TREATT

ANNUAL REPORT & ACCOUNTS 2022

TREATT

OUR JOURNEY

We deliver long-term sustainable growth by strategically increasing our relevance to the growing global markets we serve. Our natural extracts and synthetic ingredients are used by the world's leading flavour and fragrance houses, and beverage manufacturers, to turn good products into great ones.

WHAT'S IN OUR REPORT

TREATT

OUR PURPOSE-DRIVEN ORGANISATION

'If purpose is the input, then passion is our output.'

Becca Day, People Business Partner

Why we're here

What we do

How we do it

We EXTRACT EXCELLENCE and ENHANCE EVERY DAY making the world TASTE BETTER through the manufacture and supply of AUTHENTIC NATURAL EXTRACTS and IMPACTFUL SYNTHETIC INGREDIENTS for the beverage, and flavour and fragrance industries with PRIDE and PASSION, INTEGRITY, RESPECT and TRUE TEAMWORK.

STRENGTHENING OUR FOUNDATIONS

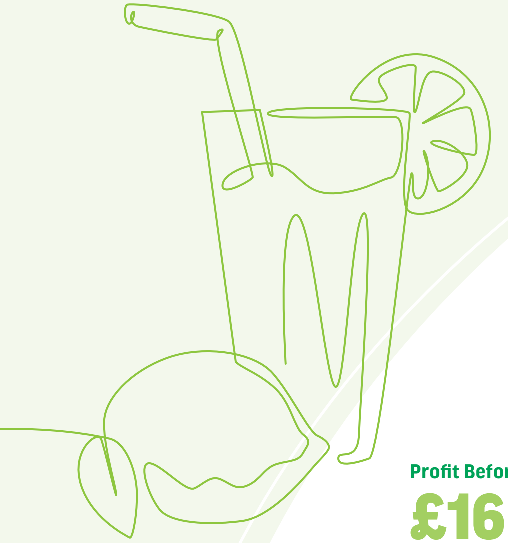
Having navigated an extraordinarily challenging year, we move into the next phase of growth with a heightened sense of focus on our strategy and a deepened appreciation for what we know our people can deliver. Over the next five years, we will continue to:

DEEPEN OUR MARKET INSIGHTS
Increasing our relevance to the growing markets we serve remains a key aspect of our five-year plan, making our recent investments in market insights and customer research more prudent than ever.

DRIVE SUSTAINABLE COMMERCIAL GROWTH
We are recalibrating the business around the needs of our customers, focusing on how we can accelerate growth in key territories, such as China, in such a way that will improve the profitability of our organisation.

REALISE OPERATIONAL EFFICIENCIES
Our ongoing transition to a new site in the UK, coupled with the recent expansion in North America, has been the catalyst for truly transformative operational efficiencies that will benefit, not only our growing customer base, but also our people.

FOCUS ON OUR CULTURE
One cannot underestimate the impact that the last two and a half years have had on all organisations across all industries. The last year has shown us the strength of our people but has also importantly reminded us of the constant need to invest in and prioritise our culture, as it is central to our ability to create value for all our stakeholders.

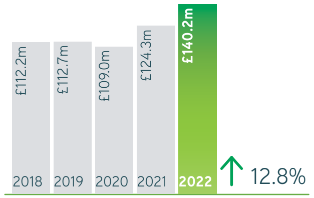


HIGHLIGHTS

FINANCIAL

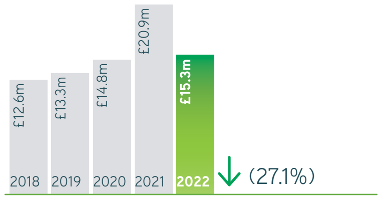
Revenue[1]

£140.2m



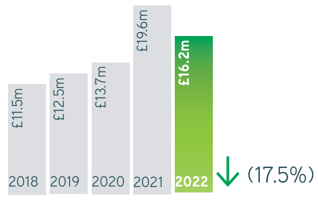
Profit Before Tax And Exceptional Items[1]

£15.3m



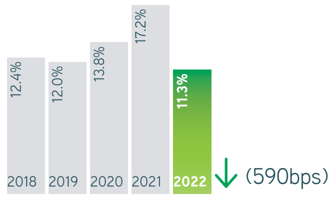
Profit Before Tax[1]

£16.2m



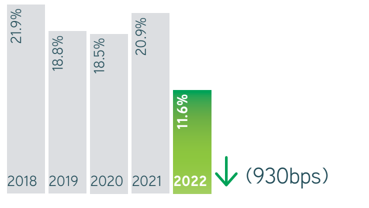
Adjusted Net Operating Margin[2,3]

11.3%



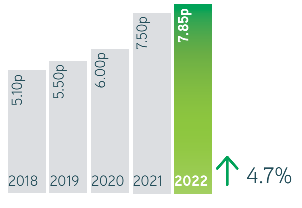
Adjusted Return on Average Capital Employed[3,4,5]

11.6%



Dividend Per Share[6]

7.85p



OPERATIONAL

PRODUCTION COMMENCED AT OUR NEW UK FACILITY
Majority of our UK manufacturing transitioned to the new site during the third quarter, with a record sales month reported for the UK business in August 2022.

INVESTMENT IN OUR PEOPLE INFRASTRUCTURE
Execution of planned investment in the knowledge, talent and capability of our people resources, supported by the creation of an experienced global executive leadership team.

INFLATIONARY PRESSURES ACROSS THE SUPPLY CHAIN
Planned mitigation of the impact of risings costs through measures including sales price increases, margin discipline, strengthened cost controls and strategic inventory build to maintain supply.

CONTINUING TO DRIVE AND EMBED OUR SUSTAINABILITY STRATEGY
Introduced our people, planet and performance pillars to clarify our strategy and progress, working with colleagues across the business on key priorities to ensure our collective efforts make for positive, measurable change.

A PROMISING FIRST YEAR FOR OUR CHINA ENTITY
First full year of trading by our China business, overcoming further lockdown restrictions to deliver revenue growth and win new and promising opportunities in this market.

1 Excluding discontinued operations in 2018, 2019 and 2020. There were no discontinued operations in 2021 and 2022.
2 Operating profit is calculated as profit before net finance costs and taxation.
3 Excludes exceptional items, details of which are provided in note 8 of the financial statements.
4 The methods of calculating financial key performance indicators are shown on page 22.
5 Return on average capital employed is considered to be an alternative performance measure, details on these and the equivalent statutory measures are provided in note 31 of the financial statements.
6 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 10 of the financial statements.

AT A GLANCE

MAKING THE WORLD TASTE BETTER EVERY DAY

Our natural extracts and synthetic ingredients are used to differentiate products across the food and beverage, and personal care sectors the world over.

AUTHENTIC NATURAL EXTRACTS

We have been a key player in the natural extracts industry for over a century and bring our inimitable wealth of knowledge to every interaction with our customers. The strength and diversity of our supplier relationships ensure we deliver consistently high quality and cost-effective products at scale. Whether we are working with citrus, tea, coffee, fruit & vegetables, herbs, spices, & floral ingredients, or sugar reduction products, we enable our customers to achieve their commercial goals.

IMPACTFUL SYNTHETIC INGREDIENTS

Our high impact and synthetic aroma ingredients are predominantly manufactured in the UK, minimising risk and ensuring a consistently high quality for our customers, no matter what scale. Our impeccable customer service and unrivalled regulatory expertise are relied upon by customers across the globe, as is the breadth of our product portfolio.

WHO WE ARE AND WHERE WE OPERATE

People
425

Customers
786

Products sold In 75+ countries
1,700

Split of natural extracts and synthetic ingredients
79%

Locations worldwide
3

Sales
£140.2m

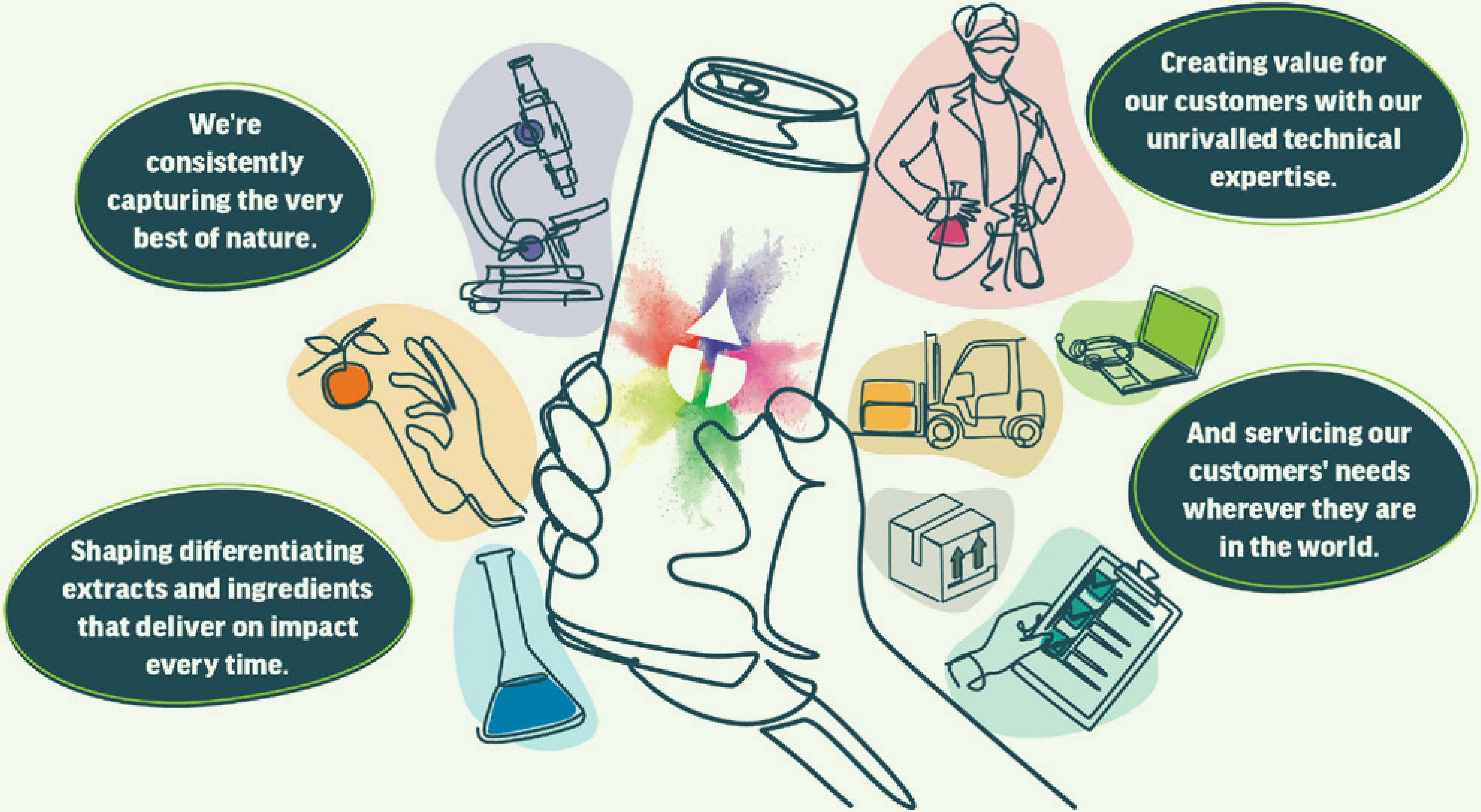
Number of charities supported
12

"Our position in the value system is a huge advantage. We know these raw materials like no one else, consistently capturing the best of nature so that our lemon tastes the same, whether it's being enjoyed in Edinburgh or Ecuador."
Melanie Cooksey-Stott, Chief Supply Chain Officer

A YEAR IN PICTURES

OUR BUSINESS MODEL

WELCOME TO OUR WORLD



OUR BUSINESS MODEL CONTINUED

OUR CHANNEL MIX

FLAVOUR HOUSES

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

BEVERAGE BRANDS

Our authentic natural extracts and ingredients are 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.

Customers continue to choose us because we:

- Always put them first
- Have a broad and market-driven product range
- Are world-class technical experts
- Service diverse routes to growing markets
- Proudly take a responsible approach to sourcing
- Mitigate risk with dual-site manufacturing in strategic locations

OUR ADDRESSABLE MARKET

The global alcoholic beverage market will increase in value to over USD 1.98 trillion by 2025, with the global non-alcoholic beverage market expected to reach a valuation of USD 1.3 trillion by 2030. Adult millennials and GenZ consumers make up almost 50% of the world's population, representing a potential four billion health-conscious consumers aligned with our offering.

2022 CUSTOMER PERCEPTION SURVEY

In this year's survey, we sought to understand how our brand was perceived by our customers in each of our key territories.

The findings showed that our customers universally value our quality, the trust we have earned, and our ingredient expertise.

38
NPS score

CHAIRMAN'S STATEMENT

A YEAR OF PROGRESS

It's a new chapter for Treatt in many ways, with new UK premises, a new Executive Leadership Team and a new Chairman ready to hit the ground running.

Tim Jones
Chairman

As I step down as Chairman after eleven years, I believe the Company has made significant progress this year, notwithstanding some disappointment around profitability. We have completed a period of substantial transition and consolidation, which enables us to expand our production capacity, launch new products, attract new customers and develop new markets and territories for years to come.

A YEAR OF PROGRESS

Many years of planning have come to fruition this year as we transferred operations to our new UK premises, grew our revenues, enhanced our Board and finalised our new global executive leadership team.

The new UK site offers many benefits, from increased capacity and efficiency to more advanced systems, technology and sustainability benefits. Moving operations into Skyliner Way was a challenge, but our teams rallied to keep our customers on board and came together to get goods out of the door. The strength of our culture was evident as we overcame the teething issues and ensured we delivered on our substantial order book, with a record month in August.

To make the most of our investments in both the UK and US sites, we know that we needed to enhance and expand our people infrastructure. We needed to build a global leadership team of senior people to work with Daemmon and I am delighted with the talent we have brought in.

These infrastructure updates and changes to the team are undoubtedly vital to our ability to deliver on the exciting market opportunities we have long perceived and are the reason I have remained as Chairman to see them through.

PERFORMANCE

In many ways, the performance of the Group has been strong. We have seen good growth across all categories, aside from hard tea. That such growth has not been fully reflected in the bottom line is frustrating, and caused by a number of factors, including the margin impact in hard tea, the impact of foreign exchange, input cost increases and lockdowns in Shanghai – the home of our China facility. I am confident that learnings are being taken forward in all of these areas.

The new executive leadership team is firmly focused on optimising our increased capacity and sales through to the bottom line over coming years. With sales volumes going up, strong existing customer relationships, new customer wins, expanded market presences and vibrant new categories like coffee, there are, in my view, many reasons to be optimistic about Treatt's performance and potential.

CHAIRMAN'S STATEMENT CONTINUED

Our values
Our values are the fuel that drives 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.

BOARD CHANGES

We have enhanced the Board over the year, with the addition of Christine Sisler and Philip O'Connor.

Christine brings direct beverage experience from one of our key clients. She understands the business and our markets, particularly in the US, and brings key skills in development and commercialisation amongst many others.

Philip brings substantial experience, having been a CEO and Finance Director within the food industry. He founded two successful start-up businesses and has expertise in high growth businesses and in M&A.

I am also delighted that Vijay Thakrar will be my successor. Vijay has developed an extensive knowledge of Treatt which will complement his significant experience from a broad business and non-executive career covering a number of large international organisations.

DIVIDEND

The Directors are pleased to propose a final dividend of 5.35p per share (2021: 5.50p), which represents an increase in the total dividend for the year of 4.7% to 7.85p (2021: 7.50p). If approved by shareholders at the Annual General Meeting, the final dividend will be payable on 16 March 2023 to all shareholders on the register at the close of business on 3 February 2023.

OUTLOOK

The foundations of the Group are stronger than ever. Following the significant work completed over the last couple of years, Treatt is well placed to maximise the opportunities presented by its new premises in Skyliner Way, and take the business to the next level in terms of customer attraction, innovation and growth across our markets.

On a personal level, to see the business grow and develop into what it is today over the 11 years I have spent with Treatt has been a career highlight. The difference in premises, infrastructure, capacity, people, culture and strategy from then to now is extraordinary. Treatt has made huge leaps in so many aspects of what we do and is now perfectly poised for bigger things. I am enormously proud of what the business has accomplished across the last decade and wish Daemmon, Vijay, everyone at Treatt and all my fellow shareholders good fortune for the future.

Tim Jones
Chairman

29 November 2022

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.

MARKET OVERVIEW

OUR ADDRESSABLE MARKET

The global alcoholic beverage market will increase in value to over USD 1.98 trillion by 2025, with the global non-alcoholic beverage market expected to reach a valuation of USD 1.3 trillion by 2030.

Douglas Rash
Chief Commercial Officer

"Understanding the macro environmental trends impacting beverage innovation is very much part of the modern skillset at Treatt."

Adult millennials and GenZ consumers make up almost 50% of the world's population, representing a potential four billion health-conscious consumers aligned with our offering.

"Whether it's a vitamin-infused super fruit smoothie someone drinks first thing in the morning, the nitro cold brew coffee that gives the mid-morning caffeine hit, or the canned ready to drink cocktail enjoyed on the commute home, beverages increasingly need to be better for us and the world we live in."

MARKET OVERVIEW

Understanding the macro environmental trends impacting beverage innovation is very much part of the modern skillset at Treatt. Our insights team work closely with our innovation, product management, applications, and sales colleagues to ensure we maintain our relevance to the dynamic and challenging markets we all serve.

We use these insights to shape our own new product development, as well as support our customers' innovation strategies as they seek to differentiate themselves in rapidly changing environments.

While the pace of innovation in our industry quickens, we continue to see very strong signals that suggest consumer interest in Health & Wellbeing has morphed from being a trend to a way of life. It remains a key motivator for consumers globally as it continues to evolve, sparking new opportunities for beverage innovation.

MARKET OVERVIEW CONTINUED

MACROTREND: HEALTH FOR ALL

As the Health & Wellbeing movement evolves, we are seeing increasing interest in consumer goods and services that are designed for everyone, and every occasion. This trend speaks to a growing interest in mental wellbeing, as well as one's physical health, and now crucially, also encompasses health of the planet.

TRENDBITES

We go beyond the macro to understand how megatrends like this evolve – and work with our internal teams, as well as our customers, to best understand how all of this creates opportunities for differentiation in our industry.

SUSTAINABILITY AND ETHICS

This trend was born from the increasing desire to feel good about consumption choices in everyday life. There is mounting awareness and concern surrounding the scale, complexity and interdependence of social and environmental challenges globally.

MODERATION AND AVOIDANCE

Consumers exhibit restraint as a means of supporting or improving their wellbeing. In doing so, they are moderating 'villain' ingredients, such as sugar and artificial ingredients for the good of their long-term health. The 'no added sugar' positioning is valued and increasingly embraced by manufacturers as one of the most prominent on pack claims across beverage categories.

FRESH AND NATURAL

A growing population of global consumers continue to shun highly processed products and artificial ingredients, in favour of those with stronger natural credentials. Such qualities are often perceived as healthier, cleaner, more authentic, and ultimately better quality.

SENSORY AND INDULGENCE

Consumers are seeking enjoyment beyond tangible products themselves. They are becoming increasingly experience-driven and are willing to pay more for an enhanced brand experience. It is therefore becoming more important for brands to perform at an experiential level, and offer, varied, novel, and complex sensations for optimal enjoyment.

Top five

Environmental/ethical claims feature in the top five claims across all new product launches in all regions globally

76%

of global consumers are actively trying to reduce or moderate consumption of sugar

Six-in-10

The degree to which a product or service is enjoyable or unique is routinely influential for around six-in-10 global consumers, which shows an increase of +6% since 2021

USD 849.7bn

The global organic food and beverage market is expected to grow from USD255.2 billion in 2020 and reach USD 849.7 billion in 2028, growing at a CAGR of 16.4% during the forecast period

(Source: Organic Food and Beverages Market by Organic Food, By Organic Beverages, By Distribution Channel, Region, Global Industry Analysis, Market Size, Share, Growth, Trends, and Forecast 2021 to 2028 – Fior Markets)

MARKET OVERVIEW CONTINUED

DRIVERS

WHO'S DRIVING INNOVATION?

GenZ and Millennials are the dominating cohorts in a complex, five generation consumer landscape. Transparency, accountability, and trust are key to engaging with these two key demographics, as their influence over innovation will only intensify. The state of the climate and the move towards a green economy are also high on the agenda.

"Sustainability is no longer a 'nice to have' as consumers expect brands to move at the speed of societal change by making a genuine commitment to being transparent about progress"

4bn

GenZ and Millennial consumers represent a potential of four billion end consumers aligned with our offering

MARKET OPPORTUNITIES BY BEVERAGE CATEGORY

READY TO DRINK (RTD) ALCOHOL

RTD alcohol (which includes hard seltzers) has grown faster than any beverage category since 2018. The category was valued at USD 32.94 billion last year, and is expected to reach USD 85.5 billion by 2030, growing at a CAGR of 11.2%. North America lead the market and accounts for a significant revenue share due to the high demand for on-the-go offerings. North America represents 40% of the global market, and with the hard seltzer market feeling saturated, brands are looking to differentiate themselves in this space as consumers continue to look for 'better-for-you' options.

Fastest growing flavours:

- Cherry
- Guava
- Kiwi

WHAT'S DRIVING GROWTH?

Flavour impact

RTD cocktails are all about the sensorial benefits they bring – think taste, flavour, or texture. Research from International Wines and Spirits Record shows that flavour is the number one reason why people drink RTD cocktails. It's no surprise that premium products with natural ingredients are the driving force in this category.

Quality innovation

The RTD space is ripe for creativity. Most new product launches in the past 12 months have had a premium slant and, in the US, spirit-based cocktails such as vodka, tequila and rum are driving the growth, pushing ahead where most products are still malt based.

Occasion variety

It seems there is an RTD option for everyone and every lifestyle, offering a way for consumers to experiment with different flavours and spirits. In North America, COVID-19 saw this category explode and that growth continues as brands look to reach consumers through non-traditional off premise channels that offer a broad range of different consumption opportunities and occasions.

WHAT'S NEXT?

Whisky-based cocktails and high proof spirit-based cocktails are growing, with a world of spirits to be explored and endless flavour pairing options available. Experts also expect to see growth in non-alcoholic spirit-based cocktails too.

MARKET OVERVIEW CONTINUED

FUNCTIONAL DRINKS

With an increased emphasis on how to improve and protect one's wellbeing, has come a proliferation of innovation in this category, as more and more drinks are brought to market with claims relating to the product's performance. This broad category encompasses everything from sports and energy drinks to vitamin-enhanced flavoured waters, and kombucha. This market is predicted to grow at a CAGR of 9.38% to reach a value of USD 265.9 billion by 2030.

Fastest growing flavours:

- Citrus
- Tea
- Ginger

WHAT'S DRIVING GROWTH?

Heightened awareness

While there is a vast range of health supplements on the market, consumers are increasingly looking to get their vitamins from food and beverage. The increased knowledge around the power of functional ingredients has had a significant impact on this thriving category. The rise of functional beverages and fermented drinks bringing a new era for innovation and popularisation.

Efficient consumption

As younger consumers seek to maximise every drinking occasion, they are looking for ways to improve or boost products that are already part of their daily routine. Fruit juices with enhanced vitamin C levels, flavoured waters that have additional protein for a post workout refuel, and an RTD kombucha that supports good gut health are all common place.

Category hybridisation

The demand for beverages with functionality beyond hydration spans all categories, both alcoholic and non-alcoholic. As consumers expect this characteristic across all consumption occasions, there is an increasing fluidity across traditional pillars in our industry.

WHAT'S NEXT?

Nootropics are supplements that claim to improve cognitive functions such as mood, memory, creativity, or motivation in healthy individuals. The two most common products on the market currently are aimed at improving focus and calming the mind, so there is still potential for this area to grow.

READY TO DRINK COFFEE

While the pandemic had an impact on the out-of-home coffee market, demand picked up again quickly as the economy reopened and interest in the category continued to grow. It is still seen as a personal luxury – a deeply personal ritual – and isn't something that consumers will readily or willingly go without.

WHAT'S DRIVING GROWTH?

Clean indulgence

Cold brew coffee speaks to the desire for a healthy beverage that is not only superior in taste but is also free of artificial ingredients. Cold brew coffee market size is over USD 674.26 million this year and is expected to grow at a CAGR of 25.13% until 2027.

Continued premiumisation

As naturalness, provenance, and the product's ability to deliver on taste all continue to grow in importance, the shift towards better quality coffee will continue moving one way. As consumers' tastes continue to become more sophisticated, brands must ensure products keep pace and deliver that all important experience.

Flexible ingredient

Whether it's coffee-infused water, or espresso martini, coffee is one of the most broadly used ingredients across functional drinks, carbonates, bottled water, and concentrates, as well as RTD alcohol.

WHAT'S NEXT?

As technology in this space advances, at-home consumption is likely to evolve as consumers look to enjoy the 'coffee shop experience' without having to leave the house, as well as on the go.

Sources:

- Global Data
- Mintel
- Beverage Daily
- National Coffee Association

OUR AMBITION AND STRATEGY

DELIVERING LONG-TERM SUSTAINABLE GROWTH

We will deliver long-term sustainable growth by increasing our relevance to growing global markets. By focusing on increasing our relevance, and therefore our sustainable competitive advantage, we will continue to grow our business in all key territories.

WE WILL DO THIS BY:

1

EMPOWERING PEOPLE

They are the heart of all we do, and development in this area will unleash the value of our greatest opportunities through exceptional people

2

EMBEDDING SUSTAINABILITY

One of the lenses through which we view business decisions

3

TRANSFORMING TECHNICAL

We will treble our spend on R&D over the next five years

4

DRIVING OPERATIONAL EXCELLENCE

We are maximising our incredible facilities and will double capacity by 2028

STRATEGY IN ACTION

1. EMPOWERING PEOPLE

Our culture has long been cited as an integral part of why some of the industry's brightest minds join our team, and the world's biggest brands partner with us time and time again.

At Treatt, keeping our culture on track is everyone's responsibility. We invest in it, prioritise it, and recognise that our work is never done. Far from being a fixed concept, our culture evolves with our business, and the people that work here.

The last two years have been hugely challenging for all organisations the world over, irrespective of size or industry. We would be remiss to not look to understand the impact this period has had on our culture, and as an organisation fully committed to continuous improvement, we are working on doing just that.

