar reduction) and fruit & vegetables product categories are examples of better-for-you, authentic differentiators in beverage.

29%

Revenue from healthier living categories

TRACK RECORD OF PROFIT GROWTH

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

9 years

Consecutive years' growth in profit before tax and exceptional items

WELL-INVESTED SITES

We have doubled the capacity in the US for our healthier living categories and quadrupled the size of our technical facility there. The new UK Headquarters, subject to product mix, will have the capability of producing three times as much as our previous site, and can be doubled in size in a modular, cost-effective manner.

£55 million

Approximate total investment to increase capacity

"We are firmly focused on scalable growth at Treatt, which will deliver for our stakeholders. We are putting in place the right infrastructure and expertise to accelerate the important partnership-based model, and drive innovation, together with our customers.

Daemmon Reeve
Chief Executive Officer

CHAIRMAN'S STATEMENT

CREATING SUSTAINABLE VALUE

In this highly unusual and challenging year, it's my pleasure to report that Treatt has continued to thrive

"I'm confident that we have all the right elements in place to build on our remarkable track record of growth."

Tim Jones
Chairman

We have delivered another year of exceptional results, continuing to grow the business strongly. This is particularly impressive given that many of our markets remained severely impacted by the COVID-19 pandemic, with the results demonstrating the resilience and adaptability of the Treatt business. We have delivered a strong performance across all of our key financial metrics, including profit before tax and exceptional items increasing by 41.3% to £20.9m.

To achieve this without taking any government support nor putting any staff on furlough, whilst continuing to prioritise the health, safety and wellness of our employees is, in a word, remarkable.

The Board and I are incredibly proud of the dedication and commitment shown by all our staff during the year. Whether working from home or in our manufacturing facilities, our teams have met a variety of challenges and lived up to our Company values time and time again. My heartfelt thanks go to each and every one of them.

PERFORMANCE

Our performance this year has substantially exceeded our original expectations, not just in overcoming the challenges of COVID-19, but also in outperforming against our original, pre-pandemic projections.

With a number of our customers' key markets and on-trade channels severely disrupted or closed, a notable achievement over the year has been our success in serving our customers' retail channels. Revenue growth across almost all categories has been strong, with our healthier living categories thriving in particular.

As we continue to solidify our position as a key supplier to a number of the largest beverage operators, a key win for Treatt has been the swift evolution of the ready-to-drink canned cocktail market, where we have a strong position with multiple leading brands. The rapid innovation of new flavours in that space is testament both to our impressive ability to respond to new consumer trends, and to our strong supply chain relationships.

CAPITAL INVESTMENTS FOR GROWTH

Building on investment in our US facilities over recent years, further long-term investment plans are coming to fruition through the transition to our new UK Headquarters. We are delighted with the new facility, which will give us substantial extra capacity to grow with much greater efficiency and an emphasis on sustainability. The feedback from customers who have visited the new site has been extremely positive. We are also laying strong foundations in China to position us well for growth across Asia.

ESG AND OUR CULTURE

Sustainability has always been at the core of the Treatt business. With new infrastructure investments in place, one of our key areas of focus is to formalise our ESG (environmental, social and governance) agenda to ensure it is both robust and is setting relevant and ambitious targets. We have been working with external sustainability consultants to improve how we measure our impacts across a range of environmental and social areas.

This has led to a new sustainability strategy, which includes a number of refreshed priorities for the business.

We have also been taking a closer look at our purpose as a business, led by our employees, which is becoming ever more relevant in a world increasingly seeking high quality, and sustainable, natural extracts and ingredients as the growing focus on health and well-being continues.

I am proud of our supportive culture and the many initiatives carried out across the Group supporting good mental health. Colleagues came together to support one another throughout, and hopefully soon, out of the other side of the pandemic.

BOARD CHANGES DURING THE PERIOD

We have built a diverse and skilled Board. Vijay Thakrar will take over as the new Chair of our Audit Committee when Jeff Iliffe steps down from the Board on 25 February 2022. I would like to express my thanks to Jeff for his dedication to Treatt since 2013, for his wisdom, support, and the superb contribution he has made.

Richard Illek steps down from the Board on 31 December 2021. Again, I would like to express thanks to Richard for his contribution since 2016, having shared with us his reservoir of knowledge and experience.

7

Board meetings in the year

CHAIRMAN'S STATEMENT CONTINUED

Richard Hope, our longstanding Chief Financial Officer, is set to retire from the business on 30 June 2022. Richard's role in our transformation and growth cannot be overstated and we wish him all the best for his well-deserved retirement when it comes. Our search for each of their replacements is underway.

DIVIDEND

The Directors are pleased to propose a final dividend of 5.50p per share (2020: 4.16p), which represents an increase in the total dividend for the year of 25.0% to 7.50p (2020: 6.00p). If approved by shareholders at the Annual General Meeting, the final dividend will be payable on 17 March 2022 to all shareholders on the register at the close of business on 4 February 2022.

OUTLOOK

The Group continues to go from strength to strength. We have a solid business model, a clear strategy and exciting opportunities as markets reopen, new trends emerge, and we enter new territories.

As we begin saying goodbye to Northern Way, the home that has served us well for nearly half a century in the UK, we are excited about the continued transition into our new UK Headquarters in Skyliner Way, which has been designed to be both environmentally efficient and to support the wellbeing of our employees. I'm confident that we have all the right elements in place to build on our remarkable track record of growth. The resilience we have shown in achieving such positive results demonstrates that we are well positioned to deliver on our ambitions.

Tim Jones
Chairman
29 November 2021

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 whilst working to the highest possible standards across the business.

TEAMWORK
Working in partnership is how we best serve our customers, exceed their expectations and meet 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.

We asked Robert Wood, Sensory Analyst, what 'teamwork' means to him

"Whether relying on the support of our staff to give opinions on consumer products, or using our technical staff's expertise to validate our products to meet specification, teamwork is driving value in helping us achieve our goals consistently.

Fostering relationships with colleagues and departments is an integral part of our sensory practices at Treatt."

YEAR IN REVIEW

Q&A WITH OUR NON-EXECUTIVE DIRECTOR

We welcomed Vijay Thakrar, Non-executive Director, into the Treatt fold last year. He caught up with some of our people around the world, inviting them to reflect briefly on 2021 and share their thoughts on what excites them about the future at Treatt

Vijay Thakrar

Non-executive Director

Q&A

"I feel incredibly humbled to hear stories about how our people around the world have come together to support each other during a period of unprecedented uncertainty in the past 18 months.

Vijay Thakrar

Non-executive Director

Steve Fan

Country Manager, China

Steve Fan, Country Manager, China

Q: It has been quite a year. What is the most surprising thing you have learned over the past 12 months?

A: Over the past 12 months, I have been surprised by the incredible growth delivered by our dedicated and passionate global team, especially in the face of such challenging circumstances due to global pandemic issues. We have worked as a team to deliver a very solid year, maintaining our growing momentum.

Q: How would you describe the culture at Treatt in three words?

A: Supportive. Collaborative. Excellence.

Q: Why do you think our customers choose Treatt?

A: Treatt has outstanding ingredients and natural extracts but it is also about our tradition of excellence, and well-designed products to meet our customers' needs through our continuous innovation and creative thinking. Time and time again we deliver added-value to our customers, helping them stand out in the market and succeed.

Q: What excites you most about the year ahead?

A: I am very excited about Treatt's ambitious global plans. Following the incorporation of the WOFE in China, our team will play a key role in achieving these plans through our specific regional business strategy.

Q: Which ingredient can't you live without?

A: Enthusiasm and clear objectives – both in work and life.

Sharon Vafapisheh

Extraction and Operations Project Manager

YEAR IN REVIEW CONTINUED

Q&A WITH OUR NON-EXECUTIVE DIRECTOR

Sharon Vafapisheh, Extraction and Operations Project Manager

Q: It has been quite a year. What is the most surprising thing you have learned over the past 12 months?

A: The resilience of our workforce. During the past 12 months the Treatt team has really come together to ensure the business continues to operate as smoothly as possible. Those who remained on-site did a fantastic job throughout the pandemic, changing their practices to create a safe environment for everyone. Those at home had to adapt to a new way of working entirely, which may not have been easy at first, but they made it work for them.

Q: How would you describe the culture at Treatt in three words?

A: Nurturing. Motivating. Collaborative. Treatt really nurtures potential and develops its employees to achieve great things.

We are motivated to give our best every day. We also have a very collaborative culture. Many teams work together on day-to-day activities and projects. People are always happy to share information and knowledge with one another, which is really encouraging.

Q: Why do you think our customers choose Treatt?

A: Our dedication to providing unique ingredients that fit their needs. A lot of work goes on behind the scenes to ensure a high standard of product which meets customer expectations. Our teams are agile and put the customers' requirements at the forefront of everything we do, from innovation to manufacturing, packaging and delivery.

Q: What excites you most about the year ahead?

A: Our new site in the UK. I am really excited for the move and what's in store for us at Skyliner Way. It will be great to see some old faces who I haven't seen for the past year, and meet all the new starters who joined us during the pandemic.

Q: Which ingredient can't you live without?

A: Cinnamon. I start every day with cinnamon, whether it is in my porridge, sprinkled on top of pancakes, or even in a latte. It is especially hard to live without it during the autumn months. I find it brings me a lot of warmth and comfort as the weather gets colder.

Kevin Butler, VP of Operations

Q: It has been quite a year. What is the most surprising thing you have learned over the past 12 months?

A: Just how resilient the Treatt family is to change and uncertainty. While the pandemic has been a tragedy and challenged the way we work, it has also presented opportunities. This team continues to impress and inspire me. I am very proud to call them all teammates.

Q: How would you describe the culture at Treatt in three words?

A: Flexible. Engaged. Nimble.

Q: Why do you think our customers choose Treatt?

A: Treatt's dedication to customer service and quality. Both are great legacies that we strive to improve upon daily.

Q: What excites you most about the year ahead?

A: Our growing and diverse workforce. In the middle of a national hiring crisis, we have been able to retain and enrich Treatt's already talented team. I am excited to see how everyone will meet the ever-present challenges of our growing company.

Q: Which ingredient can't you live without?

A: I love the aroma of our water soluble distilled lime extract. Absolutely mouthwatering.

Kevin Butler

Vice President of Operations

MARKET OVERVIEW

AN INSIGHT TO A HEALTHY FUTURE

Douglas Rash

Vice President of Global Sales and Marketing

INTRODUCTION

One recurring question of late is "what does a post-pandemic world look like for our customers?"

Over the past year the world has seen not only human tragedy but also extraordinary economic challenges – the legacy of which is expected to be felt for years to come.

But what influence has a combination of social distancing, lockdowns, working from home and other restrictions had on consumer behaviour for the sector?

The impact has been enormous and immediate, unlike anything else I have experienced in my 31 years in the industry. And yet in the midst of this shock, the non-alcoholic as well as alcoholic beverages market has navigated these challenging times better than some.

While consumer behaviour is more unpredictable than ever, we know the macro trends which are driving the market; premiumisation, health and wellness, and provenance.

The health and wellness trend has been rising for some time but no one could have predicted the sudden escalation we have seen since the pandemic. The interest consumers have taken in their health and wellbeing as a result has boosted demand in the functional beverage space. Healthier living is no passing fad – it is an integral part of how we live now and in the future.

This seismic shifting of behaviours which we have been seeing since the start of the pandemic requires us to call upon our expertise to not only better understand consumer behaviour but to ensure we are aligned as a business to meet the needs of the market going forward. This is why we are strategically positioned to deliver for, and partner with consumer goods brands, leading flavour houses and innovative start-ups. It is also why we are investing in even greater market insights and data.

As the world fully emerges from lockdown, economies are gradually reviving. Sales across nearly all categories are being boosted by the return of on-the-go and premium beverages. What was a growing interest and demand for healthy beverages has become that much more important due to COVID-19. Beverage manufacturers must therefore become more creative and agile in response.

Douglas Rash
Vice President of Global Sales and Marketing

The global non-alcoholic beverages market is expected to grow from USD 923.06 million in 2020 and to reach USD 1,732.7 billion by 2028, growing at a CAGR of 8.19% 2021–2028

Global non-alcoholic beverage market size forecast to reach
$1,732.7 billion BY 2028

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.

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

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

FRUIT & VEGETABLES
Our natural distillates deliver on impact and minimal label requirements, both of which are increasingly important to consumers.

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

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

MARKET OVERVIEW CONTINUED

We are well placed to support our customers in meeting the evolving demands of consumers

GLOBAL TRENDS

NORTH AMERICA

Global Data forecast that the total value of all non-alcoholic beverages categories in North America will grow from USD $177 billion to $205 billion between 2020 and 2024. Volume growth in litres is forecast to grow from 84 billion to 88 billion.

The fastest growing categories by volume as reported by Global Data will be: flavoured water, energy drinks, to enhanced water and ready-to-drink (RTD) iced coffee.

As COVID-19 restrictions ease and inbound tourism gradually builds, the US soft drinks industry has begun to recover. There has been a steady return to normality among the major quick-service restaurant (QSR) and full-service restaurant (FSR) chains in Q2 2021.

Functional benefits of beverages have gained more prominence as US consumers become increasingly concerned about obesity-related diseases such as diabetes. Consumers are becoming more physically active and where they may have traditionally opted for a sports drink to fulfil their need for functional benefits, they now demand beverages which are more natural and lower in calories. High sugar levels and artificial flavourings have had a negative impact on the category's image.

Sustainability became a key focus for many manufacturers in the US in 2020, as consumers became more aware of and concerned about the use of plastic in the beverage industry. In order to increase appeal to consumers, companies are focusing on sustainability when launching new products.

US consumers are seeking authenticity and leaning more heavily toward products with natural ingredients or claims, and 84% of US respondents stated that, to them, "natural ingredients are as important or more important than before the pandemic." (Global Data COVID-19 Recovery Survey Week 11 – US).

UK AND EUROPE

Germany, UK, Russia, France and Poland represent 55% by volume of the total non-alcoholic beverage market in Europe. Unlike North America, each country has distinct consumer preferences although carbonates represented the biggest beverage category across all key markets in 2020.

Global Data forecast that the total value of all soft drinks categories in Europe will grow from USD $131 billion to $164 billion between 2020 and 2024. Volume growth is forecast to grow from M Litres 83 billion to 88 billion.

The fastest growing categories by volume as reported by Global Data will be: energy drinks, RTD iced coffee, RTD iced tea and flavoured water. It is likely we will see more premiumisation of RTD iced coffee in future.

Before the relaxing of travel restrictions in Q2 2021, on-premises sales of soft drinks were severely impacted. With fewer people travelling abroad, the rise in 'staycations' has also helped to offset the decline.

Among the shifts in consumer channel preferences, direct to consumer sites performed extremely well over the past year as lockdowns prompted consumers to make online purchases more frequently.

Sugar reduction continues to play a massive role in beverage innovation and manufacturers across Europe are committed to making healthy choices much easier for consumers.

ASIA

China, Japan and India represent 65% by volume of the total non-alcoholic beverage market in APAC. By 2025, Generation Z will account for a quarter of the population of the Asia-Pacific region.

Global Data forecast that the total value of all soft drinks categories across APAC will grow from USD $219 billion to $297 billion between 2020 and 2024. Volume growth in litres is forecast to grow from 132 billion to 155 billion.

The fastest growing categories by volume as reported by Global Data will be: flavoured waters, energy drinks, RTD iced tea and RTD iced coffee.

In China, soft drinks sales registered 20% growth in Q1 2021. Post-pandemic behaviours have advanced online sales which are now a hugely important channel for the beverage sector. On-premises sales were largely back to normal but health and wellness is booming.

In Japan, another important and growing market for the Group, the market for beverages that adhere to the stringent rules of Foods for Special Health Uses (FOSHU) is valued at over USD $1 billion.

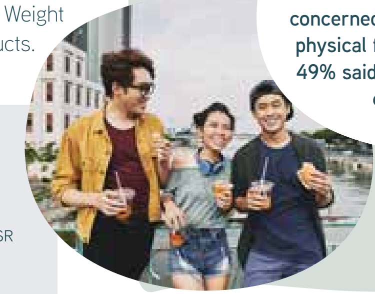
Categories known for their high sugar content such as syrups, energy drinks and carbonates are swiftly re-formulating recipes in line with a renewed focus on the needs of health-driven consumers. Weight management is a key deliverable of these products.

Sources:

- Fior Markets – Non-Alcoholic Beverages Market by Type, Distribution Channel, Region, Global Industry Analysis, Market Size, Share, Growth, Trends, and Forecast 2021 to 2028
- Global Data Soft Drinks Market Analyser 2021
- Global Data China Quarterly Beverage Forecast Insights 1st Quarter 2021
- Global Data Japan Soft Drinks Market Insights 2021
- Global Data COVID-19 Recovery Survey Week 11 – US
- Global Data 2021 Q2 Consumer Survey – UK
- UN, Euromonitor
- What's driving growth in the no and low alcohol space? – IWSR
- Deloitte Global 2021 Millennial and Gen Z Survey
- What makes Gen Z in Asia different? | McKinsey

US consumers are leaning more heavily toward products with natural ingredients or claims. This is supported by a Global Data survey, in which 84% of US respondents stated that, to them, "natural ingredients are as important or more important than before the pandemic". (Global Data COVID-19 Recovery Survey Week 11 – US).

In a recent survey of UK consumers, when asked: "What best describes your consumption of sugar?" 40% said they were actively seeking to reduce consumption (Global Data 2021 Q2 Consumer Survey – UK).



In Global Data's consumer survey Q1-21 China consumers were asked "How concerned are you about your physical fitness and health?" 49% said they are extremely concerned.

MARKET OVERVIEW CONTINUED

PROVENANCE, ENVIRONMENTAL & SOCIAL RESPONSIBILITY

A recent consumer survey by Global Data in China (Q1 2021), asked:

"Which of the following features has the greatest influence on your choices of products/services in the current situation?"

42% cited in response: "How ethical/environmentally-friendly/socially-responsible the product/service is" always or often influences my choice of product.

In times of dramatic change or increased uncertainty, consumers often seek reassurance and trust. Provenance and the 'story' of ingredients (farming, processing, shipping and more) as well as transparency of the supply chain will continue to play a bigger role in the development of products across all beverage pillars – especially as consumers are better informed than ever on what is in the products they consume.

Consumers, particularly the Gen Z group, are keen to make sustainable purchases, and will often pay a slightly higher price for a product that has less impact on society or the environment.

Opportunities

- Increased consumer and customer interest in ingredient source
- Point of difference due to our proximity to source

EVOLVING PREMIUMISATION

According to Global Data, more consumers buy premium non-alcoholic drinks than alcoholic drinks; some 52%.

The growth of low/no-alcohol has also fuelled this trend. Around 20% of adults in the UK are now teetotal. While alcohol consumption is declining globally, the low and no-alcohol market is thriving. International Wine and Spirits Research (IWSR) forecast consumption will grow 31% by 2024.

With COVID-19 affecting spending on traditional luxuries such as holidays and cars, consumers have spent more on beverages for at-home consumption. This has fuelled the beverage industry's growing trend towards more premium products, differentiated by a focus on natural ingredients and premium taste.

It is no surprise that an increase in home cooking, little or no travel and limited entertainment options have led to a desire to break the monotony, expressed through a willingness to try new experiences. This presents manufacturers with an opportunity to experiment and launch unique variants at a premium price point.

Demographically, this target consumer is most likely to be a digital native Millennial or Gen Z consumer. Gen Z accounts for a third of the global population and according to Euromonitor they have the fastest growing income; set to quadruple over the next decade to $33 trillion.

Opportunities

- Strong association with natural, minimal label ingredients
- Consumer desire for impactful drinking experiences using authentic ingredients

360 HEALTH

In the wake of the pandemic there has been a tremendous shift, with consumers taking a more proactive and holistic approach to their health. According to Global Data, mental health is now seen as being of equal importance to physical health – in a recent global survey 77% of respondents reported being concerned with their mental wellbeing (Global Data, Global Consumer Survey Q2, 2021).

So how does the beverage industry's (arguably) largest consumer group of Millennials and Gen Z's feel about their health?

Disease prevention was cited as the biggest of their top five concerns in the 2021 Deloitte Global Millennial/Gen Z Survey (28% reported this as their top concern).

When asked how appealing they found products that claimed to boost immunity, 70% cited such products as very/somewhat appealing (Global Data, Global Consumer Survey Q2, 2021).

Ingredients that claim healthy functional credentials such as immunity, energy, or performance-enhancing are taking centre stage as health-conscious consumers seek products that align with their mental wellbeing and physical fitness goals.

Opportunities

- Established and growing health and wellness portfolio
- Strongly positioned to serve this dynamic and opportunity-rich market
- Significant growth opportunities as consumers look for 'better-for-you' products in every beverage pillar
- Our natural, minimal label ingredients continue to perform well as a result

OUR AMBITION AND STRATEGY

DELIVERING SUSTAINABLE GROWTH FOR OUR STAKEHOLDERS

ENGAGING WITH OUR COMMUNITIES

Making a positive impact on the communities in which we operate will always be strategically important to us.

LAST YEAR WE...

- Adapted our approach to community collaboration in the wake of the pandemic, ensuring we were making a difference to those most in need on our doorstep

THIS YEAR WE WILL...

- Continue to focus our efforts where we can make the most significant impact, while aligning our activity with our UN Sustainable Development Goals

We sponsored a Bury St. Edmunds Rickshaw to assist local people with getting out and about to help combat increasing feelings of loneliness and isolation as a result of COVID-19 restrictions.

We partnered with Sybil Andrews School by sponsoring a gardening programme for its pupils, designed to teach the importance of sustainable living.

Our employees walked 100 miles in a month to raise funds for Peace River, a centre of excellence for building emotional awareness in Polk County, Florida – a particularly important cause to our US team.

INVESTING IN OUR CULTURE

Our culture is what differentiates us from our competitors, and as an employer.

LAST YEAR WE...

- Prioritised the wellbeing of our people in new and ambitious ways, while harnessing the positive sentiment around our improved facilities
- Brought in the real living wage for all Group employees

THIS YEAR WE WILL...

- Improve the strategic alignment of our global internal communications to continually improve employee engagement
- Broaden our training and professional development programmes in all territories

We recruited a new and talented Chief People Officer, Jonathan Whitworth, to supercharge efforts in this important area.

Our new UK Headquarters were opened to office-based staff in September. Our onboarding process was designed with the needs and concerns of our people in mind to ensure it was a positive experience for all.

Gold Best Employers Eastern Region 2021

Best Employers Eastern Region WINNER 2021

We were named 'Best Overall Large Company' at the Best Employers Eastern Region Awards in September 2021 in the UK and achieved the prestigious Gold Accreditation to reflect the incredibly strong commitment to our people and their wellbeing.

OUR AMBITION AND STRATEGY CONTINUED

REDUCING OUR ENVIRONMENTAL IMPACT

We fully appreciate our responsibility to protect the environment and are seeking to better understand our impact on it.

LAST YEAR WE...

- Approved our sustainability strategy and identified four key issues, one being environment and climate change
- Committed to report on Scope 3 emissions in FY2022 to give us a clearer picture of our direct and indirect emissions
- Started work on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations

THIS YEAR WE WILL...

- Continue, with assistance from our sustainability consultants, to further consider Scope 1 and 2 reduction targets and to move our work on TCFD forward
- Undertake an assessment of our waste streams to identify where we can make improvements in our processes

We appointed Katie Severn as Global Sustainability Manager in a newly created role.

Our global workforce were invited to a series of training sessions giving an overview of our sustainability strategy and progress towards our ongoing objectives.

INVESTING IN OUR CORE CATEGORIES

Our strong footprint in natural extracts and ingredients gives us a solid platform from which to continually grow.

LAST YEAR WE...

- Developed differentiators to support our growth in beverage

THIS YEAR WE WILL...

- Increase our focus on long-term innovation, with the recruitment of Wolfgang Tosch, our new Global Chief Innovation Officer

We launched a range of brewed tea extracts on a global scale to support the evolution of our popular tea category.

Our China team brought a range of citrus emulsions to market, which have already seen notable wins with the country's largest consumer goods companies.

We have expanded our fruit & vegetables range with new line extension products, aligned with consumer trends.

OUR AMBITION AND STRATEGY CONTINUED

DIVERSIFYING INTO NEW CATEGORIES

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

LAST YEAR WE...

- Developed our coffee platform, building relationships with strategic partners across the UK, Europe, and North America

THIS YEAR WE WILL...

- Bring coffee manufacturing to our UK Headquarters in order to further improve our service to customers outside of North America

INVESTING IN FUTURE GROWTH

We continue to focus on investing in our operations in order to provide a sound platform for growth.

LAST YEAR WE...

- Began to leverage the significant additional capacity investment in the US and began the transition to our new state-of-the-art UK Headquarters

THIS YEAR WE WILL...

- Continue the momentum we have started in getting our UK Headquarters operational and positioned to drive significant growth in 2023 and beyond
- Invest in new equipment designed to specifically meet the needs of our beverage customers

Our co-development approach to working with our customers is proving highly effective. **We have grown our customer base by 5%**, and have a strong pipeline evolving.

We have secured additional land adjacent to our Florida facility to provide important coverage for future growth.

The establishment of our WOFE in China is a **significant milestone that will be instrumental to growth in the territory**.

Many of our UK-based colleagues are now in our new fun and engaging UK Headquarters, which provides a significant improvement in working environment.

STRATEGY IN ACTION – CASE STUDY

A NATURAL EVOLUTION

Charlotte Catignani

Lead Category Manager

"Treatt's historic roots are firmly grounded in natural extracts and ingredients from natural sources. As a business, we benefit greatly from this fertile foundation. Just as Treatt has continually evolved, so too has the demand for natural extracts. So much so that we've predicted this demand expanding beyond citrus into other categories.

We have been well positioned to create a wider range of natural extracts which aligns to the macro trends we know are driving the market, such as healthier living and premiumisation.

The 'health halo' as it is often referred to, sits just as comfortably above tea and coffee categories as it does fruit and vegetables.

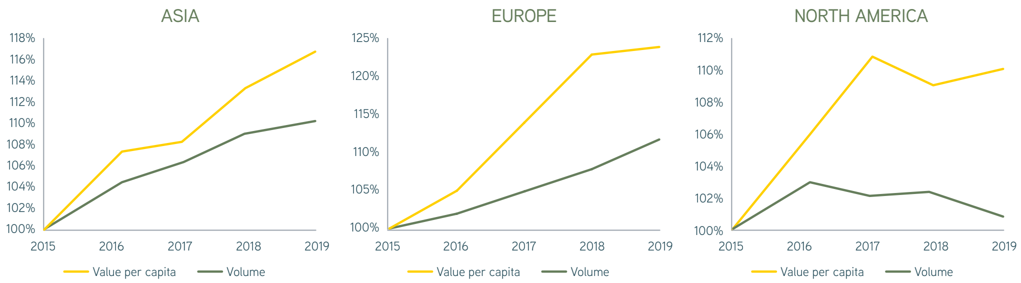
But it is the evolution of tea in particular which has seen tremendous growth recently and tells a compelling story. This year we launched our real brewed tea extracts, which offer the full spectrum of tea extracts, incorporating all the elements you experience from a cup of real brewed tea.

It is a superb example of us pivoting and innovating to meet the market needs, utilising our knowledge and expertise, as consumers continue to move beyond more traditional formats of tea.

Charlotte Catignani
Lead Category Manager

PER CAPITA SPEND VERSUS VOLUME

These graphs illustrate that consumers are prepared to pay more for quality tea beverages. The spend per capita is increasing more quickly than volumes.



Source: Global Data and worldometers.info

WHY BREWED TEA EXTRACTS?

Thanks to the expansive variety of flavours, functional benefits and applications across beverage types, tea is attracting a new generation of consumers – in particular the adventurous tastes of the health and environmentally conscious Millennials and Generation Zs.

BRINGING CONSUMERS CLOSER TO THE LEAF

We create some of the most exciting tea products in this fast-expanding market. Whether it is for a fresh brewed experience in ready-to-drink brands or the delicate top notes in a blended beverage, we can deliver the essence of real brewed tea across a range of applications.

Our range of brewed tea extracts are 100% natural, using a method which allows us to capture the delicate nuances artfully crafted during the tea growing and harvesting process, to offer a variety of flavour profiles.

Delicate, floral white teas to fresh green teas, and full-bodied black teas – our portfolio gives formulators the ultimate flexibility.

Our range offers clean, reliable convenience as there is no need to brew tea leaves, or risk inconsistent yields.

WHERE WE SOURCE OUR TEA

Using our in-depth knowledge of the different growing regions' flush cycles, tea leaf harvesting and process methods, we carefully select our teas from across the globe to obtain the highest quality teas available.

We work with our partnering growers and suppliers of some of the world's leading tea gardens, offering our customers a transparent, scalable supply chain they can trust and depend on.

CHIEF EXECUTIVE'S REVIEW

DELIVERING A REMARKABLE PERFORMANCE

"

Investing in our culture is embedded in our business strategy.

Daemmon Reeve
Chief Executive Officer

We have delivered a remarkable performance in a year when we have been managing both the continued impact of the COVID-19 pandemic and volatility in market conditions.

We have outperformed expectations to deliver strong growth across multiple categories, all the while making progress with a number of strategic investments.

Looking back on the year, I want to pay tribute to my colleagues across the Group for their perseverance and endeavour during difficult times. The safety measures we have had in place haven't always made the working environment easy, but I'm proud that we have delivered on our primary goal of keeping our colleagues safe and well. Our strong performance is testament to the efforts of everyone at Treatt, our agility and our supportive culture.

Building on the momentum of last year, the results reflect the resilience of the Group and also our ability to respond to changing market conditions and adapt accordingly. The strategic focus we have placed on higher value solutions, and on driving a strong performance serving our customers' retail channels, has been truly exceptional. Through this we have delivered revenue of £124.3m (2020: £109.0m) and a profit before tax and exceptional items for the year of £20.9m (2020: £14.8m), representing increases of 14.0% and 41.3% compared with last year.

This outstanding performance has been achieved in spite of COVID-19. Due to the sporadic closing and reopening of the hospitality industry around the world, we've experienced a year of fluctuating consumer demand. Even in open economies, beverage consumption is yet to return to pre-pandemic levels, although retail channels have seen notable success.

That makes our growth all the more gratifying and gives us reason to be optimistic about the future. Long-term macro trends in the marketplace are closely aligned with Treatt's strengths, and are focused around premiumisation, authenticity and natural ingredients. The strategic positioning of our portfolio means we are well positioned to benefit through our various natural, healthier living product categories.

ALIGNED WITH GROWING CONSUMER TRENDS

We are more in tune than ever with evolving consumer tastes. The key beverage trend which has supported our growth during the year has been the ready-to-drink canned cocktail market, including hard seltzers. We have also experienced success across a wide range of existing and new market beverages, showcasing our diverse portfolio of solutions. Hard seltzers have proven to be a high growth opportunity for the beverage market and a sweet spot for us as a Group. High-quality natural extracts are the key ingredient in delivering low-calorie, premium alcoholic beverages, and our technical expertise in this space has led many of the world's leading brands to partner with Treatt.

More widely, consumer demand for a variety of healthier, premium beverages continues apace, with revenue growth of 64.1% across our healthier living categories (tea, health & wellness and fruit & vegetables) driven not just by hard seltzers, but beverages such as energy drinks and flavoured waters too. The strength of these numbers demonstrates that there is still plenty of momentum in these trends even after several years of growth.

We have also had multiple wins across our other categories, both from existing and new customers. Citrus remains a key category, and one that we are evolving as we move towards a more sophisticated, premium customer offering with higher margins.

It now represents 43.6% of our revenues (2020: 50.3%) as we continue to reduce our dependency on lower margin traded and minimally-processed citrus, to higher value, higher margin solutions. We also continue to make good progress with our coffee platform, with some significant client wins during the year and we have a promising pipeline of opportunities for the year ahead.

Away from beverage, we have recently signed a significant new five-year contract with Robinson Brothers within our synthetic aroma business, which continues to see strong levels of growth through our flavour house partner channels and feeds into important, growing markets such as flavours for alternative proteins and snack foods.

CHIEF EXECUTIVE'S REVIEW CONTINUED

CONTINUING TO INVEST FOR FUTURE GROWTH

To build the business and support our future growth, we have made a number of strategic investments in both physical infrastructure and people this year.

We are making good progress with the transition to our new, state-of-the-art UK Headquarters, despite occasional COVID-19 interruptions. From September 2021, we saw office-based colleagues move to the new site, with some laboratory functions following and manufacturing equipment currently being commissioned. We have exchanged contracts on the sale of the Northern Way site which has served us well for 50 years, for a net consideration of £5.6m, having outgrown it visually and strategically. Early customer feedback from visits to our new facility at Skyliner Way has been positively effusive and it is a joy to see some of the brilliant team we have across the Treatt business in the UK working from an environment which they truly deserve. To have grown the business to what it is today from our rather humble Northern Way site is a huge achievement and as I look forward to having a UK environment which reflects the business we have become, I am eagerly looking forward to our future.

We're excited about the opportunities presented by the completion of the new facility. It signifies the next chapter in the Treatt story and provides the ideal platform for us to deliver on our growth ambitions, enabling us to increase capacity, margins and productivity, as well as continuing to enhance our customers' experiences as we embed ourselves as a leading natural extracts business. The superb state-of-the-art technical centre in our Skyliner Way facility will enable more co-creation opportunities with our customers which are so powerful in building long-term relationships.

Alongside our recent US and UK infrastructure investments, we continue to focus on China. We established a wholly-owned foreign enterprise in China during the year, and are optimistic about our potential in the region as we continue to unlock further meaningful opportunities. We are confident that the proportion of our revenue generated in China will increase going forwards.

In order to fully leverage the potential of our world class facilities we are continuing to invest in our people, including making a number of key senior appointments during the year. We've appointed a Chief People Officer to set out a global, multi-year plan to ensure we have the people infrastructure needed to realise our growth plans over the next five years. Our new Chief Innovation Officer will similarly be taking our global R&D efforts to the next level, sharpening our offering and relevance for all customers. Furthermore, our new Global Sustainability Manager will be delivering our first sustainability strategy, which will be integrated with the great work already underway in the business and aligned with new product development.

Richard Hope is set to retire on 30 June 2022. Richard has worked for the business for almost 20 years as CFO where his input has been central to Treatt's track record of growth. His experience and guidance have been invaluable to me during our journey of successful strategic change and cultural transformation. His retirement is well-deserved; he will leave a legacy to be proud of at Treatt and I wish him and his family all the very best for the future.

EVOLVING OUR APPROACH TO SUSTAINABILITY

Sustainability remains fundamental to our approach and a key part of our DNA. At the end of last year we engaged a specialist independent consultancy to review our position and undertake a thorough materiality assessment. These findings provided the foundation for our new sustainability strategy, which includes nine evolved priorities for the business.

To highlight progress to date, additional indirect Scope 3 emissions will be collected and recorded from FY2022 onwards; this will aid in shaping our GHG emissions reduction strategy moving forward. We are using the Taskforce for Climate-related Financial Disclosures methodology (TCFD) to assess climate change risk and the mapping of our supply chain risks has evolved into a sustainable supply chain strategy, focusing on key areas to bring positive change.

We expect to have more meaningful metrics to report on next year, but you can read more about our new priorities on page 28.

I'd like to highlight the key role our HR and Group Leadership Team have played in helping our staff through the challenges of the year. We take the mental wellbeing of our people very seriously, and I'm proud that our supportive culture has come to the fore this year.

LOOKING FORWARD

We have had a great year, notwithstanding challenges including the ongoing pandemic, global freight availability and impacts to our global logistics.

Forecasting within the beverage market remains increasingly difficult as consumer habits and product lifecycles evolve more rapidly than ever. That said, we are perfectly aligned with the market's long-term macro trends, driven by healthier living, and are hugely encouraged by the opportunities we are currently working on with both new and existing customers. The outlook for the coming year is positive; we expect strong growth in revenue with the business reverting to a more normal H2 profit weighting as trade channels return to pre-pandemic levels.

As we continue our journey to evolve our sustainability policies, we are fully focused on continuing to execute our strategy while operating safely, reliably and ethically. We will keep listening to our staff about their needs as we move into a more permanent hybrid working model.

We're a diverse team and we take pride in celebrating each other's differences, ultimately recognising that a diverse and inclusive workforce is key for our success.

We are making the right investments at the right time on our growth journey. I have no doubt that in due time the combined effect of increasing our investment in R&D, realising the multitude of benefits from the new UK Headquarters and strengthening our global team will elevate Treatt to a new level and contribute to further sustained benefits for all of our stakeholders.

Daemmon Reeve
Chief Executive Officer
29 November 2021

> **"I am incredibly proud to share all that Treatt has achieved this year. Thank you to everyone in our thriving Treatt community across the globe.**
>
> Daemmon Reeve
> Chief Executive Officer

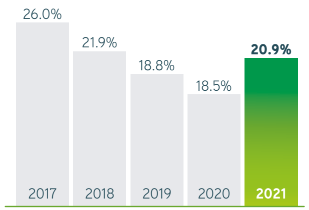
KEY PERFORMANCE INDICATORS

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 here cover a period of five years which is reflective of the Board's long-term thinking.

RETURN ON AVERAGE CAPITAL EMPLOYED[1,2]

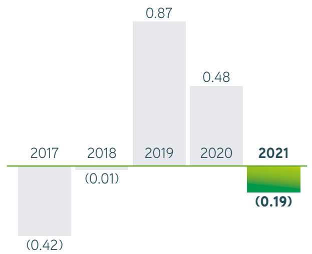
20.9%



Return on average 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 ADJUSTED EBITDA[1,2]

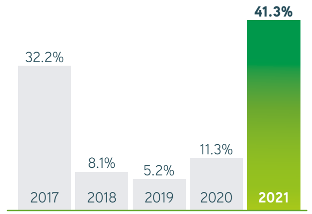
(0.19)



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

GROWTH IN PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS[1]

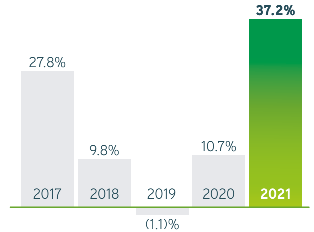
41.3%



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

GROWTH IN ADJUSTED[1] BASIC EARNINGS PER SHARE

37.2%



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

Why we measure it

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

Average net cash/(debt) to adjusted EBITDA: It is important to ensure that the level of borrowings 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.