This year we appointed a diverse team of Culture Ambassadors, representing all business functions across each territory. They are working with our internal communications department, our People Team and Executive Leadership Team, to understand how our culture is evolving and what needs to be done to ensure we are living up to the high standards we set ourselves.

"While others may see this as progressive, putting ourselves under the microscope to understand how and where we need to improve is very much part of our DNA at Treatt. We have a great culture, but don't take it for granted."

Steven Catanzaro
Sales Associate and Culture Ambassador, USA

"Our people have a purpose, passion, and drive that you don't experience all that often – they truly are our 'not so secret' secret ingredient."

Jo Mapston,
Interim Chief People Officer

STRATEGY IN ACTION CONTINUED

2. EMBEDDING SUSTAINABILITY

Sustainability is one of the lenses through which we proudly make key business decisions.

Our Global Sustainability Manager, and our global Sustainability Working Group, have made great progress on the implementation of our sustainability strategy. A strong emphasis has been placed on the importance of ensuring our global workforce understand our plans and have a clear sense of focus as to the part they play in improving our understanding of, and ultimately lessening, the impact our organisation has on the planet.

You can learn more about our work on sustainability on pages 24 to 49.

WHAT OUR PEOPLE AND OUR CUSTOMERS THINK

"Sustainability is at the heart of our business strategy. We have set stretching targets as part of our Healthier People, Healthier Planet strategy and we recognise that we cannot meet these without our suppliers. It is great to see Treatt is proactively playing its part through efficiency and process improvement programmes, as well as driving transparency in its own supply chain."

Leading British soft drinks producer

"Part of the reason I joined Treatt was because of the emphasis they put on doing the right thing for people, and the planet. It's important to me to work somewhere that stands for something."

Kesha Allen
Marketing, UK

STRATEGY IN ACTION CONTINUED

3. TRANSFORMING TECHNICAL: INVESTING IN INNOVATION

'What is going to be different?' is the burning question people ask Dr Wolfgang Tosch, who joined Treatt as our Chief Technical and Scientific Officer in December 2021.

Dr Wolfgang Tosch
Chief Technical and Scientific Officer

Wolf, having held several senior positions at very successful global beverage and ingredient businesses, throughout his career, brings a wealth of experience in our industry, as well as big ambitions for Treatt's future. Creating and maintaining value for our customers and shareholders remains the cornerstone of everything Wolf and his team are building and embedding in Technical.

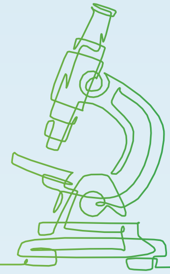
When asked what will be different (or the same) to deliver the big ambitions for Treatt, Wolf is clear on the focus and direction required, having pulled together a series of interconnected 'pillars' that give shape to our aligned priorities; Empower People, Enhance Quality, Operate Efficiently and, critically, Innovation Implementation.

"One thing that will remain unchanged is the value of our people. One of Treatt's biggest and most competitive assets is undoubtedly the quality and breadth of our technical expertise and knowledge. Curating and continuing to build our knowledge and capability is critical."

As we move forward, empowering our people and continuing to invest in their success remains a strong focus as we embed our performance-driven culture; this enables clear accountability, creates a supportive and collaborative environment where people can thrive, fosters a growth mindset and, ultimately, creates the positive cultural habits of successful organisations. This, coupled with strong internal relationships enables us to deliver a great experience for our customers.

STRATEGY IN ACTION CONTINUED

3. TRANSFORMING TECHNICAL: INVESTING IN INNOVATION



Quality is everything to us and at the heart of our business. It underpins our values. The emphasis on quality is not new for Treatt; it is a core part of how our brand is perceived by our customers across all product categories, in every territory.

The difference going forward will be the leadership emphasis on 'right first time' across the value chain and our commitment to upholding the correct processes, tools, and governance, embedding this deeply across all areas of the organisation.

This provides clarity that empowers our people to deliver, drives consistency in decision making and execution and continues to give our customers confidence that we are both delivering, and holding ourselves accountable, to the highest standards.

This too will transcend our operations and our operational excellence programme. Over the last five years, we have made significant investments in our operational infrastructure; our landmark UK facility and our expanded US facility. The benefits are far-reaching, including everything from significantly increased capacity and space to grow, to more efficient ways of working for our operators.

By establishing globally aligned ways of working, self-directed teams and effectively managing cost we are harmonising our efforts across technical and manufacturing in powerful and creative ways that will drive sustainable business success. The difference is that this streamlining will have a transformative impact on our ability to identify and respond to opportunities for improvement on a global scale, while being flexible enough to respond to market and business changes – which is very exciting.

Innovation is also critical to our future growth and transcends across our product portfolio, new processes and technologies. However, defining 'innovation' and what this means for Treatt has been an important part of the work we have done this year to align our global teams, our approach and our execution.

Being able to innovate is something we take pride in and we have had great success in the past. The difference here is how we ensure the long-term viability of our innovation capability and partnerships and, importantly, successful implementation. The way in which we are going to manage this will be through the development of a series of new processes and tools that support how we innovate with our customers, focusing on the right opportunities and, ultimately, create value. With dedicated resources allocated to improving the ways in which we innovate, we are excited to feel the benefits of this as we look to the future.

"For Treatt, innovation is the process by which we remain commercially relevant, through the implementation of new ideas."

Increasing investment from

2% to 5%

of revenue by 2028

We would be remiss not to consider our impact on the planet, and people, as part of this process. Sustainability is critical to our future success and will become an increasing part of how we create value for our stakeholders.

My first year has been incredible. Getting to know the people behind the products has been the highlight, it's rare to see such a diverse group of 'builders' so invested in a company's success. Even during challenging times, we have pulled together, and that camaraderie and pride is very special, and is very Treatt.

STRATEGY IN ACTION CONTINUED

4. DRIVING OPERATIONAL EXCELLENCE

"Moving to Skyliner Way will bring about short, mid, and long-term transformational efficiencies that will have a lasting impact on the profitability of our business."

Babette Norman, Manufacturing Director, UK

"The potential you have now could not be clearer."

Customer

"This place is incredible! It must feel brilliant getting to work here every day."

Customer

"Can I stay forever?!"

Customer

258
people under one roof

100%
renewable electricity in the UK

6
buildings' worth of storage take up a fraction of our new warehouse

Digital
Moving from manual manufacturing to digital automation

CHIEF EXECUTIVE'S REVIEW

A TRUE PERFORMANCE CULTURE

It's been a mixed year for the business, with very encouraging performance across many categories and significant infrastructure progress dampened by short-term profitability headwinds.

Daemmon Reeve
Chief Executive

There have been many positives this year, including strong top line growth and the successful transition of almost all UK operations to our new site at Skyliner Way. However, we have also faced a number of challenges that have affected our profitability; we are, however, determined to take learnings from these challenges and ensure we have greater resilience moving forwards.

Fundamentally, we remain optimistic and encouraged by the performance of the Group, our enhanced capabilities and the significant opportunities across our markets. We feel that the business is strategically sound and we're determined to reinvigorate the growth path we've been on for the past nine years.

PERFORMANCE

As reported in August 2022, we saw a disappointing performance from our higher margin tea category this year. In the first half of 2021, we were involved in a large and very profitable hard tea product launch that did not repeat to anywhere near the level we had anticipated. It was a niche product and an unusually sized win for the category, meaning its subsequent lack of success had a disproportionate effect on our margins. The vast majority of our tea business remains stable and reliable, reflecting the diversified nature of our wider portfolio, which sells a multitude of ingredients that go into a wide variety of brands, meaning we're typically not highly exposed to such volatility in margins.

We have also reported on the adverse impact of increasing volatility in FX movements during the second half of the year. In response to this situation, we have taken measures to improve controls and ensure this is not an issue we face again. For more information on measures taken around FX, see the Financial Review below.

Finally, our China subsidiary has been heavily impacted by extended COVID-19 related restrictions which have led to the loss of some higher margin revenue in the year. Though it's unfortunate to still be faced with such restrictions, we have built high quality relationships with a number of significantly sized customers in China and remain very optimistic about the potential of the region.

These challenges have been in stark contrast to much of our performance. We've seen a strong top line performance across the portfolio, with double digit growth in almost every category apart from hard tea, with a particularly good performance across citrus, synthetic aroma and health & wellness. Some of that growth has come from new product and customer wins across multiple categories and geographies, and some of it has come from growing existing customers whilst passing on selected input cost increases. Coffee is a particularly exciting category for us at the moment, and one we have high hopes for with our new team now in place.

CHIEF EXECUTIVE'S REVIEW CONTINUED

SKYLINER WAY

Undoubtedly, the highlight of the year is that manufacturing is up and running at Skyliner Way. As a result, within several months of the move, we achieved record levels of sales from the UK in August 2022. It is very gratifying that we are already seeing the potential for efficiencies from the site and this speaks well to our ambition for the future.

On top of the obvious short and long-term efficiency and capacity benefits of the new site, it's also a game changer for us when it comes to customer attraction. We've been able to onboard a number of significant target customers already and are confident we are changing the way the market sees the business. Initial customer feedback is positive on the new modern site, facilitating greater collaboration on developing flavours and fragrance solutions for end consumers.

We're proud of how everyone at Treatt came together to make the transition a success. During a time of great change for the business, including the biggest move for the business in 50 years, I'm hugely grateful to the team for their flexibility and dedication. It's been a real testament to the strength of our culture of collaboration and agility.

STRATEGY

As presented at our Capital Markets Day in May 2022, we have finessed how we communicate our strategy though, as before, we remain very much focused on delivering long-term sustainable growth.

PEOPLE

Following substantial investment in our people in the past two years, we believe we now have the right team in place to seize the multiple growth opportunities available. We have created a new executive leadership team to help us reach the next level, and I'm very pleased with the strength of the individuals we have brought in. Our new CFO Ryan Govender has also brought a lot of relevant experience to the role and has very quickly bedded into the business.

Board changes are often bittersweet as we lose trusted voices but gain fresh thinking and challenge. As Tim Jones retires, it feels like another sign that we're at the end of a chapter for Treatt. He has been a great mentor to me for the last 11 years and he will be greatly missed by all as an enthusiastic and passionate supporter of the business. I would like to personally thank him for the immense role he has played in Treatt's development over the past decade. We have an excellent replacement for our next chapter in Vijay Thakrar, who has already built a great understanding of the business and will bring new entrepreneurial thinking to the role of Chair.

SUSTAINABILITY

We are seeing significant benefits of having appointed a dedicated in-house Global Sustainability Manager who is driving and embedding our sustainability strategy throughout our business and collaborating closely with our customers.

During 2022, we have conducted energy audits at our facilities in the US and the UK and have committed investment to ensure we optimise energy efficiency and reduce our emissions; we have collected our Scope 3 emissions for the first time in order to gain better visibility of our total carbon footprint and we have considered the possible physical and transitional impacts of climate change on our business. We have also launched our responsible sourcing policy and are working with our suppliers to ensure that our supply chain is resilient. I am proud of how the business is adapting in support of both people and planet.

OUTLOOK

Looking ahead, we are greatly encouraged by the growth opportunities from new and existing customers, particularly in the US and China and, our ongoing progress in coffee.

The key challenges for the year will be macroeconomic driven. We are very cognisant that there are pressures from multiple angles, whether it's interest rates, inflation or the cost of living crisis. However, as demonstrated most recently during the pandemic, beverages are seen as affordable luxuries and provide great resilience in difficult economic times, and the market trends towards healthier, natural products continue to support our strategy.

Having taken learnings from the challenges which impacted the business over the past twelve months, we feel we can look forward with optimism. We know our markets well and the premium quality and authenticity we bring to the table are still in high demand by consumers. As such, I'm confident we have the right people and infrastructure in place to reach more customers and consumers than ever before.

Daemmon Reeve
Chief Executive Officer

29 November 2022

People with purpose, expertise and passion

425
Employees

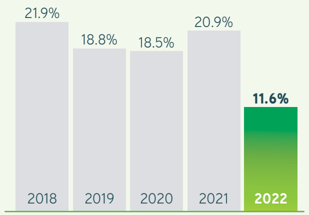
The Group has financial KPIs which it monitors on a regular basis at Board level and, where relevant, at operational executive leadership meetings. The key performance indicators shown here cover a period of five years which is reflective of the Board's long-term thinking.

KEY PERFORMANCE INDICATORS

FINANCIAL KPIs

RETURN ON AVERAGE CAPITAL EMPLOYED[1,2]

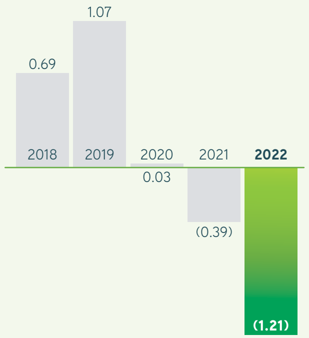
11.6%



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

NET CASH/(DEBT) TO ADJUSTED EBITDA[1,2]

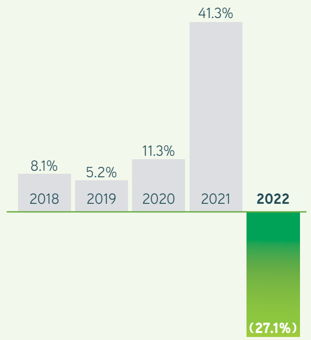
(1.21)



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]

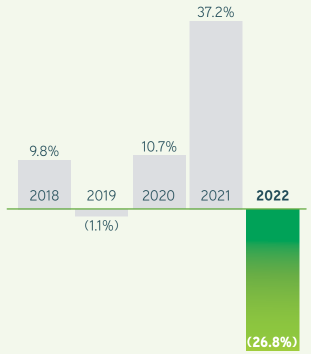
(27.1%)



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

(26.8%)



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	Net cash/(debt) to adjusted EBITDA	Growth in profit before tax and exceptional items	Growth in adjusted basic earnings per share
Why we measure it	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.	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.	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.	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	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 debt), averaged over the opening, interim and closing amounts.	We divide the closing net cash or debt at the year-end date 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.	As shown in the Group income statement.	As shown in the Group income statement.

1 All KPIs are calculated excluding exceptional items (see note 8). They also exclude discontinued operations in 2018, 2019 and 2020.

2 Return on average capital employed is considered to be an alternative performance measure, details on these and the equivalent statutory measures are provided in note 31 of the financial statements.

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.

KEY PERFORMANCE INDICATORS

NON-FINANCIAL KPIs

PEOPLE

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

	TOTAL TRAINING HOURS	VOLUNTARY EMPLOYEE TURNOVER	WORKFORCE DIVERSITY	REPORTABLE ACCIDENTS	AVERAGE SICK DAYS PER EMPLOYEE
Year to 2022	7,205	16.5%	male 59% female 41%	1	4
Year to 2021	5,508	9.4%	male 61% female 39%	2	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.

PLANET

We are committed to assessing the impact of our operations on the environment, to drive improvements:

	SCOPE 1 AND 2 CO_2 EMISSIONS (TONNES)	TOTAL WATER USED (M^3)	SUSTAINABLE SHIPMENTS[1]
Year to 2022	4,546	53,149	79%
Year to 2021	4,234	49,030	61%

PERFORMANCE

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

	SEDEX REGISTERED SUPPLIERS[2]
Year to 2022	46%
Year to 2021	35%

1 See page 46
2 See page 48

SUSTAINABILITY

OUR APPROACH

Introducing our people, planet and performance pillars to clarify our strategy and progress.

SUSTAINABLE ACTION

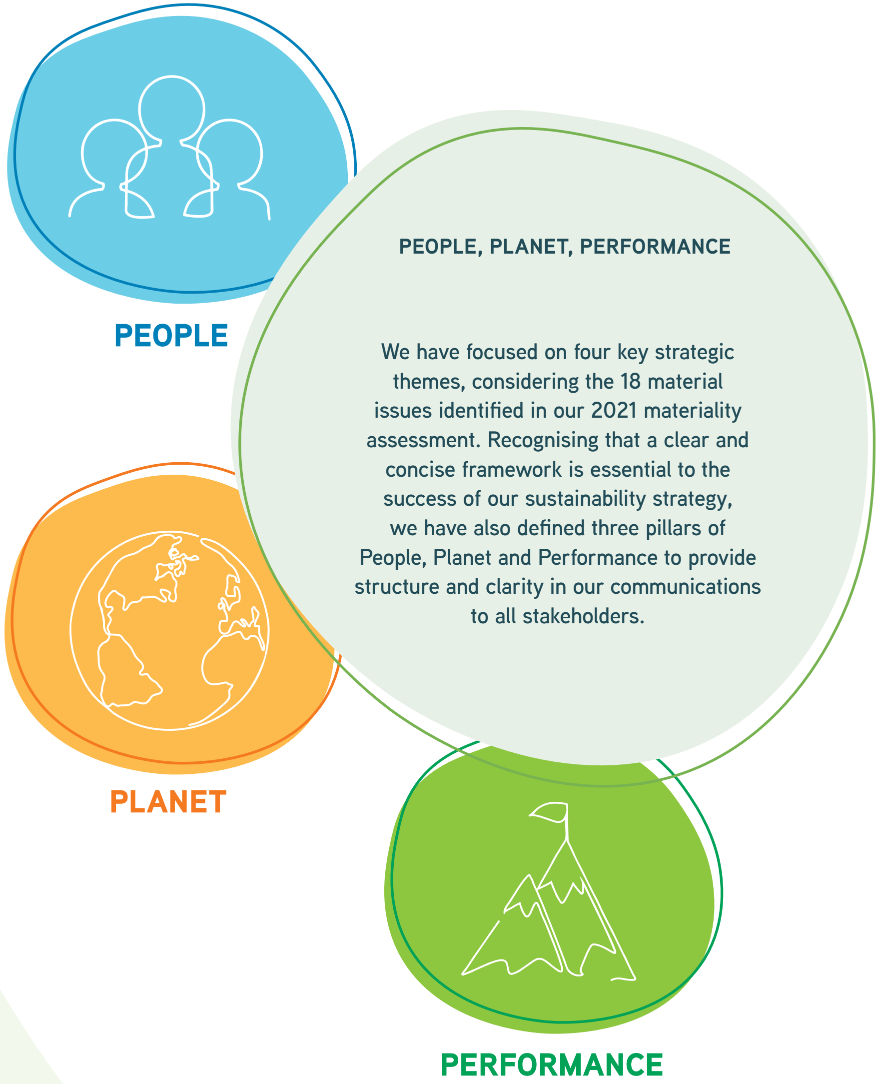
Everything we do has an impact on both people and the planet, so it's essential we perform in an ethically, socially and environmentally responsible way.

Over the last twelve months we have made strong progress alongside our Environment, Social and Governance (ESG) consultants to deliver our sustainability strategy, working with colleagues across the business on key priorities to ensure our collective efforts make for positive, measurable change.

Pillar	Areas of focus	Further details	Sustainable development goals
PEOPLE	• Embedding sustainability into our culture • Reviewing our purpose, values and behaviours • Reviewing our corporate giving and community relations strategy • Living Wage Employer (UK) • New labour and human rights policy • 72% of our employees are shareholders	Page 26 Page 26 Page 26 Page 28 Page 28 Page 28	2 ZERO HUNGER 3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION
PLANET	• Carbon emissions data collection and analysis, including Scope 3 • Carbon reduction strategy and incremental targets • Committing to investing £200,000 p.a over next three years on energy saving projects (USA) • Task Force on Climate-Related Financial Disclosures (TCFD) disclosure • Renewable electricity – 100 % UK (38% of global electricity consumption) • Tree planting to help mitigate necessary business travel • Reviewing waste streams • Improving water monitoring	Page 35 and 37 Page 35 and 38 Page 36 Page 38 to 41 Page 36 to 37 Page 37 Page 42 to 45 Page 46	6 CLEAN WATER AND SANITATION 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 14 LIFE BELOW WATER 15 LIFE ON LAND
PERFORMANCE	• Reviewing governance of sustainability • Determining and reviewing non-financial KPIs • Creating a responsible and sustainable supply chain • Improving sustainability disclosure	Page 47 Page 23 and 47 Page 47 to 48 Page 23 and 49	3 GOOD HEALTH AND WELL-BEING 6 CLEAN WATER AND SANITATION 8 DECENT WORK AND ECONOMIC GROWTH 13 CLIMATE ACTION 15 LIFE ON LAND

SUSTAINABILITY CONTINUED

OUR APPROACH CONTINUED



Our strategy focuses on nine priorities which address the material issues, support our business strategy and are aligned with identified UN Sustainable Development Goals (SDGs). As it evolves our strategy will challenge us and address all those material issues, whilst continuing to deliver positive change.

HOW WE MEASURE AND REPORT

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 used for referencing is available on our website.

NON-FINANCIAL INFORMATION

The following information complies with the relevant non-financial reporting regulations and is intended to help stakeholders understand our position on key non-financial matters. We have several Group policies and standards which govern our approach in these areas. Further details can be found referenced in this table or on our website.

Reporting requirement and additional information
Environmental matters Environmental policy
Employees Board composition and diversity – page 80 Board diversity policy
Human rights Slavery and human trafficking statement Supplier code of conduct (revised in 2022) Labour and human rights (new policy 2022)
Social matters Equal opportunities policy
Anti-bribery and corruption Supplier code of conduct (revised in 2022) Anti-bribery and corruption policy
Description of business model Business model – pages 6 to 7
Principal risks Principal risk and uncertainties – pages 62 to 67

SUSTAINABILITY CONTINUED

PEOPLE

PEOPLE

RELEVANT UN SDGs

Our people and the culture we create are what makes our business a success. We know for this to continue, the values and behaviours we live by need to evolve with the business. In addition to supporting our workforce, our commitment to people extends to the communities in which we operate and serve.

PRIORITY: EMBEDDING SUSTAINABILITY INTO OUR CULTURE

Our focus

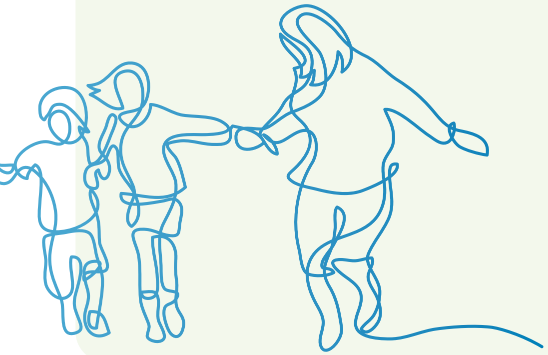
For sustainability to be successfully embraced and adopted within our culture, it is essential that our teams understand the wider implications. As such ESG training sessions and communication have continued for all employees.

We have developed custom communication tools to keep sustainability front of mind. Managers have received workshop-based training, with a focus on how they can empower their teams to consider the part they play in our journey. Our interactive global newsletter provides an in-depth review of our progress, with case studies, stories, and personal experiences bringing our strategy to life.

In the UK, we have partnered with local business Save Money Cut Carbon who have educated us on our personal carbon footprints, as well as supporting employees – through their online store - in making easy swaps to being more sustainable with their everyday consumables and homeware, from water-saving shower heads to re-usable kitchen roll.

Looking ahead

Sustainability is integral to our culture. Our Sustainability Working Group is supporting initiatives across the business that create a positive impact, working with marketing to align all internal and external messaging with our strategy.



PRIORITY: REVIEW OUR PURPOSE, VALUES AND BEHAVIOURS

Our focus

As a business that continues to evolve we have revisited our values and the expected behaviours that support them to ensure sustainability continues to be at the heart of our purpose. Our holistic approach, driven from within the organisation, has ensured there is enhanced support of our environmental and social ambitions in our values, which will be relaunched in the coming months.

Looking ahead

We will continue to integrate sustainability into our employee training and engagement programmes and promote our purpose and values to employees, customers, suppliers and communities to ensure our sustainability strategy is firmly understood. Our values are embedded in our performance review process which will further accelerate our progress around sustainability as it will be an integral part of everyone's personal objectives.

PRIORITY: REVIEWING OUR CORPORATE GIVING & COMMUNITY RELATIONS STRATEGY

Our focus

We began the year with a review of our localised community matters programme and corporate giving to ensure our approach is aligned with our sustainability strategy. Alongside those charities we support locally, our UK, US and China community voted to support the World Wildlife Fund (WWF) as our global charity.

Looking ahead

Our global approach continues to evolve, whilst harnessing localised community strategies for the UK, US and China, engaging with our local communities and WWF to identify projects linked to our values and strategy. As part of our strategic thinking we will be identifying how our products and services can support social development in local regions.

SUSTAINABILITY CONTINUED

PEOPLE CONTINUED

Caring for our people

Our people are critical to everything we achieve, and promotion of our people's health and wellbeing are vital to our success, with the need greater than ever following the impact of the pandemic.

Our established flexible working policy, which enables employees to work remotely as far as their roles permit, supports a balance between their role and their responsibilities outside work. We seek out a harmonious relationship between work and life.

DEVELOPING OUR PEOPLE

LinkedIn training continues to provide a valuable resource, which is accessible for all staff and complements a whole range of development opportunities. This year we increased our level of investment in training, with 7,205 hours of staff training (2021: 5,508 hours). A wide range of courses were offered covering subjects and qualifications such as health, safety and compliance, coaching, transport regulations and specialist commercial skills. Training hours in the USA decreased during the year, due to reduced appetite for training and increased focus on transitioning for new starters. However, plans are in place to improve and establish a learning culture with more training and development opportunities moving forward.

We continue to work on strengthening the Group's links with schools and universities, developing relationships with the next generation of talented candidates.

Our talent management process continues to support improvements in employee performance. Work is underway to promote the continual focus on performance, to enhance opportunities for our people to flourish.

DIVERSITY AND INCLUSION

We are committed to an environment that values and respects differences. It is important that everyone feels welcome and accepted and has access to the same opportunities.

Political and social movements across the globe have rightly raised the profile of equality, inclusion and diversity, presenting an opportunity for everyone to self-reflect. We have spent time considering what this should mean to us, and how we can ensure that we are doing the right thing. In 2023, with the help of a specialist consultant, we will be working to develop our equality, inclusion and diversity strategy.

Our ethnicity pay gap, whilst not formally reported, has been regularly reviewed. Whilst obtaining meaningful data remains a challenge, we have identified opportunities for improvement, ensuring that everyone has an equal opportunity for development and progression. A more proactive focus will enable us to identify talented colleagues and actively drive their career aspirations and progression. We will continue to develop our understanding of why we are not attracting sufficient diversity, considering all touch points, including our employer brand.

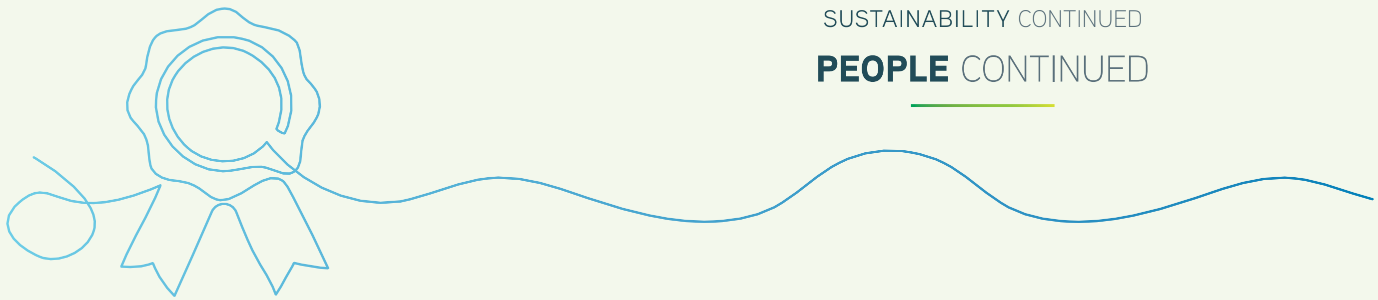
Gender diversity across the Group is reflected in the representation of women in management and senior roles. We recognise the importance of improving opportunities within the business. In response to our gender pay gap data, a proactive programme of support has been put in place including mentoring, coaching, physical health support and programmes to empower our female colleagues.

Position	Male	Female	Total
Group Directors	2	0	2
Group Executive Team	2	1	3
Direct reports of Group Executive Team	9	14	23
Other employees	236	161	397
Total employees[1]	**249**	**176**	**425**

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.

SUSTAINABILITY CONTINUED

PEOPLE CONTINUED



HUMAN RIGHTS & LIVING WAGE

We have assessed our policies that provide the important governance we need around people and planet. We recognised that a comprehensive policy covering labour and human rights was required to define standards for all employees across the group, covering a range of aspects from equality and diversity to harassment and working hours; this has now been introduced.

All our salaries should at a minimum, meet living costs. In the UK we are proud to have continued to be a Living Wage Employer, accredited to the UK Living Wage Foundation. In the US we complete salary benchmarking yearly to ensure we are competitive and paying employees comparable to the market rate.

INTEGRITY

PRIDE & PASSION

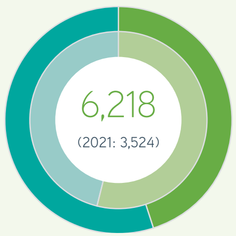
TEAMWORK

CHALLENGE

VALUES BASED CULTURE

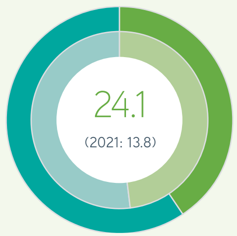
Our values underpin the very core of who we are, they provide a framework by which we behave and operate our business. Our people are supported to ensure the right behaviours are demonstrated and encouraged to celebrate those values.

TOTAL UK TRAINING HOURS



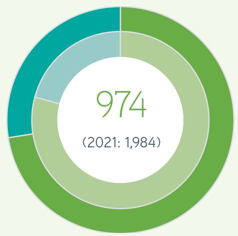
	2022	2021
Male	2,804	1,904
Female	3,414	1,620

AVERAGE UK TRAINING HOURS PER EMPLOYEE



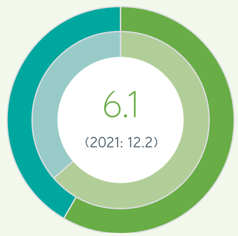
	2022	2021
Male	20.0	13.3
Female	28.9	14.5

TOTAL US TRAINING HOURS



	2022	2021
Male	707	1,574
Female	267	410

AVERAGE US TRAINING HOURS PER EMPLOYEE



	2022	2021
Male	6.8	14.2
Female	4.9	8.0

72%
of permanent Group employees are shareholders.

Living Wage Employer

SUSTAINABILITY CONTINUED

PEOPLE CONTINUED

HOW THE BOARD MONITORS CULTURE

Investing in our culture

All-employee share scheme take-up
A good indicator of employee commitment to Treatt, its strategy, performance and culture:

- UK partnership shares take-up December 2021: 65%[1] (2021: 65%)
- Group share save scheme take-up in July 2022: 56%[2] (2021: 60%)

Results of cultural exploration with our colleagues in the US, by an independent third party
This was an opportunity for employees to engage anonymously and provide honest feedback on their experience, enabling actions to be taken to improve matters

Appointment of cultural ambassadors
31 employees applied for 15 global positions

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

LinkedIn Learning
This platform provides a whole range of learning and highlights where employees are keen to further their knowledge. 679 engagement hours recorded from across the business

Feedback from Employee Voice
Participants welcomed the opportunity to interact with Board members during the course of the year. Further details are on pages 51 and 57

1 Compared to an average participation rate of 41% (Proshare SAYE & SIP report 2021).
2 Compared to an average participation rate of 28% (Proshare SAYE & SIP report 2021).

SUSTAINABILITY CONTINUED

PEOPLE CONTINUED

HEALTH, WELLNESS AND WELLBEING

All employees are invited to open sessions on personal health topics, wellbeing and subjects such as financial information on pensions and shares. Sessions are accessible for all, utilising multiple methods to share content. We focus on supporting the 'whole person' via our wellbeing pillars. These were updated this year to provide a more comprehensive picture of what helps to create a good level of wellbeing, understanding that this will mean different things for different people.

Our mission continues, to '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 actively encourage and educate our managers to look for signs of mental health concerns including depression, stress and anxiety, so support can be put in place.

We work hard to create an environment where our people can have fun and believe this is important in supporting their motivation. We look for opportunities for teams to socialise together, with activities on offer in the workplace and after work.

TREATT WELLBEING EVENTS IN 2022

KNOW YOUR NUMBERS

- Session with occupational health (OH) expert covering mental health, exercise, healthy eating and hydration

WALKING WEDNESDAYS AT ONE

- Treatt wide walking group launched during the summer to encourage connection whilst supporting physical health

FINANCIAL WELLBEING CLINICS

- Benefit providers delivered workshops to employees on pensions and other benefits
- Financial advisory company St. James's Place ran sessions to provide tips for being financially fit

WELLBEING RESOURCES

- Created a digital wellbeing pack to include a wealth of resources for employees to access at any time
- Used our Linkedin Learning resource to provide wellbeing related content to support our employees with their wellbeing

READY, STEADY, MOVE FOR SUFFOLK MIND

- Event to support local charity which involved as many employees as possible to walk, dance or run their way to moving 150,000 minutes in May

SUPPORTING DURING WORLD CRISIS

- Providing support and guidance on wellbeing during key world events such as the conflict in Ukraine, cost of living crisis and the passing of Her Majesty The Queen Elizabeth II

TIME TO TALK AND WELLBEING TEAM CHECK-INS

- Held sessions to encourage employees to come and chat with the wellbeing team

CONTINUED GLOBAL COFFEE CONNECTIONS

- Enabling colleagues to come together for a coffee on a monthly basis and make new connections across the business

RECOGNITION OF ANNUAL WELLBEING EVENTS

- Providing resources and support to our employees during events such as:
  - Stress awareness month
  - Mental health awareness week
  - World sleep day
  - Eating disorders awareness week and many more...

CONTINUED MENOPAUSE SUPPORT GROUP

- Providing a safe space for employees to share experiences and advice to help each other

SUSTAINABILITY CONTINUED

PEOPLE CONTINUED

THE PHYSICAL WORKING ENVIRONMENT

We continue to enjoy the numerous benefits of our new working environments at all our facilities globally, with more of our UK team moving into our new facilities during the year.

In the UK, as more of our colleagues have moved over to the new site, the popular ground floor 'Hub' area is providing a welcoming, inclusive, bright and fun environment, giving our community and visitors a flexible space that enhances their wellbeing.

The Hub's subsidised catering facility provides locally-sourced, freshly prepared, nutritious food and drinks, and is proving popular with both our community and visitors. Food waste has been kept to a minimum with catering requirements for visitor meetings made to order. Menus are created weekly but are adaptable to create recipes mindful of waste. We have instigated conversations with various food waste re-purposing services, so at any time we have excess, we can utilise their services.

KEEPING PEOPLE SAFE

We have effectively managed the risks associated with chemical manufacturing and processing for a long time and seek to 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 which, if actioned and resolved can prevent them occurring. The way employees work and behave can greatly influence the way they operate within the workplace. The human factors encompassed in the work environment, including temperature, pace of work, stress, health, distraction, training and competency, instrument layout and ergonomics are all considerations and our employees are very much enjoying the benefits of these considerations in the design of our new facilities.

BEHAVIOURAL APPROACH TO HEALTH & SAFETY

Although behavioural safety is a common approach in organisations with lower accident and incident rates and positive employee engagement in safety, we have continued working hard to ensure we identify human factors within accident and incident investigation. To further reduce accidents to a minimal level (Target Zero) there must be a positive safety culture and a willingness from all employees to want to protect themselves and their colleagues. This behavioural safety approach starts with one of our values – 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 builds on inherent human factors and encourages an open and positive dialogue about safety.

Our mission continues, to 'think well, live well & be well'.

SUSTAINABILITY CONTINUED

PEOPLE CONTINUED

OCCUPATIONAL HEALTH AND SAFETY TRAINING

We work with a third-party occupational health service in the UK to monitor workers' health, identifying risks and carrying out regular screening and surveillance. Support services extend to providing advice and guidance for long-term health cases and those employees needing health advice and assistance. This service also carries out statutory medical examinations (for example COSHH). Our training meets regulatory requirements reflecting our belief that training is an essential part of our safety and health programme for protecting our employees from injuries and illnesses. Employees undergo general health, safety, and environmental training upon starting and receive training related to specific hazards as required.

ENGAGING STAKEHOLDERS

The most important feature in safety is an organisational culture that involves all employees and promotes the benefits of working responsibly and diligently. It is important that employees feel involved in the development of standards, procedures and policies and are consulted with any changes. Discussing safety at health, safety, and environment meetings, toolbox talks, team meetings and shift handovers ensures they feel both involved and responsible for safety. In the US we have representatives from each of the departments on our Safety Committee and are reviewing our approach in the UK, to ensure there is an appropriate flow of information between individual departments and the safety team. All Directors, managers and team leaders are aware of their role in safety and where appropriate, additional specific health and safety training is given.

Top three categories of incidents – chemical, human factor, equipment[1]

Top three categories of accidents – human factor, equipment, chemical[2]

Total H&S training hours per Group employee: 5.6 (2021: 8.7)

Total H&S training hours: 2,391
Internal: 557 External: 1,834

	2022	2021	2020	2019	2018
Number of reportable accidents across Group[3]	1	2	1	5	4
Average number of sick days	4	4	3	3	3

1 Incidents – unplanned event that causes damage or loss to property, vehicles or product.

2 Accidents – unplanned event that causes injury or harm to people.

3 Reportable accidents – 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 days plus.

SUSTAINABILITY CONTINUED

PEOPLE CONTINUED

SUPPORTING CHARITIES AND OUR COMMUNITY

We have a responsibility to the communities in which we operate, to support them both financially and with resource. We also recognise that by enabling our staff to support the community in which they live and work, it will add to a greater sense of purpose and community spirit. As a result of our focused community matters strategy we've made £54,417 in donations, and also contributed our time and support to charities and local community, summarised here:

Pillar	SDG alignment	Goal	Charity/Benefactor
PEOPLE	2 ZERO HUNGER 3 GOOD HEALTH AND WELL-BEING 11 SUSTAINABLE CITIES AND COMMUNITIES	**To improve mental health in our community**	Just as we take the wellbeing of our colleagues seriously, we also support local causes to improve mental health in the community. In the UK we have supported Suffolk Mind through fundraising initiatives as well as raising awareness of their services across the workforce. In May we encouraged staff to get moving in a 'Ready, Steady, Move' initiative which raised £3,475.10 for the charity. In the US, we work closely with the mental health charity, Peace River.
		To improve basic health	We support various charities across the Group, including MyWiSH Charity, Upbeat Heart Support, East Anglia's Children's Hospices (EACH) and KidsPACK USA which help improve the basic health of those in our community. We do this through corporate fundraising, sponsorships and staff volunteering opportunities. In the year, significant donations were also made to the Disasters Emergency Committee's Ukraine Humanitarian Appeal.
	4 QUALITY EDUCATION	**To support future working generation**	We understand we have a role to play in ensuring the next generation is best equipped for the world of work. Taking this into consideration we support various local schools with careers talks and assemblies. Two colleagues also volunteer their time as Enterprise Advisors for Sybil Andrews Academy, based in Bury St Edmunds, to help them develop a strong careers programme and create more opportunities for young people. We advised on a 'Sustainable' library design and partnered on a 'Treatt Sales Task'; setting students the challenge of designing a beverage from scratch. Students were given the time to carry out market research, explore beverage trends and flavour combinations, before designing, with more support currently being planned for the year ahead.
PLANET	6 CLEAN WATER AND SANITATION 15 LIFE ON LAND	**To contribute back to our environment**	As a business that takes its responsibility seriously, we support charities in all global locations, which support our planet. These include Operation Honey Bee, a conscious movement worldwide that serves to protect honey bees and Ocean Conservancy, who work with society to protect the ocean from today's greatest challenges. In the UK, our close partnership with Suffolk Wildlife Trust has provided us with opportunities to educate our staff and their families about the importance of pollinators including bees and other insects. WWF, voted by staff to be our global environmental charity, has been and continues to be a charity we will support in the years ahead.

SUSTAINABILITY CONTINUED

PEOPLE CONTINUED

CASE STUDY – GREAT BIG GREEN WEEK
'People' and 'Planet' have been and will continue to be a focus of the community and charity projects we support. This year we have built on this with our global community voting to support the WWF - the world's leading independent conservation organisation, working in the field of wilderness preservation and the reduction of human impact on the environment. They felt this resonated with them personally, our values and our sustainability journey.

The Great Big Green Week supports the need to draw attention to tackling climate change and protecting nature. We worked with our local community and our chosen charities on joint initiatives. The week included plant-based, plastic awareness, and 'wear it wild' days where employees donated money to dress as wildlife; a litter pick; and a visit from The Suffolk Wildlife Trust to talk about the importance of pollinators. We wrapped the week up with a sustainable travel day encouraging our people to take public transport, car share or walk or bike into work, inclusive of hiring mechanics for a bike fix session in the UK, to get people back on their bikes. All the funds raised were in support of WWF's mission to create a world where people and wildlife can thrive together.

SUSTAINABILITY CONTINUED

PLANET

PLANET

RELEVANT UN SDGs

We drive positive environmental practices at every stage of our operations and cascade this through our supply chain. Our business is reliant on the sustainability of natural resources which means that environmental impacts, such as climate change, are matters of deep concern not only to humanity generally but particularly to Treatt.

PRIORITY: CARBON EMISSIONS COLLECTION AND ANALYSIS

Our focus
Evaluation and validation of Scope 1 and 2 carbon emissions data capture, and Scope 3 determination and data collection.

Building on our long-standing reporting of Scope 1 and 2 carbon emissions and following workshops on our specific circumstances, templates were devised to report on a range of Scope 3 emissions. We have since used these to capture our Scope 3 data for analysis, to better understand our overall carbon footprint and to inform our consideration of setting carbon reduction pathways and targets.

Looking ahead
We are investigating a carbon emissions reporting platform to ensure efficiencies in data capture, to offer sophistication in monitoring progress and to support verification and certification.

PRIORITY: CARBON REDUCTION STRATEGY

Our focus
To set incremental emissions reduction targets for Scope 1 and 2 in 2022 and start working on emissions reduction strategy.

On completing Scope 1, 2 and 3 emissions inventory, we can consider taking the first steps towards developing a coherent carbon emissions reduction strategy. This will move towards a long-term goal of achieving net zero emissions, in line with UK Government policy.

We have worked with Clearlead Consulting to carry out thorough energy, waste and water audits on both our UK and US facilities. This has identified various opportunities for energy, waste and water saving projects that we have now committed to invest in and deliver over the coming years.

Learn more regards these energy saving projects and our carbon emissions on pages 36 to 38.

Looking ahead
We intend to deep dive into our green house gas (GHG) inventory analysis to further assess hotspots and specific initiatives identified in our energy, water and waste audit report, including draft reduction scenarios and impact quantification. We also plan to carry out mapping reductions with short, medium and longer-term targets; assess monitoring and data collection methodologies; and investigate recommendations regarding solutions and technologies.

PRIORITY: TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORTING

Our focus
An initial assessment of climate change risks, using the TCFD methodology.

Recognising the medium to long-term potential strategic risks posed by climate change to our business model, we have worked with our sustainability consultants to assess the climate-related risks and opportunities that are relevant to our business, allowing us to report on the four areas of Governance, Strategy, Risk Management and Metrics. As such, we have reported in reference to the recommendations of TCFD to understand the climate resilience of our business through assessment (and management) of transitional and physical risks, responding to the 11 disclosure recommendations.

The full TCFD disclosure report can be seen on pages 38 to 41.

Looking ahead
We will endeavour to increase the level of disclosure year-on-year.

SUSTAINABILITY CONTINUED

PLANET CONTINUED

The business has committed to investing £200,000 per year over the next three years to put energy saving projects in place in our US facility.

In the UK, 100% of our electricity is provided from renewable resources. This equates to 38% of our total electricity consumption

(2021: 32%)

CLIMATE CHANGE

Over the last year we have put systems in place to further assess our operational impact along with that of our supply chains. Our aim is to adopt a systematic approach to setting environmental targets and objectives and demonstrating that they have been achieved.

Volatility in our supply chains is nothing new. We are mindful of the factors that may influence raw material prices and supply challenges, with adverse weather conditions and disease being two of the main drivers. To ensure our production practices and supply chain are sustainable, we need to understand the resilience of our supply chain to the potential impacts of climate change, allowing us in turn to provide transparency to our customers.

ENERGY SAVING

Energy and environmental considerations were integral in the design of the new UK facility designed to a Building Research Establishment Environmental Assessment Method (BREEAM) 'very good' rating which denotes a newly-built asset which supports commercial success, whilst also creating a positive environmental and social impact. A number of efficiencies feature throughout our new UK facility, in relation to lighting, thermal efficiency of materials, incorporation of a building management system and a HVAC system (heating, ventilation and air conditioning). We will make a full evaluation of energy efficiencies on full completion of the move.

In order for us to set our incremental targets on page 37 we worked with specialist consultants on energy waste and water audits at both our UK and US facilities. This has provided numerous opportunities for improvement for energy, waste and water efficiencies, some of which have already been actioned for the coming year, such as additional insulation to both ceilings in existing buildings and pipework at our US facility. With the business committing to investing in further energy saving projects over the next three years at our US facility whilst also exploring opportunities at our UK facility.

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

We report all our emission sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 as required and have calculated and reported our emissions in line with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2022.

We continue to use 100% renewable electricity in the UK, playing our part in stimulating growth of the renewable energy market. This year we've increased our accuracy with a more rigorous approach by including location-based Scope 2 emissions for this renewable electricity usage in the UK, in our global emissions. We also show market-based emissions to align with 2021 reporting. Scope 1 & 2 emissions include all mandatory manufacturing and non-manufacturing related emissions.

SUSTAINABILITY CONTINUED

PLANET CONTINUED

ENERGY CONSUMED

		2022 (MWh)	2021 (MWh)
Electricity	UK	–	–
	US	4,750	4,609
Renewable electricity procured	UK	2,905	2,186
	US	–	–
Natural gas	UK	2,503	2,510
	US	5,769	6,729
Other fuel	UK	255	226
	US	136	91
Group		16,318	16,351

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. In general, the emissions reported are the same as those which would be reported based on a financial control boundary.
3. Emissions for previous years are retrospectively adjusted as and when more accurate data is provided.
4. 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.
5. Data has been accurately recorded from invoices, meter and mileage readings. GHG emissions detailed in the table have been calculated using the appropriate 2022 DEFRA conversion factors, except for overseas electricity which used the 2021 IEA conversion factor for reporting consistency.
6. 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. In FY2022, the Group chiller emissions that fall outside of GHG protocol, namely those identified under Montreal Protocol and others, totalled 9.5 tonnes (2021: 8 tonnes).

GHG EMISSIONS

	2022	2021
Scope 1 – Direct emissions (tonnes CO_2e)	1,977	2,047
Scope 2 – Indirect emissions (tonnes CO_2e) (location-based)	2,569	not stated
Scope 2 – Indirect emissions (tonnes CO_2e) (market-based)	2,007	2,187
Scope 3 – Indirect emissions (tonnes CO_2e)		
Purchased goods and services (spend-based)	51,177	not measured
Fuel and energy related activities (average-data method)	832	not measured
Upstream transportation and distribution (distanced-based)	5,005	not measured
Waste generated in operations (waste-type specific)	838	not measured
Business travel (distance-based)	181	not measured
Upstream leased assets (average-data method)	14	not measured
Downstream transportation and distribution (distance-based)	4,797	not measured
Total Scope 3 emissions (tonnes CO_2e)	62,844	not measured
Total Scope 1, 2 (location-based) emissions (tonnes CO_2e)	4,546	4,234
Total Scope 1, 2 & 3 emissions (tonnes CO_2e)	67,390	not measured
Intensity ratio Kg CO_2 emissions (Scope 1 & 2) per kg of product shipped	0.52	0.43

SCOPE 3

We have collected Scope 3 carbon emissions data for the first time in 2022. This has been assessed using the GHG protocol guidance, applying methodologies (stated in the chart) to suit the data available, to provide as much accuracy as possible. This information is pivotal in providing us with the transparency we need to make sustainable decisions moving forward, whilst also choosing to disclose this for full transparency to our stakeholders.

BUSINESS TRAVEL AND TREE PLANTING

Following the pandemic and in recognition of the need for urgent climate action, we have re-assessed what we determine to be necessary travel. We have also invested in an ongoing tree planting programme to provide a more nature positive solution to help mitigate the necessary air travel which still needs to take place. The programme, managed by Trees4Travel, involves planting ten trees for every flight we book departing the UK. It is assumed each tree will absorb 164.1kgs of CO_2 in its first ten years. We have also invested in a United Nations Certified Emissions Reduction renewable energy project, in effect doubling this promise. So far 770 trees have been planted as part of a reforestation project in Haiti. The native species planted will in time provide jobs and a much-needed source of revenue to the local communities.

Image: courtesy of Eden Reforestation Projects

SUSTAINABILITY CONTINUED

PLANET CONTINUED

ENERGY SAVING PROJECTS AND TARGETS

In the UK, our distillation operations will move to our new site over the course of 2023. Once that move is complete we will be fully operational on our new site and will be able to set emission reduction targets globally based on actual emissions from realistic energy consumption data. In the meantime, and with a range of energy saving projects planned such as compressed air efficiency upgrades, steam trap survey and pipe insulation invertor options for well and glycol pumps, in the first instance, we have set the following interim target at our US facility, from which, over the last 3 years generated an average of 82% of our total scope 1 and 2 carbon emissions.

SCOPE 1 & 2 TARGET

REDUCE ABSOLUTE SCOPE 1 & 2 EMISSIONS IN USA FACILITY BY 10% BY 2025 (BASELINE 2022)

LOOKING AHEAD

We hope to set science-based targets as a result of increased visibility following more time in operation at our new UK facility.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

TCFD COMPLIANCE STATEMENT

This statement represents Treatt's first climate-related financial disclosures, all of which, we consider, to be partially compliant in line with the TCFD recommendations and eleven recommended disclosures. This statement covers the financial year 1 October 2021 to 31 September 2022.

In terms of considering and assessing the potential climate change risks and opportunities on our business, we have made good progress. We recognise that TCFD is an iterative process and we will continue to increase our understanding, consider different aspects and embed insights within our business model, working towards full disclosure.

OVERVIEW

We recognise that accountability and transparency relating to climate-related disclosures is critical to sustaining our relationship with our stakeholders. Adopting and reporting against the TCFD recommendations will allow both our stakeholders and investors to better understand the possible implications of climate change for Treatt. This is an evolutionary process and we will continue to consider the associated risks and opportunities of climate change on our business on a regular basis.

We focus on Governance, Strategy, Risk Management & Metrics. These headings align to the TCFD's recommended disclosures and discuss how we aim to mitigate climate-related risks and capitalise on opportunities.

With this disclosure we have taken the first steps on our TCFD journey and aim to build on these recommendations to inform and drive our pathway to becoming a net zero business.

OUR TCFD FRAMEWORK CONSIDERATIONS

A TCFD working group comprising senior members from asset management, finance, risk and the Executive Leadership Team was established and have met regularly throughout the year to understand the potential consequences of global climate change; discuss the TCFD methodology and associated governance; work through a recommended scenario; and consider the associated risk and finance implications.

INITIAL CLIMATE CHANGE SCENARIO

Initially, we considered a two-degrees warming scenario, based on the Intergovernmental Panel on Climate Change's (IPCC) defined Representative Concentration Pathway 4.5 (RCP 4.5), covering short, medium and long-term (up to 2050) time frames. RCP 4.5, as described by the IPCC, is an intermediate scenario and the most probable baseline scenario, considering the exhaustible character of non-renewable fuels. Under RCP 4.5, emissions peak around the year 2040, then decline.

For our purposes, we have defined short-term as five years, medium-term as between 5 to 15 years and long-term as beyond 15 years and up to 2050.

GOVERNANCE

The Board recognises the importance of climate action and the direct link it has to our ongoing success. 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 Executive Leadership Team and the Global Sustainability Manager.

In 2021, we set up the TCFD Project Committee which includes representatives from Treatt's Board and senior leadership, as well as members from its operational, risk, finance, legal and sustainability teams. During our consideration of the TCFD methodology, the Board has been regularly informed of the progress made by the TCFD Committee, whom will report to the board biannually. Climate risks will also be reviewed at the Board's Annual Risk session. The Non-executive representative from the Board also chaired the Audit Committee until 17 September 2022 and is Chairman Designate.

SUSTAINABILITY CONTINUED

PLANET CONTINUED

STRATEGY

Our climate change strategy relies on a two-pronged approach: managing and reducing our own emissions and improving emissions across our supply chain.