Growth in profit before tax and exceptional items: 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.

Growth in adjusted basic earnings per share: 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

Return on average capital employed: We divide operating profit from continuing operations (as shown in the Group income statement) by the average 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), averaged over the opening, interim and closing amounts.

Average net cash/(debt) to adjusted EBITDA: We divide the average net cash or debt in the year by adjusted EBITDA. Adjusted EBITDA is calculated as operating profit before exceptional items (as shown in the Group income statement) plus depreciation and amortisation from continuing operations as shown in note 5 to the financial statements.

Growth in profit before tax and exceptional items: As shown in the Group income statement.

Growth in adjusted basic earnings per share: As shown in the Group income statement.

1 All KPIs are calculated excluding exceptional items (see note 9). They also exclude discontinued operations in 2017, 2018, 2019 and 2020.
2 More details on alternative performance measures are shown in note 33 of the financial statements.

KEY PERFORMANCE INDICATORS CONTINUED

NON-FINANCIAL KPIs

We have a number of non-financial operational KPIs, which are aligned with our strategic themes and measure our progress against a number of priorities.

EMPLOYEES

Our employees are central to our business

Our employees are central to our business and having happy and engaged people, supported to deliver their full potential, is a key priority:

- Training hours – page 32
- Employee engagement – page 35
- Voluntary employee turnover – page 34

SAFETY

Committed to health, safety and welfare

We provide a workplace committed to the health, safety and welfare of our employees and all those who visit our sites:

- Reportable accidents – page 33
- Average sick days – page 33

COMMUNITIES

Actively supporting our local communities

Actively supporting our local communities as well as local and national charities is part of our DNA:

- Charitable donations – page 42

SUPPLY CHAIN

Improvements in ethical and responsible business practices

Driving improvements in ethical and responsible business practices in our global supply chain is a priority:

- SEDEX registered suppliers – page 41

ENVIRONMENT

Reducing the impact of our operations on the environment

We are committed to reducing the impact of our operations on the environment:

- Sustainable shipping – page 36

WORKING RESPONSIBLY

OUR SUSTAINABILITY APPROACH TO ESG

At Treatt we understand that everything we do has an impact on people and the environment, and it is important to us that we operate in an ethically, socially and environmentally responsible way

GOVERNANCE OF SUSTAINABILITY

The Board recognises the importance of sustainable practices and ESG to the success of our business; it is a core driver within our business strategy. Recognising its importance, the CEO is directly accountable to the Board for sustainability and reports on the progress of our sustainability strategy at every Board meeting. The CEO is supported by the Group Leadership Team and Global Sustainability Manager.

SUSTAINABILITY APPOINTMENT

To support the Group in evolving and delivering our sustainability strategy we are pleased to report the appointment of a Global Sustainability Manager, Katie Severn. Katie's expertise, since she joined Treatt in January 2015, spans how we present and relate to our customers, through to how our values relate to and impact our day-to-day actions. Katie has worked at a senior level in our Marketing department and subsequently been a key member of the US expansion and UK relocation project teams.

The workplace environment plays an important part in influencing business practice and enabling change and Katie has helped deliver a layout and design of our new buildings, with inspiring workspace and communal areas, utilising sustainable products and materials throughout. Her knowledge of the business is instrumental to the successful implementation of our strategy and embedding sustainable practices across the Group. Katie leads our Sustainability Working Group, comprised of employee representatives, which co-ordinates and supports sustainable practices across the business.

ESG REVIEW

Recognising its importance to the future success of our business, we engaged a specialist independent consultancy last year to work with us to accelerate our progress on sustainability. In order to better understand our existing position, a comprehensive review was undertaken which examined our strengths and weaknesses and provided the Board and Group Leadership Team with a holistic view of our ESG positioning and identified potential areas for action. Recognising that Treatt cares strongly about sustainability, and that it is core to our beliefs, the report made a number of recommendations related to developing our sustainability strategy.

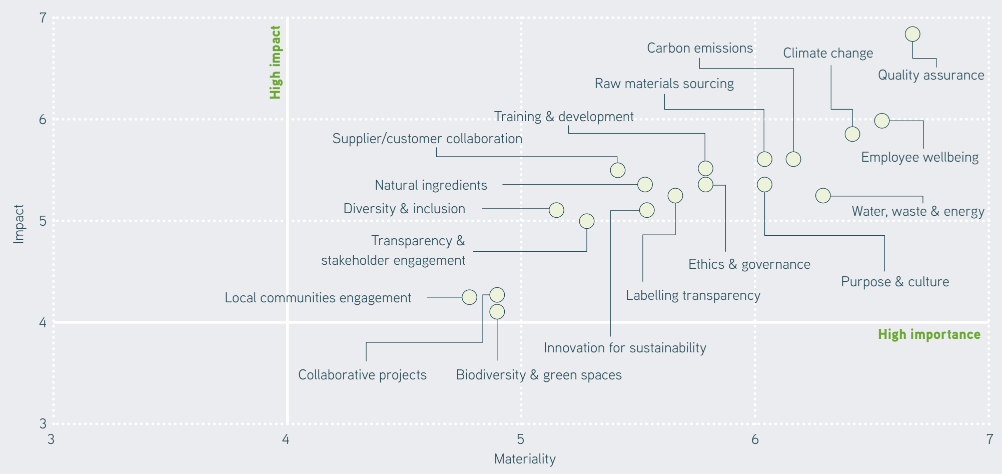
MATERIALITY ASSESSMENT

The material focus areas of the Group's sustainability strategy were determined through consultation with a number of Treatt's stakeholders. The materiality assessment, which was undertaken by our consultant using the Sustainability Accounting Standards Board's (SASB) materiality mapping as a reference point, was completed during the first half of the year and involved qualitative and quantitative engagement with the Board, colleagues, the Group Leadership Team, and a range of different customers, suppliers and investors.

The Group's approach was also benchmarked in a peer review of ESG leaders in our industry.

We identified 18 material issues, all of which will be addressed by the Group over time and, to the extent that they relate to it, within our work on TCFD (Task Force on Climate-related Financial Disclosure). We will regularly re-evaluate these to ensure that they reflect the areas of highest priority to our stakeholders.

MATERIALITY VS IMPACT MATRIX



WORKING RESPONSIBLY CONTINUED

Our sustainability strategy, informed by the materiality assessment, now focuses on embedding sustainability in our business and maximising the potential of our ESG programme by mitigating risks and exploring opportunities in line with our business strategy. We have set ourselves nine priorities around four material issues where we feel we can make a real difference. We have also mapped the relevant UN Sustainable Development Goals (SDGs) to these material issues, which have a strong link to Treatt's business. As we continue to make progress in improving our sustainability, our strategy will evolve to ensure that we continue to challenge ourselves, address all those issues material to our stakeholders and better understand the areas where we can achieve most impact.

Material issues	Actions we have taken and will take
People and culture	We are committed to our people and their wellbeing and are proud of our supportive, collaborative culture and strong values. To further embed ESG within Treatt's culture we have provided our colleagues with training on ESG, have undertaken a review of our purpose and will be reviewing our values, adopting a holistic approach driven from within the organisation. In addition, we will be developing further non-financial KPIs related to people and culture.
Environment and climate change	We are committed to good environmental practice and place importance on the impact of our operations on the environment. Our consultants have verified the methodology and data collection of our Scope 1 and 2 emissions and we will report Scope 3 in FY2022, which will enable us to develop a longer-term net zero strategy. We have started to consider reduction targets for Scope 1 and 2 emissions and are currently implementing the TCFD recommendations. Further progress will be made in the coming year.
Responsible supply chain	We work with suppliers across the globe and want sustainable, fair and rewarding outcomes for growers and processors. We have further improved our understanding of our supply chain from an ESG perspective in order to develop our sustainable supply chain strategy. Identifying priority areas where we can have a positive impact, from ongoing improvements in policies and standards, to risk assessment and supplier engagement, providing greater transparency to our customers and further supporting our suppliers.
Communities	Treatt has a responsibility to the communities in which we operate; to support them both financially and with resource. Building on the good work Treatt already does in the community we are reviewing our approach to our community engagement to ensure that we maximise social impacts.

HOW WE MEASURE AND REPORT

The Group is committed to providing greater transparency of critical issues, specifically ESG factors, and we report 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.

NON-FINANCIAL INFORMATION

The table below shows the requirements of Sections 414C(7), 414CA and 414CB Companies Act 2016 and is intended to help stakeholders understand our position on key non-financial matters. We have a number of Group policies and standards which govern our approach in these areas. Further details can be found in this report on the pages shown and on our website.

Reporting requirement and additional information
Environmental matters Environmental policy
Employees Board composition and diversity – page 67 Board diversity policy
Human rights Slavery & human trafficking statement Supplier code of conduct
Social matters Equal opportunities policy
Anti-bribery and corruption Supplier code of conduct Anti-bribery and corruption policy
Description of business model Business model – pages 7 to 9
Principal risks Principal risk and uncertainties – pages 54 to 59

WORKING RESPONSIBLY CONTINUED

PEOPLE AND CULTURE

We give exceptional people the freedom to do great things

"We recognise that a diverse and inclusive workforce is key to our success.

Daemmon Reeve
Group CEO

LOOKING AFTER OUR PEOPLE

Treatt's people are at the heart of everything we do and promotion of our employees' health and wellbeing is extremely important across the Group, never more so than during the pandemic. We actively encourage colleagues to get active, taking time away from their desks and having meaningful breaks to protect their physical and mental health. We have a third-party occupational health service in the UK that works with us to identify any additional health risks and carries out regular health screening and surveillance to monitor workers' health. Support services extend to providing referrals for long-term health cases and those employees needing health advice and assistance.

Our established flexible working policy, which enables employees to work from home as far as their roles permit, provides flexibility and enables them to achieve a balance between their role with Treatt and their responsibilities at home.

With over half of the Group's workforce having to remain off-site for the majority of 2021, 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 the pandemic. Offering greater flexibility also assists in the recruitment and retention of a diverse workforce and not utilising government furlough or similar schemes has helped maintain close contact with our workforce.

WELLBEING

Wellbeing has continued to play centre stage in our employee activities across the Group, ensuring that the 'whole person' is being supported, not just their 'work self'. A healthy workforce is important to Treatt, and we strive to support our people with their overall wellbeing. Our wellbeing primary goal is 'think well, live well and be well' and the Group remains 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. 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 focuses on the multiple factors affecting wellbeing: physical health, financial health, emotional health, attitudes at work, relationships and self-esteem. Our Wellbeing Champions continue to take a proactive role in an annual programme of events which focus on improving workplace wellbeing.

Events in 2021 included healthy living promotion, environmental awareness training, financial wellbeing sessions, and a 'get active' campaign supporting 100 miles for Suffolk Mind and Peace River.

A 'coffee connection' initiative was launched globally this year, bringing together people from across our business to develop support networks by meeting up informally, getting to know each other and the roles they play at Treatt. We have seen significant value in supporting and building these wider team relationships.

WORKING RESPONSIBLY CONTINUED

WELLBEING AT TREATT

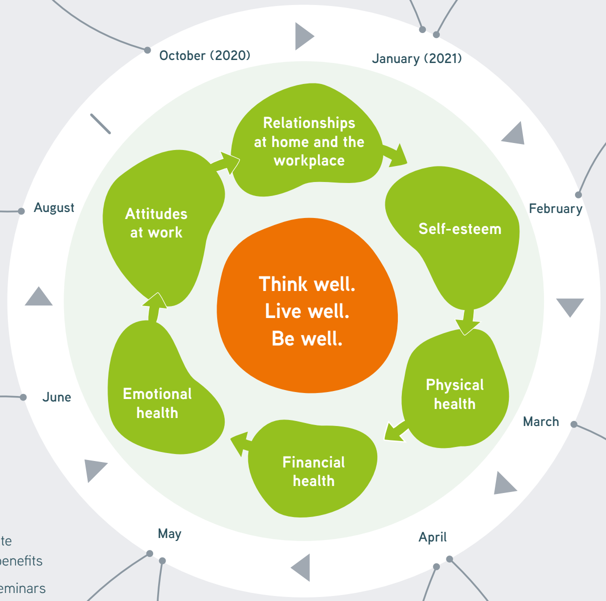
THREE STEPS TO GOOD WELLBEING
Workshops on:
– Mental health
– Exercise
– Healthy eating and hydration

LAUNCH
Treatt USA Wellbeing and appointment of Wellbeing Champions

SLEEP WELL, WORK WELL
MIND delivering workshops to raise awareness of the importance of sleeping well

RECOGNITION
Launched Microsoft Teams 'Praise Buttons' for colleagues to recognise each other for good work

TIME TO TALK
Delivered interactive sessions to encourage openness around mental health



FINANCIAL CLINICS
– Benefit providers delivered workshops to employees on pensions, life assurance, private medical insurance and other benefits
– Virtual financial educational seminars held on Budgeting & Banking Basics and Investing and Financial Guidance to help with the impact of COVID-19

LAUNCHED GLOBAL COFFEE CONNECTIONS
Enabling colleagues to come together for a coffee on a monthly basis and make new connections across the business

MENTAL HEALTH AWARENESS WEEK
– Delivered manager workshops to support mental health awareness
– Shared walking routes to support the theme of nature and environment
– Ran nature and environment workshops supported by our sustainability consultants

100 MILES FOR CHARITY
Event to support local charities which involved as many Group employees as possible getting physically active by walking, swimming or cycling 100 miles during May

STRESS AWARENESS MONTH
Provided resources across the month to support colleagues to manage stress such as an individual stress test and a 30-day challenge

MIND EMOTIONAL NEEDS
Provided training on meeting emotional needs for all employees who wished to attend

SUPPORT DURING COVID-19

Throughout the pandemic we have been acutely aware of the challenges posed for many of our colleagues from both a work and personal perspective. Our people adapted quickly to different ways of working, whether remotely from home or on-site. In order to support our employees, regular pulse surveys were implemented to understand the impact of these different working practices on employee wellbeing. We sought further feedback to understand the very individual and personal views on returning to the office environment and ensured that the return was gradual and managed, with sufficient safeguards remaining in place. This feedback also enabled us to enhance our flexible working policies to facilitate the new world of work, giving employees greater flexibility to balance both their work and personal lives.

Senior leadership placed a significant focus on keeping our employees connected throughout this period through regular communications, all-staff briefings and video messages.

COMMITTED TO DEVELOPING OUR PEOPLE

Despite the increased pressures on day-to-day operations, we have continued to grow and flourish as a global team. Investment in training and personal development, and flexibility in how we deliver learning opportunities, has continued to deliver results. This year we increased our level of investment in training, with over 5,500 hours of staff training. A wide range of course offerings were provided, which covered subjects and qualifications including health, safety and compliance, leadership skills, coaching, transport of goods, and procurement and specialist commercial skills. In the coming financial year we will fully launch a new global talent and competency management system.

With the business continuing to grow, it is essential that we maintain our focus on personal development, with increasing levels of investment. The embedding of talent reviews for all staff across the business is also providing us with an opportunity to build our global talent pipeline.

As a Group we are committed to actively support the future careers of our employees by incorporating visible career paths throughout the business and advancing development opportunities in the fields of science, technology, engineering and maths (STEM). Unfortunately, taking on apprentices through the pandemic was a challenge, but we have been able to take on two in the UK, with plans for more in 2022. All apprentices are provided with a structured training and qualification programme. We have supported four interns this year, developing their knowledge and providing practical experience, whilst gaining a valuable resource to the team. These initiatives also strengthen the Group's links with universities and develop relationships with the next generation of talented candidates. Educational support has continued notwithstanding the pandemic as we have adapted the ways in which we engage with local education providers where we can. Funding has also been provided to schools to assist with computer resources for students otherwise unable to study remotely.

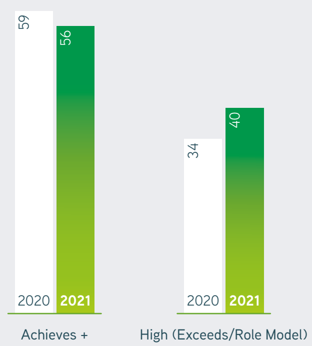
WORKING RESPONSIBLY CONTINUED

GLOBAL TALENT MANAGEMENT

Our talent management process has delivered improvements in employee performance.

UK EMPLOYEE PERFORMANCE RATING OUTCOMES (%)

US talent management programme commenced during the year.



EMPLOYEE SHAREHOLDERS

We recognise the importance of our people being invested in Treatt, to align their interests with shareholders and to enable them to share in the success of the Group. 73% of permanent Group staff are shareholders. As well as participating in all-employee bonus schemes, employees are encouraged to become shareholders through all employee share-save schemes and the Share Incentive Plan, which is accessible for all UK employees, with a similar plan for US employees. Under these plans, all eligible employees have received free shares since 2014 and will do so again in December 2021; 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. 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 to encourage higher levels of employee ownership in the US.

EMPLOYEE SHAREHOLDERS

"The ability to participate in employee share schemes has given me the opportunity to hold shares in our company and to benefit from the growth we have achieved. I have used some of my shares to buy professional tools to support my hobby of pen making and bowl turning; it also allows me to plan for retirement with retained investments. This would not have been possible without access to Treatt share schemes.

Tim Thomas

US Treattarome Operator

WORKING RESPONSIBLY CONTINUED

DIVERSITY AND INCLUSION

Treatt is committed to an environment that values and respects differences. It is important that everyone feels welcome and accepted and has the same opportunities. To achieve diversity is to create an opportunity for a wide range of views and opinions from people with different backgrounds, cultures and beliefs, to contribute and challenge from differing perspectives. This ultimately creates a more innovative thinking business. This is what we want for Treatt and it will continue to be our focus.

Creating opportunities to understand each other, we believe, is the most powerful way to connect and we can do this through sharing experiences. At Treatt we have seen the success of colleagues sharing their own life experiences through 'What's Your Story', a forum which has opened up dialogue to create a deeper understanding of one another and provided an opportunity to reflect on the way we behave towards each other, the language we may use and how that might affect others. We have launched training, using storytelling to share stories from people who have experienced discrimination, and the roll out of this will continue in the coming year.

We remain committed to providing all employees with the opportunity to develop and advance, which includes giving full and fair consideration to all employment applications from disabled people. In the event of employees becoming disabled, we make every effort to ensure that the training, career development and promotion opportunities available are as far as possible identical to those of non-disabled employees.

Treatt would never knowingly accept any act of discrimination in our Group; but the reality of people's experience of working for an organisation means that we must always be aware and actively pursue ways to empower and celebrate our diverse backgrounds and beliefs. To enable recruitment of the highest calibre of staff, Treatt obtained a Tier2 sponsorship licence in March 2021, which allows us to recruit and have certified as a Skilled Worker, any non-UK national for those positions which are not able to be filled from national talent. Diversity remains a key aspect of our approach to resourcing the needs of the business, developing our colleagues and recruiting new talent. We aim to create an inclusive environment that values all differences in people.

Gender diversity across the Group is reflected in the representation of women in management and senior roles. At Treatt, we recognise the importance of improving opportunities within the business, but also recognise possible challenges. A proactive programme of support includes mentoring, coaching, physical health support and programmes to empower our female colleagues.

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
Group Leadership Team	6	4	10
Direct reports of Group Leadership Team	22	30	52
Other employees	223	129	352
Total employees[1]	**258**	**165**	**423**

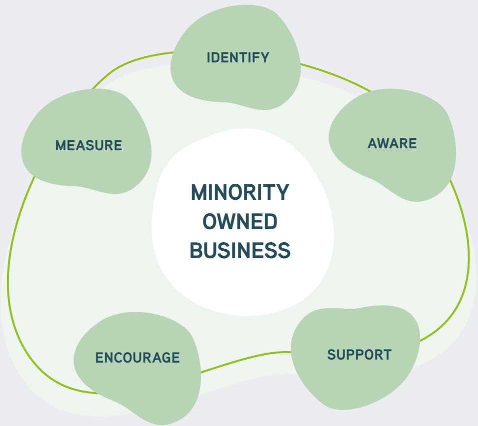
1 Actual number of employees at the year-end date. This differs to the headcount in note 6 to the financial statements which is the average number of employees during the year.

KEEPING PEOPLE SAFE

We are committed to providing a workplace where our people's health and safety is of paramount importance.

Treatt has a long history of effectively managing the risks associated with chemical manufacturing and processing, and we ensure we constantly reconsider and improve our performance to achieve manufacturing and operational excellence. In addition to reporting incidents and accidents we encourage near miss/concern reporting. These are opportunities to identify events that, under different circumstances, could lead to an incident or accident and are leading indicators, that if actioned and resolved can prevent them occurring. The way employees work, react and behave can have a great influence on the way they operate within the workplace. Evaluating the human factors encompasses the work environment, including temperature, pace of work, stress, health, distraction, training and competency, instrument layout, feedback, and ergonomics.

SUPPORTING MINORITY OWNED BUSINESSES



Our procurement team has commenced auditing our global suppliers to determine the extent to which we buy from minority owned businesses, with the aim of ensuring that we actively support such businesses going forward. In the US we currently work with three minority owned businesses and are seeking connections with more to improve our supplier diversity. We will make these connections through organisations such as the National Minority Supplier Development Council, Minority Business Development Agency and WEConnect International. We are enthusiastic about the opportunities to support ethnic minority and women-led entrepreneurship and will seek to introduce new minority owned suppliers to our approved supplier list in FY2022.

TOTAL TRAINING HOURS

US

Total training hours

1,574 Male

410 Female

Average training hours

14.2 Male

8.0 Female

UK

Total training hours

1,904 Male

1,620 Female

Average training hours

13.3 Male

14.5 Female

WORKING RESPONSIBLY CONTINUED

BEHAVIOURAL HEALTH & SAFETY

Behavioural safety is a common theme in organisations with lower accident and incident rates and positive employee engagement in safety. Over the past 12 months we have been working hard to ensure we identify human factors within accident and incident investigation. Human factors have also been considered during the design, build and proposed operation of the new UK Headquarters. To further reduce accidents to a minimal level (Target Zero) there must be a positive safety culture and a willingness from all staff to want to protect themselves and their colleagues. This behavioural safety approach starts with challenge, by ensuring we all understand why certain ways of working may increase the chance of an injury or incident. We help individuals reflect on why they did something and do not just adopt a policing approach. The behavioural safety model, which we will expand over the next two years, builds on inherent human factors and encourages an open and positive dialogue about safety. The Treatt values underpin this behavioural approach.

The top three categories of incidents (unplanned event that causes damage or loss to property, vehicles or product) during the year were:

CAUSE
Vehicle
Other*
Chemical splash

The top three categories of accidents (unplanned event that causes injury or harm to people) during the year were:

CAUSE
Chemical splash
Handling
Other*

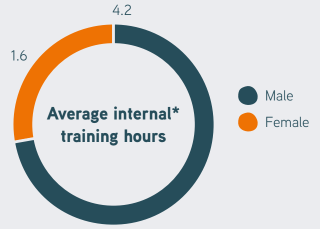
* Other refers to any incident not falling into these categories or that of equipment, slip, trip, fall, on same level or from height or electrical.

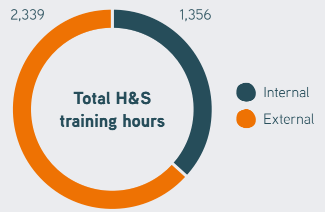
"

Working for a company that is not only strongly focused on the wellbeing and progression of its employees, but which is also evolving and adapting on a massive scale, is pride-inducing. It feels great to be part of a company which truly cares for its staff and the greater community, and which is taking the next steps to a sustainable future so seriously.

Mandy Schwark
Customer Care Coordinator

AVERAGE NUMBER OF HEALTH & SAFETY TRAINING HOURS PER EMPLOYEE



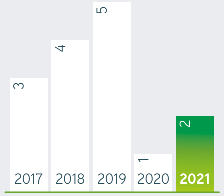


* Internal training is training delivered in-house
** External training is training delivered by a third-party

TOTAL H&S HOURS PER GROUP EMPLOYEE

8.7

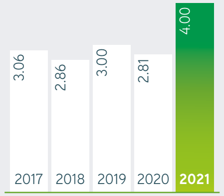
NUMBER OF REPORTABLE ACCIDENTS ACROSS GROUP



Reportable accidents are work-related accidents, which in the UK legally have to be reported to a statutory body or, in the US, require hospitalisation, loss of limb, blindness in an eye or anything that leads to inability to work for seven plus days.

The number of reportable accidents is used to monitor the safety of our working environment. Recording all accidents, which includes those that are reportable, assists with their prevention and encourages a focus on safety.

AVERAGE NUMBER OF SICK DAYS PER EMPLOYEE



Average number of sick days enables us to monitor the welfare of our workforce and the effectiveness of our absence policies, and ensures that our people are healthy and working effectively.

WORKING RESPONSIBLY CONTINUED

VALUES BASED CULTURE

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

Our 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, which we continue to assess in order to ensure they are relevant and impactful, 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 over three continents. Our Employee of the Quarter awards recognise those whose behaviour reflects these values, as voted for by their colleagues. 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. We have seen a significant change in the way employees view their experience of work, and it is now even more important that the employee experience meets or exceeds their expectations, to ensure we can retain the best people.

A GREAT PLACE TO WORK

As an employer operating in a changing landscape, we need to ensure we have a full understanding of what it means to be a great place to work and be willing to flex to the needs of our employees. We have been working hard to ensure we are listening and continually identifying ways that we can improve our business. Feedback from colleagues is so important and we realise that different platforms and methods of communication are the most effective way to reach our diverse audience.

We have utilised multiple ways to engage with staff this year including video messages from the CEO to Group staff, Leadership Team briefings and town halls, 'ask me anything' informal catch ups with the CEO, staff newsletters, and multiple wellbeing and social activities that bring staff together remotely. We have an opportunity to improve this further and will focus on building our internal communications capability through 2022.

Voluntary employee turnover across the Group remains at a healthy level at just 9.4%. Employee turnover refers to the proportion of employees who have voluntarily left Treatt over the last year, expressed as a percentage of total workforce numbers. A high employee turnover rate could have a negative impact on our performance and is an indicator of poor engagement.

Engagement and pulse surveys have continued to indicate good levels of engagement, although the response rate is lower than our target of 75% and work will be undertaken in the coming year to increase this. Treatt's UK business participated in the Best Employer Eastern Region awards and was named as Best Overall Large Company in September 2021, achieving the Gold Accreditation.

SUSTAINABLE WORKING ENVIRONMENT

Our culture and the health and wellbeing of our people were inherent when shaping the design of our new UK Headquarters.

The ground floor 'Hub' area provides a welcoming, inclusive, bright and fun environment offering our community and visitors a flexible space to encourage behaviours that enhance wellbeing. A fully catered subsidised facility will offer locally sourced freshly prepared, nutritious food and drinks. Alternatively, the brand new fitted community kitchen offers modern facilities for colleagues to prepare their own if they prefer.

The inspiring first floor office is designed as one open community. With work-flows shaping departmental locations, it supports team interaction whilst also providing numerous other shared and agile workspaces.

This design encourages physical movement and ranges in posture throughout the day, and together with natural planting and natural light, offers a working environment that supports our colleagues' general wellbeing.

The sustainability of office fixtures and fittings was also a key consideration and recycled materials were sourced where possible including acoustic features made from 100% recycled materials, 60% of which is from recycled PET bottles, the fibres from which support safer indoor air quality. Dome acoustic lighting pendants, which both diffuse and absorb sound, are also made from 100% recycled materials. All flooring selections are certified carbon neutral. In addition, electric vehicle charging units and cycle racks are provided to encourage more sustainable travel to work.

WORKING RESPONSIBLY CONTINUED

HOW THE BOARD MONITORS CULTURE

Investing in our culture

All-employee share scheme take-up
A good indicator of whether employees are committed to Treatt and its strategy and have faith in its performance and culture:

- UK partnership shares take-up December 2020: 65%[1]
- Group share save scheme take-up in July 2021: 60%[2]

Results of engagement and pulse surveys
Having happy and engaged people is a key priority and reduces staff turnover, improves productivity and helps us to provide excellent service to our customers:

- 89% of respondents rated themselves as happy or very happy
- 76% of respondents were satisfied or very satisfied with their personal development opportunities
- 43% response rate below target of 75%

Outcome of the talent management process
94% of employees rated as achieving the standards required or above

Cultural indicators
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:

- health and safety metrics
- employee turnover
- whistleblowing incidents
- breach of Group policies

Feedback from Employee Voice
Participants welcomed the opportunity to interact with Board members during the course of the year. Further details are on page 64

Results of COVID-19 survey
Surveys were conducted to understand staff attitudes towards the Group's COVID-19 response

90% of respondents gave a positive rating in respect of actions taken by the Group

1 Compared to an average participation rate of 32% (Proshare SAYE & SIP report 2019).
2 Compared to an average participation rate of 31% (Proshare SAYE & SIP report 2019).

WORKING RESPONSIBLY CONTINUED

ENVIRONMENT AND CLIMATE CHANGE

ENVIRONMENT AND CLIMATE CHANGE

Treatt is committed to sustainability and ensuring positive environmental practices at every stage of its operations. Our business is reliant on the sustainability of natural resources. Environmental impacts, such as climate change, are matters of deep concern to humanity generally but also to Treatt in particular. The availability of robust, high quality and affordable crops that make up our natural product portfolios is essential. We strive to be at the forefront of first-rate stewardship and are committed to identifying and controlling the environmental impact of our activities. We are working with our sustainability consultants to adopt a systematic approach to setting environmental objectives and to demonstrating that they have been achieved.

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 detrimental impact of greenhouse gasses, especially carbon dioxide generated by burning fossil fuels, on global temperatures, weather patterns and weather severity is well recognised, and we seek to fully understand the effect both directly and indirectly these may have on the Group's business.

As a supplier of natural ingredients, we are mindful of the many factors that may influence price determinations as well as supply challenges, with adverse weather conditions and disease being the main drivers of volatility. Weather conditions have a direct impact on fresh crop production. To help keep up with our customers' expectations we need to understand how environmental factors impact climate change and ensure our production practices and supply chain are sustainable.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORTING

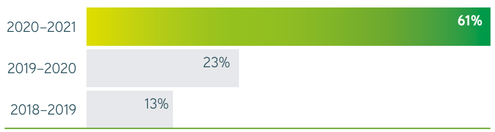
Recognising the medium to long-term potential strategic risks posed by climate change to our business model, we are committed to disclosing against the recommendations of the Task Force on Climate-related Financial Disclosure's (TCFD). Working with our sustainability consultants, during the year we have started to review TCFD requirements as part of our risk management approach to ensure we are managing climate change risks. In the coming year we will be undertaking an assessment of the climate-related risks and opportunities that are relevant to our business and reporting on the four areas of Governance, Strategy, Risk Management and Metrics and will endeavour to increase the level of disclosure year-on-year. Further details can be found on page 56.

SUSTAINABLE SHIPPING

This year has seen unprecedented challenges to logistics, including COVID-19, the impacts of Brexit and the Suez Canal incident. It has been a challenging environment for Treatt considering our diverse product range of over 4,000 products, with movements across 75+ countries and shipment sizes ranging from 25 grammes to 20 tonnes. We strongly believe in our duty to improve the sustainability of our logistical operations. During the year we carried out an extensive audit of all shipping methods we use to identify and monitor more accurately those carriers we consider as providing 'sustainable shipping' methods. We actively work with agents who are committed to reducing CO_2 emissions through their own sustainability strategies and despite such a challenging environment, we have increased our use of these sustainable shipping companies to 61% of our Group shipments (2020: 23%).

As we engage with new carriers we actively take sustainability and green credentials into account as one of our leading selection criteria, which allows us to be confident that, when sending our products around the world, we will be contributing to sustainable and responsible business practices within the global shipping industry.

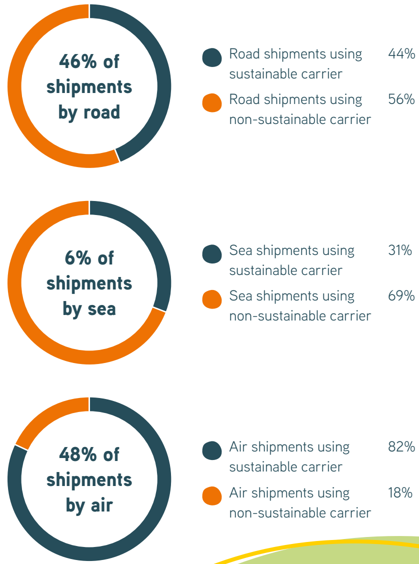
PERCENTAGE OF SUSTAINABLE SHIPMENTS*



* A carrier is classified as being a 'sustainable shipping' carrier if they have confirmed to Treatt that they have an established sustainability strategy and/or clear sustainability objectives which are monitored, benchmarked, and reported (for example published environmental goals like zero carbon by a set date). Any carrier that does not have either a sustainability strategy or any monitored and published sustainability objectives will not be considered as being a sustainable shipping carrier by Treatt.

WASTE

One way to a low-carbon economy is through sustainable production patterns that produce less waste. Processing of resources is a significant contributor to global greenhouse gas emissions as well as biodiversity loss and water stress. At Treatt, we are committed to understanding our waste management and constantly seek improvements in the reduction of all our waste streams. Our UK site diverts 100% of waste from landfill whilst at Treatt USA, where the opportunities are currently more limited, a waste management programme is being established to help better understand our waste streams and all the options available. We will report on this further in 2022.



UPCYCLED FOOD ASSOCIATION

UPCYCLED FOOD ASSOCIATION (UFA)

We are proud members of UFA who, through research, strategy, networking and policy advocacy are building a food system in which all food is elevated to its highest and best use with minimal amount diverted to landfill where harmful gases are produced. Our membership of this network will help us understand the upcycled food landscape, enable us to consider alternative ways of working with our by-product streams and promote energy and water efficiency throughout our operations.

WORKING RESPONSIBLY CONTINUED

TREATT

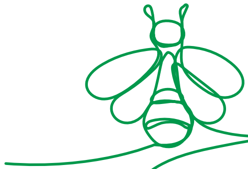
We regularly consider how we can reduce our environmental impact in production through process improvements

Zero waste production processes where possible

1,000kg of fresh oranges provides 553kg of juice used by the juice industry, 3kg of peel oil, which is the essential oil used by Treatt and others in various flavour, cosmetic and industrial applications, and 444kg of pulp, peel, rag and seed used in animal feed ingredients

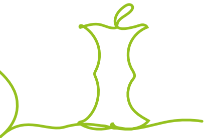
Review of environmental impact of solvents used

Working alongside business partners, a successful project identified an innovative use of a benign solvent to decrease our hazardous aqueous waste by 80%, saving more than 15 tonnes of aqueous waste per year from this process improvement



Honey effluents returned to beekeepers for winter food source for bees

60 tonnes of effluent for capping honey was used for both pet food supplies and as a food source for non-dormant bees during winter seasons to reduce issues with colony collapse

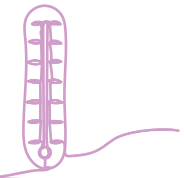


Composting 16,324 tonnes of organic matter

Effluent collected from various production processes involving fresh and tropical fruits and vegetables, tea and coffee for composting can be fed directly back onto the fields to replenish growth

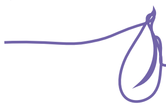
Waste streams from our health & wellness products used in bovine animal feed

The majority of 1,010 tonnes of waste from our health & wellness products was reused as a base ingredient for a nutritional animal feed, meaning another zero waste production process



Non-refrigerant/zero consumption cooling system

Our US site uses a well-fed closed loop water system where water is pumped out and used as a natural coolant during the cooling process in production to avoid the use of refrigerants. The water is then pumped back into the ground via injection wells resulting in zero consumption of well water



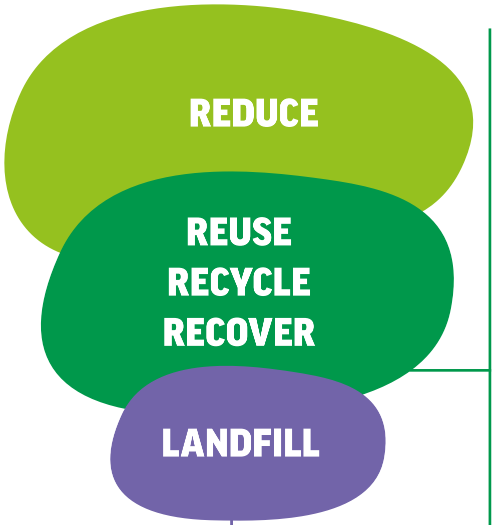
Sustainable water drainage scheme and management plan (UK)

We retain all surface and storm water at our UK site in a large aquifer system, a geological feature that sits under the site acting as a containment system. It allows 900,000 litres of water to infiltrate the aquifer and be extracted as drinking water 400 days later

WORKING RESPONSIBLY CONTINUED

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

- 100% of UK hazardous waste (211 tonnes), including drums, was recycled, recovered or reused
- 100% of UK general waste (47 tonnes) was recycled, recovered or reused
- In the US 22,249 steel and poly drums were recycled, recovered or reused and 63 tonnes of poly drums were converted into fuel cubes as an energy source
- 100% of US tote containers and jerry cans were cleaned and processed for reuse
- 100% of US cardboard was recycled
- 100% of UK cardboard was recovered or reused from Northern Way site
- In the UK 3.4 tonnes of waste electrical and electronic equipment (WEEE waste) was recycled, recovered or reused
- 100% of UK confidential waste was recycled

LANDFILL

- 0% UK general waste to landfill
- 100% US general waste to landfill

WHAT WE MEASURE

REDUCE
Water consumption

RECYCLE
General office waste
Cardboard packaging
Pallets
Steel and plastic drums
Hazardous waste

REUSE/RECOVER
Construction and demolition waste
Hazardous waste
Cardboard
Steel and plastic drums, tote and jerry can containers
WEEE waste

We are responsible for our waste from the point it is produced, until we have transferred it to an authorised body. However, we strive to be responsible 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.

Recycling our confidential waste paper in the UK, has made a positive impact on the environment:

3.6 tonnes
PAPER RECYCLED

2.2 tonnes
CO_2 EMISSIONS SAVED

115,264
LITRES WATER SAVED

61
TREES SAVED

UK office equipment from our existing site at Northern Way was donated to Collecteco, who partner with companies across the UK to donate furniture and equipment to charities, schools, and other not-for-profit organisations to make a difference; this meant:

9.1 tonnes
LANDFILL WASTE SAVED

9.3 tonnes
CO_2 EMISSIONS SAVED

We have established an E-waste recycling programme at our US site. We are recycling all our electronic office equipment ethically and responsibly, using a local company who actively seek to be involved in sustainable projects in the local Tampa Bay community.

WORKING RESPONSIBLY CONTINUED

WATER

Our water efficiency improved in FY2021 from 7.06 to 4.98 litres per kilo of product shipped. Whilst we shipped a greater number of kilos of product in FY2021, overall water consumption decreased during the year.

WATER EFFICIENCY

	2021	2020
Total water used (m^3)	49,030	63,011
Water efficiency (litres per kg of product shipped)	4.98	7.06

Anomalies in the prior year caused by the installation of two new meters, resulted in a higher reported reading in FY2020. However, FY2021 is now more consistent with pre-FY2020 usage. Water efficiency may be gained from the processing of greater volumes of certain product categories that use more water in their processing, and we continuously look at where there may be opportunities for adjustments to processes which reduce water consumption. We are currently looking at a water efficiency and wastewater management system, in relation to our operations in the USA, which will enable us to monitor water usage during processing. Our new UK Headquarters includes a number of water efficiency measures, from automatic leak detection to self-closing push button taps, resulting in a scoring of 78% for water efficiency under BREEAM.

OUR SECR APPROACH

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).

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 265 tonnes (2020: 206 tonnes). This increase is due to the full operational use of the improved site in the USA, which incorporates greater chilling equipment to support increased production, together with the new UK Headquarters now partially operating alongside the existing site. Total GHG CO_2 emissions for Scope 1 and Scope 2 have increased to 4,234 tonnes (2020: 3,326 tonnes). This is primarily a result of increased energy consumption at Treatt USA related to an increase in production. The UK has seen an increase in Scope 1 emissions against last year due to the inclusion of the new site.

Measures have been taken to improve the energy efficiency of our new UK Headquarters which is designed to a BREEAM 'very good' rating. Featuring throughout the building these measures are in relation to lighting, thermal efficiency of materials and incorporation of a building management system and a HVAC system (heating, ventilation and air conditioning). We will work to reduce our baseline energy consumption, comparable against a suitable metric once fully operational. Energy and enviromental considerations were integral in the design of the new facility. The expansion of the US facility, which was completed in 2019, also incorporates similar energy efficiency measures throughout.

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

We have started to consider an emission reduction strategy for Scope 1 and 2 and will be considering targets during the coming year. Scope 3 emissions are now being recorded and will be reported in FY2022.

GHG EMISSIONS

	2021	2020
Scope 1 – Direct emissions (tonnes CO_2e)	2,047	1,706
Scope 2 – Indirect emissions (tonnes CO_2e)	2,187	1,620*
Total emissions (tonnes CO_2e)	4,234	3,326*
Kg CO_2 emissions per kg of product shipped	0.43	0.37*

* Restated: renewable electricity should have been excluded from the emissions calculations

ENERGY CONSUMED

		2021 (MWh)	2020 (MWh)
Electricity	UK	–	–
	US	4,609	3,556
Renewable electricity procured	UK	2,186	1,346
	US	–	–
Natural gas	UK	2,510	2,361
	US	6,729	5,618
Other fuel	UK	226	110
	US	91	24
Group		16,351	13,015

Notes

1. The Group has adopted a greenhouse gas reporting policy and a management system based on the GHG Protocol.
2. As defined by the GHG Protocol, Scope 1 and 2 emissions relate to emissions from activities within the operational control of the Group.
3. The sales office in China is currently excluded on the basis that emissions from utility consumption are estimated to be less than a materiality threshold of 5% of overall Group emissions.
4. Data has been accurately recorded from invoices, meter and mileage readings. GHG emissions detailed in the table have been calculated using the appropriate 2021 DEFRA conversion factors, except for overseas electricity which used the 2021 IEA conversion factor for reporting consistency.
5. GHG Protocol chiller emissions are derived from those specified under Kyoto Protocol. However, other greenhouse gas emissions may be emitted that are not covered under GHG Protocol Scope 1 and are required to be reported separately. FY2021, the Group chiller emissions that fall outside of GHG protocol, namely those identified under Montreal Protocol and others, totalled 8 tonnes.

WORKING RESPONSIBLY CONTINUED

RESPONSIBLE SUPPLY CHAIN

SUPPLY CHAIN STRATEGY

As a leading ingredients manufacturer, we take huge pride in the stability and transparency of our supply chains. 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. To support our ongoing commitment to sustainability and improving ESG performance within our supply chain, we have established a Sustainable Supply Chain Working Group, which is working closely with our sustainability consultants.

The working group has been collaborating since April 2021 in order to develop a sustainable supply chain strategy for Treatt. This has involved gaining a better understanding of the risks and opportunities involved, agreeing priority areas for effecting change and impact, developing performance measures, enhancing our governance framework and consideration of monitoring and reporting tools. In so doing, we aim to work more closely with suppliers on shared challenges and initiatives, while providing our customers with a greater degree of reassurance, traceability and transparency as well as ensuring sustainable practices for our suppliers.

During COVID-19 we have continued to work closely with various stakeholders to ensure business as usual to the greatest extent possible. We have taken various measures, including 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 the pandemic.

As markets continue to fluctuate it has never been more important to keep all lines of communication open and the use of technology has facilitated this when supplier visits have not been possible.

TRANSPARENCY

Transparency within supply chains is integral to sustainable practices and we are proud to have our sustainability commitments recognised by a number of third-party organisations.

The Group is pleased to be both a supplier and buyer 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. Being both a supplier and buyer member allows our customers to access our compliance to SEDEX's standards which are verified by independent SEDEX Members Ethical Trade Audits (SMETA 4-pillar). It also allows us to create links to our suppliers to access their ethical and sustainability data and audit reports, so that we can monitor their compliance with SEDEX requirements.

> **Membership of SEDEX provides visibility of suppliers' audit and supply chain data, providing greater transparency of ethical and responsible business practices within our supply chain.**
>
> Katie Severn
> Global Sustainability Manager

PROCUREMENT – CIPS MEMBERSHIP

To further support our Global Procurement Team, we facilitate membership of the Chartered Institute of Procurement and Supply (CIPS), a professional body that uses its global standard, network, education, expertise and charter for public good to ensure that procurement and supply chain management professionals have the knowledge and capabilities to deliver sustainability goals for their organisations. It is our goal to have the whole global procurement team CIPS qualified, which includes significant focus on ethical and responsible sourcing, by 2023. Membership benefits include annual completion of CIPS Ethical Procurement and Supply test to demonstrate the knowledge required for the CIPS Ethical Trading Standards level as well as addition to the CIPS professional register.

WORKING RESPONSIBLY CONTINUED

SAI PLATFORM MEMBERSHIP

This year has seen us become members of the Sustainable Agriculture Industry (SAI) Platform. With a network of over 90 members around the world, the SAI Platform, through its measurement and verification tool (Farm Sustainability Assessment), is developing the practice of sustainable agricultural tools and principles; this creates secure and strong agricultural supply chains to protect the earth's resources and to address global sustainability challenges facing food production today, and in the years ahead. Joining the SAI platform is a significant step forward in our ability to engage up and down the supply chain, to share best practice and actively participate in collaborations with processors and customers on sustainability. We're also members of the SAI Florida orange sustainability accelerator project, with objectives including building consensus across the entire juice industry to meet FSA or FSA equivalency. As a result, we will be in a stronger position to share best practice and knowledge, as well as embed and implement sustainable practices in our supply chain.

35% OF SUPPLIERS SEDEX REGISTERED

This year we have undertaken a baseline assessment of the percentage of our suppliers that are SEDEX registered. During the coming year we will be working closely with our suppliers to encourage as many as possible to become members of SEDEX to increase the transparency of our supply chain and drive sustainable and ethical practices. Dealing with SEDEX members, or those registered with similar third-party organisations, gives us comfort that they are audited to a professional standard and adhere to high standards of governance and ethics. We aim to increase the percentage of SEDEX suppliers within our supply chain.

"We can support best farm practice by others – it is a fantastic opportunity to make a difference for the right moral reasons. It is something Treatt is very passionate about as a business and we are very proud to be involved with SAI.

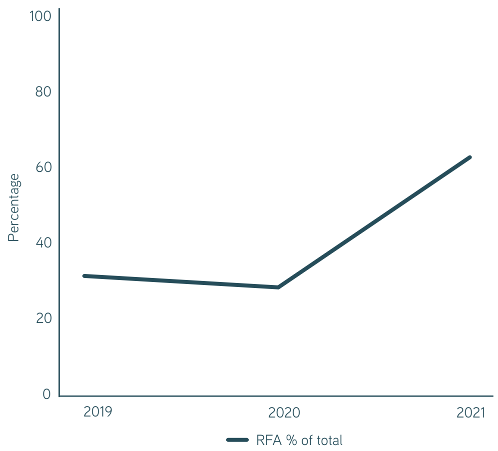
Craig Landles

Global Lead Citrus Buyer at Treatt

We are proud to be accredited to use the Rainforest Alliance Green Frog certification seal (RFA). RFA's standards not only enforce human rights, to reduce child labour and human trafficking, but also the reduction of deforestation and greenhouse gas emissions, as well as ensuring consumers and suppliers are investing back into the environment in which the certified crop is grown.

During the year we have increased our procurement of RFA certified tea and are exploring opportunities with coffee raw materials. We have also been accredited with RFA certification on our processing, allowing us to provide our customers with RFA certified ingredients.

Purchase of Rainforest Alliance certified tea raw materials



We have been awarded the Silver Standard by Ecovadis, who provide a ratings platform to assess corporate social responsibility and sustainable procurement. Tens of thousands of companies partner with Ecovadis to collaborate on sustainability with a common platform, universal scorecard, benchmarks and performance improvement tools.

Treatt is committed to maintaining its adherence to the Ethical Trading Initiative best practice requirements. The Ethical Trading Initiative is a leading alliance of companies, trade unions and NGOs that promotes respect for workers' rights around the globe and whose vision is a world where all workers are free from exploitation and discrimination, and enjoy conditions of freedom, security and equity.

To further our involvement with sustainability initiatives, specifically within our business sector, Treatt is a signatory to the IFRA/IOFI Sustainability Charter. Through this voluntary initiative, the flavour and fragrance industry seeks to encourage enhancements in the field of sustainability, providing a framework to enable sharing and benchmarking of the industry's commitment to sustainable development.

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.

Business Awards 2021

SUPPORTING LOCAL BUSINESSES

Sponsors of The West Suffolk Award for Innovation – celebrating local businesses who are actively investing in Research & Development, delivering innovative products and solutions within their sector.

Suffolk Wildlife Trust

INVESTOR IN WILDLIFE

We are proud to hold Platinum Membership as corporate sponsors of Suffolk Wildlife Trust, the only organisation dedicated to safeguarding Suffolk's wildlife and countryside by managing reserves, securing landscape for wildlife and by inspiring the next generation through hands-on experiences with nature through the running of 'Forest School' programmes.

WORKING RESPONSIBLY CONTINUED

COMMUNITIES

Treatt firmly believes that businesses have a responsibility to the communities in which they operate; to support them both financially and with resource. 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 make a positive impact on the communities in which we operate. We support local good causes while minimising our environmental impact on the wider world around us.

LOCAL EMPLOYMENT

As a Group we believe that we have a responsibility to support the local future working generation and actively provide support, where possible, to various local schools and colleges. Such support takes many forms, including providing volunteers to conduct mock interviews as well as hosting talks and presentations on apprenticeships, and virtual assemblies hosted by our Enterprise Advisors. When conditions allow, we will continue to host visits to our technical areas from local schools, attracting the local workforce of the future to Treatt. We are 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. The Group makes financial donations to the University of Suffolk's annual fund established to support students through bursaries and creating other opportunities. To help local primary schools support home learning during COVID-19, we donated Android tablets ensuring accessibility to education for more children.

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 12 Group 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.

COMMUNITY MATTERS

Enabling our staff to do something for the community in which they live and work aids their sense of greater purpose and community spirit. '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, under our 'Community Matters' programme and we have set the objective to increase the Community Matters fund by a minimum of 10% each year.

COMMUNITY AND CHARITY INITIATIVES

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. During the year the Group provided sponsorship and made donations of £59,339 (2020: £54,875) to local and national causes and has been involved in many initiatives across its locations. It is important to our employees that we support charities that are close to their hearts; as the business grows so too does the support we provide to others through our donations. Our focused efforts align with the UN Sustainable Development Goals supporting 2- Zero Hunger, 3- Good Health & Wellbeing, 4- Quality Education and 15- Life on Land.

During May 2021, colleagues across the Group aimed to walk, run, and cycle 100 miles each to raise awareness of Mental Health Awareness month, covering a total distance of 9,107 miles and resulting in a Group donation to Suffolk Mind and Peace River of £4,877.

In addition to our financial donations, as we transitioned to our new offices, we donated a large amount of office furniture to charitable and community causes, with the help of charity Collecteco. As well as diverting 254 items from landfill, these donations equated to an in-kind donation of £41,485.

Other activities carried out by our UK colleagues include a virtual coffee morning in aid of Macmillan Cancer Support, NHS Big Tea Event and festive food donations for Gatehouse Food Bank, enabling us to purchase and donate 274 Christmas puddings. These initiatives raised just under £2,500.

In the US, targeted charitable donations continued towards combatting hunger via kidsPACK, a non-profit organisation dedicated to feeding disadvantaged children, to whom we donated $5,500. We also began reaching out to charities which support the environment in which we live and work. This includes a $2,000 donation to Operation Honey Bee, which connects communities around the world, to spread awareness, educate and lead the sustainable movement that will preserve bees and other pollinators for future generations. We also donated $2,000 to Ocean Conservancy, which seeks solutions for a healthy ocean and the wildlife and communities that depend on it. Both of these charities were chosen by our staff as being important to them.

The other charities Treatt supports include: Florida Youth Fair, Exploration V and Toys for Tots in the US, together with East Anglia's Children's Hospice, My Wish Charity supporting West Suffolk Hospital, UpBeat Heart Support, The Bury St. Edmunds Rickshaw, Suffolk Mind and Bury in Bloom in the UK.

This Strategic Report was approved by the Board on 29 November 2021.

Anita Guernari
Group Legal Counsel and Company Secretary

WORKING RESPONSIBLY CONTINUED

STAKEHOLDER ENGAGEMENT AND SECTION 172

Understanding the needs of stakeholders is key to the success of the Group. By understanding the perspectives of all its stakeholders, the Board is able to ensure that it can best promote the success of the Company fully aware of its impacts on them, on the environment and ultimately, therefore, in the best interests of its members as a whole. In the event that a decision had to be made that not all stakeholder groups found favourable, steps would be taken to mitigate any negative impacts as far as possible.

At an operational level, engagement with stakeholders is reported to the Board via the Executive Directors and through written reports from the Group Leadership Team. Reports submitted to the Board highlight the impact of the subject matter, both positive and negative, and prospective impacts on key stakeholders. This provides the Board with insight into the effect of our business on our stakeholders. During the year the Board's engagement with various stakeholder groups was enhanced, particularly with respect to customers and suppliers. Board meetings included time dedicated to discussion on different stakeholder groups and we have listened carefully to the views and feedback from shareholders and shareholder representative groups in respect of the Group's approach to ESG. Further details can be found on pages 27 and 28. The tone of this feedback over the last year has been to welcome the Group's approach and the work we are doing to accelerate the embedding of sustainability across the Group.

Section 172 of the Companies Act 2006 requires Directors to 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 members as a whole, and in doing so have regard, amongst other matters, to:

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 47.

B The interests of the Company's employees
See pages 44 and 64.

C The need to foster the Company's business relationships with suppliers, customers and others
See page 45.

D The impact of the Company's operations on the community and the environment
See page 46.

E The desirability of the Company maintaining a reputation for high standards of business conduct
See pages 28, 62 and 63.

F The need to act fairly as between members of the Company
See pages 44 and 65.

COVID-19

Throughout the pandemic our Group Leadership Team and operational teams regularly updated our key stakeholders regarding the actions we were taking and how they might be affected. We maintained close contact with our suppliers to ensure continuity of supply to our customers, many of whom continued to experience increased consumer demand. The hospitality industry remained severely affected across the globe, placing greater emphasis on home consumption.

The health and safety of our workforce remained a priority and regular communication from the Group Leadership Team continued, with employees regularly updated on changing circumstances and COVID-19 measures. Home and workplace testing was made available and the opportunity provided to return to the office, where it was safe to do so, for those working remotely.

The Board provided information to shareholders on the performance of the business and the effect of the pandemic in our trading updates on 22 January 2021, 12 April 2021 and 11 October 2021, in our half year results statement on 11 May 2021 and at subsequent investor presentations.

We continued to support our local communities through the pandemic, as detailed on page 42.

Pages 44 to 46 set 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.

WORKING RESPONSIBLY CONTINUED

Employees

WHY WE ENGAGE:

Our employees are essential to the success of our business; our culture and our commitment to our purpose and values drives our business performance. We engage with our people regularly and seek to create an environment in which all staff feel happy and supported. Further details on our culture can be found on pages 29 to 35.

HOW WE ENGAGED:

Our culture is supported by maintaining an open and active dialogue across the business. Direct engagement took place through open door Employee Voice sessions led by the Chairman and a designated Non-executive Director. The Executive Directors regularly communicate across the business and engaged through results presentations and the employee representative committee. Regular virtual 'Cuppa with Daemmon' sessions also allowed questions on any matter to be put to the CEO directly or on an anonymous basis if desired.

Indirect engagement, often held virtually due to the pandemic, reported to the Board via the Executive Directors and Group Leadership Team, included:

- Employee surveys covering several topics including sustainability, COVID-19 and engagement
- Site relocation open days
- Regular leadership briefings and town hall meetings
- Wellbeing workshops and mental health awareness week

WHAT WE DISCUSSED:

Key topics of engagement:

- Employee views on sustainability and the relative importance of various ESG matters to them
- Information on customer wins, financial results and strategy
- Mental, physical and financial wellbeing
- COVID-19
- Executive remuneration

OUTCOMES AND ACTIONS:

Based on the results of the sustainability survey, two of the material issues identified by employees, being supply chain responsibility and the importance of an enabling culture, have been included in our sustainability priorities, as set out on page 28.

Additionally, feedback provided has resulted in ESG training for all employees, via a corporate video presented by the CEO and interactive training sessions run by our sustainability consultants, to assist staff with their understanding of ESG, what it means to Treatt and how they can individually and collectively make an impact on ESG.

Feedback received through Employee Voice sessions has resulted in governance training being translated to provide our Chinese colleagues with training in their first language.

Development of an internal communications strategy, to drive improvements in communication and promote greater engagement in employee surveys and other feedback mechanisms, with the adoption of more diverse digital platforms.

Shareholders

WHY WE ENGAGE:

Shareholder views inform our decision-making and engagement enables us to explain our strategic goals; it is important that all shareholders have confidence in our business and how it is managed, whether they are institutional investors, private individuals or employee shareholders.

HOW WE ENGAGED:

The Board answered shareholder questions submitted for the closed Annual General Meeting in January 2021.

Our Executive Directors met virtually with current and prospective shareholders and presented annual and half year results and a separate session on Treatt's approach to sustainability.

Publication of performance updates and presentations during the year and a recorded webinar with analysts and shareholders.

Our Executive Directors actively engage with analysts who write research reports on our Company and industry.

Our sustainability consultants engaged directly with several shareholders in the undertaking of a materiality assessment.

Further details on our relationship with shareholders are provided on page 65.

WHAT WE DISCUSSED:

Key topics of engagement:

- Our financial results and performance, providing opportunities for our shareholders to ask questions to better understand our business
- Materiality assessment taking account of shareholder views on sustainability and the relative importance of various ESG matters to them
- Our sustainability strategy and progress on its implementation
- Relocation to our new UK Headquarters

OUTCOMES AND ACTIONS:

Recognising the importance of sustainability to our investors and other stakeholders, we have appointed a Global Sustainability Manager to optimise our ESG programme and further embed sustainability in the business.

Based on the results of the materiality assessment two of the material issues identified by shareholders, being quality assurance (within the supply chain) and climate change, have been included in our sustainability priorities, as set out on page 28.

Customers

WHY WE ENGAGE:
It is important that we understand all our customers' requirements to allow us to deliver the products and service they need and to inform our research and development. Their feedback and support is crucial to the success of our business.

HOW WE ENGAGED:
The Board indirectly engages with customers at an operational level through members of the Group Leadership Team and their teams:

- Listening to our customers and their needs through key account management relationships
- Working directly with relevant customer departments on technical, regulatory and logistics matters of concern to them
- Visits and calls with customers, with relevant Treatt specialists in attendance, enables us to discuss a wide variety of matters and seek feedback on our performance
- Materiality assessment taking account of customer views on sustainability and the relative importance of various ESG matters to them
- Customer engagement survey

WHAT WE DISCUSSED:
Key topics of engagement:

- The impact of Brexit and the pandemic on lead times and potential delays to customer deliveries
- Customer needs and consumer trends, to enable us to develop suitable products for them
- Relocation to our new UK Headquarters
- Closer relationships with strategic Chinese customers
- The need for improved lead times on both product development and supply of tea and coffee extracts for UK and Europe

OUTCOMES AND ACTIONS:
Development of long-term strategic relationships formed on the basis of trust and understanding which are mutually beneficial.

Implementation of a logistics solution, following Brexit, to enable the clearance of goods into the EU on behalf of customers.

Increased stockholding and management of resources at an early stage of the pandemic to ensure we met customer requirements, whilst operating a safe environment.

Increased footprint in China with the incorporation of a WOFE (wholly-owned foreign enterprise) to conduct business directly with strategic Chinese customers.

Commencing installation of tea and coffee extraction capabilities in the UK, to supply the market locally rather than shipping from our US facility.

Development of a new tea product to meet customer needs.

Suppliers

WHY WE ENGAGE:
We have a strong supplier base located all over the world with which, in order to grow sustainably, we need to develop and maintain close relationships. Our suppliers are fundamental to the quality and sustainability of the products we offer our customers. It is important to us to deal with suppliers who are committed to Treatt and our values.

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:

- Regular virtual meetings in the absence of physical visits prevented by the pandemic
- Attendance at working groups as part of an orange project run by the SAI Platform, a global food and drink value chain initiative for sustainable agriculture
- The supplier qualification and requalification process

WHAT WE DISCUSSED:
Key topics of engagement:

- Continuity of the supply chain, business continuity planning, logistics issues and lead time delays resulting from COVID-19 lockdowns, Brexit, the Suez Canal incident and global shortages of materials
- Materiality assessment taking account of supplier views on sustainability and the relative importance of various ESG matters to them
- Reciprocal business growth
- Provision of flexibility on payment terms to support suppliers during the pandemic

OUTCOMES AND ACTIONS:
Development of long-term strategic relationships formed on the basis of trust and understanding, which are mutually beneficial.

Taking full membership of the SAI Platform, providing us with opportunities to share and collaborate with suppliers on sustainability best practice in agriculture.

Mitigation of sourcing risk by moving the procurement of some products to suppliers closer to the UK and reducing carbon emissions through transportation at the same time.

New sales have been made to suppliers as a result of our reciprocal business initiative.

Temporary reduction in payment terms for some suppliers to assist them with their cash flow through the pandemic.

WORKING RESPONSIBLY CONTINUED

Communities

WHY WE ENGAGE:
We care deeply about the communities in which we operate and have spent time developing relationships to provide support and opportunities where we are able to do so. We want to appeal to the best talent that we can and it is important that Treatt fosters the best possible reputation in the communities where we operate and from which we recruit.

HOW WE ENGAGED:
Community relationships are managed locally with the involvement of the CEO and with each subsidiary focusing on community groups, projects and initiatives which are important to them.

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

Enterprise Advisors working closely with a local school to support careers education through virtual assemblies and collaborative projects.

Regular meetings with community, charity and school contacts.

Group-wide charity fundraisers increasing awareness of their causes whilst raising vital funds to support their services.

Further details of our work with local communities can be found on page 42.

WHAT WE DISCUSSED:
Key topics of engagement:

- How we can provide assistance to charity partners, particularly as some of them adjust to new ways of working post-pandemic
- Sustainable repurposing of surplus equipment from our old UK site to support local community and charity projects

OUTCOMES AND ACTIONS:
Development of strong relationships with charity partners and community contacts, which are mutually beneficial and raise awareness of our brand within our local communities.

Treatt sponsored printed newsletters delivered to elderly members of the community to help them keep in touch throughout the pandemic.

Surplus furniture has been donated to several charities for re-use.

Group-wide support of '100 miles in May' encouraging employees to exercise whilst supporting mental health charities in the UK and US.

Environment

WHY WE ENGAGE:
The natural environment is of considerable importance to our business and the supply of natural raw materials. We aim to make a positive contribution to our environment and the sustainability of our products.

HOW WE ENGAGED:
Continuing to work with consultants to further develop and embed our sustainability strategy throughout the Group and improve our environmental performance.

Group-wide initiative for Earth Day to promote protection of our environment and clean communities.

Identifying additional suppliers closer to Treatt facilities in order to reduce transportation costs and emissions.

WHAT WE DISCUSSED:
Key topics of engagement:

- Wider recording of emissions to facilitate reduction
- TCFD (Task Force on Climate-related Financial Disclosures) and its impact on our business and reporting

OUTCOMES AND ACTIONS:
Data collection for Scope 3 emissions from October 2021.

Commencement of the integration of TCFD recommendations in the way we report and in our approach to climate-related risks and opportunities.

Moving procurement of some products to suppliers closer to the UK, resulting in a reduction of carbon emissions through reduced transportation.

Working with consultants to consider appropriate carbon reduction targets.

Week-long litter pick undertaken for Earth Day.

WORKING RESPONSIBLY CONTINUED

BOARD DECISION-MAKING IN PRACTICE

During the year the Board made a number of principal decisions, which we regard as those that are material to the Group and to any of our key stakeholder groups as set out on pages 43 to 46.

In making decisions the Board considers the views of its key stakeholders, as well as the need to maintain our reputation for high standards of business conduct and the need to act fairly between the members of the Company. Examples of such decisions, demonstrating how the Board considered key stakeholders, are set out below.

Approval of dividends

- Each year the Board assesses the strength of the Group's balance sheet and future prospects relative to market uncertainties and makes decisions about the payment of dividends
- In determining whether to make a dividend payment, considerations include the long-term viability of the Group, its expected cash flows and financing requirements, the ongoing need for investment in our business and the expectations of and feedback from our shareholders, many of whom are also employees
- The Board proposed a final dividend of 4.16p per share for the year ended 2020 and approved an interim dividend of 2.00p. It is proposing a final dividend of 5.50p per share for the 2021 financial year. The dividend policy is linked to Group profitability
- In reaching its decisions on dividend levels the Board considered its dividend policy, the impact on the Group's cash position, investment needs and relevant borrowing covenants

Purchase of additional land in the US

- The Board ensures that there is appropriate review and challenge in the purchase of strategic assets
- The Board considered whether the proposal to purchase the land, details of which are on page 50, was in line with its strategy for the Company
- Considerations included future capacity requirements, the suitability of the land for the purposes required and lack of availability of further development land in the immediate vicinity of the Lakeland campus
- Feedback received from the Operations team regarding the future need for manufacturing space
- Purchase of the land provides the ability to expand and deliver continued growth of the US business and returns to shareholders
- Continued growth will provide employees with future opportunities for career development as well as greater employment prospects for the local community
- Development of the land will provide opportunities for local building contractors and associated businesses

Incorporation of a WOFE (wholly-owned foreign enterprise) in China

- The Board discussed the proposal to establish a WOFE with the China Country Manager
- The Board considered whether the transition from a representative office to a WOFE would provide the right platform to achieve the strategic objectives of the China business
- Engagement with customers, particularly those in the beverage industry, highlighted a desire to deal directly with a Chinese company and to be invoiced locally. Incorporating a WOFE would provide greater opportunities to grow the China business
- Consideration was given to discussions which had taken place with a manufacturer in China regarding the appointment of the WOFE as their exclusive worldwide distributor. This would provide a range of products for the beverage market which the Group does not currently have the capability to produce
- Further details on the WOFE, incorporated in May 2021, are on pages 6 and 24

FINANCIAL REVIEW

STRONG GROWTH IN PROFITS

"
Strong performance with revenue from healthier living categories growing by 64%.

Richard Hope
Chief Financial Officer

OVERVIEW

The Group delivered a very strong set of financial results for the year ended 30 September 2021. 64.1% revenue growth in the higher margin healthier living categories coupled with improved margins in the citrus category drove a 41.3% increase in profit before tax and exceptional items[1] to a record £20.9m.

The year also saw continued significant investment of £14.4m in capital projects, including £9.5m on the new UK Headquarters. Despite these high levels of investment, we ended the year with net debt of only £9.1m (2020: net cash of £0.4m).

INCOME STATEMENT[1]

Revenue and profit

Revenue for the year from continuing operations increased by 14.0% to £124.3m (2020: £109.0m). In constant currency terms, revenue increased by 17.7% as the Pound Sterling was stronger against the US Dollar in 2021 as compared to 2020. Across non-citrus categories, revenue grew by 29.4% driven by the impressive growth of 64.1% in our healthier living categories of tea, health & wellness and fruit & vegetables. Tea led the way with growth of 113.1% as a result of some significant new business wins across a range of alcoholic and non-alcoholic beverages, in particular new wins in the ready-to-drink canned cocktail market. The tea category was impacted in the prior year by the effective closure, due to COVID-19, of some significant on-trade channels and therefore a proportion of the growth in this year related to the return of business which had been temporarily paused due to the pandemic.

Health & wellness (which includes sugar reduction) had another very strong year with revenue growth of 28.7%. This was driven by increased demand from brand owners to reduce the sugar content in their beverages and from flavour companies using our products as part of their formulations. This reflects the important IP, know-how and technical expertise which Treatt possesses in this field. The fruit & vegetables category had one of its strongest years to date, with our passion fruit, watermelon, cucumber and mango natural extracts the leading contributors to growth of 59.6%. Citrus remained the Group's largest product category representing 43.6% (2020: 50.3%) of Group sales, with revenue falling by 1.2% due to the timing of deliveries and contract mix with some large customers. Whilst approximately 80% of the Group's revenue now comes from our natural and clean-label product ranges, our synthetic aroma sales into the flavour and fragrance market grew by 8.9% compared with the prior year as demand for sustainable synthetic products continues to increase. The Group's traditional range of herbs, spices & florals, many of which are traded, only grew by 0.5% in large part as a consequence of reduced on-trade consumption due to the pandemic.

Geographical analysis of revenues shows that the UK, mainland Europe and The Americas performed strongly with no discernible impact from Brexit or the well-documented global supply chain issues. However, both of these created significant logistical challenges which our very experienced supply chain teams across the Group did a remarkable job in overcoming in order to maintain excellent levels of service.

Categories % share of sales	2021	2020
Citrus	44%	50%
Tea	11%	6%
Health & wellness	8%	7%
Fruit & vegetables	10%	7%
Herbs, spices & florals	9%	11%
Synthetic aroma	18%	19%

Geographical % share of sales	2021	2020
UK	8%	7%
Germany	5%	4%
Ireland	6%	6%
Rest of Europe	11%	11%
USA	43%	40%
Rest of the Americas	8%	8%
China	6%	6%
Rest of the World	13%	18%

18%
Growth in constant currency revenue

17%
Growth in net assets

25%
Growth in dividend per share

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

FINANCIAL REVIEW CONTINUED

↑ 8%
Revenue from China

↑ 22%
Revenue from US

↑ 18%
Revenue from Europe (excl. UK)

↑ 28%
Revenue from UK

1 Unless indicated otherwise all measures are based on continuing operations.
2 Calculated by dividing operating profit before exceptional items by revenue from continuing operations.
3 For details of how this has been calculated, see the Key Performance Indicators on page 25

The Group continued to focus on opportunities in China and the US. Reported revenue to China increased by 7.6% to £7.4m (2020: £6.9m); excluding the impact of FX translation, revenue to China in USD, the principal invoicing currency, grew by 15.5%. Revenue in the Group's largest market, the US, grew by 22.1% to £53.4m (2020: £43.7m) representing 42.9% of the Group total (2020: 40.1%). Within the US, the Group benefitted from particularly strong growth in the ready-to-drink canned cocktail market with a number of material new product launches as well as growth with existing brands, both direct and indirect via flavour houses. Sales to mainland Europe, which represented 21.9% of Group revenue (2020: 21.2%), performed well following a relatively weaker pandemic-impacted year in 2020. This resulted in a 17.9% increase in revenue to £27.2m (2020: £23.1m) driven by a strong performance from, most notably, citrus and fruit & vegetables. In the UK, revenues performed well in both synthetic aroma and citrus, with revenue ending the year up by a very pleasing 27.8% at £9.5m. The Rest of the World (excluding China) fell by 11.4% to £17.2m (2020: £19.4m) as the effects of COVID-19 continued in many parts of the world.

Gross profit grew by 32.5% with gross profit margins increasing from 29.2% to 34.0%. The increase in margins resulted from the combined effect of growth in higher margin healthier living categories, coupled with improved citrus margins as the increased sophistication of within our citrus category begins to show through. The focus on higher margin, added-value solutions supports our strategy of diversifying the product portfolio away from traded and minimally processed citrus products, thereby building additional resilience into the business.

The Group's R&D investment in water soluble citrus for use in some of the fastest growing areas of beverage innovation is enabling the citrus category to move further up the value chain.

As the impact of COVID-19 has begun to ease, the level of customer innovation and new product development has increased, enabling science-led collaboration with new and existing clients, in turn bringing further margin progression.

Administrative expenses grew by 24.4% in the year to £20.9m (2020: £16.8m). The £4.1m net increase primarily relates to increased costs at our US subsidiary, Treatt USA. Overhead costs in the US rose by £1.1m which, together with increased depreciation of £0.8m, reflected the full year effect of the recently expanded US facility. Average headcount numbers across the Group have increased by 15%, with the Group's recruitment and induction processes having navigated the restrictions imposed in response to COVID-19. However, recruitment generally has proven a challenge in the US where there remains a significant backlog of open vacancies which will lead to a material increase in headcount numbers and payroll costs over the next 12 months.

As we near the end of the capital investment programme originally announced in 2017, our focus is very much on developing our people infrastructure to support further growth.

Adjusted net operating margin[2] increased in the year to 17.2% (2020: 13.8%). This compares with 10.8% five years ago and delivers on our medium-term objective of achieving our target net operating margin of 15%-20% which is more aligned to some of our larger industry peers. Consequently, operating profit[1] increased by 41.4% to £21.3m (2020: £15.1m).

Adjusted return on average capital employed (ROACE)[3] increased to 20.9% (2020: 18.6%) as a consequence of the substantial increase in profits during the year. As well as growth in adjusted basic earnings per share, ROACE will, going forward, be included as a performance metric for LTIPs as explained in the Directors' Remuneration Report on page 83. Our target is to deliver ROACE of 20–25%.

As phase one of the relocation to the Group's new UK Headquarters in Bury St. Edmunds got underway, one-off non-capital costs relating to the relocation were incurred during the year totalling £1.3m (2020: £1.1m) and are included in exceptional items (see note 9). These included legal fees, project consultants, and manufacturing plant and machinery design and installation specialists.

Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA)[3] for the year increased by 36.3% to £23.1m (2020: £17.0m). Profit before tax and exceptional items from continuing operations rose by 41.3% to £20.9m (2020: £14.8m). Reported profit after tax for the year of £15.1m represents an increase of 55.1% 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 strengthened against the US Dollar ending the year 4% stronger at £1=$1.35 (2020: £1=$1.29); the average Sterling/US Dollar exchange rate for the year was 7% stronger as compared with 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 2021 was a net break-even position on foreign exchange contracts and re-translation gains and losses in aggregate (2020: £0.3m gain).

There was a foreign exchange loss of £1.8m (2020: £2.1m loss) in the 'Statement of Comprehensive Income' in relation to the Group's investment in Treatt USA.

FINANCIAL REVIEW CONTINUED

Finance costs

The Group's net finance costs increased to £0.4m (2020: £0.3m) as (after total capital expenditure and related exceptional costs of £15.7m) the Group moved from a £0.4m net cash positive position at the start of the year, to close with a net debt position of £9.1m. As well as interest costs there were a number of fixed costs for maintaining facilities for future use which were funded from operating cash flows. Following the increase in profits, interest cover for the year before exceptional items increased to a very healthy 50.0 times (2020: 44.9 times).

Group tax charge

After providing for deferred tax, the Group tax charge increased by £1.6m to £4.5m (2020: £2.9m); an effective tax rate (after exceptional items) of 22.8% (2020: 21.1%). This included adjustments reducing this year's tax charge by £0.6m (2020: £0.4m reduction) relating to revisions to the previous year's tax estimates. Following the UK government's announcement that corporation tax will increase to 25% from April 2023, the deferred tax rate applicable in the UK has increased from 19% to 25% resulting in an additional tax charge of £0.2m. In the US the rate of corporation tax remains at 21%.

Capital expenditure for the year was £14.4m – building the foundations for future success.

Discontinued activities

Following the disposal of our Kenyan operations to local management in the prior year, there were no discontinued operations in the year.

Earnings per share

Basic earnings per share from continuing operations (as set out in note 13) increased by 39.0% to 25.19p (2020: 18.12p). Adjusted basic earnings per share excluding exceptional items and discontinued operations for the year increased by 37.2% to 27.05p (2020: 19.72p). The calculation of adjusted 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 5.50p per share (2020: 4.16p) increases the total dividend per share for the year to 7.50p, a 25.0% increase on the prior year (2020: 6.00p), representing dividend cover of 3.6 times pre-exceptional earnings for the year and a rolling three-year cover after exceptional items of 3.2 times. The Board considers this to be appropriate at this stage of the Group's development.

Balance sheet

Shareholders' funds grew in the year by £15.2m to £106.3m (2020: £91.1m), with net assets per share increasing by 16.4% to £1.76 (2020: £1.51). Over the last five years net assets per share have grown by 148%. 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 £14.4m (2020: £24.8m) on capital projects, of which £9.5m was incurred on the UK relocation project (more details of which are set out on pages 51 and 52). The balance of the capital expenditure included the purchase of a further six-acre adjacent piece of land in the US which was acquired in anticipation of future expansion. Plant and machinery investment in the US of £2.3m included on-going investment in our coffee platform as well as new technologies for our citrus category. Excluding the impact of the expenditure on the UK relocation, free cash flow[3] was £5.0m for the year.