1. Our Emissions Reduction Strategy

During 2022 we have conducted energy, water and waste audits of our manufacturing sites in the US and UK; we have identified new technologies and processes to reduce emissions over time; and we have collected our Scope 3 emissions for the first time to allow us a better understanding of our carbon footprint and to help us to model financial implications of potential future carbon pricing.

2. Improving supply chain emissions

With a supply chain that is spread out across the globe, we want to leverage our position to set expectations with our suppliers.

In 2022, we launched our responsible and sustainable sourcing policy, which has been distributed to all our global suppliers. Starting with our citrus suppliers, we have requested information regarding their Scope 1 and 2 emissions; their targets to reduce these emissions, and strategy for meeting those targets; the physical and transition risks of climate change for their business and our supply chain; and the measures taken to reduce carbon emissions of agricultural production.

This year we have also worked closely with our suppliers to encourage them to become members of SEDEX to increase the transparency of our supply chain and drive sustainable and ethical practices. As such 81% of our citrus volume procured during the year is from suppliers that are SEDEX members.

RISK MANAGEMENT

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 that operational risks have been clearly understood. Further information on our approach to risk management can be found on pages 62 to 67.

As our business relies on products that are extracted from natural sources, chronic risks such as drought, increasing temperatures and drastic changes in precipitation patterns and acute risks such as tropical cyclones, heatwaves and wildfires may affect the availability and pricing of our raw materials; produce lower crop yields; and impact product quality. As a part of our contingency measures, we closely monitor such market conditions and identify alternative supply sources to mitigate these risks.

In the reporting year we conducted a comprehensive climate risk assessment of our facilities in the US and UK. We engaged specialists to identify potential hotspots and help draft our mitigation measures. As suggested by the TCFD, the risks are categorised into: (1) transition risks, linked to the transition to a low-carbon economy as a result of carbon policy and regulatory changes, and (2) physical risks linked to climate change.

We analysed our sensitivity to physical risks and our adaptive capacity to mitigate these risks and subsequently identified vulnerable hotspots. The results of the scenario analysis indicated higher incidence of flooding, water stress, wildfires and heatwaves in the longer term. We held several TCFD workshops with our senior leadership to better understand our short, mid and long-term physical and transition risks. We are in the process of identifying key performance indicators to track this more closely.

METRICS

We have been disclosing our Scope 1 and 2 GHG emissions and energy consumption data since 2013. Scope 1 and 2 emissions data is calculated as per the Greenhouse Gas Protocol Corporate Standard and DEFRA Environmental Reporting Guidelines. As of 2022, we are also reporting our Scope 3 emissions data. We are working through our net zero transition plans and including relevant details in our 2023 annual reporting, in line with UK Government guidance.

We disclose incremental emissions reduction targets for Scopes 1 and 2 on page 38.

SUSTAINABILITY CONTINUED

PLANET CONTINUED

TCFD'S RECOMMENDED DISCLOSURES

Disclosure	Commentary
Describe the Board's oversight of climate-related risks and opportunities	The Board, supported by input from the TCFD Project Committee and the Global Sustainability Manager, assumes overall responsibility and accountability for the management of climate-related risks and opportunities. A TCFD Working Committee was established in 2021 and its progress and findings have been reported to the Board. See Governance on page 38 for further details.
Describe management's role in assessing and managing climate-related risks and opportunities	Management has undertaken a review of the Group's risk management approach and climate-related issues have been integrated into the core risk management process as a principal risk. 25 risks and opportunities have been identified, discussed and qualitatively assessed in terms of probability and consequence by the TCFD Project Committee. See Governance on page 38 for further details.
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term	The short and medium-term risks identified include: policy and legislation changes resulting in increased carbon pricing; impaired quality of raw materials due to extreme weather; extensive geographical location of suppliers putting pressure on emissions performance; and increased capex costs to facilitate improved environmental performance. The short and medium-term opportunities identified include: ongoing improved energy/water/waste efficiency of existing processing facilities; building climate resilience within our supply chain to ensure consistent supply of high-quality raw materials and reduced transportation costs; possible attractive funding opportunities; and third-party certification to support marketing and competitiveness of products. The medium to longer-term risks identified relate principally to physical risks associated with the geographical location of our manufacturing plants and local infrastructure and our supply chain. These include: extreme heat in US and UK putting pressure on cooling processes and regional power grids, affecting air quality and impacting employee health and wellbeing; drought and water-stress resulting in a reduction of plant productivity or even closure of manufacturing facilities; and extreme weather affecting key citrus suppliers causing poor quality raw materials and supply chain disruption. See Strategy on page 39 for further details.
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	Climate-related risks have been integrated within the Group's principal risks and therefore are reviewed and assessed biannually. Budgeting for capital expenditure over the next three years has incorporated the recommendations from the energy audits for improving the environmental performance of our manufacturing plants. Conversations have been held internally to consider including internal carbon pricing within future budgets. These initiatives are helping to inform our future strategy. See Strategy on page 39 for further details.

SUSTAINABILITY CONTINUED

PLANET CONTINUED

Disclosure	Commentary
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	We continue to review our exposure to climate-related risks. Having mapped risks and opportunities associated with a 2°C warming scenario, our Group strategy is considered resilient, and the risk rating is medium. Short-term considerations are being incorporated into planning and longer-term physical risks, linked to the geographical location of our manufacturing plants and our suppliers, will continue to be assessed. See Strategy on page 39 for further details.
Describe the organisation's processes for identifying and assessing and managing climate-related risks	Climate change has been identified and incorporated as a principal risk within the risk register. As such, it is subject to assurance mapping each year and the three levels of controls (management, oversight and audit) put in place are scrutinised and risk ratings pre and post controls are agreed. The findings of this assurance are considered and discussed at the Board risk meeting in October. Findings from TCFD's climate change scenario mapping and analysis feed into the assurance process and are shared with the Board ahead of its October risk meeting. See page 64-65 for further details.
Describe the organisation's processes for managing climate-related risks	In addition to the governance steps outlined above, the following takes place to manage and mitigate climate-related risks: • constant communication between our buyers and suppliers to assess weather conditions, yields and supply • clear lines of communication between Procurement and CEO to respond quickly to market conditions and make key strategic decisions • forward purchasing contracts for medium to longer-term supply • regular visits to existing and new suppliers for key product groups • greater geographical spread of suppliers, where possible • investment in production efficiencies, new technologies and product development • ongoing collaboration with suppliers to understand and mitigate climate change risks See Risk Management on pages 62 to 67 and 39 for further details.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	We adopt an integrated risk management framework for all categories of risks, including climate-related risks. The Company keeps its risk management framework under continual review as it considers and incorporates climate-related priorities in greater detail. See Risk Management on pages 39 and 62-67 for further details.
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management processes	GHG emissions and energy consumption are disclosed on page 37. Scope 1, 2 and 3 and are aligned to the Greenhouse Gas Protocol Corporate Standard and DEFRA Environmental Reporting Guidelines. We are reporting Scope 3 emissions for the first time. Incremental reduction target for Scopes 1 and 2 is disclosed on page 38. See Metrics on page 39 for further details. The Remuneration Committee will work towards the inclusion of climate related objectives, where appropriate, when setting non-financial objectives for the Executive Directors. The Board is aware that opportunity metrics can assist with increasing the focus on climate-related matters and will look to implement this at an appropriate time in the future.
Describe Scope 1, Scope 2 and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Scopes 1 and 2 relate to our GHG emissions at our two manufacturing plants in the US and UK. Scope 3 emissions relate to our upstream and downstream activities, purchased goods and services, fuel and energy services (not Scopes 1 and 2), waste transportation and employee and business travel. GHG emissions and energy consumption are disclosed on page 37. See Metrics on page 39 for further details.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	We have collected Scope 3 emissions for the first time and are now gaining greater visibility of our direct and indirect carbon footprint. We have included incremental emissions reduction targets for Scopes 1 and 2. GHG emissions and energy consumption are disclosed on page 37. See Metrics on page 39 for further details.

SUSTAINABILITY CONTINUED

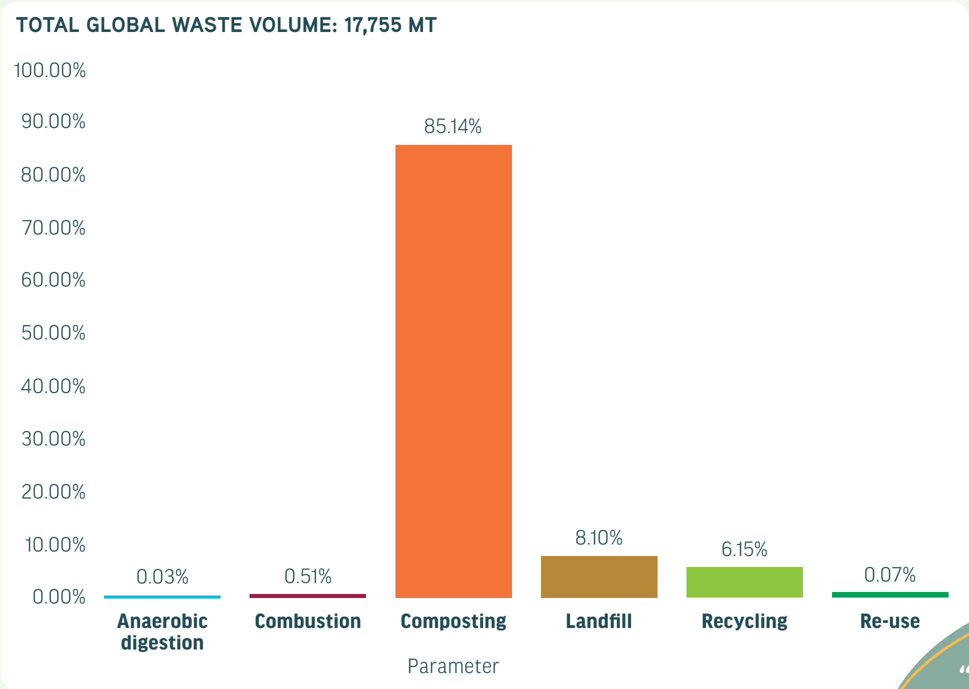
PLANET CONTINUED

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

Ways of working to use less resources and produce less waste are always front of mind. This year, we have recorded more granular information on our waste streams to better calculate our total waste volumes. Also for the first time we have analysed and reported the Scope 3 carbon footprint of our waste detailed on page 37.

Over the coming year we hope to use this information to better understand the hot spots in our waste streams, focusing on where we could potentially re-use rather than compost food waste for example, whilst staying on top of evolving opportunities to further segment other streams for re-use, recycling or recovery and support the circular economy. All whilst continuing to ensure the service providers accepting our waste hold the relevant registrations and permits for transportation and final recovery or disposal.



Our UK sites continue to divert

100%

of waste from landfill

"Our drive for operational excellence will mean continually assessing how we can reduce our environmental impact in production through process improvements."

Wolfgang Tosch,
Chief Technical & Scientific Officer

SUSTAINABILITY CONTINUED

PLANET CONTINUED

New facilities, along with new ways of working and evolving waste stream management from service providers have all provided opportunities to improve.

EXAMPLE 1

PRINT CARTRIDGE RECYCLING

"As part of process improvements at our new UK facility, new label printers were installed. Instead of using thermal transfer ribbons, which had to go in our general waste with our previous printers, our new ink cartridges are recycled by the manufacturer. We estimate we will now recycle 650 ink cartridges a year. We have adopted a global approach to this waste stream, as our US facility also recycles some of its print cartridges."

James Wood, IT Technical Support Level 2

EXAMPLE 2

WATERMELON BOX RE-USE AND REGIONAL SOURCING (USA)

"Ahead of starting the first watermelon campaign of the season, we contacted our supplier to explore the option of reusing stocks of empty pallets that we had on site and recycling the cardboard bins in which they supply the raw material. As a result, we now return the cardboard bins to the supplier, ready to deliver our next load. This process continues for the life of the bins, getting many more uses than the previous single use. We have seen a significant reduction in cardboard recycling volume, generating carbon emission savings and a reduction in costs throughout the season as a result.

This year, we have once again needed significant watermelon to service our growing customer-base. We have worked hard to obtain almost all of the raw material locally from within Florida, some as close as 30km from our facility, where they are processed, saving on transportation carbon emissions compared to suppliers further afield."

Hany Hosny, Treattarome Assistant Manager.

EXAMPLE 3

DRUM RE-USE & CLEANING (UK)

"We use drums to store product at the various stages of production and identified where it was appropriate to re-use drums. Some of our products are more corrosive to metal over time, such as cinnamon and clove so we are now dedicating hardier galvanised drums to these products so as not to degrade regular drums, which can be cleaned and re-used. At our new site in the UK we are also increasing our usage of stainless-steel intermediate bulk containers (IBCs) for intermediate storage with one IBC, which can be cleaned and reused, holding the equivalent of five drums."

Babette Norman, Manufacturing Director, UK

SUSTAINABILITY CONTINUED

PLANET CONTINUED

CIRCULAR APPROACH – HONEY TREATTAROME®

Pure honey is delivered in totes to our US facility from honey suppliers

Our team of experts apply our proprietary technology to result in a 100% natural aqueous distillate

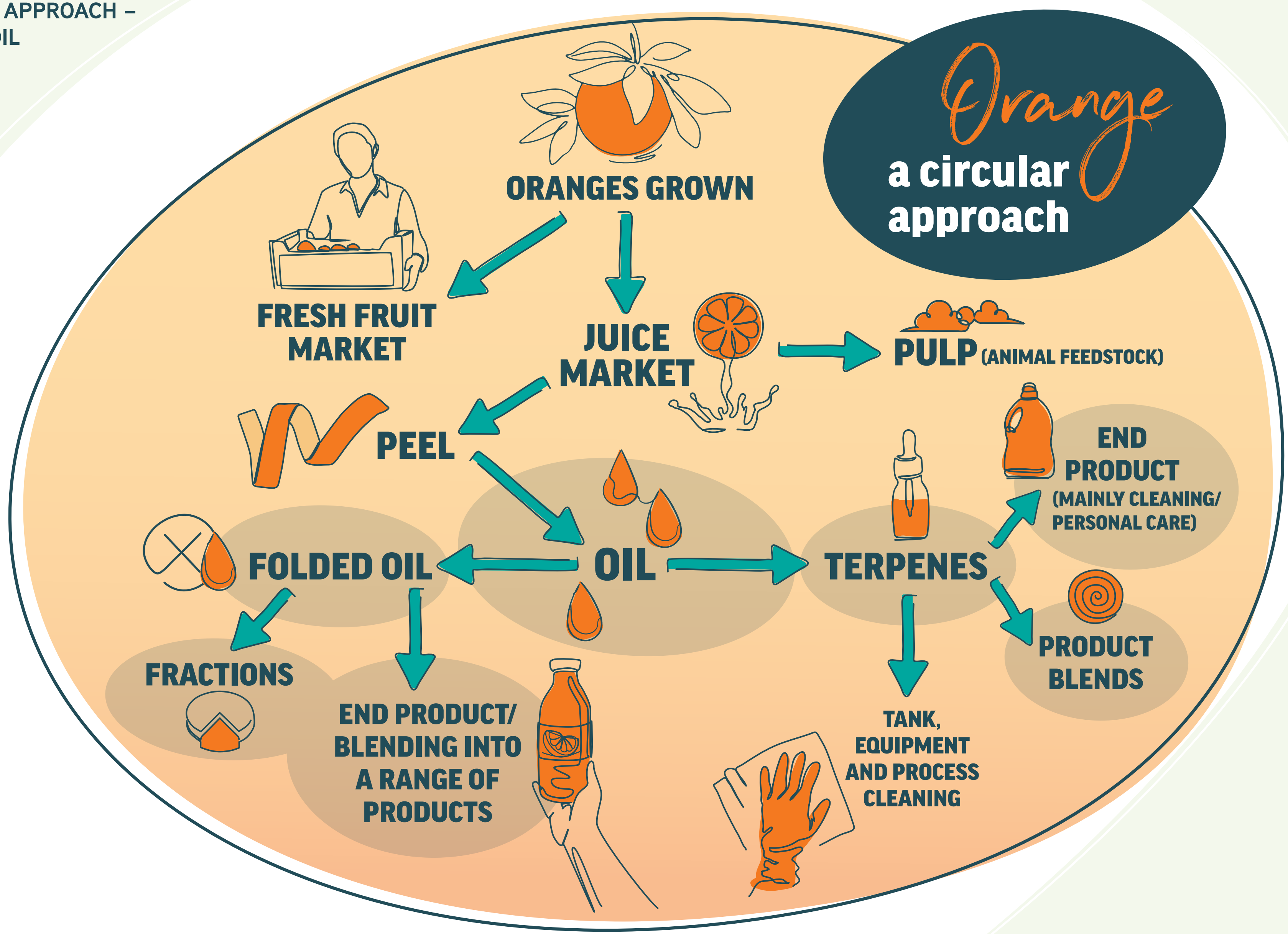
100% of our honey effluent is placed back in the totes we received it in, ready for collection by the supplier

The supplier collects the effluent which then goes into pet food supplies and as a food source for bees during winter seasons to reduce issues with colony collapse

SUSTAINABILITY CONTINUED

PLANET CONTINUED

CIRCULAR APPROACH – ORANGE OIL



SUSTAINABILITY CONTINUED

PLANET CONTINUED

WATER EFFICIENCY

	2022	2021
Total water used (m^3)*	**53,149**	49,030
Water efficiency (litres per kg of product shipped)	**6.06**	4.98

* We have seen a reduction in water efficiency due to the product mix during the year of more water intensive products in the USA, together with the need for additional water during commissioning of our new UK site. Our total water used has historically been based on all water withdrawn. For 2022 in the UK, water used is measured on our water withdrawal minus our waste water volume, which is based on a fixed percentage by the water company, typical to the UK water providers. Therefore, it is the most accurate measure of water consumption we can determine. In the US we do not have waste water volumes so usage is based purely on withdrawal at this time. This also excludes the aquifer.

We are in the process of installing a wastewater flow meter in our US facility. In the future this metering together with waste water data in the UK, will allow us to get a more accurate understanding of our water consumption.

Our sustainable water drainage scheme in the UK retains all surface and storm water 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.

Although we have always monitored and sought to improve our water usage, as we adopt principles of operational excellence within our processes, water efficiency and wastewater management will be an integral factor.

Our energy, waste and water audit report suggested water saving improvements to one of our manufacturing processes. The proposed water recovery and recirculation system would reduce the amount of fresh water consumed and volumes sent to drain, estimated to reduce water consumption at this site by 2.5% per year (based on 2021 volumes). We intend to invest in this system over the next three years.

Our UK facility includes several water efficiency measures, from automatic leak detection to self-closing push button taps, resulting in a scoring of 78% for water efficiency under BREEAM. The energy, waste and water audit report for our UK facilities is currently being assessed with the intention to consider the implementation of suggested water improvements in the future.

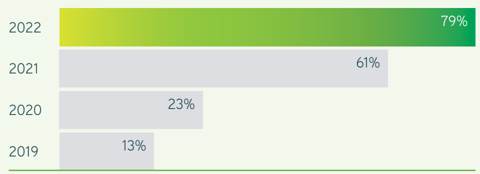
SUSTAINABLE SHIPPING

Considering our diverse product range of over 4,000 products, with movements across 75+ countries and shipment sizes ranging from 25 grams to 20 tonnes, this year has been a challenging environment for Treatt, as well as many others across our value chain.

Nevertheless, it is still our responsibility to continue to improve the sustainability of our logistical operations. During the year we have continued to monitor the shipping methods used for export, calculating total shipments by each carrier. In addition, we have also assessed imports to provide a more holistic approach across our logistics operation. We are identifying and monitoring those we consider as providing 'sustainable shipping'* methods.

When engaging with new carriers, we carry out due diligence, assessing their sustainability policies as part of our selection criteria. This 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*



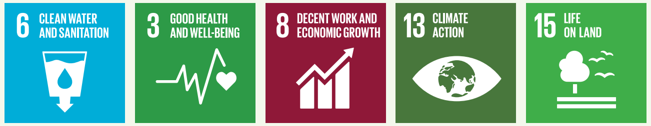
* A carrier is classified as being a 'sustainable shipping' carrier if they have confirmed to Treatt that they have an established sustainability strategy and/or clear sustainability objectives which are monitored, benchmarked, and reported (for example published environmental goals like zero carbon 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.

SUSTAINABILITY CONTINUED

PERFORMANCE

PERFORMANCE

RELEVANT UN SDGs



Strong governance is critical to business success, with an ever-increasing focus on sustainability, driven both by wanting to be responsible and by increasing stakeholder interest. We want to prove we are making a difference and are aware that non-financial KPIs will be key to both driving improvements and demonstrating our progress.

The availability of robust, high quality, affordable and increasingly sustainably sourced produce, used for our natural product portfolios, is critical to our business success. Consumers are increasingly interested in how ingredients have been grown and how the people and planet are treated in the process. Therefore, this year we have accelerated our efforts to collaborate further with our suppliers to increase insight and transparency via our responsible and sustainable sourcing policy, further details on this on page and page 48.

PRIORITY: REVIEW THE GOVERNANCE OF SUSTAINABILITY

Our focus

Our CEO continues to be directly accountable to the Board for sustainability, reporting on strategy progress at every Board meeting. Our CEO is supported by the Executive Leadership Team and Global Sustainability Manager who continues to work closely with our consultants in developing and delivering our strategy in this area. Our Global Sustainability Manager also leads our Sustainability Working Group, comprised of employee representatives, which co-ordinates and supports sustainable practices across the business. As part of our policy review process in this area, we have introduced a new labour and human rights policy.

Looking ahead

We will continue to review, update and finalise all sustainability related policies to ensure they are supportive of Treatt's ambitions and performance, promoting our commitments as they evolve. We will continue to offer clear oversight of sustainability responsibilities at Board and executive level whilst considering the introduction of environmental and social objectives to performance objectives of specific roles in the future.

PRIORITY: DETERMINING AND REVIEWING RELEVANT NON-FINANCIAL KPIS

Our focus

We are building on our non-financial drivers, supporting people and planet, gaining buy-in from across the business, to ensure we have stretch targets that are integral to our evolving strategy from 2023 onwards. Embedding them into our business strategy and ultimately linking them to remuneration are key.

Looking ahead

Next year we intend to report on more of these KPIs, disclosing our progress in key areas around people, planet and performance, as we see functions across the business pull together further to enhance the way we work, for good.

PRIORITY: CREATING A RESPONSIBLE & SUSTAINABLE SUPPLY CHAIN

Our focus

This year, our working group has gained a better understanding of the risks and opportunities involved, agreed priority areas for effecting change, developed performance measures, enhanced our governance framework and given greater consideration of monitoring and reporting tools.

We are committed to conducting our business in a sustainable, ethical and responsible manner, ensuring a positive impact on the communities with which we deal and requiring that our suppliers show integrity and respect for human rights and the environment. To date, the strategy has delivered a new responsible and sustainable sourcing policy, which has been rolled out to our global supply chain. In addition, starting with our largest category of citrus, we have required suppliers to commit to our enhanced supplier code of conduct and completion of an enhanced self-assessment questionnaire, inclusive of environmental assessments, that further support our commitments.

Looking ahead

Taking learnings from our work with our citrus suppliers we will continue to roll out this approach to our other categories over the coming months, aiming to complete this during 2023. Also setting ourselves KPIs in the coming year in this area, across our supply chain. As we progress this will enable us to work more closely with suppliers on shared challenges and initiatives, while continuing to provide our customers with a greater degree of reassurance, traceability and transparency as well as ensuring sustainable practices by our suppliers.

SUSTAINABILITY CONTINUED

PERFORMANCE CONTINUED

Responsible and sustainable supply chain

SUPPLY CHAIN STRATEGY

As markets continue to fluctuate the importance of retaining strong supplier relationships is critical. During the year, our procurement team visited citrus growers and suppliers across South America, giving them the opportunity to reinforce our sustainability programme in person and seeing for themselves the approach these suppliers take. They were encouraged with what they learnt.

PROCUREMENT – CIPS MEMBERSHIP

Most of our procurement team hold membership of the Chartered Institute of Procurement and Supply (CIPS), a professional body ensuring that procurement and supply chain management professionals have the knowledge and capabilities to deliver sustainability goals for their organisations. During 2023, it is our goal to have the whole global procurement team CIPS qualified, which includes significant focus on ethical and responsible sourcing.

CERTIFICATIONS, MEMBERSHIPS & RATINGS

A wide range of standards help provide additional reassurance as to where we are on our sustainability journey. These certifications, memberships and ratings 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.

TRANSPARENCY THROUGH SEDEX

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. 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.

PERCENTAGE OF OUR SUPPLIERS THAT ARE SEDEX REGISTERED

	2022	2021
Percentage of our suppliers that are SEDEX registered:	**46%**	35%

The improvement in the number of suppliers registered with SEDEX is a result of our responsible and sustainably sourcing policy which encourages our suppliers to become members. We aim to see an acceleration in 2023 as we continue to roll out our programme.

This year we have enhanced our assessment by determining the number of members audited by SEDEX's standards and verified by independent SMETA 4-pillar audits. As such 27% of our of supplier members have been audited. Also, as a result of our focused efforts with our supply chain we are pleased to share that 81% of our citrus volume procured in FY2021 was from suppliers that are registered with SEDEX. We aim to encourage those supplier members not yet registered or audited across our supply chain to do so.

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.

SAI PLATFORM

SAI Platform is a non-profit network of over 170 members harnessing the collaborative power of the global food and drink industry to accelerate the widespread adoption of sustainable agriculture practices and the transformation to sustainable food systems. As members of SAI Platform, we have key roles in a number of projects including that of the SAI Platform Florida Orange Sustainability Accelerator Project which by end of 2022 is set to hit its objective of FSA verification in 90% of Florida orange production. Discussions are underway in how this could roll out to core markets such as Brazil, for which we'd be a key intermediary in implementing this best practice.

We are also proud to be Founders in SAI Platform's Regenerating Together programme - building the regenerative capacity of agriculture through a global, farmer-centred, industry-led initiative, to meet the urgent need for an industry aligned approach to demonstrate regenerative outcomes on farms.

RAINFOREST ALLIANCE

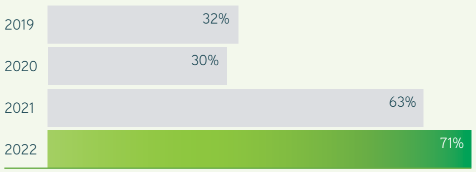
We are proud to hold Rainforest Alliance Supply Chain certification and we are able to buy and sell specific products with the Rainforest Alliance (RFA) certification seal. RFA is an international non-profit organisation working at the intersection of business, agriculture and forest to make responsible business normal. The 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 other raw materials.