There was an overall working capital outflow in the year of £10.0m (2020: outflow £0.2m), principally as a result of an outflow of £11.9m in relation to a management decision to build inventory levels as discussed herein. There was a net increase in receivables of £2.7m compensated by an increase of £4.5m in payables.

Inventory held at the year-end was £47.3m (2020: £36.1m), an increase of £11.2m. This increase was driven by three main factors; first and foremost the overall growth in the business and the strength of the order book; secondly by the higher average cost of orange oil (being consistently the largest volume material held in inventory), and thirdly proactive purchasing by our global procurement team to protect our customers from the effect of global supply chain issues. Treatt services many annual, and in some cases longer-term, contracts with customers as well as meeting 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. Consequently, the overall level of inventory held by the Group is highly significant in cash terms.

Net debt

During the year, and as expected due to the investment in infrastructure to support future growth, the Group moved from net positive cash to close in a net debt position of £9.1m. In order to support the Group's growth plans for the foreseeable future, the Group retains a mix of secured and unsecured borrowing facilities totalling £25.8m, of which £2.2m expires in one year or less. More details can be found in note 22. During the year, the Group secured an additional £7.0m three-year revolving credit facility (which can be extended ultimately to five years) with HSBC Bank together with a £6.5m accordion (a pre-approved facility). This change to the structure of the Group's UK banking facilities has been undertaken to both match some of the Group's borrowings to the assets which they have been used to finance, as well as to reduce the cost of facilities.

All the Group's borrowing facilities are 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.

3 Free cash flow is calculated as cash generated from operations minus the purchase of property, plant, equipment and intangible assets, adjusted to exclude the UK relocation costs. Free cash flow is an alternative performance measure and details of the calculation are set out in note 33 to the financial statements.

FINANCIAL REVIEW CONTINUED

Capital investment programme

In 2017 the Group announced a capital investment programme to expand the US facility (a $15.0m capacity-driven project) and the relocation of our UK facility. This programme of investment is now approximately 80% complete as follows:

US site expansion

In 2019 we completed the expansion of our facility in Lakeland, Florida, at a total cost of $15.3m, doubling the total footprint to 130,500 square feet. By moving from one to two large manufacturing units we have doubled our capacity for our healthier living categories and are now able to increase further by adding manufacturing units in a modular way at a significantly reduced cost, with the third such unit likely to come on stream over the next 48 months, and a fourth could follow thereafter.

UK relocation

In a significant milestone for the Group, during the year we began to relocate 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. The principal contractors began work on site in September 2019 and, whilst COVID-19 impacted the original timescales for completing the project, construction of the new facility was completed during the financial year.

In September 2021 we were delighted to open the offices to our colleagues, and all office-based staff now work in the innovative surroundings of the new facility. Some science and technical colleagues have also transitioned to the new site where new state-of-the-art laboratories provide a truly exceptional customer collaboration environment. The project involves transformation from manual to digital manufacturing incorporating 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 first phase of installation and commissioning of plant and machinery is currently underway, and we expect this to be completed by mid-2022. Thereafter, we will commence phase two which involves the gradual transfer and upgrade of highly complex manufacturing equipment from our old site.

We expect phase two to be completed by mid-2023. Consequently, we will continue to manufacture some products at the old site over the next 18 months whilst most of manufacturing and technical will operate from the new site in 2022.

Following the delays caused by COVID-19, increases in raw material costs such as steel, and learnings from the phase one implementation, the total capital project costs are expected to be approximately £36.9m as compared to the £33.2m budget originally set out in 2019. In addition, exceptional costs totalling £6.9m are expected to be incurred as set out in the table opposite. We have now exchanged contracts on the sale of all our buildings on our old site for a net consideration of £5.6m. Completion has been set for February 2022 with an agreed leaseback for a further 18 months of our main manufacturing building at the old site as the final stages of the transition are due to complete by mid-2023. Therefore, we expect a further net cash outflow over the next two years of £4.2m in relation to the UK relocation project.

The latest estimated costs of the UK relocation are set out below:

			Spend to date (£'000)		
	Note	Revised budget £'000	To 30 September 2020	To 30 September 2021	Total spend to date
Capital expenditure:					
Land		3,823	3,823	–	3,823
Buildings		18,030	15,891	1,676	17,567
Plant & machinery		20,666	6,294	7,785	14,079
Capital expenditure		42,519	26,008	9,461	35,469
Existing site disposal		(5,590)	–	–	–
Net capital expenditure		36,929	26,008	9,461	35,469
Exceptional items:					
Procurement, installation & commissioning	1	2,209	1,370	317	1,687
Accelerated depreciation (non-cash)	2	434	434	–	434
Relocation costs	3	4,285	1,116	985	2,101
Total exceptional items		6,928	2,920	1,302	4,222

Note 1: These costs relate to project 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 years ending 30 September 2022 and 2023.

Note 2: Accelerated depreciation related 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 2022 and 2023.

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 fall to be capitalised. In the year ended 30 September 2021 £23,000 was capitalised and a further £14,000 is expected to be capitalised in the year ending 30 September 2022.

FINANCIAL REVIEW CONTINUED

As explained above, phase one of the project is expected to complete in early 2022 and phase two in early 2023 with the respective total costs breaking down as follows:

£'000	Phase one	Phase two	Total
Capital expenditure	38,999	3,520	42,519
Existing site disposal	(5,590)	–	(5,590)
Exceptional items	5,090	1,838	6,928
Total costs	38,499	5,358	43,857

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].

Although phase one is nearing completion the most complex part of phase one, being the installation and commissioning of almost £20m of plant and machinery, remains underway. In addition, phase two involves the complex transfer and upgrading of manufacturing facilities from our old site. Whilst there is a risk of cost overruns, we have programmed a gradual transfer from our old site to our new facility and included approximately £1.3m of contingency (approximately 18% of the remaining spend) in order to mitigate that risk as far as practicable.

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 £650 (2020: £625) 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 $950 (2020: $925) 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 are offered the opportunity each year to purchase up to £1,800 (or 10% of salary, whichever is lower) of Treatt shares out of gross income, which the Company continues to match on a one and a half for one basis. In the year, a total of 30,000 (2020: 48,000) matching shares were granted.

The SIP currently holds 477,000 shares (2020: 444,000) and is administered by Link Asset Services Trustees. All shares are allocated to participants under the SIP. It is anticipated that going forward the obligations under the SIP will continue to 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 127,000 (2020: 245,000) 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 197,000 (2020: 389,000) shares during the year, whilst 117,000 (2020: 348,000) were exercised from options awarded in prior years which have now vested. During the year, 100,000 (2020: 100,000) shares were issued to the Employee Benefit Trust (EBT) at par (2 pence per share). The EBT currently holds 166,000 shares (2020: 219,000) 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.

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

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, revealed that the funding level had fallen to 95% or less of the scheme liabilities, then the Company would voluntarily resume contributions.

The next full triennial valuation is being carried out as at 1 January 2021 the results of which are expected to be agreed between the Company and trustees in early 2022. Consequently, the Company has agreed with the trustees to make contributions of £0.5m (2020: £0.5m) per annum until the full actuarial review is concluded.

The IAS 19, 'Employee Benefits' pension liability on the balance sheet, net of deferred tax, decreased in the year from £8.1m to £5.1m. The decrease in the deficit was largely the result of investment returns outperforming the assumed discount rate by £2.6m.

Financial risk management

The Group operates conservative treasury policies to avoid or minimise unnecessary risks that may otherwise be incurred.

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.

Capital investment programme announced in 2017 now 80% complete.

FINANCIAL REVIEW CONTINUED

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 in a net debt position, the Group has a policy of maintaining the majority of its trading cash balances and overdrafts (excluding facilities specifically available for financing the UK capital investment programme), 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 were £nil (2020: £0.05m). 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

The financial performance of the Group over the last year has been very strong and follows an unbroken run of eight years of growth in profit before tax and exceptional items.

Whilst COVID-19 continued to impact our on-trade channels and the consequential demand for some of our products, the underlying strength and resilience of our business has been encouraging. The growth in our healthier living categories of tea, health & wellness and fruit & vegetables continues apace, and with these being our higher margin categories, the Group is well positioned for further margin progression over the coming years.

As we near the end of our capital investment programme, capacity across the Group (especially specialist people resource) is being put in place to support further material organic growth over the next few years, with the capability now to add further capacity in a more modular and cost-efficient way. The full impact of these investments will begin to show through from 2023 when it is expected to result in multiple operational and manufacturing efficiencies across the Group, but particularly in the UK where the business has performed very well despite the constraints of its outdated physical environment.

Finally, as I write my 19th and last Financial Review as Chief Financial Officer of Treatt, may I say how proud I am of the business Treatt has become. I am particularly proud of the culture which exists across the business, and I believe it is this which has formed the bedrock of the success we have all achieved together, particularly over the last decade.

In the nearly 20 years that I have been at Treatt, the business has grown from having around 170 employees, to now employing more than 400, and our market capitalisation has grown from approximately £20m to £700m. This growth has been delivered by colleagues both past and present and it has been the privilege of my life to have been CFO during this time.

As we often say, however, this is just the beginning as the next chapter awaits, and as we open our brilliant new facility in the UK, go from strength to strength in the US and embark on our new journey in China, I am very excited about the years which lie ahead.

Richard Hope
Chief Financial Officer
29 November 2021

PRINCIPAL RISKS AND UNCERTAINTIES

RISK MANAGEMENT

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

The Board 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

GROUP 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 in the management and operational processes of the Group including:

- **The quality of our people and culture**
- **The process of strategy setting**
- **Processes for identification, review and monitoring of risk**
- **Established policies, procedures and internal controls**
- **A dedicated team reviewing adherence to internal procedures and operational controls, requiring action where non-conformances are identified**
- **Oversight of risk by the Board**
- **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 CONTINUED

THE BOARD

The Board has overall responsibility for the management of risk at Treatt. This includes establishing 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 Group Leadership Team in reviewing and monitoring risk and mitigation strategies across the business.

RISK APPETITE

Risk appetite is an expression of the type and amount of risk we are willing to accept to achieve our strategic objectives and has been more clearly defined during the course of the year and communicated widely across the 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 regular communication channels and appropriate controls, policies and processes.

The Group 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.

DEVELOPMENTS IN 2021

- The Board engaged KPMG to assist with a review of risk appetite, formalising the risk management framework and employee training
- Workshops were held with all risk owners across the Group, and separately with the Board, to determine current versus desired risk appetite across each risk category
- Data from workshops were used by the Board to revise the risk appetite, ensuring that views from within the business were represented in its decision
- The revised risk appetite was incorporated into the risk management framework, which was formalised and documented
- Training sessions were held with all Group Managers, Team Leaders and Supervisors on the importance of risk management, revised risk appetite and the risk management framework
- The impact of the revised risk appetite was considered in relation to the risk registers and levels of risk
- 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, due to its importance, risk management should remain with the full Board

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 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, together with a bottom-up approach to ensure risk appetite is understood and applied throughout the business and the identification of operational risks.

During the course of the year over 80 risk owners, Managers, Team Leaders and Supervisors were trained on our risk appetite and the risk management framework to ensure that everyone understands the importance of risk management and the role they each play in ensuring that it is robust.

BOARD REVIEW OF RISK

As well as reviewing risk registers and discussing risk throughout the year, the Board holds a specific 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. During the year the Board received a presentation on the management of risks within quality assurance and in October 2021 took a deep dive into cyber risk and operational risks in the US. Having undertaken detailed reviews of numerous key risks on an annual basis since 2017 and having trained employees during the year, the Board is comfortable that risk mitigation is inherent in the Group's policies and procedures and that those responsible for risk understand their obligations and 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 received a comprehensive report on the review of the Group's financial controls, which took place during the previous year.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

EMERGING RISKS

The Group Leadership Team, being closely involved in day-to-day matters, has a breadth of experience across corporate, regulatory, commercial, supply chain, operations, HR and financial matters. Within their fields of specialism, they consider emerging risks that have the potential to adversely impact the business or its stakeholders and take steps to ensure 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.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

TCFD reporting is important to effective climate risk management. It will help us to meet the growing stakeholder demand to understand how climate change and our associated operational impacts on the environment might affect our business in the short, medium and longer-term. During the year we have taken the first steps on our roadmap to TCFD reporting and disclosure, which is set out below:

- Using the Greenhouse Gas (GHG) Protocol as a reference point, Treatt has verified its Scope 1 and 2 emissions and will be collecting and reporting on its Scope 3 emissions during the next financial year. This will allow us to have a better understanding of our overall carbon footprint and the associated risks and opportunities. In line with the TCFD recommendations, we have established a TCFD project committee; participated in an introductory TCFD workshop; agreed a timetable for TCFD; and conducted an initial materiality assessment of our potential climate change risks and opportunities
- Senior leadership has considered the associated governance regarding climate change
- We are developing future scenarios – incorporating physical and transition risks – and will be analysing them through workshops in early 2022. We will then evaluate the possible implications on our business model and strategy
- Members of our Board are actively involved in the implementation of TCFD

As our business relies on many products derived from natural sources, climate change and the increase of significant climatic events may affect the availability and pricing of our raw materials. In recent years we have seen a number of these events, which have affected particular growing regions, resulting in lower crop yields, delays in processing, greater variability in product quality and crop disease. We closely monitor market conditions and look to ensure the availability of alternative supply sources to mitigate these risks and realise opportunities, but it will be important for us to understand the medium and longer-term consequences of climate change on our business through the commencement of scenario analysis.

Area	FY2021 Progress	FY2022 Priorities
Governance	Appointed TCFD Project Committee which includes members of senior leadership. Held TCFD introductory workshop. Appointed in-house Global Sustainability Manager	Develop our TCFD reporting mechanisms
Strategy	Developed climate change scenarios, considering physical and transition risks. Also, considered supply chain climate change risks through our sustainable supply chain strategy	Analyse climate change scenarios through a series of workshops. Consider associated potential business and financial impacts and integrate into business planning, as appropriate. Establish our initial climate change strategy
Risk Management	Conducted initial climate change materiality assessment and held climate change governance and risk workshop	Conduct a group-wide inherent risk assessment, review risk register for risk gaps and address as appropriate. Confirm Board appetite for climate risk
Metrics and Targets	Identified key areas and established responsibility for non-financial KPIs	Collect and report on Scope 3 emissions for the first time and consider setting an emissions reduction target for Scopes 1 and 2. Identify other appropriate metrics for key climate risks and establish mechanisms for monitoring and reporting metrics and targets

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 was introduced as a new principal risk last year, has fortunately not had a profound impact on the performance of our business but we are continuing to monitor potential disruption as the world continues to deal with the virus; we have renamed the risk to recognise the potential for other pandemics in the future. 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.

We have removed the risk of single sourced raw materials as significant work has been undertaken in respect of this and there now remain a very limited number of single sourced materials, the effect of which are not considered material and our procurement team continues to reduce the number of single sourced raw materials.

Climate change has been introduced as a new principal risk this year as the world seeks to reduce the longer-term effects of greenhouse gas emissions. Having a significant portfolio of natural products, climate change is likely to impact agriculture and the sourcing of natural raw materials in the longer-term, although there are broader risks associated with climate change than just raw material sourcing. The sourcing of natural products has been removed from the principal risks as it is incorporated in climate change.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

FINANCIAL

1 Climate change

3 4 5

New risk

Risk and Impact

Severe volatility or loss of availability and/or reduction of quality of some natural ingredients as a result of increased heat, water shortage or drought, crop disease, wildfires, hurricanes and sudden climatic events

Volatility in market price of raw materials and other effects on supply chain

Reduced consumer demand over time for certain products or inability to meet customer requirements

Regulatory changes or restrictions on our manufacturing facilities, fines or penalties

Introduction of carbon taxes or similar levies

Squeeze on margins

Mitigation

- Enhancing relationships with brokers and other supply channels, combined with forward purchasing contracts for medium to longer-term supply
- Greater geographical spread of suppliers, where possible
- Working with suppliers who recognise the risks of climate change and are actively mitigating them
- Visits to existing and new suppliers for key product groups
- Attendance at industry conferences and seminars providing opportunities to meet with potential new suppliers
- Strategic buying of core products
- Considering targets for the reduction of carbon emissions for Scope 1, 2 and 3 to reduce our environmental impact
- Continued investment in production efficiency, new technologies and product development

2 Pandemic

4 5 6

Decrease

Risk and Impact

Reduction in demand for certain products, decrease in new product development briefs from customers, and changes in consumer habits

Difficulties within the supply chain, production, incoming and outgoing logistics

Adverse effect on the welfare of our employees

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. Adopted a staged approach to the opening of office facilities to protect our employees
- 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
- Group Leadership Team providing regular updates to keep all staff informed and maintain team spirit

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

6

No change

Risk and Impact

Increased costs, reduction in working capital headroom and a need to cut costs in other areas

Inability to satisfy customer orders

Mitigation

- Project specification agreed to achievable budget with suitable contingency included before commencement
- Third-party experienced 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 meetings with Directors to ensure appropriate budgetary control
- Close monitoring of the build through regular site meetings with the project manager and contractor to ensure that the project is on track to complete within time and budgetary constraints
- Internal control processes in place to fully evaluate any additions to the schedule of works
- 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

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

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

FINANCIAL CONTINUED

4 Movements in citrus commodity raw material price

1 2 3 4 5 6

↔ No change

Risk and Impact

Can materially impact revenue, contribution and onerous stock provisions

Possible stock shortages

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
- Citrus category team providing greater management across the Group of Treatt's other significant raw materials

PEOPLE

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

1 2 3 4 5 6

↔ No change

Risk and Impact

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

Mitigation

- Ensure we enhance the employee experience and 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
- A comprehensive review of reward structures was conducted during the year resulting in changes to employee and senior management incentives
- Continue to develop succession planning for positions across the Group
- Utilising engagement surveys and other employee voice mechanisms to provide staff with an opportunity to provide feedback and ideas
- Ensure that employees receive regular performance reviews and discussions throughout the year to enable any issues to be identified and resolved in a timely manner
- Develop people managers to ensure that they are equipped with the right skills to manage and motivate their teams

OPERATIONAL

6 Pressure on infrastructure for strategic business

1 2 3 4 5 6

↔ No change

Risk and Impact

Loss of revenue

Damage to reputation

Loss of key strategic customer

Mitigation

- Ensure appropriate infrastructure through new UK Headquarters 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
- Manage sub-contractor relationships

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

1 2 3 4 5 6

↔ No change

Risk and Impact

Loss of use of buildings, equipment and product

Danger to staff

Major incident due to type of products stored

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
- Improved capacity to withstand storm damage following expansion of the US facility

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

1 2 3 4 5 6

↔ No change

Risk and Impact

Failure of BRC, HACCP or regulatory audits

Damage to reputation as problem-free supplier

Investment in rectification of any on-compliances noted

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
- Internal auditing of systems and processes against Standard Operating Procedures and British Retail Consortium (BRC) requirements

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

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

9 IT issues including network, hardware, data and security

1 2 3 4 5 6 ↔ No change

Risk and Impact

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

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
- Board and employee cyber security training
- Ad hoc hacking attempts by third-party security consultants

10 Product failure

1 2 3 4 5 6 ↔ No change

Risk and Impact

Potential product recall causing financial and reputational loss

Mitigation

- Strong supplier qualification process, intake testing and analysis
- Regular review of risk matrix for raw materials 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
- Annual desktop testing of product recall procedure

11 Commoditisation of established Treatt products

1 2 3 4 5 6 ↔ No change

Risk and Impact

Effect on revenues and margin attrition

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
- Increasing value-added proposition

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

1 2 3 4 5 6 ↔ No change

Risk and Impact

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

Increased competition

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
- Working with customers on make-or-buy decisions where Treatt has the expertise available, enabling customers to buy rather than process in-house

LEGAL AND REGULATORY

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

1 2 3 4 5 6 ↔ No change

Risk and Impact

HSE and/or EA investigation

Probable enforcement action involving fines, enforcement notices

Risk of site closure

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
- Continuation of relevant training and assessment of employee skills across the Group

The Group regularly reviews its commercial insurance programme and maintains an appropriate 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 recent years, 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.

BOARD OF DIRECTORS

ONE TEAM

Tim Jones
Non-executive Chairman

Appointed to the Board:
February 2012

Skills & experience:
Tim has led Treatt's Board 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 had considerable experience in international financial services businesses through roles in the Middle East, the US and Europe before entering the beverage/water bottling sector in the 1990s – including the establishment of a joint venture in the Balkans. He is Chairman of fixed income broker City and Continental, a subsidiary of the social impact organisation Allia, an Honorary Fellow at Cambridge Judge Business School and actively involved in the City of London where he is a member of the Court of the International Bankers Livery Company.

Key External Appointments:
- Non-executive Director of Retail Charity Bonds plc
- Advisory Board member Carbon13

Daemmon Reeve
Chief Executive Officer

Appointed to the Board:
May 2012

Skills & experience:
Daemmon joined 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. 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:
- None

Richard Hope
Chief Financial Officer

Appointed to the Board:
May 2003

Skills & experience:
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 held several senior finance positions in value-added manufacturing businesses prior to joining Treatt, 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.

Richard has informed the Company of his intention to retire from the business with effect from 30 June 2022 and a search process to identify his successor is currently under way.

Key External Appointments:
- None

Yetunde Hofmann
Non-executive Director

Appointed to the Board:
March 2019

Skills & experience:
Yetunde is a seasoned business leader with experience gained in mergers and acquisitions, business operating model transformation, organisational capability development and growth and international expansion. She has been named in the Cranfield University FTSE Board Report '100 Women to Watch'. She is a former Non-executive Director and Chair of the Remuneration Committee at the Chartered Institute of Personnel and Development (CIPD). She is 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 global organisations across a variety of industries such as Unilever, Northern Foods, Allied Domecq and Imperial Brands.

Key External Appointments:
- Board Trustee of the Institute of Business Ethics
- Managing Director of Synchrony Development Consulting and The Enjoyable Life Series CIC
- Founder of Solaris Global Executive Leadership Development

Committee key:
- Audit Committee
- Remuneration Committee
- Nomination Committee
- Denotes Committee Chair
- Independent

BOARD OF DIRECTORS CONTINUED

ONE TEAM

David Johnston
Non-executive Director

Appointed to the Board:
May 2011

Skills & experience:
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 global head of flavour innovation. David went on to start his own company, Natural Taste Consulting SARL, which focuses on the development and sale 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:
September 2020

Skills & experience:
Vijay is a Chartered Accountant with extensive strategy, commercial, ESG 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 as a non-executive and chair, including Quorn Foods and The Quoted Companies Alliance. He currently serves on various public and private company boards on their Audit & Risk, Nominations and Remuneration Committees and supports them on their ESG strategy. Vijay will succeed Jeff Iliffe as Audit Committee Chair in February 2022.

Key External Appointments:
- Non-executive Director and Chair of Audit Committee at Alumasc Group plc (Group Chairman designate)
- Non-executive Director and Chair of Audit Committee at Alpha FX Group plc
- Audit and Risk Committee Member of John Lewis Partnership
- Non-executive Director and Chair of Remuneration Committee at RSM Group

Jeff Iliffe
Non-executive Director

Appointed to the Board:
February 2013

Skills & experience:
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.

Jeff has informed the Board of his intention to stand down as a Director in February 2022 when he will have served for nine years and will no longer be deemed to be independent under the UK Corporate Governance Code.

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

Lynne Weedall
Non-executive Director*

Appointed to the Board:
April 2019

Skills & experience:
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, mergers and acquisitions, executive remuneration, strategic transformations, board succession and employee engagement. Lynne has served as a Non-executive Director, Senior Independent Director and Remuneration Chair on a number of Boards and spent seven years on the Board of Greene King. She is also a Director of TruePoint, an international consultancy that specialises in purpose led strategy.

Key External Appointments:
- Non-executive Director and Chair of Remuneration Committee at Stagecoach Group plc
- Senior Non-executive Director and Chair of Remuneration Committee at Dr. Martens plc
- Director of TruePoint

* Senior Independent Director

Richard Illek
Non-executive Director

Appointed to the Board:
June 2016

Skills & experience:
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.

Richard is stepping down from the Board of Treatt on 31 December 2021.

Key External Appointments:
- None

“I am pleased to present the Corporate Governance Report for the year ended 30 September 2021

Tim Jones
Chair

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION FROM THE CHAIRMAN

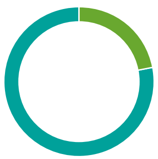
BOARD

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. The Board was refreshed in 2019 and 2020 with the introduction of three new Non-executive Directors bringing a range of skills and experience to the Board. There have been no appointments during this financial year but, as previously announced, Richard Illek and Jeff Iliffe will be stepping down from the Board on 31 December 2021 and 25 February 2022 respectively and Richard Hope has given notice of his retirement in June 2022. On behalf of the Board, I would like to express our sincere thanks to all three of these Board members for the contributions they have made to the business over the years.

Working with me, the Nomination Committee has commenced the recruitment process for an additional independent Non-executive Director and Chief Financial Officer. We will continue to review the Board's composition to ensure that it maintains appropriate skills, experience, independence, and diversity and that it remains effective.

7

Board meetings in the year



Board Gender Diversity

Female	22%
Male	78%

SUSTAINABILITY

In recent years we have seen an increased focus on sustainability generally and from a number of stakeholders, including our shareholders and employees. Whilst the Board has always been responsive to sustainability matters, we are expanding our approach through the development of a formal sustainability strategy, which will be embedded in our decision making processes. The Board receives regular progress updates on this from the CEO and engages directly with the external consultants who are assisting us to embed sustainability across the Group. We look forward to updating you in next year's report as our strategy develops. Further details can be found on pages 27 to 42.

STAKEHOLDER ENGAGEMENT

Strong engagement with our stakeholders is important to support the growth and development of our business. Consequently, we continue to look for ways in which engagement can be enhanced, including through improved reporting. This is our second-year reporting on Section 172(1) Companies Act 2006, and with feedback on the first year of S172 reporting available, we have enhanced our disclosures in this area to explain the outcomes of engagement with our stakeholders. Our statement on Section 172 and stakeholder engagement can be found on pages 43 to 47.

100%

Meeting attendance

Board Independence

Independent	56%
Non-independent	44%

COVID-19

Unfortunately, due to the continuation of COVID-19 restrictions, the Board was, once again, unable to hold its annual Board meeting at Treatt USA. We are hopeful that we may be able to travel more during the coming year.

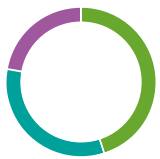
Until September, when we were able to meet in person, our Board meetings continued to be held virtually, but I have maintained regular contact with the executive team and the Non-executive Directors, without the presence of the Executives, to ensure that there remained an appropriate level of support, oversight and challenge.

ANNUAL GENERAL MEETING

Having held a closed AGM in 2021, the Board is looking forward to welcoming shareholders to the 2022 AGM on 28 January, which is to be held at our new UK Headquarters. To increase our opportunity to engage with our shareholders, we will provide the facility for you to follow the meeting remotely, allowing you to listen to those speaking and view presentations, as well as submit questions to the Board on the business of the meeting. We hope that, if you are unable to attend in person, you will be able to join us virtually. Further details are on pages 137 to 145.

Board experience

Operations	2	Management	9
HR	2	Industry	4
Finance	3	ESG	1



Length of Service

0–5 years	45%
6–10 years	33%
Over 10 years	22%

CORPORATE GOVERNANCE STATEMENT CONTINUED

CORPORATE GOVERNANCE

At Treatt our commitment to effective corporate governance is reflected in our principles, policies and practices. Our Board is united in the view that good governance, a values-based culture and focusing on our responsibilities to our stakeholders ultimately produces a better company and optimum long-term performance.

The Company is subject to the 2018 UK Corporate Governance Code (the '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 and focus on the sustainable success of a company over the longer-term. Throughout the year the Company has complied with the provisions of the Code with the exception of provision 19, which relates to the Chairman remaining in post beyond nine years. Details in this respect are set out on page 67. For further information on how we have complied with the Code please refer to the following table.

	Page
Board leadership and company purpose	
Promoting the long-term sustainable success of the Group	63
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Framework of effective controls	65
Engagement with our stakeholders	43–47
Workforce policies and practices	28
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Division of responsibilities	66
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Skills, experience and knowledge	70
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Audit, risk and internal control	
Audit and internal control	73
Fair, balanced and understandable	73
Risk management	54–59
Remuneration	
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Developing remuneration policy	77–81
Shareholder engagement on remuneration	81
Alignment of the policy to the workforce	77

Tim Jones
Chairman

LEADERSHIP AND PURPOSE

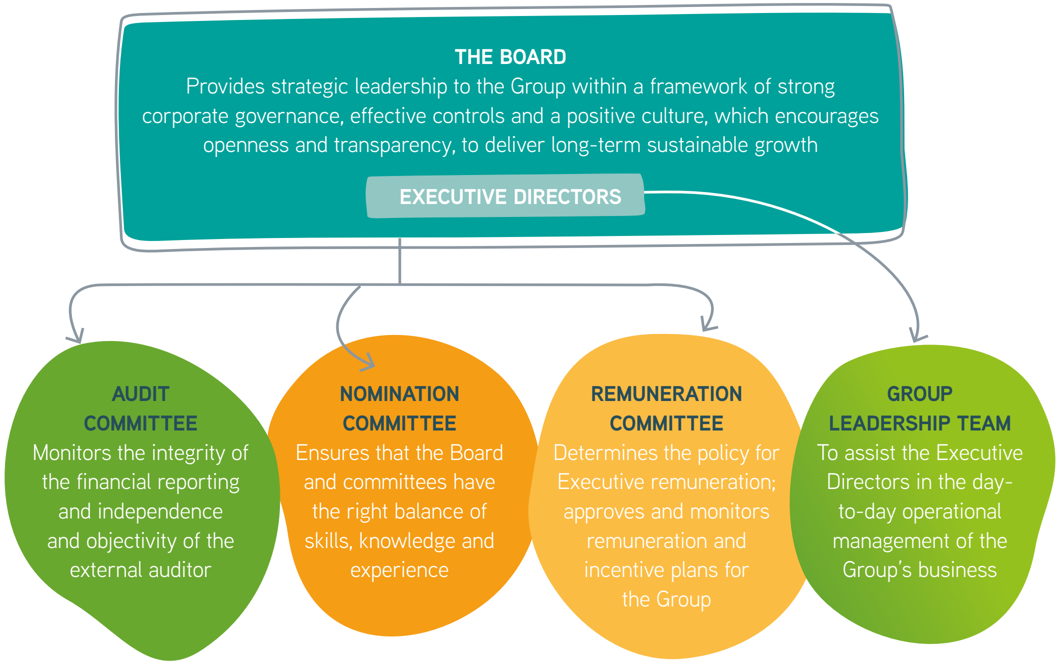
Role of the Board

The Board is accountable to shareholders for the effective and entrepreneurial leadership of the Group in a way which promotes long-term sustainable success for the benefit of its shareholders, taking into account the interests of all stakeholders. It sets the Group's strategic objectives and oversees their implementation by the Chief Executive Officer.

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.

Day-to-day management of the Group is delegated to the Executive Directors, who are supported by a Group Leadership Team, with members located in the UK and US.



CORPORATE GOVERNANCE STATEMENT CONTINUED

Attendance at meetings

The attendance of the members of the Board and its committees during the year, against the number of meetings they were eligible to attend, are shown below:

	Board	Audit Committee	Nomination Committee	Remuneration Committee	Chair
Daemmon Reeve – Chief Executive Officer	7/7	N/A	5/5	N/A	
Richard Hope – Chief Financial Officer	7/7	N/A	N/A	N/A	
Tim Jones – Non-executive Director and Chairman	7/7	N/A	1/1	N/A	Board. Nomination until 29 January 2021
David Johnston – Non-executive Director	7/7	N/A	N/A	N/A	
Richard Illek – Non-executive Director	7/7	N/A	4/5	N/A	
Jeff Iliffe – Non-executive Director	7/7	3/3	N/A	4/4	Audit
Yetunde Hofmann – Non-executive Director	7/7	3/3	5/5	4/4	Remuneration from 29 January 2021
Lynne Weedall – Senior Independent Non-executive Director	7/7	N/A	5/5	4/4	Remuneration until 29 January 2021 and Nomination from 29 January 2021
Vijay Thakrar – Non-executive Director	7/7	3/3	5/5	N/A	

Information and support

Contact is maintained by the Board through email, telephone and video calls with written updates provided in respect of ongoing 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, prior to the pandemic, took place after each Board meeting and also provide the Board with an opportunity to meet members of staff, who are sometimes invited to attend. These lunches will resume when conditions allow.

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.

EMPLOYEE VOICE

During the year, Tim Jones and David Johnston, our Non-executive Directors responsible for workforce engagement ('Employee Voice NEDs'), continued to engage with staff throughout the Group.

The Board appointed Tim and David as Employee Voice NEDs in 2018. It was felt that Tim should be appointed to provide employees with direct access to the Chairman to demonstrate the importance of employee views to the Board.

David was the Senior Independent Director at the time and was appointed as he has significant industry experience and, as the longest serving Non-executive Director, was already known to Group employees.

Role of our Employee Voice NEDs:

Our Employee Voice NEDs seek to ensure that:

- The interests and feedback of employees are considered in Board decision making
- Feedback is provided to the Board, as a standing agenda item, on all engagement activity and any employee concerns raised
- They provide an open channel of communication with the Board
- Employee voice reflects the geography and demographics of the workforce
- Management report to the Board on actions they have taken as a result of employee engagement

In prior years, engagement has taken place in person in the UK and US, with the Employee Voice NEDs making themselves available to any member of staff to drop in and discuss any matter they wish. The inability to travel, due to the pandemic, has necessitated these sessions being held virtually over an extended period, to allow staff to drop into the session and join a breakout room for a confidential conversation.

For the first time this year we extended Employee Voice to our colleagues in China, who met with David as a team.

The sessions are held twice a year to provide an opportunity to meet either or both Tim and David. Their direct contact details are also shared with all employees so that those wishing to book an appointment at a different time, rather than attend a drop in session, are able to do so.

The sessions are reasonably well attended with a different mix of employee attendance, but the absence of employees from manufacturing areas has been noted and action will be taken to try and address that in the coming year.

Whilst the sessions are confidential, the Board receive feedback on key themes in order for them to engage with management and enable matters to be addressed as appropriate.

KEY THEMES FROM EMPLOYEE ENGAGEMENT

UK	US	China
• Employees felt supported by the Company through the pandemic • Improved internal communication is required to enhance the embedding of sustainability across all aspects of the business • Enthusiasm to understand future plans for the business • A positive culture and values	• The forum, which is uncommon in the US, was welcomed • Measures taken to protect employees from COVID-19 were very well appreciated • New starters were very positive about the culture • The need for increased headcount, particularly in manufacturing areas	• The team, all having worked for international companies in the past, have rarely or never met Board members and appreciated the opportunity • Opportunities for collaboration with universities in China • Issues caused by lead times importing into China and tariffs • Training requested to be translated into Chinese

Further details on employee engagement can be found on page 44.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Speaking up

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. Appropriate arrangements are in place so that employees of the Group may seek advice or raise concerns about possible illegal or unethical practices or matters of integrity.

One concern was raised under the Whistleblowing Policy during the year regarding a potential regulatory matter, which was investigated by a member of the Group Leadership Team and reported to the Board. Actions have been taken to ensure that internal systems are more robust, the relevant employees are appropriately trained and risk monitoring processes enhanced.

Conflicts of interest

The Group has procedures in place for managing conflicts of interest. If a Director becomes aware that they, or a connected party, have a potential conflict of interest or may be interested in any contract or arrangement to which a Group company is or may be a party, they should notify the Company Secretary as soon as possible. The Board must consider and where appropriate give clearance to such potential conflicts of interest (which would include directorships or other interests in other companies and organisations) following which, an entry is then made in the register of conflicts, which the Company maintains for this purpose. In such cases, unless allowed by the Articles of Association of the Company, any Director with such an interest is not permitted to participate in any discussions or decisions relating to the contract or arrangement. Directors have a continuing obligation to update any changes to conflicts and the Board formally reviews them annually.

Details of other key directorships held by members of the Board can be found in the Director profiles on pages 60 and 61.

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 Group website. In addition this year, for the first time, a webcast was held with analysts and investors, which has been published on the website

SHAREHOLDER MEETINGS
During the year, conference calls and virtual 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 ask questions of the Board. Although the 2021 Annual General Meeting was held as a closed meeting due to COVID-19, shareholders were invited to submit written questions to the Board, answers to which were published on the Group's website

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

CORPORATE GOVERNANCE STATEMENT CONTINUED

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 60 and 61. The Board consists of the Non-executive Chairman, Tim Jones, and six further Non-executive Directors together with Daemmon Reeve, CEO, and Richard Hope, CFO. There is a clear and effective division of responsibility between the CEO and the Chairman; the roles of the Board team can be generally defined as set out in the table below:

Chairman

- Ensures that the Board and its committees are effective and operate under the highest standards of corporate governance
- Ensures appropriate delegation of authority from the Board to executive management and constructive, open relations between them
- Chairs Board meetings and sets the agenda
- Enables adequate time for discussion and circulation of timely and clear information
- Encourages constructive challenge and effective communication between Directors
- 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
- Ensures that the performance of individual Directors, the whole Board and its committees is evaluated at least annually
- Encourages Directors to update their skills, knowledge and familiarity with the Company, its employees and all stakeholders as required to fulfil their role
- Agrees the CEO's personal objectives
- Maintains regular contact with the Non-executive Directors without the presence of the Executive Directors

Chief Executive Officer

- Develops and implements Group strategy
- In conjunction with the CFO, recommends the annual budget
- Ensures strong leadership of the Group
- Sets and promotes the culture of the organisation
- Develops the Group Leadership Team, plans for succession and reviews organisational design
- Manages risk and appropriate mitigation strategies
- Advises and updates the Chairman and Board in relation to key matters
- Maintains relationships with investors and advises the Board accordingly
- Day-to-day running of the business
- Manages the operations and resources of the Group

Chief Financial Officer

- Responsible for management of the Group's financial affairs, including treasury and taxation
- In conjunction with the CEO, recommends the annual budget
- Manages financial risk and appropriate mitigation strategies
- Oversees the Finance, Operations, Legal and IT departments
- Promotes the culture of the organisation

Senior Independent Director

- Provides a sounding board for the Chairman
- Serves as an intermediary for the other Directors, when necessary
- Chairs meetings in the absence of the Chairman
- Is available to shareholders to deal with concerns which cannot otherwise be resolved
- Leads the performance evaluation of the Chairman

Non-executive Directors

- Provide independent oversight of the management and governance of the business
- Provide constructive and objective challenge to Executive management
- Assist with the development of strategy
- Provide advice to the Board and management and share knowledge and experience
- Serve on Board committees
- Update and refresh their skills, knowledge and familiarity with the business
- Appoint and remove Executive Directors

Company Secretary

- Provides advice and support to the Board on governance, compliance and legal matters
- Responsible for legal and compliance matters relating to the Group
- Provides support for Board meetings and agendas to enable efficient process and compliance with Board procedures
- Ensures good information flows within the Board and its committees and between senior management and Non-executive Directors
- Oversees the Legal and Company Secretarial department

Committees

The Board has three sub-committees; the Nomination Committee chaired by Lynne Weedall, the Audit Committee chaired by Jeff Iliffe and the Remuneration Committee chaired by Yetunde Hofmann. During the year the Board reviewed the membership of these committees. Although the Chairman is not a member of the committees, he regularly attends 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. The Board has decided that, due to their importance, risk and sustainability should currently remain as a matter for the Board and should not be delegated to a committee.

Further details of the committees can be found on pages 69 to 87. The terms of reference of all the committees can be found on the Treatt website at www.treatt.com.

Independence

The Board considers that 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; but since Tim Jones and David Johnston have served on the Board for more than nine years they are no longer regarded as independent under the 2018 UK Corporate Governance Code ('Code'). This still means however, that more than half of the Board are independent Non-executive Directors, as defined by the Code.

The Chairman, Tim Jones, was independent on appointment in February 2012. However, provision 19 of the Code provides that a Chairman should not normally remain in post beyond nine years from the date of their first appointment to the Board. The Board determined in 2020, as previously reported, that, whilst the Company both completes its largest ever investment in the new UK Headquarters and the Board undergoes a number of succession changes, that it was in the best interests of the business and its stakeholders for Tim Jones to remain as Chairman for a further period, subject to annual re-election. This view was strongly supported by our major shareholders, whose opinions were sought on this subject during 2020 by the Senior Independent Director, Lynne Weedall. During this further period, which will exceed 12 months from February 2021, but is unlikely to exceed two years, a suitable successor will be sought by the Nomination Committee, which is now chaired by Lynne Weedall.

On 20 May 2020, David Johnston reached nine years' service on the Board. Accordingly, in line with best practice under the Code, the Board no longer considers David Johnston as independent. As previously reported, 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.

On 25 February 2022, Jeff Iliffe will have reached nine years' service on the Board and as previously reported will stand down at that time since he will no longer be considered independent under the Code. It is intended that Vijay Thakrar will succeed Jeff as Chair of the Audit Committee.

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 considerably more for the Chairman. The service contracts of Non-executive Directors do not permit them to accept other board appointments without approval from the Chairman, who 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 and Vijay Thakrar were permitted to accept other board positions. 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 70.

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 69 and 70.

Induction and development

On appointment 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 and 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

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.

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 Group.

In order to ensure the effectiveness of the external evaluation, the Board continued to work on 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 further improvements made during 2021 were noticeable, including in the following areas:

- More presentations at Board meetings by management from across the Group
- Actions taken to strengthen the senior management team
- Continued improvement in the quality of reports provided to the Board
- Ensuring the Board continues to develop its understanding of the competitor landscape

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 and composition 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 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.

WHAT THE BOARD DID DURING THE YEAR

Focus on strategy, growth and strengthening the team

The Board met formally seven times this year. 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, and updates on health and safety, HR and legal issues.

In addition to these regular matters, specific areas of focus for the Board during 2021 included:

Strategy and business development

- Approved the results of a review of the Group's purpose by a diverse employee team led by the CEO
- Strategic planning for the years ahead as the Group nears achievement of current strategic objectives
- Reviewed the progress of the Group's strategy throughout the year with regular updates from the CEO
- Approved the incorporation of a new subsidiary company in China
- Received regular updates on progress of the sustainability strategy and work with the sustainability consultants

Financial performance

- Regularly reviewed the trading performance of the business and updated the market as required
- Approved the FY2022 budget and capital investment proposals
- Approved capital investment proposals to increase capacity in growing product categories
- Reviewed the Group forecasts, net debt levels, facility headroom and covenants and working capital
- Approved financing proposals
- Considered and approved the recommendation of the final dividend for FY2020 and payment of the interim dividend for FY2021

Operational performance

- Maintained oversight of the development of the new UK Headquarters
- Approved the disposal of the existing site at Northern Way
- Approved the purchase of additional land in the US for the purposes of future expansion
- Received presentations from management from across the business about matters of material importance to the Group

Governance and risk

- On the recommendation of the Audit Committee, reviewed and approved the FY2020 Annual Report and the FY2021 half year results
- Undertook an internal Board and committee evaluation
- Refreshed the Chair positions of the Remuneration and Nomination Committees
- Reviewed and approved the annual modern slavery statement and various Board policies
- Appointed KPMG to assist the Board in the review of risk appetite and the Group's risk management framework, and to provide staff training on risk management
- Held a meeting dedicated to the discussion of risk and undertook a deep dive into several key risk areas

People

- Strengthened the management team with appointment of a Chief People Officer and a Chief Innovation Officer
- Commenced the recruitment process for a new Chief Financial Officer
- Commenced the recruitment process for a Non-executive Director
- Reviewed the actions taken by management in response to Employee Voice feedback
- Reviewed the results of periodic pulse and engagement surveys undertaken across the business

This report was approved by the Board on 29 November 2021.

Anita Guernari
Group Legal Counsel and Company Secretary

"

I am pleased to present our Nomination Committee Report

Lynne Weedall
Chair

NOMINATION COMMITTEE MEMBERS

Lynne Weedall (Chair)
Non-executive Director

Daemmon Reeve
Chief Executive Officer

Richard Illek
Non-executive Director

Yetunde Hofmann
Non-executive Director

Vijay Thakrar
Non-executive Director

NOMINATION COMMITTEE REPORT

A FOCUS ON BOARD COMPOSITION

Composition of the Board and succession planning for the Board, its committees and senior management are key activities.

INTRODUCTION

Our Nomination Committee report explains the committee's focus and activities during the year. The committee seeks to ensure that the size, composition and structure of the Board is appropriate for the delivery of the Group's strategic objectives and our culture and values.

MEMBERSHIP AND MEETINGS

As reported in last year's Annual Report, I succeeded Tim Jones as Chair of the Nomination Committee during the year as he reached nine years' service on the Board. The committee takes succession planning and Board composition very seriously and as such has met five times during the course of the year. Tim has regularly attended committee meetings where appropriate and his contribution is greatly valued.

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, considering current and future strategy, the challenges and opportunities facing the Group and the skills and expertise needed on the Board for the future
- 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

ACTIVITIES SINCE THE LAST REPORT

- Appointment of appropriate search firms and commencement of the recruitment process for Chief Financial Officer, Non-executive Director and Board Chair
- Involvement in the appointment of the Chief People Officer and Chief Innovation Officer
- Received a report from the Chairman on the individual evaluation of the Directors
- Reviewed the Board evaluation as it relates to the composition of the Board and performance of the committee
- Reviewed the time commitment required from Non-executive Directors and determined whether sufficient value is being provided to the Company
- Board succession planning
- Reviewed the Diversity Policy
- Received an update from the CEO on senior management and organisation succession plans
- Reviewed the terms of reference of the committee

5
Committee meetings in the year

97%
Meeting attendance

NOMINATION COMMITTEE REPORT CONTINUED

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 and diversity 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, the Chairman and the Nomination Committee.

With the announcement that Richard Hope retires in June 2022, the committee has engaged Sapphire Partners, a London-based executive search firm which focuses on finding diverse talent, to search for suitable candidates and provide an initial shortlist for the role of Chief Financial Officer. The committee is being supported in this process by the Chairman and both he and the CEO will play a key part in the appointment process. In addition to the technical expertise required for this role, leadership, diversity, and cultural fit will be key attributes of the successful candidate.

As Richard Illek and Jeff Iliffe step down from the Board in December 2021 and February 2022 respectively, the committee has engaged Pure Executive, an independent search and selection agency, which is a division of Pure Resourcing Solutions Limited. Pure Executive were instructed to search for suitable candidates for the role of Non-executive Director to provide an initial shortlist to the committee. The time commitment required for the role and existing demands on a candidate's time will be considered as part of the selection criteria as will relevant skills and experiences taking into consideration our skills matrix review and our diversity objectives.

Members of the committee will be involved in the initial interview process with Board members meeting the final shortlisted candidates.

Sapphire Partners, Pure Executive and Pure Resourcing have previously provided recruitment services to Treatt but do not have any other connection with the Company or individual Directors.

The committee has also started the process of finding a successor for our Chairman who has played a pivotal part in the transformation of the business during his successful tenure. The focus will be on ensuring the right balance of building on Tim's successful legacy as well as being able to guide the CEO and team to deliver on our exciting strategic ambitions for the future.

Succession planning for the Board and senior management will continue 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 both Executive and Non-executive Directors; independence is also a key consideration for Non-executive Director appointments.

Further details on gender diversity within the Group are set out on page 32.

COMMITTEE EVALUATION

The effectiveness of the committee was considered as part of the Board evaluation detailed on page 68 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 including:

- Continuing to improve its communication, particularly with members of the Board outside the Nomination Committee
- The newly appointed Chief People Officer to ensure that leading-edge talent and succession planning processes are in place and reviewed regularly by the committee
- To ensure a detailed review of our Diversity Policy by the wider Board and agree appropriate measures of success

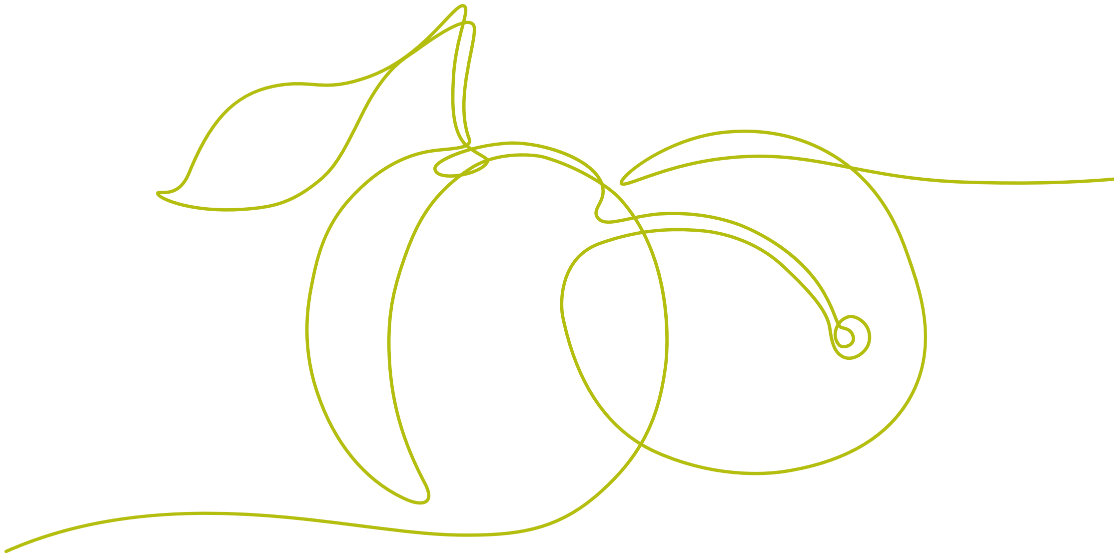
Lynne Weedall
Chair – Nomination Committee

THIS YEAR'S ACHIEVEMENTS

- Selecting search partners to assist in the appointment of Chief Financial Officer, Non-executive Director and Chair succession planning
- Strengthening of the Global Leadership Team with two new senior appointments
- Internal Board evaluation

FUTURE PLANS

- Board succession planning and composition including CFO appointment, NED appointment and Chair succession
- Continuing development of Global Leadership talent
- Enhanced oversight of senior management succession plans
- Continuing review and development of Board and committee memberships



"I am pleased to present our Audit Committee Report

Jeff Iliffe
Chair

AUDIT COMMITTEE MEMBERS

Jeff Iliffe (Chair)
Non-executive Director

Yetunde Hofmann
Non-executive Director

Vijay Thakrar
Non-executive Director

AUDIT COMMITTEE REPORT

A FOCUS ON GOVERNANCE AND REPORTING

The Audit Committee focuses on effective governance and financial reporting.

MEMBERSHIP, INDEPENDENCE AND EXPERIENCE

Having been refreshed in September 2020 the current membership of the Audit Committee is Jeff Iliffe (Chair), Yetunde Hofmann and Vijay Thakrar. Each of the members is deemed to be independent. Jeff Iliffe joined the committee as Chair in February 2013 and is deemed by the Board to meet the requirement of having 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. It is planned that Vijay Thakrar will succeed the current Chair when he steps down from the Board in February 2022 on reaching his nine-year tenure. Vijay is also a Chartered Accountant and deemed by the Board to have recent and relevant financial experience, having been a partner at EY and Deloitte.

The committee acts independently of management and the Board is satisfied that its members have the appropriate skills, experience, knowledge and professional qualifications, with competence relevant to Treatt's business.

MEETINGS

The committee met formally three times during the year and also received presentations from senior finance staff on the risks managed in and accounting for foreign exchange and revenue recognition. The auditor attended two of these meetings other than when their appointment or performance was being reviewed and the CEO, CFO and other senior finance team members attended as appropriate by invitation. The committee has discussions at least once a year with the auditor without management being present. The committee Chair also 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.

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
- 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

3
Committee meetings in the year

100%
Meeting attendance

AUDIT COMMITTEE REPORT CONTINUED

ACTIVITIES SINCE THE LAST REPORT

- Reviewed and reported to the Board on the half year report and trading updates
- Met with the audit partner to approve the audit plan and identification of risks
- Reviewed the auditor's findings, management's response and ensured robust challenge
- Reviewed 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
- Reviewed and reported to the Board on the Group's Annual Report for 2021 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
- Reviewed the clarity and completeness of the treatment and disclosure of exceptional items and alternative performance measures
- Received presentations from management on financial reporting matters
- Consideration of any whistleblowing reports, of which there was one during the year. Further details can be found on page 65
- Reviewed the potential requirement for an internal audit function
- Reviewed the appropriateness of having a formal review of the Company's half year results undertaken
- Reviewed the operation of the policy on the provision of non-audit services by the external auditor and approving any such work undertaken
- Reviewed the performance of the Audit Committee
- Reviewed the terms of reference of the Audit Committee

FINANCIAL REPORTING

During the year the committee and the Board monitor the integrity of any externally published 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 committee Chair has regular contact with the audit partner without the presence of the Executive Directors.

In respect of the Annual Report, the Chair of the committee reviews early drafts to keep apprised of its key themes and to raise any issues early in the process. The 2021 Annual Report was reviewed at a committee meeting in November 2021; 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.

Having discussed the key judgements and risk areas identified 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.

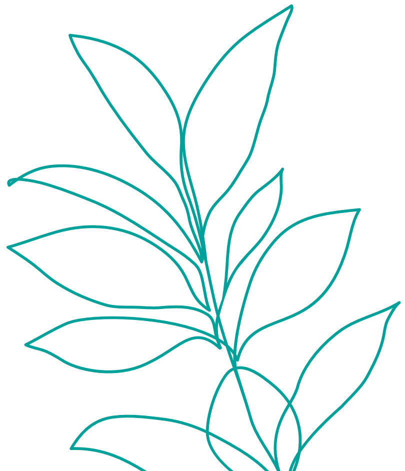
As Treatt's business continues to develop, its profile grows and the regulatory landscape becomes more complex, it will be appropriate at some stage to have Treatt's half year results formally reviewed by the external auditors before publication. The committee will continue to monitor developments in these areas and will keep this matter under review.

SIGNIFICANT JUDGEMENTS AND ISSUES

The committee receives reports from management on the significant accounting and financial reporting matters and judgements involved in the preparation of the financial statements. Amongst the matters considered by the committee in relation to the Group's 2021 Annual Report were:

The ongoing global pandemic

Despite the Group's strong financial performance throughout the Global pandemic, the committee remains vigilant to the uncertainties the pandemic creates both domestically and internationally, including the well documented supply-side shortages and uncertainty around the rates of economic recovery in our key markets. Appropriate financial modelling has since been undertaken with this in mind to support the assessment of the business as a going concern and its longer-term viability. The Group's going concern and viability statement on pages 89 and 90 sets out the approach taken and the conclusions reached.



Inventory valuation

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, which are likely to result in a loss to the Group. This involved discussions with management, on the basis of valuation and 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.

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 revenue recognition policy has been reviewed by the committee in the context of the terms of trade and the committee concluded that it continued to be consistent and appropriate.

Pension liability

The choice of discount rate, inflation rate and life expectancy basis could materially affect the level of surpluses and deficits in the defined benefit pension scheme. The committee considered the choice of assumptions used to calculate the Group's pension liability in accordance with IAS 19, this included confirming that they are in accordance with advice received from the scheme actuary, Barnett Waddingham, and that these assumptions had been critically reviewed by the auditors.

AUDIT COMMITTEE REPORT CONTINUED

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
- The committee receives an early draft of the Annual Report to enable timely review and comment

These processes, together with its own review, 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, 2018 and 2021, 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 89 and 90. 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 54 to 59.

The committee annually reviews the requirement for an internal audit function. In doing so last year, as previously reported, KPMG undertook a strategic assurance mapping exercise to understand the levels of assurance the Group has for some of its key strategic risks. During the year the recommendations of KPMG have been implemented and additional work has been undertaken, with the continued assistance of KPMG, including a comprehensive review of the risk appetite and Risk Management Framework and the roll out of risk training across the Group. 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. As is the case this year, the Group may however utilise the services of external organisations to undertake specific exercises where appropriate.

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.

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. An annual assessment of the effectiveness of the external auditor is undertaken to facilitate continued improvement in the audit process which incorporates the views of senior management. This assessment considers:

- The delivery of an efficient, robust audit in compliance with the agreed plan and timescale which is under-pinned by a thorough risk identification process
- 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
- Adherence to independence policies and other regulatory requirements

The committee was satisfied that these requirements have been met and that BDO demonstrated commitment to perform high-quality work.

EXTERNAL AUDITOR INDEPENDENCE

The committee has undertaken an assessment of the effectiveness of BDO's performance and relationship with Treatt and is satisfied that BDO delivered a robust audit and remain independent of Treatt, having no previous connection with the Company. The committee has therefore recommended to the Board that BDO be re-appointed as the Company's Auditor at the Annual General Meeting in 2022.

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. Apart from other assurance services, as set out in note 5 to the financial statements, BDO has not provided any non-audit services to the Group 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.

EFFECTIVENESS OF THE COMMITTEE

The effectiveness of the committee was considered as part of the Board evaluation detailed on page 68 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
- Treatt is committed to developing a business with strong ESG values at its core. As reported elsewhere there are various initiatives underway to deliver this and the committee will be supporting the development of processes for the setting and reporting of targets to measure progress
- Continue to monitor developments to ensure that an external review of the Group's half year results is introduced at the appropriate time

"I am pleased to present our Directors' Remuneration Report

Yetunde Hofmann
Chair

REMUNERATION COMMITTEE MEMBERS

Yetunde Hofmann (Chair)
Non-executive Director

Jeff Iliffe
Non-executive Director

Lynne Weedall
Non-executive Director

DIRECTORS' REMUNERATION REPORT

A FOCUS ON REMUNERATION STRUCTURE

The policy is to ensure that remuneration structures are transparent and proportionate.

CHAIR'S STATEMENT

Following my appointment as Chair of the Remuneration Committee in January 2021, I am pleased to present the Directors' Remuneration Report for Treatt.

I would like to thank my colleague Non-executive Director Lynne Weedall for her work as the previous Remuneration Committee Chair and I am grateful that she continues to serve on the committee.

This Chair's statement summarises the main areas of activity for the committee during the year and introduces the other sections of the Directors' Remuneration Report, which comprises:

- The Directors' remuneration policy ('Policy Report'), which we are seeking to amend and update at our 2022 AGM
- The Annual Report on Remuneration ('Implementation Report'), which sets out the remuneration arrangements and incentive outcomes for the year under review and how the committee intends to implement our policy in FY2022

STRONG COMPANY PERFORMANCE AND POSITIVE REMUNERATION OUTCOMES

As referenced throughout this year's Annual Report, Treatt has shown resilience in the face of COVID-19 and the Group met its previously upgraded Board expectations in 2021, without having sought any financial assistance available to businesses, or furloughing any of its staff.

KEY PERFORMANCE HIGHLIGHTS INCLUDED:

- The Group's profit before tax and exceptional items increased for the ninth consecutive year, with the result of £20.9m exceeding expectations at the beginning of the year
- Adjusted basic earnings per share from continuing and discontinued operations increased by 39.3% to 27.05p
- Dividend per share increased by 25.0% to 7.50p (2020: 6.0p)

In addition, Total Shareholder Return continued to grow materially in the year by 69.1% (2020: 50.4%).

The committee is satisfied that this performance level produced outcomes for the Company's remuneration arrangements for 2021 which were appropriate:

- All qualifying group employees will receive an annual bonus in December 2021
- As has been our practice since 2014, we will again offer all UK and US employees with a period of at least 12 months' qualifying service free shares, to the value of £700 or $1,000 respectively
- Executive Directors' annual bonuses for 2021 have been confirmed at a level of 100% of salary on the basis that annual growth in like-for-like profit before tax and exceptional items was 41.3% against a maximum target of 10%
- In respect of the LTIPs granted to the Executive Directors in 2018, the earnings per share growth performance targets set by the Remuneration Committee at the time of grant (average annual growth of between 3% and 10% over three financial years) were attained at a level of 13.3% average annual growth and consequently the awards vested in full

4
Committee meetings in the year

100%
Meeting attendance

Remuneration Committee Experience

HR	2
Finance	1
Management	3

DIRECTORS' REMUNERATION REPORT CONTINUED

As a committee, we have a particular focus on the remuneration arrangements for our wider workforce as well as for our senior executives:

- The remuneration principles which we set out in our DRR for 2020 (and which are set out on page 77) applied throughout the year including for the remuneration policies and practices of the wider workforce. 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
- We are particularly pleased that 73% of our permanent employees own shares in the Company and therefore benefit from the returns generated for all shareholders

With regards to the incentive plan outcomes for our Executive Directors described above, the Remuneration Committee reviewed these against the backdrop of overall performance and the experience of investors and other stakeholders and is satisfied that the total remuneration received by Executive Directors in 2021 is a fair reflection of performance over the relevant period.

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
- 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.

RETIREMENT OF OUR CHIEF FINANCIAL OFFICER
It was announced on 30 June 2021, that our Chief Financial Officer, Richard Hope, will be retiring in June 2022 following the end of a 12-month notice period. I would personally like to thank Richard for the support which he has provided for the work of the Remuneration Committee over many years.

The remuneration-related arrangements for Richard's retirement are set out in the Implementation Report, and the committee is satisfied that these are fully in line with our Directors' remuneration policy whereby:

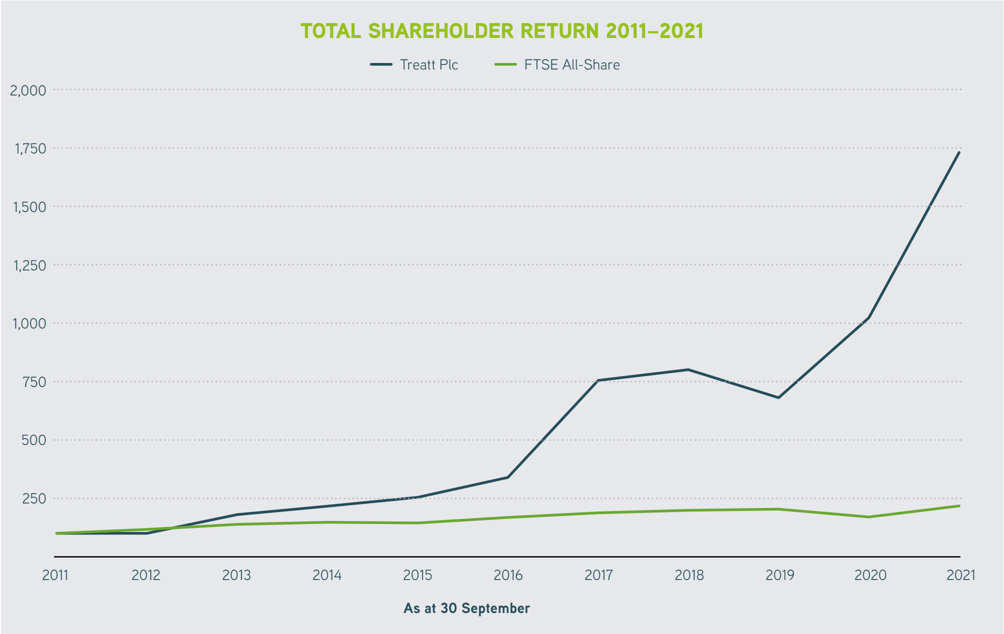
- Fixed pay reflects contractual entitlements for the notice period only
- As a 'good leaver', Richard is permitted to:
  - participate in our annual bonus plan for the period for which he continues to work for the Company until his retirement (meaning that he participates in the annual bonus for 2021 for the full year and participates on a pro-rata basis in 2022)
  - retain his unvested LTIP awards, although the vesting of these remains subject to full application of the performance conditions over the original performance periods, and any vested shares will be reduced on a time pro-rated basis and remain subject to relevant holding periods

STRONG PERFORMANCE AND SENSITIVITY IN THE COVID-19 PERIOD
At the 2022 Annual General Meeting we are asking shareholders to approve changes to our Directors' remuneration policy which was last approved at our AGM in 2021 (95.1% approval).

Two key contexts have informed our decision to bring this proposal to our shareholders in 2022, even though it is only one year on from when we last asked shareholders to approve our policy.

Firstly, in approaching the policy renewal last year, the Company's view was that it should only be a roll-forward of the prior policy. Notwithstanding strong and sustained performance by the Company, the general uncertainty around COVID-19 for the economy in late 2020 made any material changes on remuneration inappropriate at that time, and accordingly only certain 'market best practice' changes to the policy were made at the 2021 AGM (shareholding guidelines for two years post cessation was introduced; malus and clawback were updated).

Secondly, the Company has continued to perform strongly in 2021 as detailed earlier in this statement. For a wider context, the chart below shows Treatt's TSR performance versus the FTSE All-Share since 1 October 2011 (Tim Jones was appointed Chair at the 2012 AGM and Daemmon Reeve was appointed as CEO six months later in August 2012).



This index has been selected as it is considered the most appropriate published general index in which the Company is a constituent.

Against this background the Remuneration Committee considered that it is appropriate to review our current remuneration packages for Executive Directors and specifically our CEO to ensure that we protect shareholders' best interests by:

- Paying our CEO appropriately to reflect the performance being delivered at Treatt and to ensure his continued retention
- Having appropriate incentive opportunities available at Treatt to ensure that these align to the Company's ambition to deliver further growth in the future

DIRECTORS' REMUNERATION REPORT CONTINUED

The table below summarises the Remuneration Committee's proposed revisions to our CEO's package which are reflected both in the updated policy and in our proposed implementation of remuneration for FY2022 and future years:

Element	Current	Proposed	Comments
Base salary	£340,000 p.a.	£435,000 p.a. Increase to be phased over two years: • FY2022 £390,000 • FY2023 £435,000	Important for retention to pay the CEO a level of base salary that is consistent with the size of business that Treatt has grown to be under his tenure The increase is phased and the second element will only be confirmed following Remuneration Committee review of continued appropriateness, reflecting Company performance
Annual bonus	Max 100% base salary p.a. All paid in cash and no deferral Metrics weighted 100% on PBTE performance	New max bonus of 125% base salary p.a. to apply for FY2022 onwards 25% of all bonus outcomes deferred in shares for two years (subject to a £10k de minimis on the amount being deferred in any year). First year of application will be outcomes for FY2022	Important that the CEO is incentivised appropriately to continue to deliver strong performance consistent with the annual priorities of the Group The Company will also be considering other developments in practice on annual bonus, including assessing some element of bonus on non-financial measures to drive strategic areas of focus. All bonus outcomes at Treatt will remain subject to an overview test by the Remuneration Committee to ensure that they are appropriate considering the interests of all stakeholders
LTIP	LTIP annual award 100% of base salary p.a. LTIP is a traditional plan with three-year vesting and a two-year holding period for vested shares Metrics are weighted 100% to three-year EPS growth	LTIP annual award 150% of base salary p.a., no change to vesting and holding periods	Considered an appropriate LTIP incentive level for the CEO of an entity of Treatt's scale Heavier weighting of incentives to LTIP aligns to the company's continuing ambition to deliver growth in shareholder value The Company will also be considering other developments in practice, including introducing some element of LTIP being assessed on metrics beyond traditional EPS growth. For the FY2022 award this will be ROACE

Other considerations:

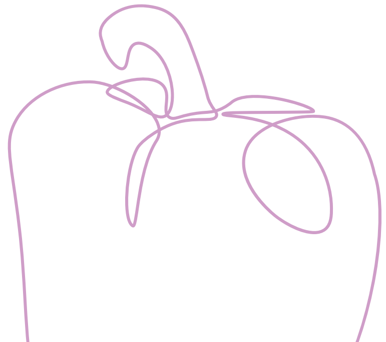
- Post-cessation element of Shareholding Guidelines (200% of salary for one-year and 100% of salary in the second year) introduced at AGM 2021. CEO shareholding currently worth c.15x current salary
- CEO pension is aligned to that of UK employees (the CEO currently has a 13.2% pension contribution aligned to the 15% contribution level for all employees who are legacy members of the Treatt defined benefit plan, as reduced for related employers' NICs). However, as time has progressed, increasing numbers of Treatt UK employees are on a 9% defined contribution pension rate and it is proposed to align the CEO to this 9% rate from FY2022 (reduced to 7.9% for related employers' NIC)

We have consulted with leading shareholders in advance of preparing this new policy for approval at the 2022 AGM and received positive support as to the appropriateness of the proposals.

We have been careful in putting our proposals together that they are meaningful, and considered fair, but not excessive, and appropriately weighted to long-term incentives that will continue to most directly align reward with the experience of our shareholders. We also believe that our proposal for the new CEO salary level at Treatt is appropriate. As part of our review process we consulted benchmark data for CEO pay levels in a group of 60 FTSE companies with a six-month average market capitalisation similar to that of Treatt and, consistent with our long-established outlook on fixed pay, the new CEO salary level at Treatt maintains a positioning that we regard as competitive but which is still below 'market suggested' salary levels in that dataset.

For completeness, the fees of the Chairman and the Non-executive Directors have also been reviewed and (whilst the fees of Non-executives are not matters for the Remuneration Committee) the new fee levels can be summarised as follows:

- Chairman: £123,000 p.a. (£103,020). Increases phased over two years with progression to £113,000 in FY2022
- Non-executives' base fee: £51,000 p.a. (£42,445). Increases phased over two years with progression to £46,723 in FY2022
- Fees for Audit Chair, Remuneration Committee Chair and Senior Independent Director: £10,000 for each role (currently range between £2,653 for SID, £5,306 for Remuneration Committee Chair and £7,959 for Audit Committee Chair). Increases phased over two years with progression to £8,000 in FY2022



FORMAT OF MATTERS TO BE APPROVED AT THE 2022 AGM

At the 2022 AGM, shareholders will be asked to approve three resolutions related to Directors' remuneration matters.

These resolutions are:

- To approve the Directors' Remuneration Report
- To approve the updated Directors' remuneration policy
- To approve a new deferred bonus plan, related to the changes we are making to our policy

The vote to approve the Directors' Remuneration Report is the normal annual advisory vote on such matters. If approved by our shareholders, the Directors' remuneration policy will apply for a maximum of three years from the 2022 AGM and will replace the Directors' remuneration policy previously approved at the 2021 AGM.

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 resolutions referred to above at the forthcoming AGM. I will be available at the AGM to answer any questions you may have.

Yetunde Hofmann
Chair – Remuneration Committee

POLICY SECTION

Policy report

The following sets out the proposed remuneration policy, which is subject to a binding shareholder vote at the AGM on 28 January 2022 and, if approved by shareholders, will apply to payments made on and from this date, including bonuses for FY2022 year. This policy will replace in full the remuneration policy set out in the 2020 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
- 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.

Changes from the prior policy are highlighted within the main policy table. The current intention is that the framework of this remuneration policy will apply for three years from the date of the 2022 AGM.

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 following table 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 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
Changes from previous policy	No changes

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 – please note 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
Changes from previous policy	No changes

DIRECTORS' REMUNERATION REPORT CONTINUED

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 (cash payments are further reduced for the impact of employers' NICs)
Maximum opportunity	UK employees – 9% base salary contribution (no personal contribution required)
Performance metrics	Not applicable
Changes from previous policy	With proposed changes to CEO's pension arrangements, employee aligned pensions are at 9% only (not 13.2% as previously for legacy defined benefit participants)

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: • 75% of outcomes are paid in cash, with payments normally made in December • 25% of outcomes are deferred in shares for two years (provided that if value to be deferred is £10,000 or less, the whole outcome may be paid in cash)
Maximum opportunity	125% of salary per annum

Element: annual bonus (notes 1 – 6) continued	
Performance metrics	Bonuses are based on the growth in Group profit before tax and exceptional items compared to the prior financial year, which aligns with all employee bonus schemes across the Group Up to 25% of bonus may be based on non-financial performance measures Bonus payments against financial performance are based 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)
Changes from previous policy	Maximum bonus increased to 125% of salary per annum. 25% of annual bonus outcomes will be deferred (subject to £10,000 minimum value of deferral). Deferred amounts are delivered in shares after a two-year vesting period

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	150% 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 appropriately selected financial performance metrics 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
Changes from previous policy	Annual LTIP award increased to 150% of salary per annum

DIRECTORS' REMUNERATION REPORT CONTINUED

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

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

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. 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 18% and 60% of base salary depending on seniority, role and market conditions.

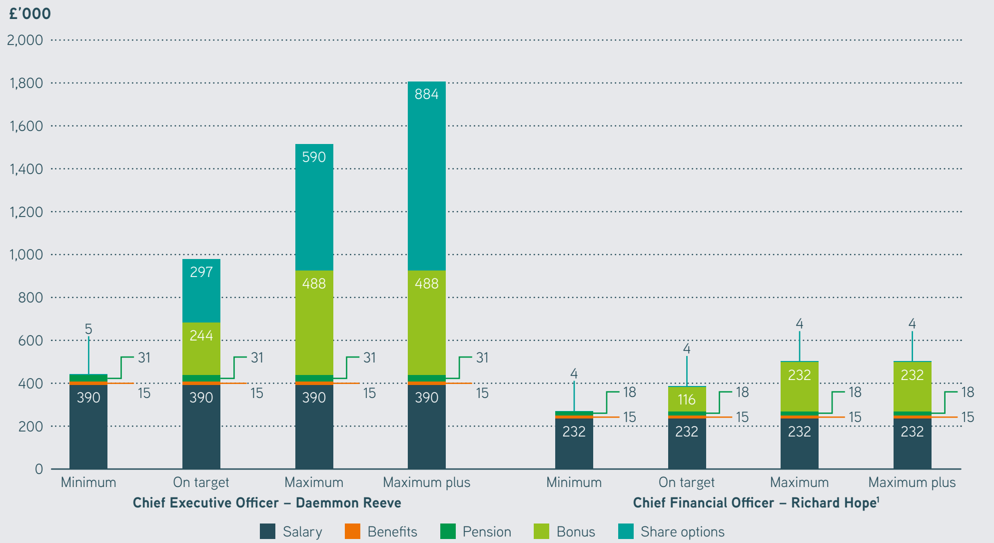
2 Performance targets for LTIP awards are set by the committee at the date of grant of the options to ensure that they are appropriately stretching. The committee considers adjusted basic EPS and adjusted return on average capital employed (ROACE) to be appropriate measures of financial performance, capturing revenue growth, operating margins and returns on capital. EPS and ROACE 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.



1 The illustrative remuneration shown for Richard Hope is a full year equivalent although Richard Hope will retire on 30 June 2022.

Illustration of remuneration policy

The graph above provides estimates of the potential future reward for each of the Executive Directors based on their current roles, the remuneration policy outlined on pages 77 to 81 and base salaries as at 1 October 2021.

The assumptions used in preparing the graph are as follows:

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
- A bonus of 62.5% of salary for the CEO and 50% of salary for the CFO and an LTIP of 75% of basic salary for the CEO only (being notional vesting of 50% of LTIP award)

Maximum

- Basic salary, pension or cash in lieu of pension, benefits
- A bonus of 125% of salary for the CEO and 100% of salary for the CFO and an LTIP of 150% of basic salary for the CEO only (being notional vesting of 100% of LTIP award)

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 64. 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 and aligns to wider company pay policy.

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
- 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' 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 2021:

	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 leaves will cease participation in annual bonus normally, although a 'good leaver' may be eligible to continue participation in the bonus scheme at the discretion of the committee, and have a pro-rata bonus for the part of the year worked. For a 'good leaver', the committee may use its discretion not to defer part of the pro-rata bonus outcome in shares and also allow deferred shares to be retained and vest after 2 years.

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).

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 2022 AGM, and specifically major shareholders have been consulted on the revised remuneration package for the CEO. 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

Lynne Weedall stepped down as Chair of the committee during the year and Yetunde Hofmann succeeded Lynne Weedall as Chair. Current membership is Yetunde Hofmann (Chair), Jeff Iliffe and Lynne Weedall. All members of the Remuneration Committee are considered to be independent.

The committee 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 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
- 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 2021 Directors' Remuneration Report
- Agreement of the bonuses payable for the 2021 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 and fee levels for the Executive Directors and Chairman respectively, and agreement of salary and fee increases for the 2022 financial year
- Determination of the salary increases of Group senior managers for the 2022 financial year
- Considering appropriate treatments on the retirement of the CFO
- 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
- Reviewing Executive Directors' shareholdings against the requirements of the Share Retention Policy
- Reviewing the terms of reference of the Remuneration Committee
- 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.