SUSTAINABILITY CONTINUED

PERFORMANCE CONTINUED

RFA% OF TOTAL TEA RAW MATERIAL



ECOVADIS

We are proud to have retained our silver standard from EcoVadis who provide a ratings platform to assess corporate social responsibility and sustainable procurement for tens of thousands of companies, providing a common platform, universal scorecard, benchmarks and performance improvement tools. We have improved our silver sustainability rating and are among the top 25% of companies assessed by EcoVadis.

SILVER 2022 ecovadis Sustainability Rating

CARBON DISCLOSURE PROJECT (CDP)

Our 2021 CDP score for climate was D and for water C- based on data from FY 2020. The scores for 2022 will be released soon and will reflect the progress we made across our pillars of people, planet and performance during FY 2021.

ETI

We are committed to maintaining 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.

IFRA/IOFI

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 seek to encourage enhancements in the field of sustainability, providing a framework to enable sharing and benchmarking of the industry's commitment to sustainable development.

STAKEHOLDER ENGAGEMENT

SECTION 172

Understanding the needs of stakeholders is key to the Company's ability to create long-term value. 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 Leadership Team and managers. 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. Board meetings include time dedicated to discussion on different stakeholder groups; we have listened carefully to the views and feedback from various stakeholders in respect of the Group's approach to ESG. Further details can be found on pages 51 to 53.

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

B The interests of the Company's employees
See page 51

C The need to foster the Company's business relationships with suppliers, customers and others
See pages 51 and 52

D The impact of the Company's operations on the community and the environment
See page 53

E The desirability of the Company maintaining a reputation for high standards of business conduct
See pages 25, 72 and 73

F The need to act fairly as between members of the Company
See pages 51, 74 and 75

STAKEHOLDER ENGAGEMENT CONTINUED

SECTION 172 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 employees feel happy and supported. Further details on our culture can be found on pages 15, 26, 28 and 29.

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 designated Non-executive Director. Social events were held in the UK and US for all employees, which the Board attended, to facilitate more relaxed engagement.

The Executive Directors regularly communicate across the business and engaged through results presentations, at the half and full year. Indirect engagement reported to the Board via the Executive Leadership Team, included:

- Executive Leadership Team town hall meetings with Q&A sessions
- Wellbeing workshops for mental health awareness week and stress awareness month
- Seeking feedback from all employees through a dedicated email address on organisational design
- Manager workshops on sustainability and bi-annual sustainability updates via a dedicated newsletter to all employees

WHAT WE DISCUSSED:
Key topics of engagement:

- New five-year strategy
- Information on customer wins and financial results
- Organisational design including culture and leadership
- Sustainability at Treatt
- Mental, physical and financial wellbeing
- Executive remuneration

BOARD DECISIONS:
- Feedback received from Employee Voice sessions was discussed at subsequent Board meetings and, if appropriate, action taken by management
- Any feedback received on executive remuneration was discussed by the Remuneration Committee and considered in the context of its discussions
- The Board approved changes to leadership positions below Board level and the introduction of a new Executive Leadership Team, reporting to the CEO, to drive future performance
- The importance of culture was discussed in the context of managing change, the importance of regular communication with all employees to alleviate uncertainty that might be felt and ensuring that change does not negatively impact culture
- The Board approved free and matching share awards under the SIP and a grant of options under the share save schemes

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:
We were able to hold an open Annual General Meeting in January 2022 with webcast facility enabling direct engagement with shareholders.

Our Executive Directors met with current and prospective shareholders, providing an overview of our business and the industry in which we operate with particular focus on the implementation of our strategy and our trading update, in which we downgraded our profit expectation for the year. They also presented annual and half year results to institutional investors. These presentations and webcasts were made available to all shareholders through the Group website.

We held our first capital markets days, with strong attendance, providing institutional investors with an opportunity to see our new site and learn more about the business from our team.

Our Global Sustainability Manager has engaged with several shareholders in respect of matters of particular interest to them relating to sustainability.

In recent years we have consulted with our major shareholders in relation to our remuneration policy and Chairman's tenure. Consultation provides us with an opportunity to gauge shareholder opinion and respond to any concerns raised.

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
- Relocation to our new UK Headquarters
- The conflict in Ukraine, sanctions against Russia and impact on our business
- Global logistical issues
- Inflationary pressures
- COVID-19 lockdowns in China
- Progress on sustainability

BOARD DECISIONS:
- The Nomination Committee undertook the Chairman succession process, supported by an independent executive search consultant, ensuring that candidates were sought from a pipeline of talent diverse in gender and ethnicity
- The Board proposed a final dividend for FY2021 and approved an interim dividend for FY2022. In deciding dividend levels, the Board considered its dividend policy, the impact on the Group's cash position, investment needs and relevant borrowing covenants
- Continued oversight of the site relocation and approval of additional budget required as a result of inflationary cost pressures and some higher than originally expected commissioning expenses

STAKEHOLDER ENGAGEMENT CONTINUED

SECTION 172 CONTINUED

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 are crucial to the success of our business.

HOW WE ENGAGED:

The CEO has met with a number of customers during the course of the year both at their premises and at Treatt. The Board indirectly engages with customers at an operational level through members of the Executive Leadership Team and their teams:

- Listening to our customers and their needs through key account management relationships
- Working directly with relevant customer departments on sustainability, technical, regulatory and logistics matters of concern to them
- Face to face 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

WHAT WE DISCUSSED:

Key topics of engagement:

- Service levels and the impact of global logistics issues on lead times
- The conflict in Ukraine, sanctions against Russia and any impact on our supply chain
- Customer needs and consumer trends, to enable us to develop suitable products to meet their needs
- Relocation of production to our new UK Headquarters
- Our approach to sustainability

BOARD DECISIONS:

- Approval of capital expenditure projects to increase product capacity and strengthen product capability
- Approval of our ESG framework to further develop and embed sustainability within our business, ensuring that we continue to meet the sustainability needs of our customers
- Continued oversight of the financial position of the business, including the level of inventory required to be held by the Group to meet customer demand
- Receipt of a report on customer engagement

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 CEO has been involved in a number of supplier meetings during the course of the year. 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 and recommencement of face-to-face meetings with the lifting of travel restrictions
- 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, global logistics issues and lead time delays
- Launch of our new Responsible and Sustainable Sourcing Policy in which we set out our expectation of suppliers for sustainable and responsible raw material sourcing
- Relaunch of our Supplier Code of Conduct, which places greater environmental expectation on our suppliers of raw materials

BOARD DECISIONS:

- Approval of our ESG framework, which establishes further priorities related to sustainable sourcing
- Receipt of a report on supplier engagement including the latest payment practices

STAKEHOLDER ENGAGEMENT CONTINUED

SECTION 172 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, 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 local schools 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 33.

WHAT WE DISCUSSED:
Key topics of engagement:

- How we can provide assistance to charity partners
- Sponsorship
- Volunteering
- Donations

BOARD DECISIONS:
- The Board approved a donation to the Disasters Emergency Committee's Ukraine Humanitarian Appeal
- Receipt of a report on community engagement activities

Environment

WHY WE ENGAGE:
The natural environment is of considerable importance to our business and the supply of natural raw materials. We must 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.

Energy audit of our UK and US facilities to identify energy saving opportunities.

Group-wide initiative for The Great Big Green Week with various activities to ensure that the effect of climate change remains a focus within Treatt.

WHAT WE DISCUSSED:
Key topics of engagement:

- Scope 3 emissions in the first year of reporting
- TCFD scenario analysis and the impact of climate change on our business
- Short and longer-term energy saving opportunities and prioritisation of investment
- Increased expectations on our supply chain in respect of environmental performance

BOARD DECISIONS:
- Approval of capital expenditure projects for energy saving initiatives
- Approval of our ESG framework, which establishes further priorities in respect of environmental matters and climate change
- Receipt a report at every meeting on progress against our ESG strategy and an annual presentation from our Global Sustainability Manager

This Strategic Report was approved by the Board on 29 November 2022.

Ryan Govender
Chief Financial Officer

FINANCIAL REVIEW

STRONG SALES GROWTH, WITH MARGIN DECLINE IMPACTING PROFITABILITY

Ryan Govender
Chief Financial Officer

OVERVIEW

The Group performance reflects a difficult set of financial results for the year ended 30 September 2022. Revenue grew 12.8% to £140.2m (9.1% in constant currency) with growth across all categories except tea, however gross margins declined to 27.9% mainly due to lower hard tea sales and FX losses. As a result, profit before tax and exceptional items reduced by 27.1% to £15.3m.

The Group has reviewed how it can better limit FX exposure in light of increasing volatility. This resulted in the correction of previously over-hedged FX contracts during the financial year and the implementation of new FX management systems which will provide greater controls for the Group in this area.

The year saw continued investment of £12.8m in capital projects, including £5.0m on the new UK facility with the majority of production now transitioned and operational from the new site. Due to the ongoing high levels of investment in capital projects and strategic inventory holding, we ended the year with net debt of £22.4m (2021: £9.1m) and net debt to adjusted EBITDA[1] of 1.21x which is well within our target leverage range (statutory measure: 1.16x net debt to EBITDA).

Strong revenue growth.
+12.8%

INCOME STATEMENT

Revenue

Revenue for the year increased by 12.8% to £140.2m (2021: £124.3m). In constant currency terms, revenue increased by 9.1% as the Pound Sterling was weaker against the US Dollar in 2022, as compared to 2021.

Revenue growth was broad-based, across all of our categories, with the exception of tea where sales declined on the back of an exceptional 2021 performance and lower than expected demand in hard tea (ready-to-drink canned cocktail market) in the US, which also materially impacted margins for the year. Our overall revenue performance was driven in particular by our citrus, synthetic aroma and health & wellness categories, reporting combined growth of 19.8%.

Citrus, which contributed 47.6% of Group revenue (2021: 43.6%), grew by 23.2%, while margins remained broadly in line. During the year we implemented selected price increases to mostly offset higher commodity prices, with our expertise in citrus procurement and our robust supply chain ensuring we mitigated our exposure as much as possible to the rising market.

Whilst approximately 80.0% of the Group's revenue now comes from our natural and clean-label product ranges, our synthetic aroma sales increased by 13.6% (2021: 8.9%) with growth in products used to flavour alternative proteins and savoury snack foods.

1. EBITDA is calculated as operating profit plus depreciation and amortisation. The adjusted measure excludes exceptional items

FINANCIAL REVIEW CONTINUED

Categories % share of sales	2022	2021
Citrus	48%	44%
Tea	6%	11%
Health & wellness	8%	8%
Fruit & vegetables	10%	10%
Herbs, spices & florals	9%	9%
Synthetic aroma	18%	18%
Coffee	1%	–

Geographical % share of sales	2022	2021
UK	7%	8%
Germany	6%	5%
Ireland	8%	6%
Rest of Europe	10%	11%
USA	38%	43%
Rest of the Americas	9%	8%
China	6%	6%
Rest of the World	16%	13%

Health & wellness, including sugar reduction, had another strong year, growing by 15.3% (2021: 28.7%) with sustained consumer demand for 'better for you' products driving sales in our specialist solutions, such as the reduction of calorific content in beverages. This reflects the important IP, know-how and technical expertise which Treatt possesses in this field.

Despite a very strong prior year, fruit & vegetables continued to grow by 8.3% (2021: 59.6%) with mango, pineapple, strawberry and kiwi natural extracts leading contributors to growth.

The Group's traditional range of herbs, spices & florals, many of which are traded, grew by 10.4% (2021: 0.5%) in large part because of improved on-trade consumption post-pandemic.

Coffee sales of £1.1m are reported separately for the first time in our full year results as we continued our investment in coffee innovation resources in the fiscal year.

Geographical analysis of revenues shows that the UK, mainland Europe and The Americas maintained performance despite a number of challenges. The well-documented global supply chain issues and site relocation created logistical challenges which our very experienced supply chain teams across the Group did a remarkable job in overcoming in order to maintain customer service levels.

In the UK, revenues performed well in both citrus and coffee, with revenue ending the year up by 2.9% at £9.8m.

Sales to mainland Europe, which represented 24.3% of Group revenue (2021: 21.9%), performed well reporting a 25.0% increase in revenue to £34.0m (2021: £27.2m) driven by particularly strong performance from both citrus and synthetic aroma.

Revenue in the Group's largest market, the US, grew by a more modest 0.7% to £53.7m (2021: £53.4m) representing 38.3% of the Group total (2021: 42.9%). Within the US, the Group benefitted from particularly strong growth in orange products where successful navigation of supply chain challenges during the year enabled the business to compete against those not so well positioned, however this market also endured the significant downturn in tea demand.

The Group continued to focus on opportunities in China, with our local subsidiary completing its first full year of trading in 2022. Despite the well documented extended COVID-19 related restrictions in large parts of China, reported revenue to the country increased by 6.2% to £7.9m (2021: £7.4m). We remain optimistic about the opportunities in this market with a large proportion of growth representing new business for Treatt.

The Rest of the World (excluding China) grew by 26.8% to £21.8m (2021: £17.2m) with a number of customers and markets now recovering from the prolonged effects of COVID-19 that continued to impact 2021.

Profit

Gross profit declined by 7.4% with gross profit margins reducing from 34.0% to 27.9%. The decrease in margins resulted from three factors; firstly the change in mix as a result of the growth in lower margin citrus sales and the decline in higher margin hard tea sales; secondly the Group experienced significant input cost inflation and whilst, in a number of cases, the business has been able to pass this onto its customers, some longer-term contracts have not yet allowed this to be achieved across the full portfolio. Lastly, margins were adversely affected by increasing FX losses on over-hedged FX contracts, following the rapid devaluation of Sterling against the US Dollar during the second half of the year.

Administrative expenses (excluding exceptional items) grew by 11.7% in the year to £23.3m (2021: £20.9m), driven by an increase in administrative headcount, including investment in our new coffee team, overhead inflation and increased travel post pandemic. Average headcount numbers across the Group have increased by 12.5%. A significant number of open vacancies in 2021 were filled in the current year leading to the increase in headcount in 2022. After substantial investment in our people and production facilities to support the Group's next phase of expansion, we do not anticipate any significant increase in administrative expenses in the short to medium-term, above the normal rate of inflation.

Adjusted net operating margin[2] decreased in the year to 11.3% (2021: 17.2%), whilst net operating margin decreased in the year to 11.9% (2021: 16.1%), both impacted by the decline in gross profit, with administrative expenses (excluding exceptional items) remaining consistent as a proportion of revenue. Consequently, operating profit excluding exceptional items decreased 26.1% to £15.8m (2021: £21.3m) whilst statutory operating profit decreased 16.7% to £16.7m (2021: £20.0m). Over the last five years average adjusted net operating margins have been 13.3%, whilst our medium-term target range is 15-20%.

Adjusted return on average capital employed[3] (ROACE) decreased to 11.6% (2021: 20.9%) as a consequence of the decrease in operating profits during the year whilst capital employed increased (return on average capital employed decreased from 19.2% (2021) to 11.9% over the year). As well as growth in adjusted basic earnings per share, ROACE has been included as a performance metric for LTIPs. Our medium-term target for ROACE is to deliver a range of 20-25%.

Exceptional items (see note 8 to the financial statements) include the gain on the sale of the previous UK facility of £3.3m (2021: nil) offset by one-off non-recurring costs of £2.4m (2021: £1.3m). These comprised relocation expenses (£1.8m) including project consultants, manufacturing plant and machinery design and installation specialists and commissioning costs together with restructuring costs (£0.6m) incurred as a result of a significant change to the executive leadership structure.

2 Operating margin is calculated by dividing operating profit by revenue from continuing operations. The adjusted measure excludes exceptional items.

3 Return on average capital employed is calculated by dividing operating profit (as shown in the Group income statement) by the average capital employed in the business, which is calculated 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 debt), averaged over the opening, interim and closing amounts. The adjusted measure excludes exceptional items.

Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA[1]) for the year decreased by 20.2% to £18.5m (2021: £23.1m) whereas statutory EBITDA reports an 11.2% decline to £19.4m (2021: £21.8m). Profit before tax and exceptional items from continuing operations declined by 27.1% to £15.3m (2021: £20.9m). Reported profit after tax for the year of £13.3m represents a decrease of 12.1% on the prior year.

FOREIGN EXCHANGE GAINS AND LOSSES

Whilst the Group's functional currency is the British Pound (Sterling), the majority of the Group's business is transacted in other currencies which creates a foreign exchange exposure, particularly in the US Dollar and, to a lesser extent, the Euro.

During the year Sterling weakened against the US Dollar, ending the year 17.2% weaker at £1=\$1.12 (2021: £1=\$1.35); the average Sterling/US Dollar exchange rate for the year was 6.5% weaker as compared with the prior year.

The Group's FX risk management policy is to minimise its foreign exchange risk at our UK business through the use of forward currency contracts and options, as well as through managing its US Dollar borrowings. This can result in timing differences in the short-term, giving rise to re-translation gains or losses in the income statement. More detail on the implementation of this policy and changes made during the year can be found in the foreign exchange risk management section on page 59.

The impact of foreign exchange gains and losses in 2022 was a total loss on foreign exchange contracts of £2.3m (2021: £1.4m gain), the net gain and loss on the re-translation of other currency denominated balances, in aggregate, was £nil (2021: £0.4m loss). During the second half of the year, the Group corrected over-hedged FX contracts and implemented new FX management systems, including an internal FX Committee and the use of third party FX advisors.

There was a foreign exchange gain of £11.5m (2021: £1.8m loss) in the 'Statement of Comprehensive Income' in relation to the Group's investment in Treatt USA.

FINANCE COSTS

The Group's net finance costs increased to £0.5m (2021: £0.4m) as net debt increased by £13.3m to a closing position of £22.4m. In the year investment in the UK facility was £5.0m and related capitalised interest cost of £0.2m. 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. Whilst still healthy, following the decline in profits, interest cover for the year before exceptional items decreased to 30.5 times (2021: 50.0 times).

FINANCIAL REVIEW CONTINUED

GROUP TAX CHARGE

After providing for deferred tax, the Group tax charge decreased by £1.6m to £2.9m (2021: £4.5m); an effective tax rate (after exceptional items) of 17.7% (2021: 22.8%). The decrease in effective tax rate is driven largely by the tax treatment on the disposal of Northern Way premises.

The sale of the Group's former UK premises at Northern Way in February 2022 is not expected to be taxable as indexation allowances are available which fully offset the taxable gain. The deferred tax rate applicable in the UK has remained at 25.0%, in the US the rate of corporation tax remains at 21.0%.

EARNINGS PER SHARE

Basic earnings per share (as set out in note 11 to the financial statements) decreased by 12.5% to 22.04p (2021: 25.19p). Adjusted basic earnings per share[4] for the year declined by 26.8% to 19.80p (2021: 27.05p). The calculation of earnings per share excludes those shares which are held by the Treatt Employee Benefit Trust (EBT) and Treatt SIP Trust (SIP), which are not beneficially owned by employees since they do not rank for dividend and is based upon profit after tax.

DIVIDENDS

The proposed final dividend of 5.35p per share (2021: 5.50p) increases the total dividend per share for the year to 7.85p, a 4.7% increase on the prior year (2021: 7.50p), representing dividend cover of 2.5 times pre-exceptional earnings for the year and a rolling three-year cover after exceptional items of 3.0 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 £27.6m to £133.9m (2021: £106.3m), with net assets per share increasing by 25.0% to £2.20 (2021: £1.76). Over the last five years net assets per share have grown by 150.0%. 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.

Inventory held at the year-end was £68.4m (2021: £47.3m), an increase of £21.1m. This increase was driven by three main factors; firstly higher average raw material costs due to inflationary increases (notably orange oil which remains the largest volume material held in inventory); secondly the overall growth in sales and thirdly proactive purchasing by our procurement team to protect our customers from the effect of global supply chain issues.

One factor in the success of the business is our management of risks, such as geographic, political and climatic, to ensure continuity of supply for our customers. Consequently, the overall level of inventory held by the Group is highly significant in cash terms.

NET DEBT

At the year-end date the Group's net debt position was £22.4m (2021: £9.1m) including leases of £0.4m (2021: £1.1m), with available unused facilities of £8.4m.

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 £30.8m, of which £13.4m expires in one year or less.

During the year the Group increased its UK overdraft limit by £2.7m and increased its US line of credit by $2.0m in order to provide further headroom on its existing facilities. Furthermore, the Group still retains with HSBC a £6.5m accordion (pre-approved facility) and has access to an uncommitted asset-backed credit facility of up to $7.0m with Bank of America. Borrowing facilities are undertaken to match some of the Group's borrowings to the assets which they have been used to finance and working capital.

All the Group's borrowing facilities are held with HSBC and Bank of America and are typically held on three to five-year terms with expiry dates staggered to fall in different financial years. The Group continues to enjoy positive relationships with its banks and expects all facilities to be renewed or refinanced when they fall due.

CASH FLOW

Net cash outflow for the year was £4.1m (2021: £5.0m outflow) reflecting the ongoing investment in production and technical capabilities together with a strategic build of specific inventory to maintain supply and protect margins. During the year the Group invested £12.8m (2021: £14.4m) on capital projects, of which £5.0m was incurred on the UK relocation project (more details of which are set out on page 58). Total investments in the Group's US operations were £5.8m, this includes £2.4m on a significant new still and £2.2m on other new processing equipment and technologies to further support the Group's growth plans and ambition to increase the proportion of value-added products. Capital spend was partially offset by the sale of the Group's former premises at Northern Way for £5.8m in February 2022.

4 Adjusted earnings per share measures exclude exceptional items and the related tax effect, details of which are given in note 8.

There was an overall working capital outflow in the year of £18.5m (2021: outflow £10.0m), principally as a result of an outflow of £14.4m in relation to a tactical decision to build inventory levels in response to increasing lead times and inflationary pricing pressures. There was a net increase in receivables of £8.5m as a result of the strong sales performance in the final two months of the year, partially compensated by an increase of £4.4m in payables.

CAPITAL INVESTMENT PROGRAMME

UK relocation

The Group acquired a ten-acre greenfield site on the new Suffolk Park in Bury St Edmunds in mid-2017 to relocate our UK business from its previous site in Bury St Edmunds, to a brand-new purpose-built facility. Construction of the new facility was completed during 2021. In addition to delivering operational efficiencies and advanced capabilities, the aim of the new facility was to bring together all our UK-based staff into a single premises.

During 2022 the first phase of installation and commissioning of plant and machinery was completed, inventory was physically transferred to be managed by the new warehouse management system and production began from the new facility as equipment was successfully brought online. All science and technical colleagues have now transitioned to the new site where state-of-the-art laboratories both support and promote product innovation whilst also providing a truly exceptional customer collaboration environment.

Following the sale of Northern Way premises in February 2022, the Group agreed a leaseback of our main manufacturing building for a period of 19 months, with a break-clause at 12 months, to maintain the continuity of its manufacturing capability during the transition. In 2023 we will commence phase two, which involves the transfer and upgrade of highly complex manufacturing equipment from our old site. We expect phase two to be completed by the end of 2023 and we will continue to manufacture some products at the old site until the lease expires. 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 £0.5m of contingency (approximately 10.0% of the remaining spend) in order to mitigate that risk as far as practicable.

The respective total costs of each phase of the relocation are broken down as follows:

£'000	Phase one	Phase two	Total
Capital expenditure	41,277	3,070	44,347
Existing site disposal	(5,592)	–	(5,592)
Exceptional items	4,820	2,290	7,110
Total costs	40,505	5,360	45,865

The total capital project costs, including proceeds from the sale of the previous site, are expected to be approximately £38.8m with exceptional costs totalling £7.1m expected to be incurred. As the relocation project moves into the final phase, we expect a further net cash outflow of £5.0m over the next year. The cash outflows for the project are expected to result in the rolling Group net debt to adjusted EBITDA ratio remaining below 1.0x during FY23.

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 2022 £187,000 was capitalised and a further £230,000 is expected to be capitalised in the year ending 30 September 2023.

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 employees. All UK employees with a year's service were awarded £700 (2021: £700) 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 employees who were awarded $1,000 (2021: $1,000) 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 10.0% of salary, whichever is lower) of Treatt shares out of gross income, which the Group continues to match on a one and a half for one basis. In the year, a total of 24,000 (2021: 30,000) matching shares were granted.

The SIP currently holds 438,000 shares (2021: 477,000) 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 employees in the UK and US. Under US tax legislation, employees 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 72,000 (2021: 127,000) 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 205,000 (2021: 197,000) shares during the year, whilst 278,000 (2021: 117,000) were exercised from options awarded in prior years which have now vested.

During the year 400,000 (2021: 100,000) shares were issued to the Employee Benefit Trust (EBT) at par (2 pence per share). The EBT currently holds 270,000 shares (2021: 166,000) in order to satisfy future option schemes. It is anticipated that going forward, all-employee savings-related share schemes will continue to be satisfied by shares held within the EBT, to which further shares will be issued as necessary.

FINAL SALARY PENSION SCHEME

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

The last three-year actuarial review of the scheme was carried out as at 1 January 2021, the result of which was that the scheme had an actuarial deficit of £4.9m (1 January 2018: surplus £0.5m) and a funding level of 82.0%. Consequently, the Company has agreed with the trustees to make contributions of £0.5m (2021: £0.5m) per annum until the next actuarial review date of 1 January 2024.

Under IAS 19, ‘Employee Benefits’ a valuation of the scheme is conducted at the year-end date based on updating the valuation calculations from the most recent actuarial valuation. In accordance with this valuation, and having sought legal advice as to the appropriateness of recognising a scheme surplus, there is a pension surplus recognised on the balance sheet, net of tax, of £1.3m (2021: £5.1m liability). The decrease in the deficit is driven by an actuarial gain on changes to financial assumptions of £11.7m, due to significantly higher discount rate assumptions than prior years as a result of higher government bond yields.

FOREIGN EXCHANGE RISK MANAGEMENT

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. In addition to Sterling, sales are principally made in US Dollar and Euro, with the US Dollar being the most significant, typically accounting for around half of the UK business’s sales.

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 or weakness 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.