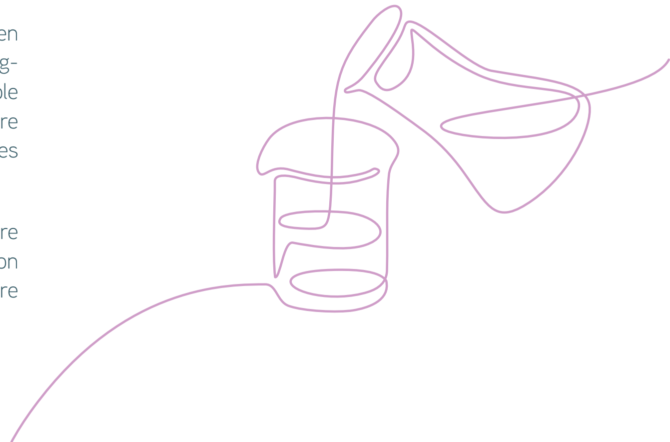
Alignment to culture – Our executive pay policies are fully aligned to Treatt's culture through the application of our developed remuneration principles which were widely reviewed by our Board before being settled.

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 at that time. 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 £45,490 (2020: £37,766) have been paid for their services during the year for the provision of advice to the committee on various aspects 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 68 and reviewed as part of the committee's own processes. The committee is regarded as effective, receives good quality, timely information in respect of regulatory changes and best practice and communicates well with the rest of the Board.



IMPLEMENTATION OF POLICY IN 2022

Element of remuneration policy	Implementation of policy for 2022
Base salaries	Daemmon Reeve – £390,000 (FY2021: £339,966) Richard Hope – £232,310 (FY2021: £226,644)
Benefits	Unchanged from FY2021. Private healthcare (including family cover for Daemmon Reeve); life assurance; permanent health insurance; car allowance; all-employee share schemes
Pensions	Daemmon Reeve – 9% of salary (reduced from 15% payable 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 an actual contribution rate of 7.9% of salary
Annual bonus	For FY2022, the CEO will have a revised bonus structure (subject to approval of the updated policy by shareholders at the 2022 AGM) for which the maximum is 125% of base salary FY2022 targets are based on: • Group profit before tax and exceptionals calibrated by reference to the performance of the Group in FY2021 (75% weighting) • Non-financial targets and objectives set by the Remuneration Committee (25% weighting) The CEO's bonus outcomes for FY2022 will be paid: • 75% in cash after finalisation of the Group's results for FY2022 • 25% subject to deferral in shares for two years (subject to £10,000 minimum value of deferral) The CFO's bonus structure will be unchanged from FY2021 (lower bonus maximum of 100% of base salary maximum; no deferral requirement for outcomes), albeit that the CFO's bonus will be pro-rated appropriately for FY2022 for the period for which he continues to work for the Company until his retirement 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)	Annual LTIP award to the CEO of shares worth 150% of base salary (calculated using share prices at the time of award; subject to approval of the updated policy by shareholders at the 2022 AGM) FY2022 awards will be subject to performance conditions measured over three financial years to FY2024 The performance condition will be: • Based on average annual growth in adjusted basic earnings per share (80% weighting) measured from FY2021 as the base point and with a performance range as follows: Threshold average growth in EPS of 5% (below which there is 0% vesting) through to maximum vesting at 14% average annual growth • Based on ROACE (20% weighting) with a performance range as follows: Threshold ROACE of 15% (below which there is 0% vesting) through to maximum vesting at 25% After performance vesting at three years, LTIP awards are subject to a further two-year holding period The CFO will not receive an LTIP award in FY2022 following the announcement that he will be retiring on 30 June 2022
Share retention policy	Daemmon Reeve – 200% of basic salary Richard Hope – 200% of basic salary At 30 September 2021 Daemmon Reeve and Richard Hope held 1,473% and 1,784% 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 fees for the Chairman and Non-executive Directors for FY2022 are as follows: • Chairman – £113,020 (FY2021: £103,020) For all other Non-executive Directors: • Base fee – £46,723 (FY2021: £42,445) • Audit Committee Chair fee – £8,000 (FY2021: £7,959) • Remuneration Committee Chair fee – £8,000 (FY2021: £5,306) • Senior Independent Director – £8,000 (FY2021: £2,653)

The following section of this report provides details of the implementation of the policy for the year ended 30 September 2021.

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.

	Daemmon Reeve		Richard Hope	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Fixed pay:				
Salary	340	337	227	224
Taxable benefits[1]	16	16	16	16
Pension[2]	45	44	18	18
Total fixed pay	**401**	397	**261**	258
Variable pay:				
Annual bonus	340	337	227	224
Share options vesting in the financial year[3]	–	485	11	323
Total variable pay	**340**	822	**238**	547
Total single figure of remuneration	**741**	1,219	**499**	805

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 Performance-based options granted in 2017 lapsed as the actual EPS growth in that period was 2.4%, which was below the minimum of 3.0%. Details of share options which vested in the year are shown on page 86. The percentage of the value which vested during the year which related to share price growth was 87% for Richard Hope in relation to All-Staff SAYE options only.

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 41.3% growth from 2020's equivalent PBT&E, and, having also considered a range of factors including the performance during the ongoing pandemic, the committee considered it appropriate for the bonus outcome to apply as per the originally set target range without further adjustment.

	Percentage bonus attainable	2021 PBT&E £'000
Threshold	2.5%	14,209
Maximum	100%	16,281
Actual achieved	100%	20,919

Percentage bonus awarded

The annual bonus, as a percentage of the maximum bonus achievable (100% of salary), was as follows:

	2021	2020
Daemmon Reeve	100.0%	100.0%
Richard Hope	100.0%	100.0%

Non-executive Directors:

	Fees (fixed pay)	
	2021 £'000	2020 £'000
Tim Jones	103	102
Jeff Iliffe	50	50
Yetunde Hofmann	42	42
Richard Illek	42	42
David Johnston	42	47
Lynne Weedall	48	45
Vijay Thakrar	48	4[1]
	375	332

1 Vijay Thakrar was appointed on 1 September 2020.

DIRECTORS' REMUNERATION REPORT CONTINUED

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:

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012[1]
Total remuneration (£'000)	741	1,219	1,501	1,757	603	580	470	436	405	274
Annual bonus as % of maximum[1]	100%	100%	62.5%	92.5%	100%	88%	92%	95%	85%	11%[2]
Share options vesting as % of maximum	N/A[3]	100%	100%	100%	N/A[3]	N/A[3]	100%[4]	100%[4]	100%[4]	100%[4]

1 The CEO remuneration for 2012 is the combined remuneration paid to the current and preceding CEO for the periods when they held that post.
2 The 2012 annual bonus only related to two months of the financial year.
3 There were no options which vested during the year.
4 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 2021.

	% change from 2020 to 2021			% change from 2019 to 2020		
	Salary or fees	Bonus	Taxable benefits	Salary or fees	Bonus	Taxable benefits
Employees[1]	4.2%	56.5%[2]	10.3%	4.9%	22.9%	6.5%
Exec Directors:						
Daemmon Reeve	1.0%	1.0%	0.1%	2.1%	63.6%	0.2%
Richard Hope	1.0%	1.0%	0.1%	1.8%	62.3%	0.1%
Non-exec Directors:						
Tim Jones	1.0%	n/a	n/a	2.0%	n/a	n/a
Yetunde Hofmann	1.0%	n/a	n/a	2.0%	n/a	n/a
Jeff Iliffe	1.0%	n/a	n/a	2.0%	n/a	n/a
Richard Illek	1.0%	n/a	n/a	2.0%	n/a	n/a
David Johnston	(9.0%)	n/a	n/a	(4.7%)	n/a	n/a
Lynne Weedall	5.4%	n/a	n/a	10.0%	n/a	n/a
Vijay Thakrar[3]	1.0%	n/a	n/a	n/a	n/a	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 2021 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 (2020: 12.0%) and UK all-staff bonuses were 7.0% of salary (2020: 4.0%).
3 Vijay Thakrar was appointed on 1 September 2020, the percentage increase is calculated on a pro-rata basis.

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 uses of profit, the most significant of which, taxation, has therefore been selected:

	2021 £'000	2020 £'000	Movement
Total remuneration[1]	18,909	16,691	+13.3%
Dividends[2]	3,704	3,378	+9.7%
Current tax[3]	3,374	1,587	+112.6%

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' interests (audited)

The Directors who held office at 30 September 2021 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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Executive Directors						
Daemmon Reeve	493,463	492,656	200,036	221,942	4,986	4,986
Richard Hope	398,890	396,585	133,357	147,666	3,778	4,733
Non-executive Directors						
Tim Jones	40,799	37,508	–	–	–	–
Vijay Thakrar	1,641	1,641	–	–	–	–

Between 1 October 2021 and 23 November 2021, 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 2021 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		
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000	Target % of base salary
Daemmon Reeve	5,009	2,976	340	337	1,473%	883%	200%
Richard Hope	4,049	2,395	227	224	1,784%	1,069%	200%

1 Based upon a share price of £10.15 as at 30 September 2021.
2 Base salary is the 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 2020[2]	Executive	15 Dec 2020	£7.46	340	25%	30 Sept 2023
Richard Hope	SAYE 2021[3]	All-staff	14 July 2021	£11.65	7	N/A	N/A
	LTIP 2020[2]	Executive	15 Dec 2020	£7.46	227	25%	30 Sept 2023

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.

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 above. 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 2020	Granted during the year	Exercised during the year	Lapsed during the year	At 30 Sept 2021
Daemmon Reeve	Sept 2022 – Feb 2023	361.0p	4,986	–	–	–	4,986
	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
	Dec 2023 – Dec 2029	Nil	–	45,571	–	–	45,571
			226,928	45,571	–	(67,477)	205,022
Richard Hope	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
	Sept 2024 – Feb 2025	932.0p	–	637	–	–	637
	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	–	–	–	49,318
	Dec 2023 – Dec 2030	Nil	–	30,381	–	–	30,381
			152,399	31,018	(1,592)	(44,690)	137,135

The aggregate amount of gains made by the Directors on the exercise of share options in the year was £11,000 (2020: £808,000).

There have been no further changes in the interests of the Directors to subscribe for or acquire shares between 1 October 2021 and 23 November 2021, the latest date practicable to obtain the information prior to publication of this document.

The market price of the shares at 30 September 2021 was £10.15 and the range during the financial year was £5.86 to £12.25. 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:

	Normal retirement date	Accrued total pension 2021 £	Accrued total pension 2020 £
Daemmon Reeve	24 Sept 2036	14,404	14,324

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.

Contributions to defined money purchase pension plans were made as follows:

	2021 £'000	2020 £'000
Daemmon Reeve	45	44
Richard Hope	18	18

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 29 January 2021, the votes cast in respect of the resolution to approve the Directors' Remuneration Report, was as follows:

Directors' Remuneration Report	For 98.68%	Against 1.32%	Votes withheld 17,517

The remuneration policy was approved at the Annual General Meeting held on 29 January 2021 and the votes cast in respect of the resolution to approve the remuneration policy, was as follows:

Remuneration Policy	For 95.10%	Against 4.90%	Votes withheld 22,139

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 29 November 2021.

Anita Guernari
Group Legal Counsel and Company Secretary

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION

The Directors present their report and the audited financial statements for the Group for the year ended 30 September 2021.

This report is required to be produced by law. The Disclosure, Guidance and Transparency Rules and the Listing Rules also require us to make certain disclosures.

The Corporate Governance Statement on pages 62 to 68 , including the Audit Committee report, forms part of this Directors' Report and is incorporated by reference. Disclosures elsewhere in the Annual Report and Accounts are cross-referenced where appropriate.

RESULTS AND DIVIDENDS

The results of the Group for the year are set out on page 98. Reported profit before tax for the year was £19.6m (2020: 13.7m). Profit before tax and exceptional items from continuing operations was £20.9m (2020: £14.8m).

The Directors recommend a final dividend of 5.50p (2020: 4.16p) per ordinary share. This, when taken with the interim dividend of 2.00p (2020: 1.84p) per share paid on 12 August 2021, gives a total dividend of 7.50p (2020: 6.00p) per share for the year ended 30 September 2021.

DIRECTORS

The Directors of the Company are shown on pages 60 and 61.

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 62 to 68.

Details of the Executive Directors' contracts and notice periods are given in the Directors' Remuneration Report on page 81. 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 86.

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 23 November 2021 (the latest practicable reporting date prior to publication of this document).

Group	Number	Issued %	Voting %
Blackrock Inc	6,888,689	11.40	11.53
Canaccord Genuity Group Inc	3,415,893	5.65	5.72
abrdn plc	3,401,134	5.63	5.69
Liontrust Asset Management	2,516,701	4.17	4.21
Rights and Issues Investment Trust Plc	2,500,000	4.14	4.18
Hargreaves Lansdown Plc	2,337,992	3.87	3.91
Interactive Investor Trading	1,948,770	3.23	3.26
James Sharp & Co	1,901,363	3.15	3.18

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, which are set out on page 65.

SIGNIFICANT AGREEMENTS

The Group's main banking facilities contain provisions that allow the lenders to require immediate repayment of the facilities and cancel commitments under the agreements where there is a change of control of the Company's subsidiaries. Certain other commercial agreements, entered into in the normal course of business, include change of control provisions.

FUTURE BUSINESS DEVELOPMENTS

Further details on these are set out in the Strategic Report on pages 7 to 59.

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 7 to 21. 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' 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.

FINANCIAL AND INTERNAL CONTROL

The Board confirms that a process for the ongoing 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 quarterly. The Group uses a standardised consolidation system for the preparation of its 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 ongoing 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 51.

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 54 to 59.

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 7 to 59. 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 12 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, keeping in mind the ongoing domestic and global uncertainties caused by the COVID-19 pandemic. In assessing the Group's prospects and resilience, the Directors have done so with reference to its current financial position and prospects, its credit facilities, its recent and historical financial performance, and forecasts. The Board's risk appetite and the principal risks and mitigating factors are described on pages 54 to 59.

The key factors considered by the Directors within the five-year review were:

- The implications of the challenging economic environment, notably the domestic and global uncertainties that continue to be caused by the pandemic, and the potential impact this could have on the Group's revenues and profits
- 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 operate
- The potential actions that could be taken in the event that revenues are lower 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
- 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
- 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. Although during the viability period, all of the Group's current banking facilities will 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.

Stress testing and impact on going concern and viability assessment

The global pandemic still creates uncertainties in both domestic and international markets, including the well documented potential supply side shortages in materials and labour, and so estimating the speed of economic recovery makes forecasting and scenario planning challenging. Considering this, the Directors have modelled scenarios representing varying degrees of severity. All scenarios assume that the chief factor to consider is lost sales volume potentially arising from the aforementioned uncertainties, which would adversely impact cash generation and profitability, and that this loss of sales volume will be felt over the first 24 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 (12 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 stress testing

The first test considered a decline in expected sales volumes in FY2022, such that revenue in FY2022 and FY2023 was equal to that of FY2021, before the Group returned to growth at budgeted levels from FY2024 onwards. Under this plausible scenario, no headroom or covenant breaches were experienced over the viability period and the Group was assumed to continue its capital investment programme, dividend growth policy and its investment in people within the business. Under this stress-test, the Directors consider that the business would remain a going concern and viable under these circumstances over the period.

Under the second test, a particularly severe scenario was determined in which banking covenant requirements would be breached during the next 24 months, the so-called 'reverse stress testing scenario'. In this test, it was determined that a decline in sales of greater than 38% per annum, or 31% per annum alongside a 5% decline in margins compared to our internal projections, over the first 24 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 18 months since the pandemic impacted its main markets, the possibility of these severe scenarios materialising is considered extremely 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, and delaying or cancelling future dividend payments to avoid a breach of its banking covenants.

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 12 months from the date of this Annual Report. Accordingly, these financial statements have been prepared on a going concern basis. 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 32 and 33.

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 39.

EMPLOYEES

The Group's disclosures on employees have been included within the Working Responsibly section on pages 29 to 35. Information on the Group's policies on recruitment and the employment of disabled persons can be found on page 32.

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 43 to 47.

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 43 to 47.

POLITICAL DONATIONS

The Group made no political donations in 2021 (2020: £nil).

BRANCH DISCLOSURE

The subsidiary, R C Treatt & Co Limited, established a branch in China in July 2006. This is in the process of being closed following the incorporation of a WOFE (wholly owned foreign enterprise), which is a subsidiary of Treatt plc. The activities of the branch are being transferred into the WOFE, which engages directly with customers in China.

STRUCTURE OF SHARE CAPITAL

The Parent Company's share capital comprises 60,411,933 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 (2020: 100,000).

DIRECTORS' REPORT CONTINUED

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 2022, the Company will be seeking a renewal of the shareholder authority for the Directors to purchase up to 10% of the 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 2022 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 up to 10% of the existing issued share capital 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 137.

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. At 30 September 2021 the trustees, Apex Financial Services (Trust Company) Limited held 166,040 shares (2020: 218,564). No shares (2020: nil) were purchased by the EBT during the year ended 30 September 2021. During the year 100,000 (2020: 100,000) 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 SHARE INCENTIVE PLAN

The Company outsources the administration of the UK Share Incentive Plan to Link Asset Services Trustees (the 'SIP Trust'), who, at 30 September 2021, held 477,305 shares (2020: 444,017), 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, Skyliner Way, Bury St. Edmunds, Suffolk, IP32 7FR on 28 January 2022. As noted on page 62, to increase our opportunity to engage with our shareholders, the meeting will be available for shareholders to follow remotely. The Notice of Meeting and explanatory notes are given on pages 137 to 145. 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

BDO LLP has indicated its willingness to continue in office. On the recommendation of the Audit Committee, as set out on page 73, 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 2021 is disclosed in note 5 of the financial statements.

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 they 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 accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and have elected under company law to prepare the Parent Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The Group financial statements are required by law, and international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, 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 international accounting standards in conformity with the requirements of the Companies Act 2006, 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 international accounting standards in conformity with the requirements of the Companies Act 2006 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.

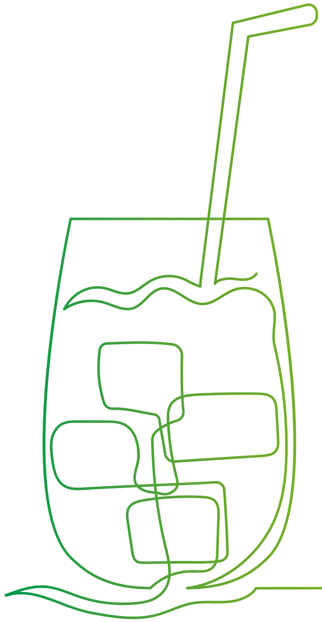
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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 has 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 29 November 2021.

Signed on behalf of the Board.

Anita Guernari
Group Legal Counsel and Company Secretary



INDEPENDENT AUDITOR'S REPORT

to the members of Treatt Plc

OPINION ON THE FINANCIAL STATEMENTS

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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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.

We have audited the financial statements of Treatt PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 September 2021 which comprise the Group Income Statement, Group Statement of Comprehensive Income, Group Statement of Changes in Equity, Parent Company Statement 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 accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

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 ended 30 September 2020 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 30 September 2020 to 30 September 2021. We remain 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. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained the Directors' cash flow forecasts and evaluated the key assumptions in respect of revenue growth, gross profit margins, cash generation and the potential impact of key provisions with reference to our knowledge of the business, its historical performance and results;
- We checked the mathematical accuracy of forecasts and critically assessed the integrity of the forecast model and its consistency with approved forecasts;
- Evaluated sensitivity analysis and reverse stress tests prepared by the Directors in relation to the Group's cash flow forecasts with reference to the financial covenants in place over the existing financing facilities. The analysis considered reasonably possible adverse effects that could arise as well as a stress test to consider the level of future revenue reduction the Group could support;
- We critically reviewed financing agreements entered into by the Group during the year and confirmed that these agreements will be in place for the remainder of the review period;
- We assessed covenants during the year, at the year end and through the going concern period, confirming that the Group remains compliant under the terms of its lender agreements; and
- We considered the adequacy of disclosures in the financial statements in respect of going concern against the applicable financial reporting framework.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT

to the members of Treatt Plc

OVERVIEW

Coverage	99.9% (2020: 99.6%) of Group profit before tax 99.9% (2020: 99.3%) of Group revenue 99.7% (2020: 98.8%) of Group total assets		
Key audit matters	KAM	2021 Valuation of inventory	2020 Valuation of inventory
Materiality	Group financial statements as a whole £980,000 (2020: £733,000) based on 5% profit before tax (2020: 5% of continuing profit before tax and exceptional items)		

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. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group operates through a number of legal entities, which form reporting components, consistent with those included in Note 17. Treatt PLC, R C Treatt & Co. Limited and Treatt USA Inc are significant components and are subject to full scope audits. Treatt Trading (Shanghai) Company Limited was considered to be a non-significant component, where we performed desktop review procedures. All audits and desktop review procedures were completed by BDO LLP.

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. This matter was 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 this matter.

Key audit matter	How the scope of our audit addressed the key audit matter
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 respect of the allocation of costs in the valuation process, as well as provisions against inventory for slow moving, obsolete items or in respect of commodity price fluctuations. Accordingly, this was determined to be a key audit matter. The accounting policy, key judgements and estimates applied are disclosed in note 3 and the Group inventory note can be found in note 19.	Our audit work included but was not limited to; • Verification a sample of raw materials purchased during the year, to confirm the accuracy of the value recognised in inventory; • Critically reviewed direct costs and overheads to check that those relevant to the manufacturing process were included in management's overhead absorption calculations; • Critically assessed management's judgement applied when setting overhead recovery rates, including the appropriateness of the nature of categories of overheads absorbed and reviewing the underlying assumptions applied in the calculations; • Considered variances between expected overhead and actual overhead recovery to confirm that the proportion of overheads absorbed was accurate; • In order to confirm the allocation of costs through the production process, we selected a sample of overheads absorbed and verified these back to works orders and budgeted utilisation; • Verified a sample of completed works orders checking that the corresponding overhead recovery charge was recorded as appropriate; • Checked the mathematical accuracy of management's overhead absorption and inventory provision calculations; • 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; • Critically assessed management's weighted average inventory valuation policy including allocation of overheads for compliance with IAS 2; • Challenged management's judgements in relation to inventory provisions by reviewing the utilisation of prior year provisions to assess the accuracy of management's estimation process; and • Tested a sample of year-end inventory items via examination of supporting evidence discussion with management to determine that where a provision was required it had been appropriately recognised in accordance with the specific criteria outlined in management's policy. **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.*

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

INDEPENDENT AUDITOR'S REPORT

to the members of Treatt Plc

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021 £	2020 £	2021 £	2020 £
Materiality	980,000	733,000	600,000	608,000
Basis for determining materiality	5% profits before tax	5% of continuing profits before tax and exceptional items	1.4% of total assets	1.5% of total assets
Rationale for the benchmark applied	We consider the use of profit before tax to be the most appropriate benchmark as this is a key statutory performance measure for stakeholders based on market practice and investor expectations and is reflective of the changing market sentiment in respect of alternate performance measures.	We consider this 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 statutory performance 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.	The parent company is a non-trading holding company and the most significant balance in its financial statements is total assets.
Performance materiality	686,000	476,000	424,600	395,000
Basis for determining performance materiality	70% of materiality on the basis of being a second year audit.	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.	70% of materiality on the basis of being a second year audit.	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

We set materiality for each component of the Group based on a percentage of between 61% and 71% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £600,000 to £700,000 (2020: £201,000 to £608,000). In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £34,300 (2020: £25,500). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

to the members of Treatt Plc

CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 89 to 90; and • The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 89.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 92; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 54 to 59; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 55; and • The section describing the work of the audit committee set out on pages 71 to 73.

OTHER COMPANIES ACT 2006 REPORTING

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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. 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.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	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 92, 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.

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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, through discussion with management and the Audit Committee and our knowledge of the industry. We focussed on significant 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, IFRSs as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, Health and Safety, the Bribery Act 2010 and tax legislations;
- We considered compliance with these laws and regulations through discussions with management, in-house legal counsel and the Audit Committee. Our procedures also included reviewing minutes from board meetings of those charged with governance to identify any instances of non-compliance with laws and regulations;
- We assessed the susceptibility of the Group's financial statements to material misstatement as an engagement team, including how fraud might occur, by meeting with management to understand where it is considered there would be a susceptibility of fraud;
- Our audit planning identified fraud risks in relation to management override and inappropriate or incorrect revenue recognition. We obtained an understanding of the processes and controls that the group has established to address risks identified by the entity or that otherwise seek to prevent, deter or detect fraud;

INDEPENDENT AUDITOR'S REPORT

to the members of Treatt Plc

- With regard to the fraud risk in management override, our procedures included targeted journal transactions testing, with a focus on large or unusual transactions based on our knowledge of the business and we tested the application of revenue recognition policies;
- We identified areas at risk of management bias, particularly in respect of the inventory valuation and reviewed key estimates and judgements applied by management in the financial statements to assess their appropriateness (refer to valuation of inventory KAM); and
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed 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 are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

29 November 2021

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 2021

	Notes	2021 Before exceptional items £'000	2021 Exceptional items £'000	2021 Total £'000	2020 Before exceptional items £'000	2020 Exceptional items £'000	2020 Total £'000
CONTINUING OPERATIONS							
Revenue	4	**124,326**	**–**	**124,326**	109,016	–	109,016
Cost of sales		**(82,103)**	**–**	**(82,103)**	(77,140)	–	(77,140)
Gross profit		**42,223**	**–**	**42,223**	31,876	–	31,876
Administrative expenses		**(20,877)**	**–**	**(20,877)**	(16,784)	–	(16,784)
Exceptional items	9	**–**	**(1,302)**	**(1,302)**	–	(1,060)	(1,060)
Operating profit[1]	5	**21,346**	**(1,302)**	**20,044**	15,092	(1,060)	14,032
Other gains – hedge ineffectiveness	7	**–**	**–**	**–**	45	–	45
Finance income	8	**12**	**–**	**12**	67	–	67
Finance costs	8	**(439)**	**–**	**(439)**	(403)	–	(403)
Profit before taxation		**20,919**	**(1,302)**	**19,617**	14,801	(1,060)	13,741
Taxation	10	**(4,655)**	**186**	**(4,469)**	(3,000)	104	(2,896)
Profit for the year from continuing operations		**16,264**	**(1,116)**	**15,148**	11,801	(956)	10,845
DISCONTINUED OPERATIONS							
Loss for the year from discontinued operations	11	**–**	**–**	**–**	(1,080)	–	(1,080)
Profit for the year attributable to owners of the Parent Company		**16,264**	**(1,116)**	**15,148**	10,721	(956)	9,765

Earnings per share		2021 Adjusted[2]	2021 Statutory	2020 Adjusted[2]	2020 Statutory
From continuing and discontinued operations:					
Basic[3]	13	**27.05p**	**25.19p**	19.42p	16.32p
Diluted[3]	13	**26.74p**	**24.91p**	19.24p	16.16p
From continuing operations:					
Basic	13	**27.05p**	**25.19p**	19.72p	18.12p
Diluted	13	**26.74p**	**24.91p**	19.53p	17.95p

1 Operating profit is calculated as profit before other gains, net finance costs 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 Prior year figure excludes the impairment of discontinued operations as detailed in note 11.

Notes 1 to 33 form part of these financial statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2021

	Notes	2021 £'000	2020 £'000
Profit for the year attributable to owners of the Parent Company		**15,148**	9,765
Items that will or may be reclassified subsequently to profit or loss:			
Currency translation differences on foreign currency net investments		**(1,752)**	(2,094)
Current tax on foreign currency translation differences	10	**18**	82
Fair value movement on cash flow hedges	25	**(508)**	(6)
Deferred tax on fair value movement	10	**93**	2
		(2,149)	(2,016)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on defined benefit pension scheme	29	**2,952**	(2,418)
Current tax on defined benefit pension scheme liability	10	**–**	(29)
Deferred tax on actuarial loss	10	**(135)**	586
		2,817	(1,861)
Other comprehensive income/(expense) for the year		**668**	(3,877)
Total comprehensive income for the year attributable to owners of the Parent Company		**15,816**	5,888

Notes 1 to 33 form part of these financial statements.

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2021

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 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 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

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 2020		1,205	23,484	(5)	123	3,554	62,759	91,120
Profit for the year		–	–	–	–	–	15,148	**15,148**
Other comprehensive income:								
Exchange differences		–	–	–	–	(1,752)	–	**(1,752)**
Fair value movement on cash flow hedges	25, 31	–	–	–	(508)	–	–	**(508)**
Actuarial gain on defined benefit pension scheme	29	–	–	–	–	–	2,952	**2,952**
Taxation relating to items above	10	–	–	–	93	18	(135)	**(24)**
Total comprehensive income		**–**	**–**	**–**	**(415)**	**(1,734)**	**17,965**	**15,816**
Transactions with owners:								
Dividends	12	–	–	–	–	–	(3,704)	**(3,704)**
Share-based payments	28	–	–	–	–	–	1,732	**1,732**
Movement in own shares in share trusts		–	–	4	–	–	–	**4**
Gain on release of shares in share trusts		–	–	–	–	–	629	**629**
Issue of share capital	26	3	–	(3)	–	–	–	–
Taxation relating to items recognised directly in equity	10	–	–	–	–	–	702	**702**
Total transactions with owners		**3**	–	**1**	–	–	**(641)**	**(637)**
30 September 2021		**1,208**	**23,484**	**(4)**	**(292)**	**1,820**	**80,083**	**106,299**

Notes 1 to 33 form part of these financial statements.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2021

Parent Company	Notes	Share capital £'000	Share premium account £'000	Own shares in share trusts £'000	Retained earnings £'000	Total equity £'000
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)
1 October 2020		1,205	23,484	(5)	15,644	40,328
Profit for the year		–	–	–	3,155	3,155
Total comprehensive income		–	–	–	3,155	3,155
Transactions with owners:						
Dividends	12	–	–	–	(3,704)	**(3,704)**
Movement in own shares in share trusts		–	–	4	–	**4**
Capital contribution to subsidiary undertakings	17	–	–	–	1,732	**1,732**
Gain on release of shares in share trusts		–	–	–	629	**629**
Issue of share capital	26	3	–	(3)	–	**–**
Total transactions with owners		**3**	**–**	**1**	**(1,343)**	**(1,339)**
30 September 2021		**1,208**	**23,484**	**(4)**	**17,456**	**42,144**

Notes 1 to 33 form part of these financial statements.

GROUP AND PARENT COMPANY BALANCE SHEETS

as at 30 September 2021

Registered number: 01568937

	Notes	Group 2021 £'000	Group 2020 £'000	Parent Company 2021 £'000	Parent Company 2020 £'000
ASSETS					
Non-current assets					
Intangible assets	14	**2,424**	1,358	**–**	–
Property, plant and equipment	15	**61,039**	50,159	**–**	–
Right-of-use assets	16	**1,556**	1,173	**–**	–
Investment in subsidiaries	17	**–**	–	**36,189**	34,097
Deferred tax assets	18	**792**	1,358	**–**	–
		65,811	54,048	**36,189**	34,097
Current assets					
Inventories	19	**47,263**	36,050	**–**	–
Trade and other receivables	20	**26,371**	24,167	**1,252**	735
Current tax assets		**2,701**	1,057	**–**	–
Derivative financial instruments	25	**11**	459	**–**	–
Cash and bank balances	21	**7,260**	7,739	**5,206**	5,758
		83,606	69,472	**6,458**	6,493
Total assets		**149,417**	123,520	**42,647**	40,590
LIABILITIES					
Current liabilities					
Borrowings	22	**(12,697)**	(3,203)	**–**	–
Provisions	23	**(143)**	(146)	**–**	–
Trade and other payables	24	**(17,027)**	(12,441)	**(503)**	(262)
Lease liabilities	16	**(96)**	(31)	**–**	–
Derivative financial instruments	25	**(593)**	(168)	**–**	–
		(30,556)	(15,989)	**(503)**	(262)
Net current assets		**53,050**	53,483	**5,955**	6,231

	Notes	Group 2021 £'000	Group 2020 £'000	Parent Company 2021 £'000	Parent Company 2020 £'000
Non-current liabilities					
Borrowings	22	**(2,624)**	(3,450)	**–**	–
Lease liabilities	16	**(957)**	(628)	**–**	–
Post-employment benefits	29	**(6,806)**	(10,051)	**–**	–
Deferred tax liabilities	18	**(2,175)**	(2,282)	**–**	–
		(12,562)	(16,441)	**–**	–
Total liabilities		**(43,118)**	(32,400)	**(503)**	(262)
Net assets		**106,299**	91,120	**42,144**	40,328
EQUITY					
Share capital	26	**1,208**	1,205	**1,208**	1,205
Share premium account	27	**23,484**	23,484	**23,484**	23,484
Own shares in share trusts		**(4)**	(5)	**(4)**	(5)
Hedging reserve		**(292)**	123	**–**	–
Foreign exchange reserve		**1,820**	3,554	**–**	–
Retained earnings		**80,083**	62,759	**17,456**	15,644
Total equity attributable to owners of the Parent Company		**106,299**	91,120	**42,144**	40,328

Notes 1 to 33 form part of these financial statements.

The Parent Company reported a profit for the year of £3,155,000 (2020: £2,900,000).

The financial statements were approved by the Board of Directors and authorised for issue on 29 November 2021 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 2021

	Notes	Group 2021 £'000	Group 2020 £'000	Parent Company 2021 £'000	Parent Company 2020 £'000
Cash flow from operating activities					
Profit before taxation including discontinued activities		**19,617**	12,584	**3,155**	2,890
Adjusted for:					
Depreciation of property, plant and equipment		**1,705**	1,809	**–**	–
Amortisation of intangible assets	14	**93**	75	**–**	–
Impairment of discontinued operations	11	**–**	638	**–**	–
Loss on disposal of subsidiary	11	**–**	185	**–**	–
Net finance costs/(income) excluding pensions cost	8	**270**	191	**(65)**	(389)
Share-based payments	28	**1,733**	886	**–**	–
Increase/(decrease) in fair value of derivatives		**365**	(611)	**–**	–
Increase in post-employment benefit obligations	29	**157**	145	**–**	–
Dividend income settled via intercompany account		**–**	–	**–**	(1,642)
Operating cash flow before movements in working capital		**23,940**	15,902	**3,090**	859
Movements in working capital:					
Increase in inventories		**(11,851)**	(458)	**–**	–
Increase in receivables		**(2,680)**	(1,278)	**(453)**	–
Increase in payables		**4,483**	1,511	**243**	11
Cash generated from operations		**13,892**	15,677	**2,880**	870
Employer contributions to defined benefit pension scheme	29	**(450)**	(300)	**–**	–
Taxation (paid)/received		**(4,874)**	(2,191)	**–**	9
Net cash from operating activities		**8,568**	13,186	**2,880**	879

	Notes	Group 2021 £'000	Group 2020 £'000	Parent Company 2021 £'000	Parent Company 2020 £'000
Cash flow from investing activities					
Disposal of subsidiaries		**–**	(136)	**–**	–
Acquisition of shares in subsidiaries	17	**–**	–	**(360)**	(25,559)
Purchase of property, plant and equipment		**(13,195)**	(23,909)	**–**	–
Purchase of intangible assets	14	**(1,178)**	(905)	**–**	–
Interest received	8	**12**	67	**(1)**	57
Net cash used in investing activities		**(14,361)**	(24,883)	**(361)**	(25,502)
Cash flow from financing activities					
Repayment of bank loans		**(674)**	(724)	**–**	–
Increase of bank loans		**5,000**	–	**–**	–
Repayment of lease liabilities		**(10)**	–	**–**	–
Interest paid	8	**(282)**	(258)	**–**	–
Dividends paid	12	**(3,704)**	(3,378)	**(3,704)**	(3,378)
Proceeds on issue of shares	26	**3**	2	**3**	2
Net sale of own shares by share trusts		**630**	547	**630**	547
Net cash from/(used in) financing activities		**963**	(3,811)	**(3,071)**	(2,829)
Net decrease in cash and cash equivalents		**(4,830)**	(15,508)	**(552)**	(27,452)
Effect of foreign exchange rates		**(173)**	(318)	**–**	–
Movement in cash and cash equivalents in the year		**(5,003)**	(15,826)	**(552)**	(27,452)
Cash and cash equivalents at beginning of year		**5,250**	21,076	**5,758**	33,210
Cash and cash equivalents at end of year		**247**	5,250	**5,206**	5,758
Cash and cash equivalents comprise:					
Cash and bank balances	21	**7,260**	7,739	**5,206**	5,758
Bank borrowings	22	**(7,013)**	(2,489)	**–**	–
		247	5,250	**5,206**	5,758

Notes 1 to 33 form part of these financial statements.

GROUP RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH/(DEBT)

for the year ended 30 September 2021

The statement of reconciliation of net cash flow to movement in net cash/(debt) does not form part of the primary statements.

	2021 £'000	2020 £'000
Movement in cash and cash equivalents in the year	**(5,003)**	(15,826)
Repayment of bank loans	**674**	724
Increase of bank loans	**(5,000)**	–
Increase of lease liabilities	**(394)**	–
Cash outflow from changes in net (debt)/cash in the year	**(9,723)**	(15,102)
Effect of foreign exchange rates	**182**	230
Movement in net debt in the year	**(9,541)**	(14,872)
Net cash at beginning of year	**427**	15,958
Lease liability recognised as debt	**–**	(659)
Net (debt)/cash at end of year	**(9,114)**	427

Analysis of movement in net cash/(debt) during the year:

	At 1 October 2020 £'000	Cash flow £'000	Foreign exchange movements £'000	At 30 September 2021 £'000
Cash and bank balances	7,739	(306)	(173)	**7,260**
Bank borrowings	(2,489)	(4,524)	–	**(7,013)**
Cash and cash equivalents	5,250	(4,830)	(173)	**247**
Bank loans	(4,164)	(4,326)	182	**(8,308)**
Lease liabilities	(659)	(396)	2	**(1,053)**
Net cash/(debt) at end of year	427	(9,552)	11	**(9,114)**

	At 1 October 2019 £'000	Cash flow £'000	Foreign exchange movements £'000	At 30 September 2020 £'000
Cash and bank balances	37,187	(29,130)	(318)	7,739
Bank borrowings	(16,111)	13,622	–	(2,489)
Cash and cash equivalents	21,076	(15,508)	(318)	5,250
Bank loans	(5,118)	724	230	(4,164)
Lease liabilities	(660)	(1)	2	(659)
Net cash at end of year	15,298	(14,785)	(86)	427

Notes 1 to 33 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2021

1. GENERAL INFORMATION

Treatt plc ('the Parent Company') is a public limited company incorporated in the United Kingdom and is incorporated 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 146.

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. No accounting standards which became mandatorily effective for the current reporting period have had any material effect on the financial statements of the Group.

Any new or amended accounting standards or interpretations that are not yet mandatory have not been early adopted.

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.

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 accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Parent Company has also prepared its own financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 and figures are presented to the nearest thousand, unless stated otherwise.

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 54 to 59. In these tests a range of plausible scenarios were considered, and the Group has measured its 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 89 and 90, and in response to the uncertainties caused by the ongoing global pandemic, a severe but plausible scenario was modelled alongside a particularly severe scenario which was reverse-engineered to result in banking covenant requirements being breached within the next 24 months. Under the former scenario, no headroom or covenant breaches were experienced over the viability period, and the likelihood of the latter scenario materialising was considered to be 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 12 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'.

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 CONTINUED

for the year ended 30 September 2021

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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. Right-of-use assets are depreciated over the expected life of the 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.

Rentals receivable under lease arrangements 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.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2021

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Deferred tax continued

Deferred tax is measured at the 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. Short-term borrowings comprise of amounts drawn on overdraft and revolving credit facilities.

Property, plant and equipment

Property, plant and equipment is stated at cost less 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
- Laboratory 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 of licences for software, internally generated 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: 4 – 12 years
- Development costs: 10 years

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, excluding deferred tax assets, occur.

The carrying amounts of the Group's non-current assets, excluding deferred tax 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.

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. This arises when fixed-price contracts become loss-making as a result of raw material price increases or market pressure on selling prices.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2021

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 intercompany balances held by the Parent Company and 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.

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 and other payables

Trade and other 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2021

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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') which is administered by Link Asset Services Trustees, to whom shares are issued at nominal value for the purpose of fulfilling obligations under the SIP. The treatment of the SIP 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 adjusted for leavers and 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 in equity.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2021

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

Key sources of estimation uncertainty

The key 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

The choice of discount rate, inflation rate and life expectancy basis could materially affect the level of surpluses and deficits in the defined benefit pension scheme. Under IAS 19, a discount rate should be based upon a yield of high quality corporate bonds of appropriate term and currency, hence a degree of estimation exists in the choice of applicable bond universe on which the yield curve is constructed, the method used to produce the yield curve as well as the expected average duration of the scheme's liabilities.

The methodology behind the inflation assumptions is based on similar assumptions regarding duration of the scheme and choice of yield curves, as well as the application of a risk-premium deduction. The estimated life expectancy of scheme members is determined through the choice of mortality model and allowances for future mortality improvements.

The key assumptions listed above, and how a change in those would impact the defined benefit pension liability are set out in note 29.

Inventory provisions

Estimates are made of the level of provision against inventory at the year-end date. The Group has an inventory provisioning policy which is applied consistently year on year, however, because of the volatility of citrus commodity pricing as well as the fast-moving nature of trends and customer requirements there is a chance that judgements made at the balance sheet date could lead to a material adjustment in the following year.

Expected credit losses

Estimations are made in determining the expected credit losses on its trade receivables based on historic credit loss levels and its current knowledge of customer relationships and wider market conditions at the balance sheet date. Due to the size, diversity and international nature of its customer base the estimates on credit losses require judgements around recoverability which could give rise to material adjustments in the following year.

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 estimates 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. Changes in these assumptions could lead to changes in the income statement expense in future periods.

Sources of estimation uncertainty no longer considered critical

During the year, the Group has reassessed the critical estimates and resolved that the following were no longer considered critical, on the basis that the estimations did not present a significant risk of causing a material adjustment to assets and liabilities:

- Useful economic life and residual values – The Group does not use residual value estimates on fixed assets and its useful economic life estimates of newly capitalised and existing assets are applied consistently. The actual useful lives of assets are not expected to materially differ from expected.
- Provisions for onerous contracts – The Group has determined that the value of this provision in recent years has decreased significantly and hence the range of possible outcomes resulting from the estimations of management are now not considered material.
- Taxation – Although some tax treatments in the Group are judgemental, in particular the allowance of certain expenses classed as exceptional and related to the construction of the new UK Headquarters, it is not now believed that any of these judgements could give rise to a material adjustment.
- Deferred tax assets – The Group has determined that the recoverability and timings of the realisation of deferred tax assets no longer give rise to estimates that could be considered material.

Critical judgements

In the course of preparing these financial statements, no judgements have been made in the process of applying the Group's accounting policies, other than those involving estimations as discussed above, that have had a material effect on the amounts recognised in the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2021

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Own shares in share trusts

Own shares in share trusts relate to shares held in the Treatt Employee Benefit Trust (the 'EBT') the SIP Trust, which is administered by Link Asset Services Trustees. 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 requires operating segments to be identified on the basis of internal financial information reported to the Chief Operating Decision Maker ('CODM'). The Group's CODM has been identified as the Board of Directors who are primarily responsible for the allocation of resources to the segments and for assessing their performance. The disclosure in the Group accounts of segmental information is consistent with the information used by the CODM in order to assess profit performance from the Group's operations.

The Group operates one global business segment engaging in the manufacture and supply of innovative ingredient solutions for the beverage, flavour, fragrance and consumer product industries with manufacturing sites in the UK and the US. Many of the Group's activities, including sales, manufacturing, technical, IT and finance, are managed globally on a Group basis.

Geographical segments

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

Revenue by destination		2021 Total £'000	2020 Continuing £'000	2020 Discontinued £'000	2020 Total £'000
United Kingdom		**9,502**	7,434	649	8,083
Rest of Europe	– Germany	**5,970**	4,383	–	4,383
	– Ireland	**7,313**	6,782	–	6,782
	– Other	**13,931**	11,914	–	11,914
The Americas	– USA	**53,356**	43,701	–	43,701
	– Other	**9,595**	8,457	–	8,457
Rest of the World	– China	**7,440**	6,915	–	6,915
	– Other	**17,219**	19,430	89	19,519
		124,326	109,016	738	109,754

All Group revenue is in respect of the sale of goods, other than property rental income of £18,000 (2020: £18,000). No country included within 'Other' contributes more than 5% of the Group's total revenue. The largest customer represented 8.4% of Group revenue (2020: 10.1%).

Non-current assets by geographical location, excluding deferred tax assets, were as follows:

Continuing operations	2021 £'000	2020 £'000
United Kingdom	**41,622**	30,357
United States	**23,397**	22,333
	65,019	52,690

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2021

5. PROFIT FOR THE YEAR

Profit[1] for the year is stated after charging/(crediting):

Group	2021 Total £'000	2020 Continuing £'000	2020 Discontinued £'000	2020 Total £'000
Depreciation of property, plant and equipment and right-of-use assets	**1,705**	1,770	39	1,809
Amortisation of intangible assets[2]	**93**	75	–	75
Research and development costs	**1,767**	2,037	–	2,037
Research and development tax credits	**(181)**	(146)	–	(146)
Net foreign exchange loss/(gain)[3]	**450**	657	(3)	654
Rent receivable	**(18)**	(18)	–	(18)
Cost of inventories recognised as an expense[4]	**69,204**	63,702	498	64,200
Write down of inventories recognised as an expense	**1,157**	252	1	253
Shipping costs	**2,774**	2,075	22	2,097
IT and telephony costs	**953**	776	10	786
Insurance costs	**950**	829	14	843
Energy and utility costs	**987**	700	11	711

1 Profit refers to operating profit before exceptional items as shown in the Group income statement.
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.

The analysis of auditor's remuneration is as follows:

	2021 £'000	2020 £'000
Fees payable to the Parent Company's auditors and their associates for the audit of:		
– the Parent Company and Group accounts	**55**	54
– the Group's subsidiaries pursuant to legislation	**124**	114
Total audit fees	**179**	168
Fees payable to the Parent Company's auditors and their associates for other services to the Group:		
– other assurance services	**12**	–
Total non-audit fees	**12**	–

6. EMPLOYEES

Number of employees

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

Group	2021 Number Total	2020 Number Continuing	2020 Number Discontinued	2020 Number Total
Technical and production	**216**	189	63	252
Administration and sales	**176**	152	5	157
	392	341	68	409

The total number of staff employed by the Group at the year-end date is 423 (2020: 367), no staff were employed by the Parent Company in the current or prior year. During the year the Directors shown on pages 60 and 61 were employed by R C Treatt & Co Limited.

Employment costs

The following costs were incurred in respect of the above:

Group	2021 Total £'000	2020 Continuing £'000	2020 Discontinued £'000	2020 Total £'000
Wages and salaries	**17,912**	15,535	224	15,759
Social security costs	**1,962**	1,538	1	1,539
Pension costs (see note 29)	**997**	923	9	932
Share-based payments (see note 28)	**1,733**	886	–	886
	22,604	18,882	234	19,116

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2021

6. EMPLOYEES CONTINUED

Directors

During the year, the aggregate emoluments in respect of the Executive and Non-executive Directors was as follows:

Group	2021 £'000	2020 £'000
Directors in aggregate		
Emoluments in respect of qualifying services	**1,134**	1,122
Fees paid to Non-executive Directors in respect of qualifying services	**375**	332
Taxable benefits in respect of qualifying services	**32**	32
Share-based payments charge in respect of qualifying services	**501**	808
Pension contributions to money purchase schemes	**63**	62
	2,105	2,356

Further information on Directors' emoluments and share options are set out on pages 84 to 87.

7. OTHER GAINS

Group	2021 £'000	2020 £'000
Hedge ineffectiveness on cash flow hedges	**–**	45

The ineffectiveness of certain cash flow hedges in the prior 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	2021 £'000	2020 £'000
Finance income		
Bank interest received	**12**	67
	12	67
Finance costs		
Bank overdraft interest paid	**89**	27
Other bank finance costs	**168**	207
Pension finance cost (see note 29)	**157**	145
Lease liability finance cost (see note 16)	**25**	24
	439	403

9. EXCEPTIONAL ITEMS

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

Group	2021 £'000	2020 £'000
UK relocation expenses	**1,302**	1,060
Less: tax effect of exceptional items	**(186)**	(104)
	1,116	956

The exceptional items all relate to non-recurring items and are now presented in the Group income statement as a separate column in order to aid the understanding of users of the financial statements. Relocation expenses relate to one-off costs incurred in connection with the relocation of the Group's entire UK operations to Skyliner Way, which officially opened on 1 September 2021, and which in management's view do not fall to be capitalised.

Although a manufacturing presence continues to remain there, from 1 September 2021, any expenses associated with the running of the Northern Way office spaces or expenses related to unutilised manufacturing space at Skyliner Way were also classified as exceptional costs.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2021

10. TAXATION

Analysis of tax charge in income statement:

Group	2021 Total £'000	2020 Continuing £'000	2020 Discontinued £'000	2020 Total £'000
Current tax:				
UK corporation tax on profits for the year	**157**	249	–	249
Adjustments to UK tax in respect of previous periods	**(131)**	(251)	–	(251)
Overseas corporation tax on profits for the year	**3,882**	1,957	–	1,957
Adjustments to overseas tax in respect of previous periods	**(534)**	(368)	–	(368)
Total current tax	**3,374**	1,587	–	1,587
Deferred tax:				
Origination and reversal of temporary differences	**945**	1,120	(47)	1,073
Effect of increasing/(decreasing) tax rate on opening deferred tax	**183**	(43)	–	(43)
Adjustments in respect of previous periods	**(33)**	232	(30)	202
Total deferred tax (see note 18)	**1,095**	1,309	(77)	1,232
Tax on profit on ordinary activities	**4,469**	2,896	(77)	2,819

Analysis of tax charge/(credit) in other comprehensive income:

Group	2021 £'000	2020 £'000
Current tax:		
Foreign currency translation differences	**(18)**	(82)
Actuarial loss on defined benefit pension scheme	**–**	29
Total current tax	**(18)**	(53)
Deferred tax:		
Cash flow hedges	**(93)**	(2)
Defined benefit pension scheme	**135**	(586)
Total deferred tax	**42**	(588)
Total tax charge/(credit) recognised in other comprehensive income	**24**	(641)

Analysis of tax credit in equity:

Group	2021 £'000	2020 £'000
Current tax:		
Share-based payments	**(116)**	(88)
Deferred tax:		
Share-based payments	**(586)**	(28)
Total tax credit recognised in equity	**(702)**	(116)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2021

10. TAXATION CONTINUED

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% (2020: 19.0%). The differences are explained below:

Group	2021 Total £'000	2020 Continuing £'000	2020 Discontinued £'000	2020 Total £'000
Profit before tax multiplied by standard rate of UK corporation tax at 19% (2020: 19%)	**3,727**	2,611	(220)	2,391
Effects of:				
Expenses not deductible in determining taxable profit	**660**	421	47	468
Research and development tax credits	**(52)**	(39)	–	(39)
Difference in tax rates on overseas earnings	**479**	332	4	336
Adjustments to tax charge in respect of prior years	**(699)**	(386)	(30)	(416)
Effect of increased rate on opening deferred tax	**354**	(43)	–	(43)
Impairment of discontinued operations not tax allowable	**–**	–	122	122
Total tax charge for the year	**4,469**	2,896	(77)	2,819

The Group's effective UK corporation tax rate for the year was 22.8% (2020: 22.5%). The effective tax rate of US-based earnings is 21.9% (2020: 21.7%). 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. These operations were not considered core to the Group's existing business and growth strategy and were 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. Costs directly associated with the final sale were recognised as part of the loss on disposal of subsidiaries and general costs relating to the disposal in the year were recognised as exceptional items.

The results of the discontinued operations which were included in the prior year income statement, were as follows:

	2021 £'000	2020 £'000
Revenue	–	738
Cost of sales	–	(852)
Gross loss	–	(114)
Administrative expenses	–	(142)
Operating loss and loss before taxation and exceptional items	–	(256)
Exceptional items – impairment of disposal group	–	(638)
Exceptional items – disposal costs	–	(78)
Loss on disposal of subsidiaries	–	(185)
Loss before taxation	**–**	(1,157)
Taxation	–	77
Loss for the period attributable to owners of the Parent Company	–	(1,080)
Earnings per share		
From discontinued operations:		
Basic	–	(1.80p)
Diluted	–	(1.79p)
Adjusted basic	–	(0.61p)
Adjusted diluted	–	(0.60p)

During the prior year, the discontinued operations contributed an outflow of £212,000 to the Group's net operating cashflow, paid £nil in respect of investing activities and received £nil in respect of financing activities.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2021

12. DIVIDENDS

Equity dividends on ordinary shares:

Parent Company and Group	2021 Pence	2020 Pence	2019 Pence	2021 £'000	2020 £'000
	Dividend per share for years ended 30 September				
Interim dividend	2.00p[3]	1.84p[2]	1.70p[1]	**1,203**	1,103
Final dividend	**5.50p[4]**	4.16p[3]	3.80p[2]	**2,501**	2,275
	7.50p	6.00p	5.50p	**3,704**	3,378

1 Accounted for in the year ended 30 September 2019.
2 Accounted for in the year ended 30 September 2020.
3 Accounted for in the year ended 30 September 2021.
4 The proposed final dividend for the year ended 30 September 2021 of 5.50p pence will be voted on at the Annual General Meeting on 28 January 2022 and will therefore be accounted for in the financial statements for the year ending 30 September 2022.

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, together with shares held by the SIP Trust, which do not rank for dividend.

Group	2021	2020
Profit after taxation attributable to owners of the Parent Company (£'000)	**15,148**	9,765
Loss from discontinued operations (£'000)	**–**	1,080
Profit from continuing operations attributable to owners of the Parent Company (£'000)	**15,148**	10,845
Weighted average number of ordinary shares in issue (No: '000)	**60,125**	59,841
Basic earnings per share – continuing and discontinued (pence)	**25.19p**	16.32p
Basic earnings per share – continuing (pence)	**25.19p**	18.12p

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	2021 No ('000)	2020 No ('000)
Weighted average number of shares	**60,310**	60,188
Weighted average number of shares held in the EBT and SIP	**(185)**	(347)
Weighted average number of shares used for calculating basic EPS	**60,125**	59,841
Executive share option schemes	**486**	499
All-employee share options	**210**	72
Weighted average number of shares used for calculating diluted EPS	**60,821**	60,412
Diluted earnings per share – continuing and discontinued (pence)	**24.91p**	16.16p
Diluted earnings per share – continuing (pence)	**24.91p**	17.95p

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2021

13. EARNINGS PER SHARE CONTINUED

Adjusted earnings per share

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

Group	2021 £'000	2020 £'000
Profit after taxation attributable to owners of the Parent Company	**15,148**	9,765
Adjusted for:		
Exceptional items (see note 9)	**1,302**	1,060
Taxation thereon	**(186)**	(104)
Impairment of discontinued operations (see note 11)	**–**	638
Loss on disposal of subsidiary including disposal costs (see note 11)	**–**	263
Earnings for calculating adjusted earnings per share:		
From continuing and discontinued operations	**16,264**	11,622
Less: Loss from discontinued operations (see note 11)	**–**	179
Adjusted earnings from continuing operations	**16,264**	11,801
Adjusted basic earnings per share (pence)		
– Continuing and discontinued operations	**27.05p**	19.42p
– Continuing operations	**27.05p**	19.72p
Adjusted diluted earnings per share (pence)		
– Continuing and discontinued operations	**26.74p**	19.24p
– Continuing operations	**26.74p**	19.53p

14. INTANGIBLE ASSETS

Group	Development costs £'000	Lease premium £'000	Software £'000	Total £'000
Cost				
1 October 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
Exchange adjustment	(18)	–	(1)	**(19)**
Additions	215	–	963	**1,178**
Disposals	–	–	(104)	**(104)**
30 September 2021	**625**	**–**	**2,067**	**2,692**
Amortisation				
1 October 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
Exchange adjustment	1	–	(1)	**–**
Charge for year	41	–	52	**93**
Disposals	–	–	(104)	**(104)**
30 September 2021	**42**	**–**	**226**	**268**
Net book value				
30 September 2021	**583**	**–**	**1,841**	**2,424**
30 September 2020	428	–	930	1,358

Included in intangible assets is software in the course of construction totalling £1,699,000 (2020: £743,000) and included within development costs are ongoing projects totalling £210,000 (2020: £428,000) which are not yet subject to amortisation. Intangible assets with a net book value of £373,000 (2020: £431,000) have been pledged as security in relation to all US borrowings as detailed in note 22.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2021

15. PROPERTY, PLANT AND EQUIPMENT

Group	Land & buildings £'000	Plant & machinery £'000	Fixtures, fittings & equipment £'000	Laboratory equipment £'000	Total £'000
Cost					
1 October 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
Exchange adjustment	(544)	(500)	(46)	(16)	**(1,106)**
Additions	2,260	8,429	1,763	983	**13,435**
Disposals	–	(207)	(75)	(259)	**(541)**
30 September 2021	**37,464**	**27,689**	**4,987**	**1,711**	**71,851**
Depreciation					
1 October 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
Exchange adjustment	(52)	(168)	(11)	(5)	**(236)**
Charge for year	292	978	302	113	**1,685**
Disposals	–	(207)	(75)	(259)	**(541)**
30 September 2021	**2,334**	**6,609**	**1,540**	**329**	**10,812**
Net book value					
30 September 2021	**35,130**	**21,080**	**3,447**	**1,382**	**61,039**
30 September 2020	33,654	13,961	2,021	523	50,159

Included within freehold land and buildings is £6,016,000 (2020: £5,416,000) of land which is not depreciated.

Included in property, plant and equipment are land and buildings assets in the course of construction totalling £15,503,000 (2020: £15,952,000), plant and machinery assets in the course of construction of £14,899,000 (2020: £7,042,000), fixtures, fittings and equipment in the course of construction totalling £2,013,000 (2020: £923,000) and laboratory equipment in the course of construction totalling £868,000 (2020: £229,000) which are not yet being depreciated.

Included within land and buildings additions is £4,000 (2020: £nil) and within plant and machinery additions is £19,000 (2020: £129,000) of interest payments capitalised in accordance with IAS 23, 'Borrowing Costs'.

Property, plant and equipment with a net book value of £22,984,000 (2020: £21,868,000) has been pledged as security in relation to all US borrowings and property, plant and equipment with a net book value of £23.175,000 (2020: £nil) has been pledged as security in relation to the Group's £7.0m revolving credit facility as detailed in note 22.

Capital commitments	2021 £'000	2020 £'000
Contracted but not provided for	**4,919**	7,608

16. LEASES

Group as lessee

The Group 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	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
Exchange adjustment	–	(3)	**(3)**
Additions	–	406	**406**
Depreciation charge	(9)	(11)	**(20)**
30 September 2021	**1,129**	**427**	**1,556**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2021

16. LEASES CONTINUED

Lease liabilities

Group	2021 £'000	2020 £'000
Lease liabilities:		
At start of year	**659**	660
Exchange adjustment	**(3)**	(2)
Additions	**406**	9
Interest on lease liabilities	**25**	24
Repayments of lease liabilities	**(34)**	(32)
Balance at end of year	**1,053**	659
Of which:		
Current lease liabilities	**96**	31
Non-current lease liabilities	**957**	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 lease liabilities is 3.2% (2020: 3.4%).

The Group's leasing activities primarily comprise long leases on land at the former UK Headquarters at Northern Way, Bury St. Edmunds, alongside a number of equipment hire agreements. There are no residual value guarantees, variable lease payments or extension options in any of the lease arrangements.

The Group has exchanged contracts on the sale of premises at Northern Way and completion is set for February 2022. As part of that arrangement, the Group will leaseback the main manufacturing building for a period of 18 months. The Group concluded that the premises at Northern Way should not be categorised as assets held for sale under IFRS 5, 'Non-current assets held for sale' on the basis that the property was not available for immediate sale.

The maturity analysis of the undiscounted contractual lease commitments is shown below:

Group	2021 £'000	2020 £'000
Maturity analysis – undiscounted lease payments		
Within one year	**97**	35
In one to two years	**109**	35
In two to five years	**301**	88
In more than five years	**2,994**	2,970

Group as lessor

As at 30 September 2021, the Group had contracted with tenants for the following future minimum lease payments which fall due as follows:

	2021 £'000	2020 £'000
Within one year	**–**	9

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2021

17. INVESTMENTS IN SUBSIDIARIES

Parent Company	£'000
Cost	
1 October 2019	7,663
Capital contribution to subsidiaries	875
Acquisition of share capital in subsidiaries	25,559
30 September 2020	34,097
Capital contribution to subsidiaries	**1,732**
Acquisition of share capital in subsidiaries	**360**
Disposal of subsidiaries	**–**
30 September 2021	**36,189**

Parent Company	2021 £'000	2020 £'000
Subsidiary:		
R C Treatt & Co Limited – 100% (2020: 100%)	**26,871**	25,557
Treatt USA Inc – 100% (2020: 100%)	**8,958**	8,540
Treatt Trading (Shanghai) Company Limited - 100% (2020: 0%)	**360**	–
Treatt SIP Trustees Limited – 100% (2020: 100%)	–	–
Treatt Development Company Limited – 100% (2020: 100%)	–	–
	36,189	34,097

Treatt Development Company Limited and Treatt SIP Trustees Limited were no longer required as part of the Group's company structure and were struck-off the register in November 2021.

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 Trading (Shanghai) Company Limited	China[3]	100%	Supply of flavour and fragrance ingredients
Treatt SIP Trustees Limited	England[1]	100%	Dormant
Treatt Development Company Limited	England[1]	100%	Dormant

Registered office addresses:

1 Skyliner Way, Bury St. Edmunds, Suffolk IP32 7FR.
2 The Prentice-Hall Corporation System Inc., 1201 Hays Street, Suite 105, Tallahassee, FL 32301, USA.
3 Room 906, Hongmei International Plaza, 105 Tianlin Road, Xuhui District, Shanghai 200233, China.

18. DEFERRED TAXATION

Group	2021 £'000	2020 £'000
UK deferred tax asset	**792**	1,358
Overseas deferred tax liability	**(2,175)**	(2,282)
Net deferred tax liability	**(1,383)**	(924)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2021

18. DEFERRED TAXATION CONTINUED

A reconciliation of the net deferred tax asset is shown below:

Group	UK deferred tax Post-employment benefits £'000	UK deferred tax Fixed assets £'000	UK deferred tax Cash flow hedge £'000	UK deferred tax Share-based payments £'000	Overseas deferred tax Fixed assets £'000	Overseas deferred tax Other temporary differences £'000	Total £'000
1 October 2019	1,324	(91)	53	114	(2,004)	285	(319)
Exchange differences	–	–	–	–	102	(14)	88
Credit/(charge) to income statement:							
– For the year	–	(568)	(47)	(25)	(731)	19	(1,352)
– For change in tax rate	–	(13)	–	–	57	(1)	43
Credit/(charge) to other comprehensive income:							
– For the year	430	–	2	–	–	–	432
– For change in tax rate	156	–	–	–	–	–	156
Credit/(charge) to equity:							
– For the year	–	–	–	10	–	5	15
– For change in tax rate	–	–	–	13	–	–	13
1 October 2020	1,910	(672)	8	112	(2,576)	294	(924)
Exchange differences	–	–	–	–	102	(10)	**92**
Credit/(charge) to income statement:							
– For the year	(73)	(913)	(32)	243	(324)	187	**(912)**
– For change in tax rate	–	(212)	–	–	30	(1)	**(183)**
Credit/(charge) to other comprehensive income:							
– For the year	(738)	–	93	–	–	–	**(645)**
– For change in tax rate	603	–	–	–	–	–	**603**
Credit/(charge) to equity:							
– For the year	–	–	–	428	–	123	**551**
– For change in tax rate	–	–	–	35	–	–	**35**
30 September 2021	**1,702**	**(1,797)**	**69**	**818**	**(2,768)**	**593**	**(1,383)**

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.

Legislation was substantively enacted that set out the main rate of UK corporation tax as 25.0% from 1 April 2023. The deferred tax rate applied to UK companies within the Group is 19.0% (2020: 19.0%) if the tax asset or liability is expected to unwind before 1 April 2023, and is 25.0% for those unwinding after that date. The deferred tax rate applicable to the Group's US subsidiary was 21.9% (2020: 22.3%).

19. INVENTORIES

Group	2021 £'000	2020 £'000
Raw materials	**23,162**	14,709
Work in progress and intermediate products	**20,197**	18,323
Finished goods	**3,904**	3,018
	47,263	36,050

Inventories are stated net of provisions for impairment of £2,102,000 (2020: £1,648,000).

Inventory with a carrying value of £28,541,000 (2020: £19,781,000) has been pledged as security in relation to all US borrowings as detailed in note 22.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 September 2021

20. TRADE AND OTHER RECEIVABLES

	Group		Parent Company	
Current	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade receivables[1]	**23,529**	22,160	**–**	–
Amounts owed by subsidiaries	**–**	–	**1,194**	700
Other receivables	**763**	690	**58**	35
Prepayments	**2,079**	1,317	**–**	–
	26,371	24,167	**1,252**	735

1 This includes £1,109,000 (2020: £1,057,000) 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	2021	2020
Average debtor days	**67**	73

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	2021 £'000	2020 £'000
Impairment provision		
At start of year	**611**	285
Released in year	**(127)**	(67)
Provided in year	**314**	404
Foreign exchange	**(10)**	(11)
Balance at end of year	**788**	611

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 33.0% (2020: 34.1%) 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.

The ageing profile of impaired trade receivables is as follows:

Group	2021 £'000	2020 £'000
Number of days past the due date:		
1–30	**–**	–
31–60	**–**	1
Over 60	**788**	610

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 53. The currency exposure within trade receivables of the principal foreign currencies, was as follows:

Group	2021 £'000	2020 £'000
US Dollar	**14,896**	17,334
Euro	**3,358**	1,547

Trade receivables with a carrying value of £10,505,000 (2020: £11,155,000) 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 £7,260,000 (2020: £7,739,000) 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 £5,206,000 (2020: £5,758,000). 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	2021 £'000	2020 £'000
Term loans	**684**	714
UK revolving credit facility	**5,000**	–
UK bank borrowings	**7,013**	2,489
	12,697	3,203

Non-current

Group	2021 £'000	2020 £'000
Term loans	**2,624**	3,450

Loans and borrowings

Term loans comprise the following:

Group	2021 £'000	2020 £'000
Treatt USA term loan - US Dollar	**3,308**	4,164

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 (2020: £nil). The Group also has a $6.5 million US Dollar term loan repayable over seven years. 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 consist of a £7.0 million three-year revolving credit facility ('RCF') secured on the value of the freehold land and buildings of the new UK Headquarters at Skyliner Way, a $12.0 million unsecured five-year RCF and unsecured overdraft facilities of $3.0 million. The Group's UK-based US Dollar denominated RCF 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 date, both the £7.0m RCF and the overdraft pool were incurring interest.

Borrowings are repayable as follows:

Group	2021 £'000	2020 £'000
– in one year or less	**12,697**	3,203
– in more than one year but not more than two years	**685**	713
– in more than two years but not more than five years	**1,939**	2,142
– in more than five years	**–**	595
	15,321	6,653

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 2021, the Group had total borrowing facilities of £25,833,000 (2020: £20,408,000) of which £2,225,000 (2020: £2,321,000) expires in one year or less at the balance sheet date. At 30 September 2021 the Group had access to £17,822,000 (2020: £21,494,000) of financing facilities including its own cash balances at that date.

23. PROVISIONS

Group	2021 £'000	2020 £'000
Onerous contract provision:		
At start of year	**146**	261
Utilised in year	**(145)**	(247)
Additional provision in year	**142**	135
Foreign exchange	**–**	(3)
Balance at end of year	**143**	146

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 CONTINUED

for the year ended 30 September 2021

24. TRADE AND OTHER PAYABLES

	Group		Parent Company	
Current	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade payables	**10,412**	8,193	**67**	37
Other taxes and social security costs	**346**	453	**–**	–
Accruals and other creditors	**6,269**	3,795	**436**	225
	17,027	12,441	**503**	262

Trade payables principally comprise amounts for trade purchases and ongoing 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 53. The currency exposure within trade payables of the principal foreign currencies, was as follows:

Group	2021 £'000	2020 £'000
US Dollar	**9,387**	4,666
Euro	**241**	473

25. DERIVATIVE FINANCIAL INSTRUMENTS

Group	2021 £'000	2020 £'000
Derivative financial assets:		
Current:		
Foreign exchange contracts	**11**	459
Derivative financial liabilities:		
Current:		
Foreign exchange contracts	**593**	168

The gains/(losses) on derivative financial instruments were as follows:

Group	2021 £'000	2020 £'000
Income statement:		
Foreign exchange contracts	**1,355**	509
Other comprehensive income:		
Foreign exchange contracts	**(508)**	(6)

Further details on the Group's hedging policies and derivative financial instruments are disclosed in note 31.

26. SHARE CAPITAL

Parent Company and Group Called up, allotted and fully paid	2021 £'000	2021 Number	2020 £'000	2020 Number
At start of year	**1,205**	**60,270,670**	1,203	60,170,670
Issued in year	**3**	**141,263**	2	100,000
At end of year	**1,208**	**60,411,933**	1,205	60,270,670

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 100,000 (2020: 100,000) ordinary shares to the Employee Benefit Trust and 41,263 (2020: nil) shares to the SIP Trust for the purpose of meeting obligations under employee share schemes.

27. SHARE PREMIUM ACCOUNT

Parent Company and Group	£'000
Balance at 1 October 2020 and 30 September 2021	**23,484**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2021

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	2021 £'000	2020 £'000
Share option schemes – see (a) below	**1,390**	574
Share incentive plans – see (b) below	**342**	301
	1,732	875
Effect of movement in foreign exchange rates	**1**	11
	1,733	886

(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 at 30 September 2021	Number exercised in year	Exercise price per share	Date option exercisable
UK SAYE[1] Scheme 2017	–	1,117	413.0p	Sep 2020 – Feb 2021
UK SAYE[1] Scheme 2018	7,138	90,616	373.0p	Sep 2021 – Feb 2022
UK SAYE[1] Scheme 2019	124,106	–	361.0p	Sep 2022 – Feb 2023
UK SAYE[1] Scheme 2020	123,745	–	409.0p	Sep 2023 – Feb 2024
UK SAYE[1] Scheme 2021	59,388	–	932.0p	Sep 2024 – Feb 2025
US ESPP[2] Scheme 2020	–	19,264	434.0p	July 2021
US ESPP[2] Scheme 2021	10,498	–	1062.5p	July 2022
UK LTIP[3] Scheme 2014	12,565	–	Nil	Jun 2017 – Jun 2024
UK LTIP[3] Scheme 2015	14,045	–	Nil	Jun 2018 – Jun 2025
UK LTIP[3] Scheme 2016	15,984	–	Nil	Jun 2019 – Jun 2026
UK LTIP[3] Scheme 2017	2,137	6,200	Nil	Jun 2020 – Jun 2027
UK LTIP[3] Scheme 2019	47,588	–	Nil	Jun 2022 – Jun 2029
US LTIP[3] Scheme 2019	64,239	–	Nil	Jun 2022 – Mar 2023
UK LTIP[3] Scheme 2020	45,065	–	Nil	Jun 2023 – Jun 2030
US LTIP[3] Scheme 2020	71,862	–	Nil	Jun 2023 – Mar 2024
UK LTIP[3] Scheme 2021	22.540	–	Nil	Dec 2023 – Jun 2031
US LTIP[3] Scheme 2021	28,156	–	Nil	Jun 2024 – Mar 2025
UK Executive[4] Options 2018	134,145	–	Nil	Dec 2021 – Dec 2028
UK Executive[4] Options 2019	123,296	–	Nil	Dec 2022 – Dec 2029
UK Executive[4] Options 2020	75,952	–	Nil	Dec 2023 – Dec 2030

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2021

28. SHARE-BASED PAYMENTS CONTINUED

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	SAYE 2021	US ESPP 2020	US ESPP 2021
Share price at date of grant	516.3p	466.3p	451.0p	511.3p	1,165.0p	510.6p	1,120.0p
Contractual life	3.5 years	3.5 years	3.5 years	3.5 years	3.5 years	1.0 year	1.0 year
Expected life	3.0 years	3.0 years	3.0 years	3.5 years	3.5 years	1.0 year	1.0 year
Expected volatility	25.6%	27.3%	31.1%	39.6%	43.9%	53.5%	43.1%
Risk-free interest rate	0.49%	0.71%	0.53%	0.09%	0.17%	0.09%	0.17%
Dividend yield	0.86%	1.06%	1.15%	1.10%	0.53%	1.10%	0.55%
Expected cancellations	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Expected forfeitures	15.8%[1]	14.5%[1]	10.0%	10.0%	15.0%	0.6%[1]	2.5%
Fair value per option at date of grant	123.0p	114.3p	117.0p	158.5p	403.6p	124.8p	242.7p

Key-employee share schemes:	UK LTIP 2017	UK LTIP 2018	US LTIP 2018	UK LTIP 2019	US LTIP 2019
Share price at date of grant	503.5p	483.0p	483.0p	455.0p	455.0p
Contractual life	10.0 years	10.0 years	3.2 years	10.0 years	3.2 years
Expected life	5.0 years	5.0 years	3.2 years	5.0 years	3.2 years
Expected volatility	25.6%	27.3%	27.3%	31.1%	31.1%
Risk-free interest rate	0.51%	0.68%	0.68%	0.62%	0.62%
Dividend yield	0.88%	1.02%	1.02%	1.14%	1.14%
Expected cancellations	0.0%	0.0%	0.0%	0.0%	0.0%
Expected forfeitures	14.8%[1]	100.0%[1]	100.0%[1]	0.0%	0.0%
Fair value per option at date of grant	481.7p	458.9p	467.4p	429.7p	438.6p

Key-employee share schemes:	UK LTIP 2020	US LTIP 2020	UK LTIP 2021	US LTIP 2021
Share price at date of grant	485.0p	485.0p	1,140.0p	1,140.0p
Contractual life	10.0 years	3.2 years	10.0 years	3.2 years
Expected life	3.5 years	3.2 years	3.5 years	3.2 years
Expected volatility	39.6%	39.6%	43.9%	43.9%
Risk-free interest rate	0.05%	0.05%	0.22%	0.22%
Dividend yield	1.16%	1.16%	0.54%	0.54%
Expected cancellations	0.0%	0.0%	0.0%	0.0%
Expected forfeitures	5.0%	5.0%	5.0%	5.0%
Fair value per option at date of grant	465.7p	467.2p	1,118.6p	1,120.4p

Executive share schemes:	UK Exec 2017	UK Exec 2018	UK Exec 2019	UK Exec 2020
Share price at date of grant	452.0p	410.0p	455.0p	746.0p
Contractual life	10.0 years	10.0 years	10.0 years	10.0 years
Expected life	5 years	5 years	3.5 years	3.5 years
Expected volatility	25.6%	27.3%	31.1%	39.6%
Risk-free interest rate	0.51%	0.73%	0.59%	0.11%
Dividend yield	1.06%	1.24%	1.21%	0.80%
Expected cancellations	0.0%	0.0%	0.0%	0.0%
Expected forfeitures	100.0%[1]	0.0%	2.7%	16.1%
Fair value per option at date of grant	428.6p	385.3p	436.1p	725.3p

1 Actual forfeiture experienced.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2021

28. SHARE-BASED PAYMENTS CONTINUED

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.

Details of movements in share options during the year were as follows:

	2021		2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at start of year	**1,111,072**	**£1.27**	1,091,606	£1.15
Granted during the year	**196,734**	**£3.39**	386,756	£1.53
Forfeited during the year	**(6,677)**	**£1.36**	(19,204)	£1.72
Exercised during the year	**(117,197)**	**£3.64**	(348,086)	£1.15
Lapsed during the year	**(201,483)**	**£0.00**	–	£0.00
Outstanding at end of year	**982,449**	**£1.68**	1,111,072	£1.27
Exercisable at end of year	**62,367**	**£2.22**	71,445	£1.24

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 4.9 years (2020: 5.2 years). The weighted average actual market share price on the date of exercise for share options exercised during the year was 1,052.4 pence (2020: 500.1 pence) and the weighted average fair value of options granted during the year was 700.6 pence (2020: 362.2 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 £650 (2020: £625) of 'Free Shares', and US employees $950 (2020: $925) 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 (2020: 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	
	2021	2020	2021	2020
Outstanding at start of year	**185,095**	158,501	**34,548**	35,530
Granted during the year	**47,147**	73,044	**9,776**	14,592
Vested during the year	**(50,952)**	(44,431)	**(8,437)**	(14,136)
Forfeited during the year	**(5,178)**	(983)	**(2,735)**	(1,438)
Released during the year	**(8,649)**	(1,036)	**–**	–
Outstanding at end of year	**167,463**	185,095	**33,152**	34,548

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 2021 the number of shares held by the EBT was 166,000 (2020: 219,000), and the number of shares held by the SIP was 477,000 (2020: 444,000).