The Group’s FX risk management policy is to minimise its foreign exchange risk at our UK business through managing its US Dollar cash and borrowings and the use of forward currency contracts and options. Foreign exchange contracts are used to provide a hedge on the Group’s margin exposure where purchases and sale are made in the same currency. The value of these contracts is determined through forward-looking forecasts of expected sales and net margins in foreign currencies.

An FX committee was formed in August 2022 in order to monitor foreign exchange risks within the business, work on refinements to the existing FX risk policy and provide a forum to challenge and approve strategic actions such as hedging. The committee meets monthly and there is an ongoing focus to manage foreign currency debt balances, ensure the ongoing effectiveness of hedges and remove avoidable foreign exchange risk from the business.

The Group now, as part of its FX risk management, actively minimises its foreign currency debt and cash balances where there is no immediate expected offset. In regard to foreign exchange contracts used for hedging, the Group regularly reforecasts its exposure and amends its positions according to any surpluses or shortfalls.

SUMMARY

Sales grew strongly by 12.8% to £140.2m during the year, albeit the profit performance of the Group has been disappointing, following nine years of continuous growth in profit before tax and exceptional items. The strength of our sales growth across almost every category gives us the confidence to continue our focus on healthier value-added categories and we saw a recovery of our on-trade channels and the consequential demand for our products, reflecting the underlying strength and resilience of our business.

As we near the end of our capital investment programme, manufacturing capacity is in place to support organic growth over the next few years, with the capability now to add further capacity in a more modular and cost-efficient way. After substantial investment in our people to support the Group's next phase of expansion, we do not anticipate any significant increase in administrative expenses in the short to medium-term, above the normal rate of inflation.

I believe the top line growth in healthier value-added categories, whilst maintaining efficient operations and a stable cost base, will allow improvement in operating margins over the next few years.

As we near the end of our capital investment programme, manufacturing capacity is in place to support organic growth over the next few years, with the capability now to add further capacity in a more modular and cost-efficient way. After substantial investment in our people to support the Group's next phase of expansion, we do not anticipate any significant increase in administrative expenses in the short to medium-term, above the normal rate of inflation.

I believe the top line growth in healthier value-added categories, whilst maintaining efficient operations and a stable cost base, will allow improvement in operating margins over the next few years.

At this early stage of FY2023, the business is on track to meet market expectations.

Ryan Govender
Chief Financial Officer

29 November 2022

Re-establish Growth Platform

Return to Growth

Drive Growth Momentum

GROUP FIVE YEAR TRADING RECORD

*2018, 2019 and 2020 show discontinued operations separately. There were no discontinued operations in 2021 and 2022	2018* £'000	2019* £'000	2020* £'000	2021 £'000	2022 £'000
Income statement					
Revenue	112,163	112,717	109,016	124,326	**140,185**
Adjusted EBITDA[1,2]	14,577	14,871	16,982	23,144	**18,464**
Operating profit[2]	13,944	13,499	15,092	21,346	**15,773**
Profit before taxation and exceptional items	12,642	13,300	14,801	20,919	**15,256**
Growth in profit before taxation and exceptional items	8.1%	5.2%	11.3%	41.3%	**(27.1%)**
Exceptional items	(1,105)	(755)	(1,060)	(1,302)	**923**
Profit before taxation	11,537	12,545	13,741	19,617	**16,179**
Taxation	(2,284)	(2,673)	(2,896)	(4,469)	**(2,864)**
Discontinued operations	2,976	(1,084)	(1,080)	–	**–**
Profit for the year attributable to owners of the Parent Company	12,229	8,788	9,765	15,148	**13,315**
Balance sheet					
Intangible assets	752	845	1,358	2,424	**3,206**
Property, plant and equipment	20,038	29,485	50,159	61,039	**74,281**
Right-of-use assets	–	–	1,173	1,556	**375**
Net deferred tax asset/(liability)	672	(319)	(924)	(1,383)	**(5,369)**
Current assets	102,402	98,158	69,472	83,606	**108,537**
Current liabilities	(35,781)	(28,905)	(15,989)	(30,556)	**(46,329)**
Non-current borrowings	(3,001)	(4,369)	(3,450)	(2,624)	**(2,342)**
Post-employment benefits	(3,457)	(7,788)	(10,051)	(6,806)	**1,782**
Non-current lease liabilities	–	–	(628)	(957)	**(291)**
Total equity	81,625	87,107	91,120	106,299	**133,850**

*2018, 2019 and 2020 show discontinued operations separately. There were no discontinued operations in 2021 and 2022	2018* £'000	2019* £'000	2020* £'000	2021 £'000	2022 £'000
Cash flow					
Cash generated from operations	3,581	20,544	15,677	13,892	**(1,830)**
Taxation paid	(2,978)	(2,208)	(2,191)	(4,874)	**443**
Net interest paid	(610)	(199)	(191)	(270)	**(382)**
Dividends paid	(2,876)	(3,080)	(3,378)	(3,704)	**(4,834)**
Additions to non-current assets net of proceeds	(6,579)	(10,570)	(24,814)	(14,373)	**(7,177)**
(Acquisition)/disposal of subsidiaries	8,746	1,033	(136)	–	**–**
Net sale of own shares by share trust	586	526	547	630	**621**
Proceeds on issue of shares	20,833	14	2	3	**9**
(Increase)/reduction of lease liabilities	–	–	(659)	(394)	**657**
Other cash flows	(419)	(161)	(388)	(451)	**(812)**
Movement in (debt)/cash	20,284	5,899	(15,531)	(9,541)	**(13,305)**
Total net (debt)/cash	10,059	15,958	427	(9,114)	**(22,419)**
Ratios					
Adjusted net operating margin[2,3]	12.4%	12.0%	13.8%	17.2%	**11.3%**
Return on average capital employed[2,4]	21.9%	18.8%	18.6%	20.9%	**11.6%**
Net (cash)/debt to adjusted EBITDA[2,5]	(0.69)	(1.07)	(0.03)	0.39	**1.21**
Adjusted basic earnings per share[2]	18.02p	17.82p	19.72p	27.05p	**19.80p**
Growth in adjusted basic earnings per share[2]	9.8%	(1.1%)	10.7%	37.2%	**(26.8%)**
Dividend per share[6]	5.10p	5.50p	6.00p	7.50p	**7.85p**
Dividend cover (adjusted to exclude exceptionals)[7]	3.42	3.22	3.28	3.60	**2.51**
Net assets per share	137.3p	144.8p	151.2p	176.0p	**219.9p**

Notes:

1 EBITDA is calculated as profit before interest, tax, depreciation and amortisation from continuing operations. See note 31 in the financial statements.
2 All adjusted measures exclude exceptional items. See note 8 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 31 in the financial statements.
5 Net cash/(debt) at the year-end date divided by adjusted EBITDA[1,2]. See note 31 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.
7 Dividend cover is defined as profit for the year, less exceptional items and their related tax effect, divided by the total of interim dividend paid and final dividend proposed.

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

EXECUTIVE 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

RISK MANAGEMENT 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 Executive 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 feel willing to accept to achieve our strategic objectives. 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.

Our risk appetite has been defined and agreed by the Board and helps frame decision-making in determining how best to manage each of our principal risks. It is communicated across the business in our risk management framework. Our risk appetite in relation to different categories is summarised below.

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 Executive 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. Risks included in the register are rated on their probability and impact and then re-rated after mitigation. Those responsible for each risk will use a variety of tools to monitor their risk at a more granular level, including more detailed sub-registers and pertinent 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.

OUR RISK APPETITE

- Strategic – we will actively seek to maximise shareholder value whilst assessing and managing strategic risks
- Financial – we are prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level
- Operational – we are prepared for adverse operational performance in the short-term if there is a clear business case with defined benefits in the medium to longer-term
- Health & safety – our priority is to ensure that no harm comes to our colleagues and customers
- Technology – we have a low appetite for taking risks that may result in significant disruption or downtime in the business
- People – we are forward-thinking in organisation and people development and are prepared to make decisions if there is an opportunity to gain a longer-term benefit
- Regulatory compliance – we invest heavily to ensure that there is a robust control environment and framework to maintain a high level of compliance
- Legal compliance – we are prepared to accept a level of risk where supported by clear legal advice

95%
of employees surveyed understand the key risks related to their role

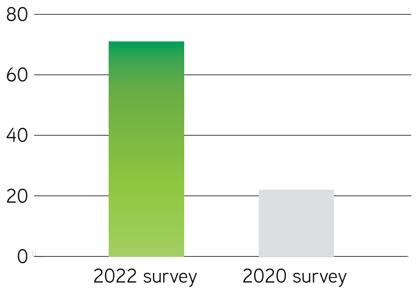
PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

RISK MANAGEMENT CONTINUED

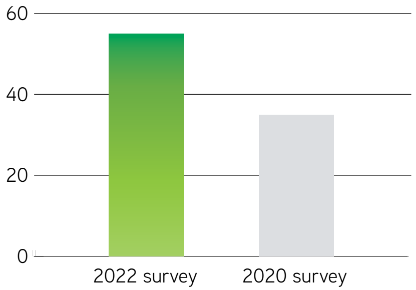
EMPLOYEE INVOLVEMENT

During FY2021 the Board engaged KPMG to assist with a review of risk appetite, formalising the risk management framework and undertaking manager and team leader training, in order to improve the embedding of risk management throughout the business. Manager and employee risk management surveys were undertaken during the year. Compared to the same surveys in 2020, they largely demonstrate an improvement in the embedding of risk management across the business, although it will remain a focus.

% of managers stating that risk is discussed at team meetings



% of managers that feel they could explain Treatt's risk appetite approach



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 weighting and mitigation to satisfy itself that appropriate action is being taken.

During the year the Board took a deep dive into cyber risk, with the assistance of our insurance brokers, and operational risks in the US. As a result it was agreed that multi-factor authentication be implemented for remote access to Treatt systems, which has been completed, and additional cyber training provided to all Group employees. It was also agreed that enhanced training would be provided to employees in Operations in the US, providing a more immersive experience.

In October 2022 the Board reviewed five risks, where further action is required to bring the net risk within the risk appetite. 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.

EMERGING RISKS

The Executive Leadership Team, being closely involved in day-to-day matters, has a breadth of experience across commercial, financial, supply chain, operations and technical. 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

The Group considers ESG-related risks as part of its risk management process. Climate change is captured as a principal risk.

Our TCFD disclosures can be found on page 40 of our Sustainability Report.

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.

We have removed the commoditisation of established Treatt products and the shortening value chain as principal risks. As our business continues to grow and we develop more collaborative and enduring relationships with our customers our diverse product categories ensure that we are well-positioned. These risks will continue to be monitored but are no longer regarded as material.

We have increased our assessment of the current risk climate for the movement of citrus commodity raw material prices as the market has increased significantly during the year, although that also brings opportunity. Treatt is particularly experienced in managing volatility in raw material prices and strategic decisions are regularly taken to mitigate price movements, which, whilst not eliminating risk, have a history of being effective.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

RISK MANAGEMENT CONTINUED

FINANCIAL

1 Climate change

1 2 3 4 5 6 — No change

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 stress, crop disease, wildfires, hurricanes and sudden climatic events

Operational disruption at production facilities caused by longer-term impacts of climate change (including water stress and wildfires)

Significant amount of citrus raw materials provided by Central and South American suppliers

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

Reduced consumer demand over time for certain products

Increasing demands from customers to reduce emissions across the supply chain and ensure supply chain is resilient to climate change

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
- Ongoing implementation of TCFD to assess, manage and mitigate climate change risks
- Greater geographical spread of suppliers, where possible
- Working with suppliers who recognise the risks of climate change and are actively mitigating them
- Active auditing via SEDEX and ongoing collaboration with suppliers through Treatt's responsible and sustainable sourcing policy
- 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
- Comprehensive energy, water and waste audits of US and UK facilities
- Continued investment in production efficiency, new technologies and product development

2 Pandemic

1 2 3 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
- Flexible 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. Adopting a staged approach to the re-opening of facilities
- Working closely with customers 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
- Executive Leadership Team to provide 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

1 2 3 4 5 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 of Phase 2
- Third-party experienced project managers appointed to run the project
- 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 project through regular site meetings with the project manager 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
- 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

RISK MANAGEMENT CONTINUED

FINANCIAL CONTINUED

4 Movements in citrus commodity raw material price

1 2 3 4 5 6 — Increase

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 critical 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

Loss of skills may impact our ability to deliver the best service to our customers

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
- 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 — Decrease

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

RISK MANAGEMENT CONTINUED

OPERATIONAL 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 including subscription to Managed Threat Response service, which proactively searches for suspicious activity in our network 24/7
- 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
- Multi factor authentication enforced on all remote connections
- 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

LEGAL AND REGULATORY

11 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
- Proactive 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.

GOING CONCERN AND VIABILITY STATEMENT

THREE-YEAR REVIEW OF THE GROUP'S VIABILITY

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 6 to 61. 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 three years, having previously reviewed for a period of five years, from the current financial year end. In the view of the Board, the change to a three year viability period better reflects the Group's immediate strategic vision, with the current global geopolitical and economic environment creating greater uncertainty in forecasting beyond three years.

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, most significantly severe business interruption like that which was experienced during the pandemic, or that could arise through the impact of climate change.

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 pages 62 to 67.

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

- The implications of the challenging economic environment, notably the domestic and global uncertainties arising from the current economic and geopolitical environment, the ongoing pandemic and the wide-ranging effects of climate change; 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 operates;
- The effects of movement in foreign exchange rates on the business, particularly the US Dollar;
- 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, 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 three-year plan, and considering the implications of a number of risks materialising during a short-term period; and
- A reverse stress tests to determine the scenario and circumstances that would need to prevail to cause a breach in banking covenants during the period.

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. During the viability period, all of the Group's current banking facilities will expire, with facilities totalling $15.0m in value expiring during the going concern period. Whilst the Group believe that the financial position of the Group is sufficiently robust that the Group could renew, increase and extend those facilities should it wish to, it has excluded these facilities from its review, notwithstanding that discussions are under way to agree those facilities during the first half of the 2023 calendar year. All facilities coming up for renewal in subsequent years have been assumed to be renewed in the same amounts as they currently are.

STRESS TESTING AND IMPACT ON GOING CONCERN AND VIABILITY ASSESSMENT

The current global economic environment post-pandemic is still uncertain in both domestic and international markets. We have seen supply-side challenges and economic slowdown due to China's lockdowns, together with higher-than-expected inflationary pressures, especially on raw material prices and energy from Russia's invasion of Ukraine, all alongside a challenging labour market.

Considering this, the Directors have modelled scenarios representing varying degrees of severity and have considered the impact of changes in working capital, foreign exchange rates, revenues and margins. Using these assumptions, headroom and covenant compliance have been assessed throughout the going concern (12-month) and viability (three-year) periods. These assumptions are those that would arise from the aforementioned uncertainties and that would adversely impact cash generation and profitability.

GOING CONCERN AND VIABILITY STATEMENT CONTINUED

A further 'reverse stress test' scenario was modelled to find a sustained reduction in revenue over the first two-years of the viability period that would give rise to a breach of the Group's covenant conditions in the period. This scenario was then stress-tested further by overlaying the adverse impact of a decline in profit margins.

OUTCOME OF STRESS TESTING

Under the tests that considered impacts of working capital, exchange rates and margins it was determined that a 10% worsening of working capital days, and a failure to reduce inventory by budgeted levels could cause headroom to fall to £0.6m in May 2023 should the Group fail to refinance any facilities coming up for renewal. This assumes all other budgeted overheads, capital expenditure and dividends remain as budgeted, and the Group doesn't draw upon its supply chain finance or non-committed asset finance lines to fund its planned capital expenditure. The impact of a 500bps downturn on margins was also considered, and this did not give rise to any breaches of banking covenants over the viability period, although it would give rise to a headroom breach in November 2024 provided that the Group failed to refinance all of its facilities that fall for renewal in 2023 – the likelihood of which is considered remote. Such a margin decrease would be a result of failure to manage sales pricing in an inflationary environment and move up the value chain.

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 continuous decline in sales of greater than 12.5% per annum, or 8.0% per annum alongside a 300bps decline in margin for two consecutive years, with no mitigating measures put in place, would result in a breach of financial covenants within the viability period and would lead to a breach in headroom in May 2023 if the Group fails to refinance any of its facilities that fall for renewal, does not draw upon its uncommitted facilities and does not implement any of the cash saving measures it has at its disposal.

The possibility of these severe scenarios materialising is considered remote. In addition, it is implausible that the Group would not act swiftly and decisively to activate mitigations such as drawing upon uncommitted facilities, operating cost savings, reduction in capital expenditure, and delaying or cancelling future dividend payments to avoid a breach of its banking limits or 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 three-year period of their viability assessment.

BOARD OF DIRECTORS

ONE TEAM

Committee key:

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

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. Tim has informed the Board of his intention to stand down as a Director at the conclusion of the AGM in January 2023.

Key External Appointments:
- Chairman of Allia Group
- Chairman of Oximio Group
- 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

Ryan Govender
Chief Financial Officer

Appointed to the Board:
July 2022

Skills & experience:
Ryan is an experienced CFO, having worked for over 20 years in senior finance roles across global FMCG businesses, particularly in the food sector. His diverse experience includes strategy, FP&A, corporate structuring, large capital projects, investor relations and finance transformation.

For the past 12 years he has been working at Associated British Foods, the FTSE 100 international food, ingredient and retail group, most recently as CFO of SPI Pharma, a provider of innovative solutions to global pharmaceutical and nutritional customers. Before that he held finance and management roles within other ABF businesses, including Speedibake, Germains Seed Technology and Illovo Sugar. He qualified as a Chartered Accountant at PwC in South Africa.

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. Yetunde has informed the Board of her intention to stand down as a Director at conclusion of the AGM in January 2023.

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
- Non-executive Director of Cranswick plc

BOARD OF DIRECTORS

ONE TEAM

Committee key:

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

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:

Having previously chaired the Audit Committee, Vijay now chairs the Nomination Committee and is Senior Independent Director. He will assume the role of Chairman when Tim Jones steps down in January 2023.

Vijay qualified as a Chartered Accountant during the early part of his career and has extensive strategy, commercial, and governance experience in FMCG. He was previously a partner with Deloitte and EY, and, since 2016, has served as a Non-executive Director on various boards, including Quorn Foods and The Quoted Companies Alliance.

Key External Appointments:

- Chairman of Alumasc Group plc
- Non-executive Director of Alpha FX Group plc (Audit Committee Chair)
- Non-executive Director of RSM (Remuneration Committee Chair and Public Interest Board)

* Senior Independent Director and Chairman Designate

Christine Sisler

Non-executive Director

Appointed to the Board:

February 2022

Skills & experience:

After driving the continual growth of PepsiCo's iconic brands, Christine launched Merchant's Daughter Ciderworks, a start-up craft beverage company. As CEO of Merchant's Daughter Ciderworks she leverages more than three decades of research & development, commercialisation and innovation expertise.

In the beverage start-up space Christine's strategic and commercial talents have helped entrepreneurs launch exciting new health and wellness and ready-to-drink alcohol products.

As PepsiCo's Vice President of Global Innovation for Product Development & Marketing Equipment, Christine supported global research & development for carbonated and non-carbonated beverage portfolios and spearheaded the creation of the Beverage Culinary Innovation Center.

Key External Appointments:

- Treasurer, New York Cider Association Executive Board

Philip O'Connor

Non-executive Director

Appointed to the Board:

February 2022

Skills & experience:

Philip is an experienced business leader in B2C and B2B markets with substantial experience in high-growth businesses, acquisition and post-acquisition integration, transformation and change management and leading diverse multi-functional teams.

Philip started his career with Kerry Group plc and qualified as a Chartered Certified Accountant during the early part of his career. He spent many years at Kerry in senior roles in the USA and UK, including Finance Director of Kerry Foods, the consumer foods division of Kerry Group plc.

He was founder and CEO of two successful start-up consumer foods businesses in the healthy food market and more recently the President of Kerry Taste and Nutrition for Europe & Russia, meat & plant-based alternative markets.

Key External Appointments:

- None

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION FROM THE CHAIRMAN

"

I AM PLEASED TO PRESENT THE CORPORATE GOVERNANCE REPORT

Tim Jones

Chairman

BOARD

The Board welcomed two new Non-executive Directors during the year, Christine Sisler and Philip O'Connor, who bring a wealth of experience and knowledge, ensuring that we continue to have a collegiate, effective, entrepreneurial and engaged Board to oversee the strategy, governance, risk and financial frameworks across the organisation. Richard Illek and Lynne Weedall stepped down during the year and I thank them for the significant contribution they made during their time at Treatt.

Richard Hope retired as Chief Financial Officer at the end of June, having served on the Board for 19 years and, having reached his nine years' service on 25 February 2022, Jeff Iliffe stood down from the Board as he was no longer considered independent under the UK Corporate Governance Code. I want to express the sincere thanks of the Group and the Board to Richard and Jeff for their dedication to Treatt and for the superb contribution they made to the Board.

As previously announced, Yetunde Hofmann and I will step down from the Board at the conclusion of the 2023 AGM. In stepping down as Chairman, I hand over to Vijay Thakrar, Chairman Designate, with considerable optimism for the future. Vijay is passionate about Treatt and has extensive experience from a broad range of businesses and large international organisations. He will guide the business through the next part of its exciting journey.

Thankfully, as COVID-19 restrictions were lifted in the early part of the year, we have been able to return to in person Board meetings, including being able to hold our first Board meeting at Treatt USA since 2019 and re-engaging personally with our US colleagues.

SUSTAINABILITY

As businesses continue to consider the sustainability of their behaviours, their impact on climate change and on wider stakeholders, we have continued to lead from the front. The Board has approved an ESG Framework designed to provide a cohesive, effective and streamlined approach to the achievement of our strategic goals.

The Board receives progress updates at every meeting and engages directly with the Global Sustainability Manager. We have continued to work with our sustainability consultants on the implementation of TCFD and the evaluation of environmental risks. Further details can be found on pages 38 to 41.

ANNUAL GENERAL MEETING

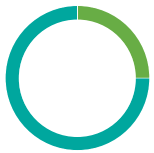
The Board is looking forward to welcoming shareholders to the 2023 AGM on 27 January, which is to be held at our registered office. We hope that you will be able to attend. Further details are on pages 150 to 156.

Board meetings in the year

7

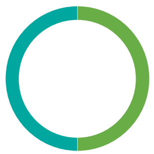
Board meeting attendance

96%



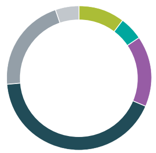
Board Gender Diversity

Female	25%
Male	75%



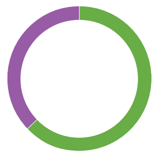
Board Independence

Independent	50%
Non-independent	50%



Board experience

Operations	2	Management	8
HR	1	Industry	4
Finance	3	ESG	1



Length of Service

0–5 years	63%
Over 10 years	37%

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, clear purpose, a values-based culture and focusing on our responsibilities to our stakeholders, ultimately produces a better company with clear accountability and reporting lines, providing greater resilience in challenging times.

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 77. 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
Alignment of our culture with our purpose, values and strategy	26 to 34
Framework of effective controls	75
Engagement with our stakeholders	50 to 53
Workforce policies and practices	23
Division of responsibilities	
Role of the Chair	76
Division of responsibilities	76
Non-executive Directors	76
Information and support	74
Composition, succession and evaluation	
Appointment, succession and diversity	79 to 80
Skills, experience and knowledge	79
Board evaluation	78
Audit, risk and internal control	
Audit and internal control	83
Fair, balanced and understandable	82
Risk management	62 to 67
Remuneration	
Remuneration policies and practice supporting strategy and promoting long-term sustainable success	84 to 86
Developing remuneration policy	87 to 92
Shareholder engagement on remuneration	92
Alignment of the policy to the workforce	87

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 its long-term sustainable success for the benefit of its shareholders, taking into account the interests of the environment and 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 lead a newly formed Executive 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 scheduled 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 (Retired 30 June 2022)	6/6	N/A	N/A	N/A	
Ryan Govender – Chief Financial Officer (Appointed 1 July 2022)	1/1	N/A	N/A	N/A	
Tim Jones – Non-executive Director and Chairman	7/7	N/A	N/A	N/A	Board
David Johnston – Non-executive Director	7/7	N/A	N/A	N/A	
Richard Illek – Non-executive Director (Stepped down 31 December 2021)	1/2	N/A	2/2	N/A	
Jeff Iliffe – Non-executive Director (Stepped down 25 February 2022)	3/3	1/1	N/A	1/1	Audit until 25 February 2022
Yetunde Hofmann – Non-executive Director	7/7	1/1	5/5	4/4	Remuneration
Lynne Weedall – Senior Independent Non-executive Director (Stepped down 17 September 2022)	7/7	N/A	5/5	4/4	Nomination until 17 September 2022
Vijay Thakrar – Non-executive Director and Chairman Designate (Senior Independent Director from 17 September 2022)	7/7	4/4	2/2	3/3	Audit from 25 February 2022 until 17 September 2022 Nomination from 17 September 2022
Philip O'Connor – Non-executive Director (Appointed 1 February 2022)	4/4	3/3	2/2	N/A	Audit from 17 September 2022
Christine Sisler – Non-executive Director (Appointed 1 February 2022)	4/4	3/3	2/2	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. The Board takes the opportunity to interact with employees from across the business on an informal basis when lunching in the shared eating areas.

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 Secretariat. The Secretariat 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 our people across the Group.

The Board appointed Tim and David as Employee Voice NEDs in 2018 in order to provide employees with direct access to the Chairman to demonstrate the importance the views of our employees are 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

The sessions, held twice a year in person and via video conference, provide an opportunity for all Group employees to meet with either, or both, Tim and David. Their direct contact details are also shared with all employees to accommodate those that would prefer to book an individual appointment, rather than attend a drop-in session. The sessions are reasonably well attended by a mix of people across all functions.

Whilst the sessions are confidential, the Board receives feedback on key themes to enable them to engage with management and address matters as appropriate.

KEY THEMES FROM EMPLOYEE ENGAGEMENT

UK

- Treatt was viewed as a great employer and in some cases the best employer ever
- A desire to further develop global operations and automation
- Group organisational restructure taking time to embed
- Onsite working increasing post COVID-19 restrictions enabling greater collaboration
- Positive views of the new site and enhanced working conditions with further improvements to come

US

- A welcome forum; due to the level of engagement an additional session and private one to ones were arranged
- Additional support required to maintain a positive culture during very busy periods
- Adjusting to the Group organisational restructure
- Positive views of the Company and environment
- Enhancements to plant and processes required to improve efficiencies

China

- The team has adopted an 'everyone to sell' approach and undertaken sales research in support of this
- Local technical capacity could be an opportunity for the future
- Concerns and opportunities around inventory delays and shortages due to local restrictions
- Opportunities in China's burgeoning night-time economy
- Personal development training to support the highly valued product and technical training provided
- Shared desire within the small team to uphold the culture and values of Treatt as headcount increases

Speaking up

The Group-wide speak up policy provides employees with a direct means of contacting the Chairman of the Board, the Audit Committee Chairman or the Senior Independent Director, in confidence, 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 speak up policy during the year regarding a potential regulatory matter, which was investigated by a member of the Executive Leadership Team and reported to the Board. It was concluded that no regulations were breached and actions have been taken to ensure that reporting lines are appropriate to improve internal communication.

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 Secretariat 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 70 and 71.

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.

Details of how we engaged with shareholders during the year can be found on page 51.

DIVISION OF RESPONSIBILITIES

Roles and responsibilities

Details of the Directors, the positions they hold, and the committees of which they are members are shown on pages 70 and 71.The Board consists of the Non-executive Chairman, Tim Jones, and five further Non-executive Directors together with Daemmon Reeve, CEO, and Ryan Govender, 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 are 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 Executive 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, Legal & Governance 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

- Is supported by a Deputy Company Secretary, who is responsible for the day to day running of the Secretariat and includes an Assistant 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 Governance department

Committees

The Board has three sub-committees: the Nomination Committee chaired by Vijay Thakrar, the Audit Committee chaired by Philip O'Connor and the Remuneration Committee chaired by Yetunde Hofmann. During the year the Board reviewed the membership of these committees. Although, to comply with Corporate Governance Rules, the Chairman may not be a member of the committees, he regularly attends committee meetings as a guest 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 full Board and should not be delegated to a committee.

Further details of the committees can be found on pages 79 to 99. 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). Nonetheless, 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. Though 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, the Board determined in 2020, as previously reported, that, whilst the Company completed its largest ever investment in the new UK Headquarters and dealt with a number of senior succession changes, it was in the best interests of the business and its stakeholders if Tim Jones remained as Chairman for a further period, subject to annual re-election. That view was strongly supported by shareholders, whose opinions were sought on this subject during 2020. As previously announced, Tim Jones will be stepping down from the Board at the conclusion of the 2023 AGM and handing over to Vijay Thakrar, Chairman Designate.

On 20 May 2020, David Johnston reached nine years' service on the Board. Accordingly, the Board can no longer consider him to be independent. As previously reported, having consulted with shareholders during 2019, the Board determined and continue to believe that it is in the best interests of the business and its stakeholders for David Johnston to remain on the Board as a Director given his significant industry knowledge and experience, which benefits the Company, subject to annual re-election.

Commitment

There are typically between six and ten scheduled meetings each year and additional ad hoc meetings 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 Yetunde Hofmann 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 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 very much recognised. Our policy is to ensure that our Board reflects the markets we serve and to recruit the best possible candidate for each individual role having regard to qualifications, experience and personality, without prejudice to a candidate's gender, ethnicity, age, sexual orientation, disability and other characteristics. Further details on the Group approach to diversity are given on page 80.

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 79 and 80.

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 Secretariat.

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 evaluation, which provides a valuable feedback mechanism for improving the Board's effectiveness. During the year an external evaluation was undertaken by Bvalco Limited, an advisor with no other connection to the Group.

The objectives of the evaluation were to review the effectiveness of the Board and to develop an agreed set of priorities to improve the functioning of the Board, given the needs of the Group.

The process for the selection of the external Board evaluator entailed shortlisting three independent suppliers, who were identified and interviewed by the Company Secretary. Written proposals were received from the final two suppliers and from that the Chairman and Company secretary determined that Bvalco be selected, for the first time, to undertake the Board evaluation for Treatt due to their reputation for commercial and behaviourally focussed board reviews. Bvalco have signed and adhere to the Board Effectiveness Guild's Code of Practice.

The evaluation involved high level research on the business, its strategy and key risks, review of Board papers and minutes, confidential interviews with members of the Board and other key stakeholders, and observation of a Board meeting.

The evaluation report concluded that there is a lot to commend the Board, from its entrepreneurial spirit and its strong focus on people, to its thorough discussion and energetic debate. A number of recommendations were made for the Board to discuss and the following key areas identified for focus over the next 12 to 18 months:

- Gain strategic clarity
- Build the refreshed Board as a high-performance team
- Consider how the Board will oversee the transformation agenda

A six-month review will be undertaken by the evaluator and the Chairman during the course of next year to review progress on these focus areas.

WHAT THE BOARD DID DURING THE YEAR

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 AGM. 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, people and legal matters.

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

Strategy and business development

- Reviewed the progress of the Group's strategy throughout the year with regular updates from the CEO
- Approved the strategic plan for the next five years
- Visited a US supplier and held sessions with sales, operations and technical to give the Board greater understanding of the business
- 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
- On the recommendation of the Audit Committee, reviewed and approved the FY2021 Annual Report and the FY2022 half year results
- Approved the FY2023 budget and capital investment proposals
- Approved capital investment proposal for enhanced sprinkler protection at Treatt USA
- Reviewed the Group forecasts, net debt levels, facility headroom and covenants and working capital
- Approved financing proposals, relocation spend and bank facilities
- Approved the recommendation of the final dividend for FY2021 and payment of the interim dividend for FY2022

Operational performance

- Maintained oversight of the completion of the new UK Headquarters and the move from the previous premises
- Received reports and presentations from management on the performance of each of our product categories and other matters of material importance to the Group
- Reviewed the results of the customer experience survey
- Received presentations from UK and US sales on pipeline opportunities and recent wins

Governance and risk

- Undertook an external Board evaluation
- Refreshed the Chair positions of the Audit and Nomination Committees and appointed a new SID
- Reviewed and approved the annual modern slavery statement and other Board policies
- Reviewed the risk register at six monthly intervals
- Reviewed results of an internal risk management survey to assess the success of embedding the Group's risk management framework
- Held a meeting dedicated to the discussion of risk and undertook a deep dive into several key risk areas and a review of the risk appetite
- Received reports on investor feedback and stakeholder engagement

People

- Completed the recruitment process for a new Chief Financial Officer
- Completed the recruitment process for a new Chairman and Non-executive Directors
- Maintained oversight of the introduction of a new Executive Leadership Team and organisational restructure
- Reviewed the actions taken by management in response to Employee Voice feedback
- Reviewed the results of pulse surveys undertaken across the business and other cultural indicators
- Approved the SIP, SAYE and ESPP share awards

This report was approved by the Board on 29 November 2022.

Ryan Govender
Chief Financial Officer and Company Secretary

NOMINATION COMMITTEE REPORT

A FOCUS ON BOARD COMPOSITION

"

I AM PLEASED TO PRESENT OUR NOMINATION COMMITTEE REPORT

Vijay Thakrar

Chair – Nomination Committee

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 for our culture and values.

MEMBERSHIP AND MEETINGS

I succeeded Lynne Weedall as Chair of the Nomination Committee when she stepped down from the Board on 17 September 2022. I would like to thank Lynne for her contribution to the Board over the past few years and, in particular, for her chairing of the Nomination Committee. The committee takes succession planning and Board composition very seriously and as such has met formally five times during the course of the year with additional informal meetings taking place as necessary.

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 appropriate value in fulfilment of their duties

ACTIVITIES SINCE THE LAST REPORT

- Appointment of Ryan Govender as Chief Financial Officer
- Recruitment to the Board of Philip O'Connor and Christine Sisler as Non-executive Directors
- Appointment of Vijay Thakrar as Tim Jones' successor as Board Chairman
- Reviewed the Board evaluation as it relates to the composition of the Board
- Reviewed the time commitment required from Non-executive Directors and determined whether appropriate value is being provided to the Company
- Board succession planning
- Reviewed the terms of reference of the committee

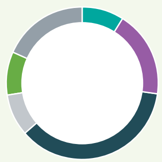
NOMINATION COMMITTEE MEMBERS

Vijay Thakrar (Chair)
Non-executive Director

Daemmon Reeve
Chief Executive Officer

Yetunde Hofmann
Non-executive Director

Philip O'Connor
Non-executive Director



Nomination Committee experience

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

Committee meetings in the year

5

Meeting attendance

100%

NOMINATION COMMITTEE REPORT CONTINUED

APPOINTMENTS

Appointments to the Board of both Executive and Non-executive Directors are undertaken by the Nomination Committee, which ensures that a wide range of candidates are considered. The committee reviews 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, industry experience, 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.

As reported last year, Pure Executive, an independent search and selection agency, which is a division of Pure Resourcing Solutions Limited, were instructed to search for suitable candidates for the role of Non-executive Director to provide a list of suitable candidates to the committee. The time commitment required for the role and existing demands on a candidate's time were considered as part of the selection criteria as were relevant skills and experiences taking into consideration our skills matrix review and our diversity objectives. Members of the committee were involved in the initial interview process with Board members meeting the final shortlisted candidates.

Pure Executive also provided their expertise in respect of the appointment of our new CFO Ryan Govender and carried out a search process which ultimately led to Ryan's appointment.

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

During the year the committee engaged Egon Zehnder, a global management consultancy and executive search firm, as search partner for Chair succession. The process was led by Lynne Weedall who Chaired the committee until she stepped off the Board on 17 September 2022. I indicated my interest in the Chair position early in the process and did not attend any meetings where Chair succession was discussed. Following a comprehensive and rigorous search over many months which included the Nomination Committee considering a "long-list" of external candidates forwarded by Egon Zehnder as well as interviews with those short-listed, I was appointed Chairman Designate, as announced on 24 June 2022, and will succeed Tim Jones at the conclusion of the AGM on 27 January 2023.

Egon Zehnder do not have any connection with the Company or individual Directors outside of recruitment services.

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 and ability to add commercial insights are also key considerations for Non-executive Director appointments.

Further details on gender diversity within the Group are set out on page 27.

COMMITTEE EVALUATION

An external evaluation was undertaken in relation to the Board and its committees as reported on page 78. There were no actions recommended relating specifically to the Nomination Committee.

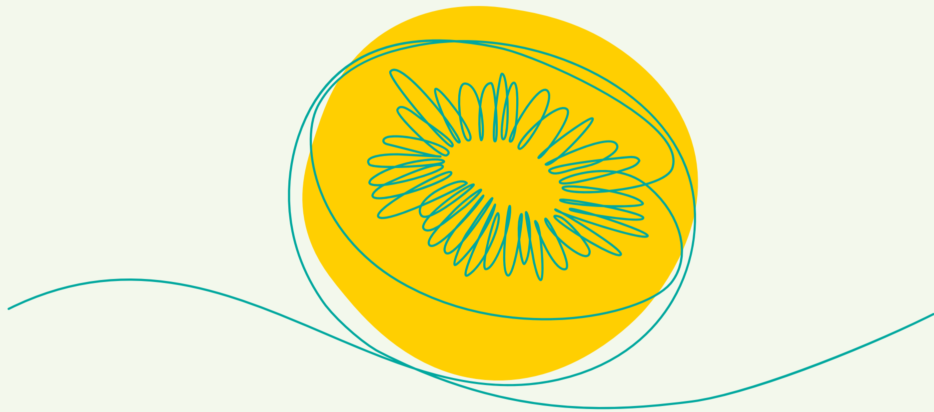
Vijay Thakrar
Chair – Nomination Committee

THIS YEAR'S ACHIEVEMENTS

- Appointments of CFO, Chairman Designate and two Non-executive Directors
- External Board evaluation

FUTURE PLANS

- Board succession planning and composition
- Continuing development of leadership talent
- Oversight of senior management resilience and succession plans
- Continuing review and development of Board and committee memberships



AUDIT COMMITTEE REPORT

A FOCUS ON GOVERNANCE AND REPORTING

"

I AM PLEASED TO PRESENT OUR AUDIT COMMITTEE REPORT

Philip O'Connor

Chair – Audit Committee

The Audit Committee focuses on effective governance and financial reporting.

MEMBERSHIP, INDEPENDENCE AND EXPERIENCE

The Audit Committee's membership was refreshed during the year with Vijay Thakrar succeeding Jeff Iliffe as Chair of the committee when Jeff stepped down from the Board in February 2022. Following Vijay's appointment as Chairman Designate Philip O'Connor was appointed Chair of the committee on 17 September 2022. Philip spent many years in senior roles, including as Finance Director of Kerry foods, and is a qualified Chartered Certified Accountant deemed by the Board to have recent and relevant financial experience.

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 four times during the year. The auditor attended three of these meetings other than when their appointment or performance were being reviewed and the CEO, CFO and other senior finance team members attended as appropriate by invitation. The committee has discussions at least twice 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 employees of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Group has arrangements in place for the proportionate and independent investigation of such matters and for appropriate follow-up action

ACTIVITIES SINCE THE LAST REPORT

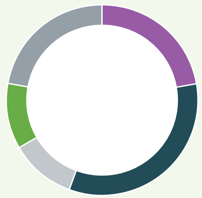
- Reviewed and reported to the Board on the half year report and trading updates
- Met with the audit partner to approve the audit plan and identification of risks
- Reviewed the auditor's findings, management's responses and ensured robust challenge
- Reviewed the auditor's performance and the audit 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

AUDIT COMMITTEE MEMBERS

Philip O'Connor (Chair)
Non-executive Director

Christine Sisler
Non-executive Director

Vijay Thakrar
Non-executive Director



Audit Committee experience

Finance	2
Management	3
Industry	2
ESG	1
Operations	1

Committee meetings in the year

4

Meeting attendance

100%

- Reviewed and reported to the Board on the Group's Annual Report for 2022 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 Speak Up reports, of which there was one during the year. Further details can be found on page 75
- Reviewed the potential requirement for an internal audit function
- Reviewed whether it was appropriate for there not to be an external audit of the Company's half year results, as in previous years
- 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 has regular contact with the audit partner without the presence of the Executive Directors.

In respect of the Annual Report, members of the committee review early drafts to keep appraised of its key themes and to raise any issues early in the process. The 2022 Annual Report was reviewed at a committee meeting in November 2022; 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.

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 2022 Annual Report were:

Global economic uncertainty and impact on going concern basis of accounting

Despite the Group's resilient financial performance throughout the global pandemic, the committee remains vigilant to the uncertainties arising both domestically and internationally from the current economic and geopolitical environment, as well as the prospect of a future pandemic. The impact of these various challenges is manifesting itself in inflationary price increases, supply-side challenges and changing consumer tastes as well as impacting the rate of economic recovery within 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 is on pages 68 and 69 sets out the approach taken and the conclusions reached.

Foreign exchange management

In light of the impact of foreign exchange on the year's financial results, the committee has reviewed the Group's policy and strategy for foreign exchange risk management and discussed with management the appointment of specialist advisors to support management, and provided guidance on the implementation of an FX committee, whose role is to monitor foreign exchange risk on a regular basis. Details of which are set out in the Financial Review on page 56.

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.

Defined benefit pension scheme

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 valuation at the year-end date revealed a funding surplus within the scheme, the committee considered the choice of assumptions used to calculate the Group's pension surplus 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.

The committee also reviewed the legal advice obtained in relation to the circumstances in which the company would have an unconditional right to a surplus at some future date and concluded that the recognition of the pension surplus was therefore appropriate.

Audit quality review

The Audit Committee is aware that the external auditor (BDO) has been subject to a review by the FRC's Audit Quality Review (AQR) team in respect of the audit for the year ended 30 September 2021. The Audit Committee Chair shared the AQR Inspection Report with the Audit Committee, and also discussed the other finding directly with the BDO partner. The Audit Committee noted the scope of the review, the other finding raised, and area of good practice identified, together with BDO's plan to address the finding. The Audit Committee is satisfied with BDO's response to address the other finding raised which was implemented as part of the audit for the year ended 30 September 2022.

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 seeks to ensure 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

AUDIT COMMITTEE REPORT CONTINUED

These processes, together with its own review, allow 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 recent reviews, the last of which was in October 2022, responsibility for risk management and monitoring the effectiveness of internal controls remains 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 68 and 69. 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 62 to 67.

The committee annually reviews the requirement for an internal audit function. In recent years work has been undertaken, with the assistance of KPMG, to improve risk management across the Group, as detailed on page 64. 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. 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 AUDIT

The Audit Committee is committed to ensuring the independence, effectiveness and objectivity of the external auditor, and reviews the performance of the external auditor in respect of audit related services and non-audit services every year.

APPOINTMENT AND RE-APPOINTMENT OF EXTERNAL AUDITOR

The Group undertook a competitive external audit tendering process in 2020 and BDO LLP (BDO) was selected as the Group's external auditor with effect from 29 May 2020. For FY2022, BDO continued to provide external audit services to the Group. Tracey Keeble was the partner for BDO on the audit of Treatt for the year ended 30 September 2022 and for the previous two years.

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. BDO LLP has indicated its willingness to continue in office. The Audit Committee recommended to the Board that BDO be re-appointed and 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 2022 is disclosed in note 5 of the financial statements.

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 underpinned 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.

EFFECTIVENESS OF THE COMMITTEE

The effectiveness of the committee was considered as part of the external Board evaluation 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.

Philip O'Connor
Chair – Audit Committee

FUTURE PLANS

- 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 consider whether it is appropriate the Group's half year results to be externally audited

DIRECTORS' REMUNERATION REPORT

A FOCUS ON REMUNERATION STRUCTURE

"

I AM PLEASED TO PRESENT OUR DIRECTORS' REMUNERATION REPORT

Yetunde Hofmann

Chair – Remuneration Committee

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

The committee has supported the Board in taking steps in relation to the pay of our people in 2023.

CHAIR'S STATEMENT

I am pleased to present the Directors' Remuneration Report for Treatt for 2022 and firstly would like to thank my colleagues, Non-executive Directors Jeff Iliffe and Lynne Weedall, for their significant contributions as members of the committee until they stepped off the Board in February and September 2022 respectively.

This Chair's statement summarises the main areas of activity for the committee during the year.

2022 ANNUAL GENERAL MEETING: OUR NEW DIRECTORS' REMUNERATION POLICY

We proposed a new Directors' Remuneration Policy at our AGM held in January 2022, detailed on pages 87 to 92, which received strong shareholder approval with 96.81% of votes cast in favour. Our Directors' Remuneration Report for 2021 was also approved at our 2022 AGM by over 99% of shareholder votes cast. We are grateful for the continuing support of our shareholders for the work of the Remuneration Committee.

The Directors' Remuneration Report for Treatt for 2022, including both this Chair's statement and the Implementation Report, which details the remuneration paid to the Directors during the financial year under review, will be put to an advisory vote at the AGM on 27 January 2023.

WORK OF THE COMMITTEE IN 2022

As referenced throughout this year's Annual Report, Treatt has experienced challenges during the year.

- Although we achieved revenue growth of c.13% (9% in constant currency) in line with our revised market expectations for FY2022, our profit before tax and exceptional items (PBT&E) of £15.3m was below our record result for FY2021 of £20.9m.
- However, throughout the year the Group made good progress on important strategic initiatives which we believe will position the Group well for a return to its positive growth trajectory. These actions included:
  - The opening of the new UK Headquarters and production facility in which a further £5.0m was invested in 2022.
  - Transitioning the majority of production to the new UK Headquarters. UK production capacity will at least double once this process is fully completed. Distillation equipment is anticipated to move to the new site in 2023.
- The business expects to generate good levels of cash in future years and anticipates lowering net debt, therefore the Board intends to continue its progressive dividend policy.

The committee has supported the Board in taking steps in relation to the pay of our people in 2022 to address the pressures being felt on living standards in a high inflation environment. This has involved:

- A 5% pay review for the majority of US and UK colleagues effective 1 October 2022.
- In addition to this we are also paying some colleagues an additional temporary monthly allowance to assist with the short-term cost of living impacts our people are facing. This will be reviewed quarterly from Jan 2023.
- To enable higher percentage increases and payments to support those employees across the Group most affected by cost of living impacts, members of the newly formed Executive Leadership Team have received an increase to salary of 2% only for FY2023.

REMUNERATION COMMITTEE MEMBERS

Yetunde Hofmann (Chair)
Non-executive Director

Vijay Thakrar
Non-executive Director

Christine Sisler
Non-executive Director

Remuneration Committee experience

HR	1
Finance	1
Management	3
ESG	1
Operations	1
Industry	1

Committee meetings in the year

4

Meeting attendance

100%

DIRECTORS' REMUNERATION REPORT CONTINUED

- As has been our practice annually since 2014, we will again offer all UK and US employees, with a period of at least twelve months' qualifying service, free shares to the value of £700 and $1,000 respectively.

Turning to incentive pay outcomes for FY2022:

- In respect of the LTIPs granted to the Executive Directors in 2019, the average earnings per share growth performance targets set by the Remuneration Committee at the time of grant (average annual growth between 3.0% and 10.0% over three financial years) were attained at a level of 8.1% average annual growth and consequently the awards vested at 76.3% of award.
- The financial measures for our 2022 annual bonus (80% weighting on PBT&E) were not attained, and nil is payable for this element. The annual bonus element related to non-financial objectives (20% weighting) payable to the CEO is determined by reference to key objectives including the enhancement of our equality, diversity and inclusion agenda, the vision and creation of our Global Executive Leadership Team, the continued improvement of our culture along with the identification of key outcomes to be achieved as we pursue our strategy for the next five years.
- The committee determined that 82% of the bonus relating to the achievement of non-financial objectives should be paid. However, in light of the current economic climate and the challenges being faced our CEO has chosen to forgo 50% of this payment and therefore 8.2% of his maximum attainable bonus will be paid.
- The non-financial objectives for 2022's annual bonus are all matters which are important to Treatt's long-term development. Accordingly, paying some element of annual bonus for attainment of these is, in the committee's view, important to reinforce the integrity of having such measures within our annual bonus plan which, we believe, is strongly in shareholders' best interests. It also acknowledges our management team's strong and robust leadership in a year of challenging markets. The committee does, however, support our CEO's action in waiving half of his bonus for 2022 and we regard this as particularly appropriate given all of the circumstances.

As we are required to confirm by the UK Directors' Remuneration Report regulations, the committee confirms that it 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 Directors' 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.

APPOINTMENT OF OUR CHIEF FINANCIAL OFFICER

As announced in February, Ryan Govender was appointed Chief Financial Officer on 1 July 2022. His salary and benefits on appointment were determined by the Remuneration Committee in accordance with the Directors' remuneration policy and market conditions for the role.

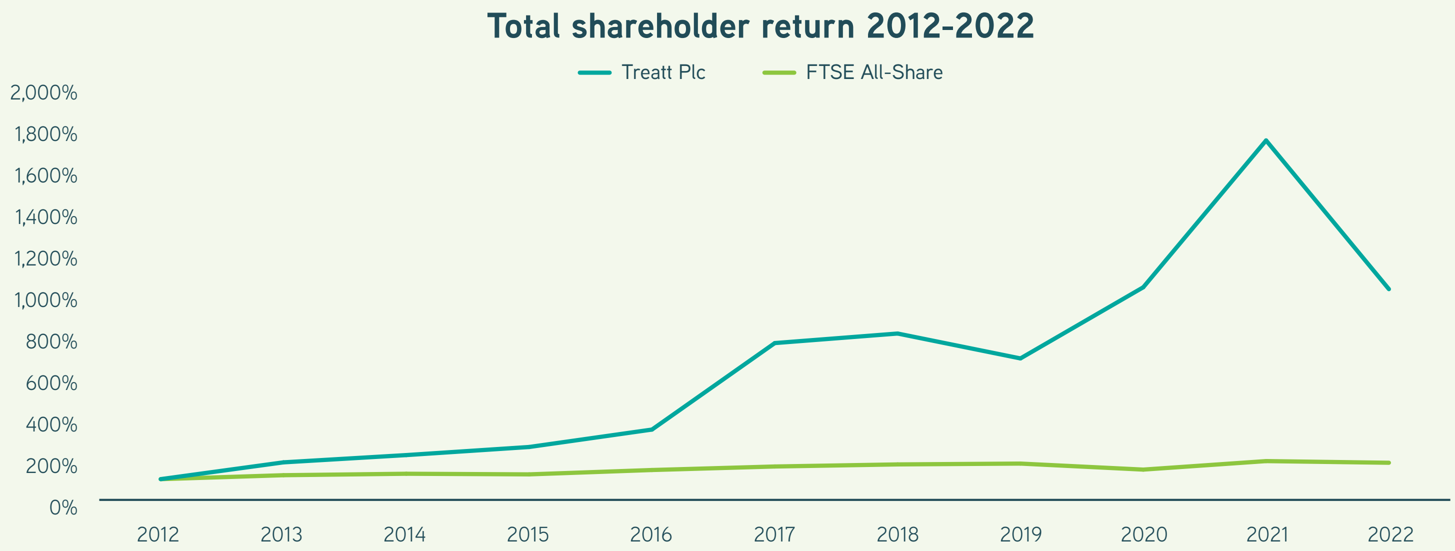
LOOKING AHEAD TO 2023

In last year's Directors' Remuneration Report I set out in detail our proposal to increase the CEO's salary on a phased basis over a two-year period together with the rationale for this change. These proposals were in line with our overall pay principles which require a proportionate approach to pay in Treatt, and accordingly the two-year salary proposals were not above "market-suggested levels" for the CEO of a company of Treatt's scale and complexity.

The second phase of the increase remained dependent upon the Remuneration Committee's review of continued appropriateness, reflecting Group performance.

The committee has undertaken this review thoroughly and in particular has taken into account Daemmon's continued exceptional leadership during a period of transition for the business (including the move to the new UK Headquarters and production facility) and one in which the Company has faced challenges from the macro-economic environment. Daemmon's leadership was crucial in ensuring that our wider Treatt team maintained the utmost focus on delivering for our customers.

Accordingly, following our review, the committee believes that making the proposed second phase increase to CEO salary is appropriate and our CEO's salary for financial year 2023 is as set out overleaf. Although our profits for FY2022 fell from the prior year's record levels and our share price fell by around 40% over the 2022 financial year, those results need to be set in the context of Daemmon's leadership of the Company since 2012 – as the chart on page 86 shows, in that period the Company has still delivered an over 1,000% total return to our shareholders, significantly out-performing the market.