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	2021 £'000	2020 £'000
Defined contribution schemes	**972**	908
Other pension costs	**25**	24
	997	932

The defined contribution schemes pension charge for the year includes £nil (2020: £9,000) 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 year has been calculated by updating the valuation calculations used in the initial results of the actuarial valuation as at 1 January 2021. The liabilities in last year's disclosures were calculated by updating the valuation calculations carried out for the most recently completed actuarial valuation at 1 January 2018. As such, this year's disclosures include a remeasurement item reflecting actual experience between the 2018 and 2021 valuations.

The actuarial valuations as at both 1 January 2018 and 1 January 2021 were carried out by Barnett Waddingham, and the updates made to them to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 30 September 2021, are carried out by Mrs L Lawson, a Fellow of the Institute and Faculty of Actuaries. 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 Company, 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.

29. POST-EMPLOYMENT BENEFITS CONTINUED

The financial assumptions used to calculate scheme liabilities and assets under IAS 19 are:

Group	2021	2020
Discount rate	**2.05%**	1.60%
Rate of inflation (RPI)	**3.50%**	3.10%
Rate of inflation (CPI)	**3.10%**	2.30%
Rate of increase in pensions in payment – CPI max 5%	**3.00%**	2.25%
Rate of increase in pensions in payment – CPI max 3%	**2.45%**	1.95%
Rate of increase in pensions in payment – CPI max 2.5%	**2.20%**	1.80%
Revaluation in deferment	**2.30%**	2.30%
Mortality table	**S3PA tables with CMI 2019 projections using a long-term improvement rate of 1.25% pa & initial addition parameter of 0.25% 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	**0.5% 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	**23.6**	23.8
Life expectancy for female aged 65 in 20 years' time	**25.9**	25.7
Life expectancy for male aged 65 now	**22.2**	22.3
Life expectancy for female aged 65 now	**24.5**	24.2

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 next full triennial valuation is currently being carried out as at 1 January 2021 the results of which are expected to be agreed between the Group and trustees in early 2022. Consequently, the Group has agreed with the trustees to make contributions of £450,000 (2021: £450,000). The weighted average duration of the defined benefit obligation is approximately 18 years.

Group	2021 £'000	2020 £'000
Scheme assets:		
Equities	**12,025**	9,586
Target return funds	**4,834**	4,772
Bonds	**6,882**	6,715
Other	**71**	42
Fair value of scheme assets	**23,812**	21,115
Present value of funded obligations (scheme liabilities)	**(30,618)**	(31,166)
Deficit in the scheme recognised in the balance sheet	**(6,806)**	(10,051)
Related deferred tax	**1,702**	1,910
Net pension liability	**(5,104)**	(8,141)
Changes in scheme liabilities		
Balance at start of year	**(31,166)**	(29,640)
Interest cost	**(493)**	(557)
Benefits paid	**671**	645
Remeasurement gains/(losses):		
– Experience gain on liabilities	**246**	–
– Actuarial gain arising from changes to demographic assumptions	**109**	–
– Actuarial gain/(loss) arising from changes in financial assumptions	**15**	(1,614)
Balance at end of year	**(30,618)**	(31,166)
Changes in scheme assets		
Balance at start of period	**21,115**	21,852
Interest on scheme assets	**336**	412
Employer contributions	**450**	300
Benefits paid	**(671)**	(645)
Remeasurement gains:		
– Return on plan assets (excluding amounts included in interest expense)	**2,582**	(804)
Balance at end of year	**23,812**	21,115

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2021

29. POST-EMPLOYMENT BENEFITS CONTINUED

Group	2021 £'000	2020 £'000
Amount charged to finance costs		
Interest on scheme assets	**336**	412
Interest on scheme liabilities	**(493)**	(557)
Net expense recognised in income statement	**(157)**	(145)
Amount recognised in statement of comprehensive income		
Gain/(loss) on scheme assets in excess of interest	**2,582**	(804)
Experience gain on liabilities	**246**	–
Gain from changes to demographic assumptions	**109**	–
Gain/(loss) from changes to financial assumptions	**15**	(1,614)
Remeasurement gain/(loss) recognised in statement of comprehensive income	**2,952**	(2,418)
Actual gain/(loss) on scheme assets	**2,918**	(392)
Cumulative remeasurement loss recognised in statement of comprehensive income	**(8,171)**	(11,123)

Approximate effect of change of assumptions on liability values at 30 September 2021:

	Increase liability by: £'000
Reduce discount rate by 0.25% pa	**1,359**
Increase inflation and all related assumptions by 0.1% pa	**275**
Increase life expectancy by one year	**1,285**

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.

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 $3,253,000 (£2,413,000) (2020: $3,732,000 (£2,887,000)).

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 £7,013,000 (2020: £2,489,000).

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 for its UK and US-based businesses. In the UK, the Group has both an unsecured $12.0m (2020: $12.0m) five-year revolving credit facility ('RCF') and an unsecured $3.0m overdraft facility, as well as a secured £7.0m three-year RCF which was agreed during the year, all of which are held with HSBC. In the US, the Group has a $6.0m (plus $2.0m from March to July each year) three-year line of credit facility and a seven-year term loan of $6.5m, both held with Bank of America. 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 53.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2021

31. FINANCIAL INSTRUMENTS CONTINUED

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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Financial assets				
Measured at amortised cost:				
Trade receivables[1]	**22,420**	21,103	**–**	–
Other receivables	**763**	690	**58**	35
Cash and cash equivalents	**7,260**	7,739	**5,206**	5,758
Amounts owed by subsidiaries	**–**	–	**1,194**	700
Derivative financial instruments measured at fair value through other comprehensive income:				
Trade receivables	**1,109**	1,057	**–**	–
Derivative financial instruments measured at fair value through profit and loss:				
Forward currency contracts (level 2)	**11**	459	**–**	–
	31,563	31,048	**6,458**	6,493

1 Trade receivables at amortised cost are shown net of lifetime expected credit losses.

	Group		Parent Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Financial liabilities				
Measured at amortised cost:				
Trade payables	**10,412**	8,193	**67**	37
Other creditors	**6,269**	3,795	**436**	225
Bank borrowings	**7,013**	2,489	**–**	–
Lease liabilities	**1,053**	659	**–**	–
Amounts owed to subsidiaries	**–**	–	**–**	–
Revolving credit facilities	**5,000**	–	**–**	–
US term loans	**3,308**	4,164	**–**	–
Derivative financial instruments measured at fair value through profit and loss:				
Forward currency contracts (level 2)	**593**	168	**–**	–
	33,648	19,468	**503**	262

Fair values of financial assets and liabilities

The estimated fair values of financial assets and liabilities measured at amortised cost 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 CONTINUED

for the year ended 30 September 2021

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 based on total net assets, interest cover and net debt to EBITDA ratio, and 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	10,276	136	–	–	–
Other creditors	5,534	549	186	–	–
Bank borrowings	7,013	–	–	–	–
Revolving credit facilities	–	5,000	–	–	–
US term loan:					
– Capital repayments	171	513	684	1,940	–
– Interest repayments	15	39	41	51	–
Derivative financial instruments:					
Forward currency contracts	301	292	–	–	–

Group trade payables and other creditors are not interest-bearing and are all due within one year. All financial instruments held by the Parent Company fall due within twelve 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 the Group's UK-based $12.0m unsecured RCF, £7.0m secured RCF and $3.0m overdraft facility are charged at US Dollar LIBOR plus 1.50%, LIBOR plus 1.20% and Bank of England base rate plus 1.20% respectively. The Group's US-based $6.0m line of credit and $6.5m term loan are both charged at US Dollar LIBOR plus 1.75%. The interest rates on floating rate borrowings are identical to those at the prior year-end.

The Group's cash/(debt) position by currency at year-end, is as follows:

	Floating rate financial assets/(liabilities)		Fixed rate financial liabilities	
Group	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Bank balances and RCFs:				
US Dollars	**2,131**	1,537	**–**	–
Sterling	**(800)**	5,784	**–**	–
Euro	**509**	273	**–**	–
Other	**420**	145	**–**	–
Bank borrowings:				
Sterling	**(7,013)**	(2,489)	**–**	–
Term loans:				
US Dollars	**(3,308)**	(4,164)	**–**	–
Lease liabilities:				
Sterling	**–**	–	**(1,053)**	(659)
Total net (debt)/cash	**(8,061)**	1,086	**(1,053)**	(659)

31. FINANCIAL INSTRUMENTS CONTINUED

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 2021 would have decreased or increased as follows:

	Group		Parent Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Impact on profit before tax of 1% interest rate movement	**(66)**	(16)	**–**	–

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 53.

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 2021	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	1.413	$9,000	6,369	**(301)**
Forward contract to sell USD within 4 – 6 months	1.382	$9,000	6,512	**(162)**
Forward contract to sell USD within 6 – 9 months	1.414	$3,500	2,475	**(123)**
Euros:				
Forward contract to sell EUR within 1 – 3 months	1.157	€ 2,500	2,160	**11**
Forward contract to sell EUR within 4 – 6 months	1.168	€ 1,500	1,284	**(7)**
				(582)

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

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 MoneyCorp. These represent the amounts which the Group would expect to pay or receive in order to close these contracts at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2021

31. FINANCIAL INSTRUMENTS CONTINUED

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	2021 £'000	2020 £'000
Revenue	**1,355**	464
Other gains – hedge ineffectiveness	**–**	45
Other comprehensive income	**(508)**	(6)
	847	503

The reconciliation of the hedging reserve per the statement of changes in equity is as follows:

Group	Hedging reserve £'000
1 October 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
Fair value movement on:	
– Cash flow hedges of probable future receipts	**847**
Transfer from hedging reserve to:	
– profit and loss account	**(1,355)**
Amounts recognised in other comprehensive income	**(508)**
Taxation relating to items above	**93**
30 September 2021	**(292)**

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	2021 £'000	2020 £'000
US Dollar	**1,131**	4,061
Euro	**3,587**	1,347
Other	**499**	353
	5,217	5,761

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 and Sterling to Euro exchange rate. A 10% strengthening has been used, comprising management's assessment of reasonably possible changes in 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	2021 £'000	2020 £'000
Impact of 10% strengthening of US Dollar against Sterling	**126**	451
Impact of 10% strengthening of Euro against Sterling	**399**	150

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.

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 84 to 87.

Group	2021 £'000	2020 £'000
Salaries and other short-term employee benefits	**1,166**	1,153
Fees paid to Non-executive Directors in respect of qualifying services	**375**	332
Employer's social security costs	**213**	205
Pension contributions to money purchase schemes	**63**	62
Share-based payments charge in respect of qualifying services	**501**	223
	2,318	1,975

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2021

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 page 87.

Parent Company

Transactions with subsidiaries:

Parent Company	2021 £'000	2020 £'000
Interest received from:		
R C Treatt & Co Limited	**65**	332
Dividends received from:		
R C Treatt & Co Limited	**1,404**	1,669
Treatt USA Inc	**2,300**	1,642

Balances with subsidiaries:

Parent Company	2021 £'000	2020 £'000
Amounts owed to Parent Company:		
R C Treatt & Co Limited	**1,194**	700

The Parent Company has guaranteed certain bank borrowings its subsidiaries as set out in note 30. Amounts owed to the Parent Company are unsecured and will be settled in cash.

33. ALTERNATIVE PERFORMANCE MEASURES

The Group reports certain alternative performance measures ('APMs') that are not required under IFRS. The Group believes that these APMs, when viewed in conjunction with its IFRS financial information, provide valuable and more meaningful information regarding the underlying financial and operating performance of the Group to its stakeholders.

APMs referenced throughout the Annual Report which are not possible to easily derive from the financial statements, are shown in the reconciliations below alongside their statutory equivalent measures.

Return on average capital employed

Adjusted return on average capital employed ('ROACE') is considered to be a key performance indicator ('KPI'), and is an APM which enables stakeholders to see the profitability of the business as a function of how much capital has been invested in the business.

In the years to and including the year to 30 September 2020, the equivalent KPI disclosed was return on capital employed ('ROCE'), however the Board decided that ROACE was considered to be a more meaningful measure and as such, has been reported for the first time in the current financial year. The derivation of how the new APM is measured, along with the statutory equivalent measure, and the former measure, is shown below:

ROACE – APM measure

Group	Page reference	2021 £'000	2020 £'000	2019 £'000
Total equity	102	**106,299**	91,120	87,107
Net debt/(cash)	104	**9,114**	(427)	(15,958)
Capital employed		**115,413**	90,693	71,149
Interim total equity[1]		**95,369**	88,782	n/a
Interim net debt/(cash)[1]		**4,468**	(6,067)	n/a
Interim capital employed[1]		**99,837**	82,715	n/a
Average capital employed[2]		**101,981**	81,519	n/a
Operating profit[3]	98	**21,346**	15,137	n/a
ROACE %		**20.9%**	18.6%	n/a

ROACE – statutory measure

Group	Page reference	2021 £'000	2020 £'000
Average capital employed[2]		**101,981**	81,519
Profit before taxation	98	**19,617**	13,741
ROACE %		**19.3%**	16.9%

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2021

33. ALTERNATIVE PERFORMANCE MEASURES CONTINUED

ROCE – former measure

Group	Page reference	2021 £'000	2020 £'000
Closing capital employed		**115,413**	90,693
Operating profit[3]	98	**21,346**	15,137
ROCE %		**18.5%**	16.7%

The previous five years' measure of ROCE can be found in the key performance indicators section of the Annual Report & Accounts for the year to 30 September 2020, on pages 24 and 25.

Average net cash/(debt) to adjusted EBITDA

The average net cash/(debt) to adjusted EBITDA ratio is useful to ensure that the level of borrowings in the business can be supported by the cashflow in the business, and as it is measured by reference to adjusted EBITDA, is considered to be an APM. The derivation of this ratio is shown below:

Group	Page reference	2021 £'000	2020 £'000	2019 £'000
Profit before taxation	98	**19,617**	13,741	n/a
Exceptional items	98	**1,302**	1,060	n/a
Profit before taxation and exceptional items	98	**20,919**	14,801	n/a
Interest receivable	98	**(12)**	(67)	n/a
Interest payable	98	**439**	403	n/a
Depreciation of property, plant and equipment and right-of-use assets	112	**1,705**	1,770	n/a
Amortisation of intangible assets	112	**93**	75	n/a
Adjusted EBITDA		**23,144**	16,982	n/a
Net debt/(cash)	104	**9,114**	(427)	(15,958)
Average debt/(cash)[4]		**4,344**	(8,193)	n/a
Net debt/(cash) to adjusted EBITDA		**0.19**	(0.48)	n/a

Free cash flow

Free cash flow is calculated as cash generated from operations minus the purchase of property, plant, equipment and intangible assets, adjusted to exclude the UK relocation costs. The derivation is shown below:

Group	Page reference	2021 £'000	2020 £'000
Cash generated from operations	103	**13,892**	15,677
Taxation (paid)/received	103	**(4,874)**	(2,191)
Employer contributions to defined benefit pension scheme	103	**(450)**	(300)
Purchase of property, plant and equipment	103	**(13,195)**	(23,909)
Purchase of intangible assets	103	**(1,178)**	(905)
Less UK relocation costs:			
– Capital expenditure	51	**9,461**	20,299
– Exceptional items	51, 98	**1,302**	1,060
Free cash flow		**4,958**	9,731

1 Interim total equity and interim net debt/(cash) for a given year are taken from the unaudited half year condensed financial statements made out to 31 March, which can be found on www.treatt.com.

2 Average capital employed for a given year is calculated as the average of the opening, interim and closing capital employed.

3 Operating profit for ROACE and ROCE purposes is operating profit before exceptional items as defined in the Group income statement but inclusive of other gains/(losses) arising on hedge ineffectiveness.

4 Average net debt/(cash) for a given year is calculated as the average of the opening and closing net debt/(cash).

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 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 28 January 2022 at 10.30am at Treatt plc, Skyliner Way, Bury St. Edmunds, Suffolk, IP32 7FR is set out below. We will provide the facility for shareholders to follow the meeting remotely, allowing you to listen to those speaking and view presentations, as well as submit questions to the Board on the business of the meeting if required. **IT WILL NOT BE POSSIBLE TO VOTE AT THE MEETING IF JOINING REMOTELY; VOTING BY PROXY WILL BE REQUIRED.**

JOINING THE MEETING REMOTELY

To join the meeting remotely, you will need to visit www.treatt.com using your smartphone, tablet or computer where you will then be prompted to enter your unique 'Login Code' and 'Pin'.

- Your Login Code is your 11 digit Investor Code (IVC), including any leading zeros
- Your Pin is the last 4 digits of your IVC. This will authenticate you as a shareholder
- Your IVC can be found on your share certificate, or Signal Shares users will find this under 'Manage your account' when logged in to the Signal Shares portal. You can also obtain this by contacting Link Group, our registrar, by calling +44 (0) 371 277 1020*

If your shares are held within a nominee and you wish to follow the meeting remotely, you will need to contact your nominee immediately. Your nominee will need to contact Link Group, our registrar, no later than 72 hours before the start of the meeting to obtain your unique Login Code and Pin number on your behalf to enable you to access the meeting. If you are in any doubt about your shareholding, please contact our registrar.

Access to the AGM will be available from 10.00am on 28 January 2022 although you will not be able to listen to the audio until the meeting is declared open.

PROXY VOTING

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 26 January 2022, 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 Group. 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 Group in accordance with the instructions printed on the form. If you require a paper proxy form, please contact Link Group 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.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Notice is hereby given that the AGM of the shareholders of Treatt plc (the 'Company') will be held at Treatt plc, Skyliner Way, Bury St. Edmunds, Suffolk, IP32 7FR on 28 January 2022, at 10.30am for the purpose of considering and, if thought fit, passing the resolutions set out in this notice. Resolutions 1 to 17 (inclusive) will be proposed as ordinary resolutions. Resolutions 18 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 2021.

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 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 2021. You can find the Implementation Section of the Directors' Remuneration Report on pages 82 to 87.

Resolution 3 – Approval of remuneration policy

3. 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 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.

Once approved, a remuneration policy only requires shareholder approval every three years, unless any revisions are required. Although the last remuneration policy was approved at the 2021 AGM further changes have been made to the policy and it is therefore required to be approved by shareholders in 2022. The changes to the policy are set out on page 76 of the Directors' Remuneration Report. The policy, which is set out on pages 77 to 81, 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 2021 will continue in force.

Resolution 4 – Final dividend

4. To approve a final dividend of 5.5 pence per share on the ordinary shares of the Company for the year ended 30 September 2021.

Explanatory note

A final dividend can only be paid after the shareholders at a general meeting have approved it. A final dividend of 5.5 pence 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 4 February 2022. If approved, the date of payment of the final dividend will be 17 March 2022. An interim dividend of 2.0 pence per ordinary share was paid on 12 August 2021. This represents an increase of 1.5 pence per share, or 25%, on the total 2020 dividend.

Resolutions 5 to 12 – Re-election of Directors

5. To re-elect Tim Jones as a Director of the Company.
6. To re-elect Daemmon Reeve as a Director of the Company.
7. To re-elect Richard Hope as a Director of the Company.
8. To re-elect David Johnston as a Director of the Company.
9. To re-elect Jeff Iliffe 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 60 and 61. 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. Richard Illek is stepping down from the Board of Treatt on 31 December 2021.

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 re-appointment of BDO LLP as auditors of the Company.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Resolution 14 – Auditor's 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 – Increase in aggregate fees of Non-executive Directors

15. THAT the maximum aggregate fees permitted to be paid to the Non-executive Directors of the Company, pursuant to article 18.3 of the Company's articles of association, be and is hereby increased from £300,000 to £500,000.

Explanatory note

Article 18.3 of the Company's Articles of Association provides that the ordinary remuneration of the Non-executive Directors, excluding the Chairman, shall not exceed £150,000 per annum in aggregate, unless a higher sum is determined by ordinary resolution of the Company. This limit was increased to £300,000 at the Annual General Meeting in 2020. The ordinary fees of the Non-executive Directors total £272,000. The proposed increase in the maximum aggregate fees to £500,000, will provide the Board with sufficient flexibility to ensure that the skills, expertise and diversity of the Board remain appropriate for the future and that the Board is sufficiently balanced to enable it to fulfil its obligations to shareholders.

Shareholders should note that increasing the maximum aggregate fees for Non-executive Directors does not mean that shareholders are approving an increase in the fees payable to each current Non-executive Director. Increases in individual Non-executive Directors fees will be subject to the Company's remuneration policy.

Resolution 16 – Approval of Treatt plc Deferred Share Bonus Plan

16. THAT the Directors be and are hereby authorised:

(a) to adopt and establish the Treatt plc Deferred Share Bonus Plan, the principal terms of which are summarised in Appendix 1 to this Notice, and the rules of which are produced to this meeting and, for the purpose of identification only, initialled by the Chairman, and to do all such acts and things which they may consider necessary or desirable to establish and carry it into effect; and

(b) to establish further plans based on the Treatt plc Deferred Share Bonus Plan but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against any limits on individual or overall participation contained within the Treatt plc Deferred Share Bonus Plan.

Explanatory note

Resolution 16 relates to the proposed introduction of a new employee share plan by the Company, the Treatt plc Deferred Share Bonus Plan (DSBP). The DSBP is being introduced to enable the deferral of a portion of annual bonus amounts in accordance with the Company's proposed Directors' remuneration policy for which shareholder approval is being sought at this meeting (see resolution 3). The principal terms of the DSBP are summarised in Appendix 1 to this Notice on page 144.

Resolution 17 – Authority to allot securities

17. 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 £402,746 (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 £805,492 (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 2023, or at close of business on 28 April 2023 (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 2023 or, if earlier, on 28 April 2023 (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 CONTINUED

Resolution 17 – Authority to allot securities continued

Explanatory note 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 £402,746 (representing approximately one-third (33.33%) of the total issued ordinary share capital of the Company as at 23 November 2021, 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 £805,492 (representing approximately two-thirds (66.66%) of the total issued ordinary share capital of the Company as at 23 November 2021, 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 17.

SPECIAL RESOLUTIONS

Resolution 18 – Authority to disapply pre-emption rights

18. THAT subject to the passing of resolution 17 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 17 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 to:

(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 17, 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 of, or the requirements of any regulatory body or stock exchange in any territory or any other matter; and

(b) in the case of the authority granted under paragraph (a) of resolution 17 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 £60,411

provided that this power shall expire at the conclusion of the AGM of the Company to be held in 2023 or at close of business on 28 April 2023 (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 18 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 £60,411 (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 23 November 2021, 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 2023 or, if earlier, 28 April 2023 (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 18 (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 CONTINUED

Resolution 19 – Authority to disapply pre-emption rights for the purposes of acquisitions or capital investments

19. THAT subject to the passing of resolutions 17 and 18 above and in addition to the power granted under resolution 18, 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 17 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 £60,411; 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 2023 or at close of business on 28 April 2023 (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 19 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 19 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 £60,411, being approximately 5% of the Company's issued ordinary share capital as at 23 November 2021, the latest practicable date prior to publication of this Notice. This is in addition to the 5% referred to in resolution 18. If given, the authority will expire at the conclusion of the next AGM of the Company in 2023 or, if earlier, 28 April 2023 (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 20 – Authority to purchase own shares

20. 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 6,041,193 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 2023, or at close of business on 28 April 2023 (whichever occurs first), 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 20 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.

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 23 November 2021, the latest practicable date prior to publication of this Notice) and the maximum and minimum prices at which they may be bought.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Resolution 20 – Authority to purchase own shares continued

The total number of options to subscribe for ordinary shares that were outstanding at 23 November 2021, the latest practicable date prior to publication of this Notice, was 1,070,970. The proportion of issued share capital that they represented at that time was 1.67% 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 1.86%.

If given, the authority will expire at the conclusion of the next AGM of the Company in 2023 or, if earlier, 28 April 2023 (the date which is 15 months after the date of passing of the resolution).

Resolution 21 – Notice of general meetings

21. 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.

By order of the Board

Anita Guernari

Group Legal Counsel and Company Secretary

Registered Office:
Skyliner Way
Bury St. Edmunds
Suffolk
IP32 7FR

14 December 2021

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.

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 26 January 2022 (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 48 hours 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. It will not be possible to vote at the meeting if joining remotely.

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 26 January 2022, 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 Group.

Proxy appointments can also be made by completing a paper proxy form and returning it to Link Group in accordance with the instructions printed on the form. If you require a paper proxy form, please contact Link Group 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 28 January 2022 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:

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

(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.

(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 23 November 2021 the Company's issued share capital consists of 60,411,933 ordinary shares. The number of shares held in the Employee Benefit Trust and Treatt Share Incentive Plan, under which voting rights are waived, is 643,345. The total number of voting rights in the Company as at 23 November 2021 (the latest practicable date prior to publication of this Notice) is 59,768,588.

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 close of the AGM (Saturdays, Sundays and public holidays excluded). The full rules of the proposed Deferred Share Bonus Plan will be available for inspection during usual business hours at the offices of Ashurst LLP at London Fruit & Wool Exchange, 1 Duval Square, London, E1 6PW from the date of this notice until the close of the AGM (Saturdays, Sundays and public holidays excluded). They will also be available on the investor section of our website.

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, Skyliner Way, Bury St. Edmunds, Suffolk, IP32 7FR.

APPENDIX 1

SUMMARY OF THE PROVISIONS OF THE TREATT PLC DEFERRED SHARE BONUS PLAN

Introduction

The Treatt plc Deferred Share Bonus Plan (the '**DSBP**') provides for part of a participant's annual bonus to be deferred and received in the form of an award over ordinary shares in the Company ('**Shares**'). The DSBP will be administered by the Remuneration Committee of the Board of Directors (the '**Committee**'), which will determine any dispute under or question in connection with the DSBP.

All awards to Directors will be made in accordance with the Company's Directors' remuneration policy, as approved by shareholders from time to time.

Structure of Awards

Awards will either be structured as nil cost options over Shares or restricted stock unit participants based in the US (both '**Awards**'). Awards may exceptionally at the discretion of the Committee be made as cash awards and/or satisfied in cash. Awards are non-transferrable.

Eligibility

Any employee or ex-employee of any Group company (including an executive Director) is eligible to receive an Award in any year, provided that person earned a bonus under the Company's discretionary bonus arrangement for the prior financial year. The Committee determines which employees will be granted Awards and what type of Awards will be granted. Holders of Awards are referred to as '**Participants**'.

Grant of Awards

Awards may usually be granted during the six week period following:

(i) the date on which the DSBP is approved by shareholders, or

(ii) the announcement of Company results for any period, or

(iii) the payment of a bonus in respect of any financial year.

Awards may also be granted at other times when the Committee considers circumstances are sufficiently exceptional to justify the grant of Awards. No Awards may be granted more than ten years after shareholder approval of the DSBP.

No payment is required for the grant of an Award.

Individual participation terms

The maximum value of Shares over which an Award may be granted to any Participant during any financial year of the Company may not exceed the amount of any annual bonus for the previous year.

Under the current Directors' remuneration policy, at least 25% of a Director's annual bonus will be deferred by way of an Award (subject to a minimum £10,000 of deferral).

Total number of Shares available

No Award may be granted under the DSBP on any date if, as a result, the aggregate number of Shares issued, or committed to be issued, pursuant to Awards made under the DSBP and pursuant to grants made during the previous ten years under all other employee share plans established by the Company, would exceed 10% of the issued ordinary share capital of the Company on that date. Further, no Award may be granted under the DBSP on any date if, as a result, the aggregate number of Shares issued, or committed to be issued, pursuant to awards made under the DSBP and pursuant to grants or appropriations made during the previous ten years under all other executive share plans established by the Company, would exceed 5% of the issued ordinary share capital of the Company on that date.

For this purpose, issued shares excludes the use of existing Shares but includes Shares transferred out of treasury. Shares subject to Awards which have lapsed or been surrendered are excluded when calculating the application of this limit.

Normal vesting

Awards normally vest following the second anniversary of the date of grant provided the Participant remains employed in the Group, although the committee has the discretion to determine any vesting period (subject to the Directors' remuneration policy). Following vesting, Awards which are granted as options are normally exercisable up to the tenth anniversary of the date of grant.

Corporate events

In the case of a takeover or demerger, Awards will vest in full. Alternatively, Participants may be able to exchange their Awards under the DSBP for awards over the shares of the company making any takeover. On an internal reconstruction involving the Company coming under the control of another but remaining under the control of the person or persons who had control of the Company before the reconstruction, Awards will automatically be exchanged for awards in the new company on the same terms.

SUMMARY OF THE PROVISIONS OF THE TREATT PLC DEFERRED SHARE BONUS PLAN CONTINUED

Employees leaving the Group

If a Participant ceases to hold office or employment with the group as a Good Leaver (defined below), Awards will usually vest at the normal time of vesting over the full number of Shares under Award, although the Committee has the ability, if considered appropriate, to pro-rate Awards by reference to the time elapsed between the date of Award and the date of leaving. Alternatively, upon leaving as a Good Leaver, the Committee can determine that vesting may occur earlier at any time it considers appropriate over the same numbers of Shares. Where Awards have been granted as options, Good Leavers will normally have six months from the date of vesting (12 months in the case of death) to exercise Awards.

A '**Good Leaver**' is any Participant leaving by reason of injury or disability, retirement with the agreement of the Committee, redundancy, death, the transfer of employment outside the Group, or the sale of a company outside the group or any other reason which the Committee determines. If a Participant leaves employment other than as a Good Leaver, all Awards which have not then vested will lapse.

Malus and Clawback

Pre-vested Awards may be reduced to such extent (which could be zero) as determined by the Committee as a result of the events set out at paragraphs (i) to (vi) below ('**Malus**'). In addition, for up to three years after an Award has already vested, the Participant shall, if the Committee so determines, be subject to clawback as a result of the same events ('**Clawback**').

The events for Malus and Clawback are as follows:

(i) a material misstatement, error or misrepresentation of the Company's financial results used in determination of the annual bonus and therefore the number of Shares that were granted/vest;

(ii) any error or incorrect statement or fact and/or information or assumption used in determining the annual bonus and therefore the number of Shares that were granted/vest;

(iii)a participant leaves employment by reason of misconduct;

(iv)any circumstances coming to light after a participant ceases to hold office or employment, which would have entitled the employer to dismiss the participant summarily ;

(v) the Company being placed in liquidation (or such similar event); or

(vi)the Committee determining a reduction is required to prevent serious reputational damage.

The Committee shall have the right to Clawback from the Participant by reducing any cash bonus payable, the extent to which any other Award vests, or the extent to which any rights to acquire shares granted to the Participant under any other employees' share scheme (other than this DSBP and any plan approved by HMRC) shall vest or become exercisable or by any other means, such as deduction from salary.

Variation of share capital

In the event of a variation of share capital the Directors may adjust the number of shares under the Award and, where appropriate, the exercise price to reflect such variation.

Alteration of the DSBP

Prior approval of the Company in general meeting will be required for any amendment to the advantage of Participants to those provisions of the DSBP relating to eligibility, the limit on the number of issued Shares, cash or other benefits subject to the DSBP, a Participant's maximum entitlement or to the basis for determining a Participant's entitlement under the DSBP and the adjustment thereof in the event of a variation in capital, except in the case of minor amendments to benefit the administration of the DSBP and amendments to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Participants or for any member of the Group or to cover the inclusion of any overseas plans. No amendment may be made which would alter to the disadvantage of participants any rights already acquired by them under the DBSP without the approval of 75% of the affected participants.

Overseas plans

The Committee may from time to time and without further formality establish further plans to operate in overseas territories, any such plan to be similar to the DSBP but modified to take account of local tax, exchange control and/or securities laws, regulation or practice. Shares made available under any such plan would count against the limits on overall and individual participation in the DSP.

Pensions

Benefits under the DSBP will not be pensionable.

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

COMPANY SECRETARY

Anita Guernari

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Tel: +44 (0) 1284 702500

Email: cosec@treatt.com

WEBSITE

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REGISTERED NUMBER

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Jeff Iliffe (Chair)

Yetunde Hofmann

Vijay Thakrar

REMUNERATION COMMITTEE

Yetunde Hofmann (Chair)

Lynne Weedall

Jeff Iliffe

NOMINATION COMMITTEE

Lynne Weedall (Chair)

Daemmon Reeve

Richard Illek

Yetunde Hofmann

Vijay Thakrar

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London, EC2V 7QP

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Bank of America
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Tampa, FL 33602

REGISTRARS

Link Group
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Central Square,
29 Wellington Street,
Leeds, LS1 4DL

Annual and half year reports are available on the Group's website: **www.treatt.com**

FINANCIAL CALENDAR

FINANCIAL YEAR 2020/21

Financial year ended	30 September 2021
Results for year announced	30 November 2021
Annual Report and Financial Statements published	14 December 2021
Annual General Meeting	28 January 2022
Final dividend for 2021 goes 'ex-dividend'	3 February 2022
Record date for 2021 final dividend	4 February 2022
Last day for dividend reinvestment plan election	24 February 2022
Final dividend for 2021 paid	17 March 2022

FINANCIAL YEAR 2021/22

Interim results to 31 March 2022 announced	10 May 2022*
Interim dividend for 2022 goes 'ex-dividend'	30 June 2022*
Record date for 2022 interim dividend	1 July 2022*
Last day for dividend reinvestment plan election	21 July 2022*
Interim dividend for 2022 paid	11 August 2022*
Financial year ended	30 September 2022
Results for year to 30 September 2022 announced	29 November 2022*
Final dividend for 2022 paid	16 March 2023*

* These dates are provisional and may be subject to change

GROUP FIVE YEAR TRADING RECORD

*2017, 2018, 2019 and 2020 show discontinued operations separately. There were no discontinued operations in 2021.	2017* £'000	2018* £'000	2019* £'000	2020* £'000	2021 £'000
Income statement					
Revenue	101,250	112,163	112,717	109,016	**124,326**
Adjusted EBITDA[1,2]	14,083	14,577	14,871	16,982	**23,144**
Operating profit[2]	12,547	13,944	13,499	15,092	**21,346**
Profit before taxation and exceptional items	11,696	12,642	13,300	14,801	**20,919**
Growth in profit before taxation and exceptional items	32.2%	8.1%	5.2%	11.3%	**41.3%**
Exceptional items	–	(1,105)	(755)	(1,060)	**(1,302)**
Profit before taxation	11,696	11,537	12,545	13,741	**19,617**
Taxation	(3,129)	(2,284)	(2,673)	(2,896)	**(4,469)**
Discontinued operations	978	2,976	(1,084)	(1,080)	**–**
Profit for the year attributable to owners of the Parent Company	9,545	12,229	8,788	9,765	**15,148**
Balance sheet					
Goodwill	2,727	–	–	–	**–**
Intangible assets	604	752	845	1,358	**2,424**
Property, plant and equipment	14,821	20,038	29,485	50,159	**61,039**
Right-of-use assets	–	–	–	1,173	**1,556**
Net deferred tax asset/(liability)	616	672	(319)	(924)	**(1,383)**
Current assets	68,230	102,402	98,158	69,472	**83,606**
Current liabilities	(27,003)	(35,781)	(28,905)	(15,989)	**(30,556)**
Non-current borrowings	(7,293)	(3,001)	(4,369)	(3,450)	**(2,624)**
Post-employment benefits	(5,821)	(3,457)	(7,788)	(10,051)	**(6,806)**
Lease liabilities	–	–	–	(659)	**(1,053)**
Non-current derivative financial instruments	(403)	–	–	–	**–**
Total equity	46,478	81,625	87,107	91,120	**106,299**

*2017, 2018, 2019 and 2020 show discontinued operations separately. There were no discontinued operations in 2021.	2017* £'000	2018* £'000	2019* £'000	2020* £'000	2021 £'000
Cash flow					
Cash generated from operations	4,683	3,581	20,544	15,677	**13,892**
Taxation paid	(2,822)	(2,978)	(2,208)	(2,191)	**(4,874)**
Net interest paid	(913)	(610)	(199)	(191)	**(270)**
Dividends paid	(3,025)	(2,876)	(3,080)	(3,378)	**(3,704)**
Additions to non-current assets net of proceeds	(5,203)	(6,579)	(10,570)	(24,814)	**(14,373)**
(Acquisition)/disposal of subsidiaries	(900)	8,746	1,033	(136)	**–**
Purchase of redeemable loan notes	(675)	–	–	–	**–**
Net sale of own shares by share trust	355	586	526	547	**630**
Proceeds on issue of shares	–	20,833	14	2	**3**
Increase of lease liabilities	–	–	–	(659)	**(394)**
Other cash flows	(71)	(419)	(161)	(388)	**(451)**
Movement in (debt)/cash	(8,571)	20,284	5,899	(15,531)	**(9,541)**
Total net (debt)/cash	(10,225)	10,059	15,958	427	**(9,114)**
Ratios					
Net operating margin[2,3]	12.4%	12.4%	12.0%	13.8%	**17.2%**
Return on average capital employed[2,4]	26.0%	21.9%	18.8%	18.6%	**20.9%**
Average net (debt)/cash to adjusted EBITDA[2,5]	(0.42)	(0.01)	0.87	0.48	**(0.19)**
Adjusted basic earnings per share[2]	16.41p	18.02p	17.82p	19.72p	**27.05p**
Growth in adjusted basic earnings per share[2]	27.8%	9.8%	(1.1%)	10.7%	**37.2%**
Dividend per share[6]	4.80p	5.10p	5.50p	6.00p	**7.50p**
Dividend cover (adjusted to exclude exceptionals)[6]	3.40	3.42	3.22	3.28	**3.60**
Net assets per share	87.9p	137.3p	144.8p	151.2p	**176.0p**

Notes:

1 EBITDA is calculated as profit before interest, tax, depreciation and amortisation from continuing operations. See note 33 in the financial statements.

2 All adjusted measures exclude exceptional items. See note 9 in the financial statements.

3 Operating profit before exceptional items divided by revenue from continuing operations.

4 Profit before interest, taxation and exceptional items divided by the average of opening, interim and closing net debt. See note 33 in the financial statements.

5 Average of net (debt)/cash at start and end of financial year divided by adjusted EBITDA[1,2]. See note 33 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.

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