- Daemmon Reeve – £435,000 (£390,000)

As already explained, to enable higher percentage increases and payments to support those employees across the Group most affected by cost of living challenges, members of the newly formed Executive Leadership Team (including our CFO) have received an increase to salary of 2% only for FY2023. Accordingly, for FY2023, our CFO's salary is as follows:

- Ryan Govender – £234,600 (£230,000)

The CEO and CFO's maximum bonus opportunity for FY2023 will be 125% of base salary. The performance measures for the annual bonus plan for 2023 will operate on a basis consistent with those for FY2022 with 20% of the maximum attainable bonus being based on non-financial measures.

In light of the disappointing impact on profits this year the committee intends that the annual LTIP award level for FY2023 will be scaled back to 125% from 150% of base salary. We have determined this to be a meaningful scale-back. As for LTIP awards in FY2023, the awards will have performance conditions based on growth in earnings per share and return on average capital employed over a three-year performance period, and with any vesting shares subject to a two-year holding period.

For completeness, the fees of the Chairman and the Non-executive Directors were also reviewed in 2021 phased over two years and, whilst the fees of Non-executives are not matters for the Remuneration Committee, the new fee levels, which implement the second element of the review, can be summarised as follows:

- Chairman: £123,000 p.a. (£113,000)
- Non-executives' base fee: £51,000 p.a. (£46,723)
- Fees for Audit Chair, Remuneration Committee Chair and Senior Independent Director: £10,000 for each role p.a. (£8,000)

We are happy to receive feedback from shareholders at any time in relation to our remuneration policies and hope to receive your support for the resolution to approve the Directors' Remuneration Report at the forthcoming AGM. I will be available at the AGM to answer any questions you may have.

Finally, as announced on 1 November, I will be stepping off the Treatt Board at the conclusion of the AGM in January. I would like to extend my thanks to my Board colleagues, to my current Chair Tim Jones and the wider Treatt team for their support and assistance during my tenure. It has been a great experience.

Yetunde Hofmann
Chair – Remuneration Committee

DIRECTORS' REMUNERATION REPORT CONTINUED

POLICY SECTION

Policy report: Provided for information

As approved at the AGM 2022; not subject to further approval at the 2023 AGM

This section provides, for information only, the Directors' remuneration policy as approved at the 2022 AGM. The only contextual alterations from the policy as approved at the 2022 AGM are in the main Policy Table where items which were required to be highlighted as changes from the previous 2019 policy are no longer so highlighted.

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.

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

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 employees generally shall be provided to Directors on equal or comparable terms
Maximum opportunity	Except as otherwise stated these are on the same terms as the benefits received by other employees in the country in which the Director is resident
Performance metrics	Not applicable

Element: pension	
Purpose and link to strategy	Helps recruit and retain high-calibre Executive Directors and to provide a competitive package
Operation	Entitlement to receive employer contributions into a defined contribution pension scheme on the same terms as employees in the country in which the Director is resident. This can be received as a cash amount where the lifetime allowance is reached (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

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 20% 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)

DIRECTORS' REMUNERATION REPORT CONTINUED

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	125% 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

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 2022
Maximum opportunity	Not applicable
Performance metrics	Not applicable

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

DIRECTORS' REMUNERATION REPORT CONTINUED

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 £500,000 as approved by shareholders at the Annual General Meeting in January 2022) 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. All employee and senior management bonuses are restricted to a maximum of between 18% and 70% 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 earnings per share (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 with 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.

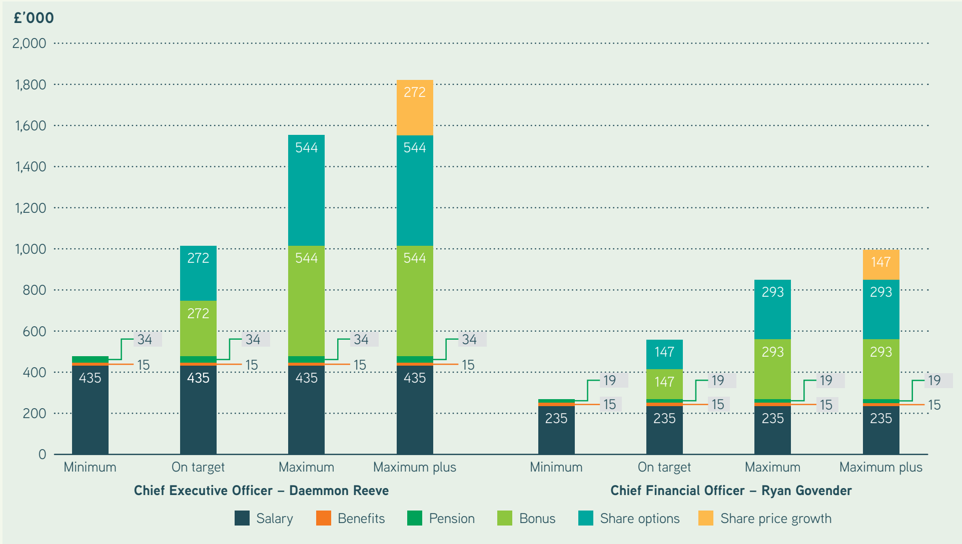


Illustration of remuneration policy

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 87 to 89 and base salaries as at 1 October 2022.

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 basic salary and an LTIP of 62.5% of basic salary for the Executive Directors (being notional vesting of 50% of LTIP award)

Maximum

- Basic salary, pension or cash in lieu of pension, benefits
- A bonus of 125% of basic salary and an LTIP of 125% of basic salary for the Executive Directors (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

DIRECTORS' REMUNERATION REPORT CONTINUED

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 74 and 75. 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 2022:

	Date of contract	Notice period
Daemmon Reeve	6 April 2016	12 months
Ryan Govender	23 May 2022	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 and are terminable on three months' notice by either party. 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 two 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 remuneration policy approved 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

Jeff Iliffe and Lynne Weedall stepped down from the Board and as members of the committee during the year. Current membership is Yetunde Hofmann (Chair), Vijay Thakrar and Christine Sisler. 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

DIRECTORS' REMUNERATION REPORT CONTINUED

Activities since the last report

- Approval of the 2022 Directors' Remuneration Report
- Approval of the 2022 Remuneration Policy at our 2022 AGM
- Agreement of the bonuses payable for the 2022 financial year
- Grant of options to Executive Directors, senior management and other business critical employees under the Treatt LTIP and the setting of performance conditions
- Reviewing salary and fee levels for the Executive Directors and Chairman respectively, and agreement of salary and fee increases for the 2023 financial year
- Determination of the salary increases of members of the Executive Leadership Team for the 2023 financial year
- Consideration of the award of free and matching shares to UK employees under the Share Incentive Plan and equivalent awards of restricted stock units to US employees under the Long Term Incentive Plan
- Reviewing the quality of the advice received from FIT Remuneration Consultants and whether it was objective and independent
- 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 the company's remuneration 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 £12,293 (2021: £45,490) 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 78 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 2023

Element of remuneration policy	Implementation of policy for 2023
Base salaries	Daemmon Reeve – £435,000 (FY2022: £390,000) Ryan Govender – £234,600 (FY 2022: £230,000)
Benefits	Unchanged from FY2022. 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 Contributions are paid as cash and reduced for the impact of Employers' NICs, giving an actual contribution rate of 7.9% of salary Ryan Govender – 9% of salary
Annual bonus	Maximum is 125% of base salary for Executive Directors for FY2023 targets which are based on: • Group profit before tax and exceptionals calibrated by reference to the performance of the Group in FY2022 (80% weighting) • Non-financial targets and objectives set by the Remuneration Committee (20% weighting) The bonus outcomes for FY2023 will be paid: • 75% in cash after finalisation of the Group's results for FY2023 • 25% subject to deferral in shares for two years (subject to £10,000 minimum value of deferral) 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

Element of remuneration policy	Implementation of policy for 2023
Long Term Incentive Plan (LTIP)	Annual LTIP award to Executive Directors of shares worth 125% of base salary (calculated using share prices at the time of award) FY2023 awards will be subject to performance conditions measured over three financial years to FY2025 The performance condition will be: • Based on average annual growth in adjusted basic earnings per share ('EPS') (80% weighting) measured from FY2022 as the base point and with a performance range as follows: Threshold average growth in EPS of 5.0% (below which there is 0% vesting) through to maximum vesting at 14.0% average annual growth • Based on Return on average capital employed ('ROACE') (20% weighting) with a performance range as follows: Threshold ROACE of 15.0% (below which there is 0% vesting) through to maximum vesting at 25.0% After performance vesting at three years, LTIP awards are subject to a further two-year holding period
Share retention policy	Daemmon Reeve – 200% of basic salary Ryan Govender – 200% of basic salary At 30 September 2022 Daemmon Reeve held shares worth 831% of basic salary Ryan Govender is yet to hold any Treatt shares due to his recent appointment
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 FY2023 are as follows: • Chairman – £123,000 (FY2022: £113,020) For all other Non-executive Directors: • Base fee – £51,000 (FY2022: £46,723) • Audit Committee Chair fee – £10,000 (FY2022: £8,000) • Remuneration Committee Chair fee – £10,000 (FY2022: £8,000) • Senior Independent Director – £10,000 (FY2022: £8,000)

The following section of this report provides details of the implementation of the policy for the year ended 30 September 2022.

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[1]		Ryan Govender[1]	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Fixed pay:						
Salary	390	340	174	227	83	–
Taxable benefits[2]	16	16	12	16	4	–
Pension[3]	31	45	14	18	7	–
Total fixed pay	437	401	200	261	94	–
Variable pay:						
Annual bonus	40	340	35	227	–	–
Share options vesting in the financial year[4]	989	–	649	11	–	–
Total variable pay	1,029	340	684	238	–	–
Total single figure of remuneration	1,466	741	884	499	94	–

1 Richard Hope retired on 30 June 2022. Ryan Govender was appointed as an Executive Director on 1 July 2022.

2 Taxable benefits provided to Executive Directors relate to private medical insurance and car allowances.

3 Pension contributions relate to pay in lieu of pension after deduction of employers' NI.

4 Details of share options which vested in the year are shown on page 96. The percentage of the value which vested during the year which related to share price growth was 64.8%.

Details relating to the annual bonus for Executive Directors

The total annual bonus award for Executive Directors is calculated based on the annual growth in profit before tax, adjusted for exceptional items (PBT&E) with 80% weighting, and on the achievement of non-financial measures set by the Remuneration Committee with 20% weighting.

Bonus payments linked to financial measures 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 financial measures for the 2022 annual bonus were not attained and £nil was payable for that element.

The non-financial objectives were determined with reference to key objectives including the enhancement of the equality, diversity and inclusion agenda, creation of the Global Executive Leadership Team and identifying key strategic outcomes for the business. The Remuneration Committee determined that 82% of the bonus relating to the achievement of non-financial objectives should be paid. However, as disclosed in the Chair's introductory statement to this report, Daemmon Reeve waived 50% of his annual bonus outcomes for 2022.

	Percentage bonus attainable	2022 PBT&E £'000
Threshold	2.5%	21,442
Maximum	100%	24,057
Actual achieved	0%	15,256

Percentage bonus awarded

The annual bonus, as a percentage of the maximum bonus achievable (125% of salary), was as follows:

	2022	2021
Daemmon Reeve	8.2%	100.0%
Richard Hope[1]	16.0%	100.0%
Ryan Govender[2]	0.0%	n/a

1 Richard Hope retired on 30 June 2022. His bonus was awarded pro-rata for his period of service during the year. The amount of bonus payable relating to the achievement of financial measures was £nil.

2 Ryan Govender was appointed as an Executive Director on 1 July 2022.

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 2022[2]	Executive	1 Feb 2022	£11.20	585	25%	30 Sept 2024
	SAYE 2022[3]	All-staff	14 July 2022	£7.61	22	N/A	N/A

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.

Performance conditions for Executive LTIP options

The 2022 LTIP awards had performance conditions linked to adjusted basic earnings per share (EPS) and return on average capital employed (ROACE) as follows:

- 80% on average annual EPS growth; range between 5.0% p.a. (nil vesting) to 14.0% (full vesting)
- 20% on average annual ROACE; range between 15.0% (nil vesting) to 25.0% (full vesting)

For LTIP awards prior to these, performance conditions were entirely EPS-based and vested on a sliding scale between 25% when average annual growth exceeded 3.0% p.a., and 100% where average annual growth equalled or exceeded 10.0% p.a.

The share options of the Directors in office during the year are as set out below:

	Exercise dates	Exercise price	At 1 Oct 2021	Granted during the year	Exercised during the year	Forfeited during the year	At 30 Sept 2022
Daemmon Reeve	Sept 2022 – Feb 2023	361.0p	4,986	–	(4,986)	–	–
	Sept 2023 – Feb 2024	610.0p	–	2,950	–	–	2,950
	Dec 2021 – Dec 2028	Nil	80,487	–	(80,487)	–	–
	Dec 2022 – Dec 2029	Nil	73,978	–	–	–	73,978
	Dec 2023 – Dec 2030	Nil	45,571	–	–	–	45,571
	Feb 2025 – Feb 2032	Nil	–	52,232	–	–	52,232
			205,022	55,182	(85,473)	–	174,731
Richard Hope[1]	Sept 2022 – Feb 2023	361.0p	1,645	–	(1,599)	(46)	–
	Sept 2023 – Feb 2024	409.0p	1,496	–	(955)	(541)	–
	Sept 2024 – Feb 2025	932.0p	637	–	–	(637)	–
	Dec 2021 – Dec 2028	Nil	53,658	–	(53,658)	–	–
	Dec 2022 – Dec 2029	Nil	49,318	–	–	(3,282)	46,036
	Dec 2023 – Dec 2030	Nil	30,381	–	–	(12,197)	18,184
			137,135	–	(56,212)	(16,703)	64,220

1 Richard Hope retired on 30 June 2022, and the Board exercised its discretion to permit a proportion of shares under existing LTIP awards to be retained, and for these shares to be capable of vesting at the originally specified vesting dates per the scheme rules.

The aggregate amount of gains made by the Directors on the exercise of share options in the year was £1,638,000 (2021: £11,000).

There have been no further changes in the interests of the Directors to subscribe for or acquire shares between 1 October 2022 and 22 November 2022, the latest date practicable to obtain the information prior to publication of this document.

The market price of the shares at 30 September 2022 was £5.90 and the range during the financial year was £5.07 to £13.15. All market price figures are derived from the Daily Official List of the London Stock Exchange.

Non-executive Directors (audited)

	Fees (fixed pay) 2022 £'000	Fees (fixed pay) 2021 £'000
Tim Jones	**113**	103
Jeff Iliffe[1]	**23**	50
Yetunde Hofmann	**55**	42
Richard Illek[2]	**12**	42
David Johnston	**47**	42
Lynne Weedall[3]	**52**	48
Vijay Thakrar	**52**	48
Philip O'Connor[4]	**31**	n/a
Christine Sisler[4]	**32**	n/a
	417	375

1 Jeff Iliffe stepped down on 25 February 2022.
2 Richard Illek stepped down on 31 December 2022.
3 Lynne Weedall stepped down on 17 September 2022.
4 Philip O'Connor and Christine Sisler were both appointed on 1 February 2022.

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 2022 £	Accrued total pension 2021 £
Daemmon Reeve	24 Sept 2036	**14,855**	14,404

The transfer values have been calculated on the basis of actuarial advice in accordance with Statutory Instrument 2013 No 1981 – The Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. Further details of the scheme are included in note 29.

DIRECTORS' REMUNERATION REPORT CONTINUED

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

	2022 £'000	2021 £'000
Daemmon Reeve	**31**	45
Richard Hope[1]	**14**	18
Ryan Govender[1]	**7**	–

1 Richard Hope retired on 30 June 2022. Ryan Govender was appointed as an executive director on 1 July 2022.

Pension contributions include pay in lieu of pension after deduction of employers' NI in order to be cost neutral to the Group.

Directors' interests (audited)

The Directors who held office at 30 September 2022 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	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Executive Directors						
Daemmon Reeve	549,161	493,463	171,781	200,036	2,950	4,986
Ryan Govender[1]	–	–	–	–	–	–
Non-executive Directors						
Tim Jones	70,948	40,799	–	–	–	–
Vijay Thakrar	6,144	1,641	–	–	–	–

1 Ryan Govender was appointed on 1 July 2022.

Between 1 October 2022 and 22 November 2022, 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 2022 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		
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000	Target % of base salary
Daemmon Reeve	**3,240**	5,009	**390**	340	**831%**	1,473%	200%
Ryan Govender[3]	**–**	–	**235**	–	**–**	–	200%

1 Based upon a share price of £5.90 as at 30 September 2022.
2 Base salary is the basic gross pay for the corresponding year.
3 Ryan Govender was appointed on 1 July 2022.

CEO remuneration (unaudited)

The following table provides historical data on remuneration in respect of the Director performing the role of Chief Executive Officer for each of the years covered by the performance graph:

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total remuneration (£'000)	**1,466**	741	1,219	1,501	1,757	603	580	470	436	405
Annual bonus as % of maximum[1]	**8.2%**	100%	100%	62.5%	92.5%	100%	88%	92%	95%	85%
Share options vesting as % of maximum	**100%**	N/A[1]	100%	100%	100%	N/A[1]	N/A[1]	100%[2]	100%[2]	100%[2]

1 There were no options which vested during the year.
2 All share options vested in full as they were all-employee share options which were not subject to performance conditions.

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:

	2022 £'000	2021 £'000	Movement
Total remuneration[1]	**20,939**	18,909	10.7%
Dividends[2]	**4,834**	3,704	30.5%
Current tax[3]	**1,939**	3,374	(42.5%)

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 10.

3 Current tax charge in respect of the financial year as disclosed in note 9.

Chief Executive pay ratio reporting

The average number of UK employees in the current financial year has exceeded 250 for the first time, and as such the Group are required to publish CEO pay ratio information. The CEO pay ratio information for prior years is not in scope.

Set out below is the ratio of the Chief Executive's single figure of total remuneration for 2022 of £1,466,000 expressed as a multiple of total remuneration for UK employees.

The three ratios below are calculated by reference to the colleagues at the 25th, 50th and 75th percentile. The total remuneration of these employees is also disclosed below.

Year	25th percentile	50th percentile	75th percentile
2022	**48:1**	**44:1**	**31:1**

Of the three options set out in legislation for calculating Chief Executive pay ratios, we have chosen option B. This option utilises existing gender pay gap data from April 2022 to calculate the ratio, and was chosen as it is the most accurate and comprehensive data currently available. This data has not significantly changed by the year-end date and so we consider this to be a reliable data set.

Comparison group	Total remuneration	Base salary
Employee A – 25th percentile	**£30,507**	**£21,590**
Employee B – 50th percentile	**£33,033**	**£30,520**
Employee C – 75th percentile	**£46,686**	**£41,929**

Year to year movements in the pay ratio will largely be down to the Chief Executive's variable pay outcome which will significantly outweigh any other changes to pay within the Group. Regardless of what the pay ratio is, we will always continue to invest in competitive pay for all employees. The Group currently offer participation in all-staff share schemes as well as share incentive plans in the UK, and similar schemes for US colleagues. The Group is satisfied that the median pay ratio for this financial year is consistent with the Group's wider pay, reward and progression policies affecting our employees.

We apply the same reward principles for all employees, that is overall remuneration should be competitive when compared to other similar roles from where we recruit. The Chief Executive's remuneration is benchmarked against other similar sized listed companies, taking into account their size, business complexity, scope and relative performance. Based on this information we are satisfied that the Chief Executive's pay is weighted at the correct level.

We expect the pay ratio to fluctuate year on year and it may not always coincide with the underlying performance of the business in a single year.

DIRECTORS' REMUNERATION REPORT CONTINUED

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 2020 and 30 September 2022.

	% change from 2021 to 2022			% change from 2020 to 2021			% change from 2019 to 2020		
	Salary or fees	Bonus	Taxable benefits	Salary or fees	Bonus	Taxable benefits	Salary or fees	Bonus	Taxable benefits
Employees[1]	**9.0%**	**(58.6%)[2]**	**31.6%**	4.2%	56.5%	10.3%	4.9%	22.9%	6.5%
Exec Directors:									
Daemmon Reeve	**14.7%**	**(88.2%)**	**0.2%**	1.0%	1.0%	0.1%	2.1%	63.6%	0.2%
Richard Hope[3]	**2.5%**	**(79.5%)**	**0.2%**	1.0%	1.0%	0.1%	1.8%	62.3%	0.1%
Non-exec Directors:									
Tim Jones	**9.7%**	**n/a**	**n/a**	1.0%	n/a	n/a	2.0%	n/a	n/a
Yetunde Hofmann	**28.9%**	**n/a**	**n/a**	1.0%	n/a	n/a	2.0%	n/a	n/a
Jeff Iliffe[4]	**10.1%**	**n/a**	**n/a**	1.0%	n/a	n/a	2.0%	n/a	n/a
Richard Illek[4]	**10.1%**	**n/a**	**n/a**	1.0%	n/a	n/a	2.0%	n/a	n/a
David Johnston	**10.1%**	**n/a**	**n/a**	(9.0%)	n/a	n/a	(4.7%)	n/a	n/a
Lynne Weedall[4]	**10.1%**	**n/a**	**n/a**	5.4%	n/a	n/a	10.0%	n/a	n/a
Vijay Thakrar	**8.0%**	**n/a**	**n/a**	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 2022 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 0.0% of salary (2021: 12.0%) and UK all-staff bonuses were 1.6% of salary (2021: 7.0%).

3 Richard Hope retired on 30 June 2022, the percentage change from 2021 to 2022 is shown pro-rated.

4 Richard Illek, Jeff Iliffe and Lynne Weedall resigned on 31 December 2021, 25 February 2022 and 17 September 2022 respectively, their percentage increases are calculated on a pro-rata basis.

5 Philip O'Connor and Christine Sisler were both appointed on 1 February 2022.

Statement of voting

At the Annual General Meeting held on 28 January 2022, the votes cast in respect of the resolution to approve the Directors' Remuneration Report, was as follows:

Directors' Remuneration Report	For 99.24%	Against 0.76%	Votes withheld 10,820

The remuneration policy was approved at the Annual General Meeting held on 28 January 2022 and the votes cast in respect of the resolution to approve the remuneration policy, was as follows:

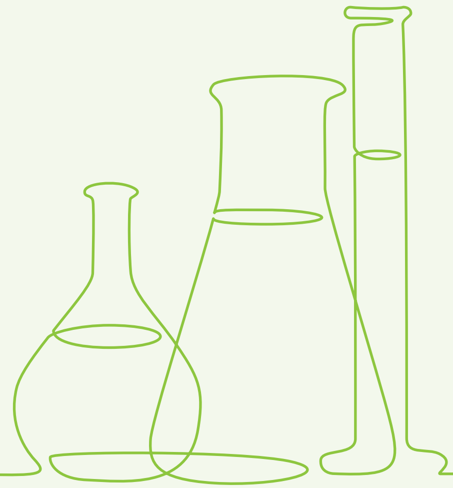
Remuneration Policy	For 96.81%	Against 3.19%	Votes withheld 1,258,243

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 on 29 November 2022.

Ryan Govender
Chief Financial Officer 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 2022.

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 72 to 78, 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.

OPERATIONS AND PERFORMANCE

Results and dividends

The results of the Group for the year are set out on page 110. Reported profit before tax for the year was £16.2m (2021: 19.6m). Profit before tax and exceptional items from continuing operations was £15.3m (2021: £20.9m).

The Directors recommend a final dividend of 5.35p (2021: 5.50p) per ordinary share. This, when taken with the interim dividend of 2.50p (2021: 2.00p) per share paid on 11 August 2022, gives a total dividend of 7.85p (2021: 7.50p) per share for the year ended 30 September 2022.

Events since balance sheet date

No important events affecting the Group have occurred since year end.

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 17 to 18. 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.

SHARES AND SHAREHOLDERS

Structure of share capital

The Parent Company's share capital comprises 60,864,564 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 24 of the financial statements.

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.

Treatt employee benefit trust (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 2022 the trustees, Apex Financial Services (Trust Company) Limited held 270,140 shares (2021: 166,040). No shares (2021: nil) were purchased by the EBT during the year ended 30 September 2022. During the year 400,000 (2021: 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 2022, held 437,711 shares (2021: 477,305), 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.

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 22 November 2022 (the latest practicable reporting date prior to publication of this document).

Group	Number	Issued %	Voting %
abrdn plc	6,356,922	10.44	10.56
Blackrock Inc	3,334,321	5.48	5.54
Hargreaves Lansdown Plc	2,904,162	4.77	4.83
Canaccord Genuity Group Inc	2,703,969	4.44	4.49
Rights and Issues Investment Trust Plc	2,500,000	4.11	4.15
Liontrust Asset Management	2,480,805	4.08	4.12
Ameriprise Financial	2,273,941	3.74	3.78
James Sharp & Co	2,072,043	3.40	3.44
Invesco	1,850,343	3.04	3.08

DIRECTORS' REPORT CONTINUED

GOVERNANCE

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.

Directors

The Directors of the Company are shown on pages 70 and 71.

Powers of Directors and purchase of own shares

At the forthcoming Annual General Meeting in 2023, 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 2023 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 pages 150 to 156.

Appointment and replacement of Directors

The appointment and replacement of Directors is informed and 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 72 to 78.

Details of the Executive Directors' contracts and notice periods are given in the Directors' Remuneration Report on pages 91 to 92. 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.

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 75.

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.

Going concern and viability

The going concern and viability statement is set out on pages 68 to 69.

Branch disclosure

The subsidiary, R C Treatt & Co Limited, established a branch in China in July 2006, which was closed during the course of the year. A WOFE (wholly owned foreign enterprise) was incorporated on 13 May 2021 and is a subsidiary of Treatt plc. The WOFE engages directly with customers in China.

Political donations

The Group made no political donations in 2022 (2021: £nil).

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.

Annual General Meeting

The Annual General Meeting will be held at Treatt plc, Skyliner Way, Bury St Edmunds, Suffolk, IP32 7FR on 27 January 2023. The Notice of Meeting and explanatory notes are given on pages 150 to 156. 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).

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 three-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 58.

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 62 to 67.

ADDITIONAL DISCLOSURES

Future business developments

Further details on these are set out in the Strategic Report on pages 10 to 69.

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 29 of the financial statements.

Health and safety

The Group's disclosures on health and safety have been included within the Sustainability section on pages 24 to 49.

Employees

The Group's disclosures on employees have been included within the Sustainability section on pages 24 to 49. Group's policies on equal opportunities recruitment can be found on page 27.

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 50 to 53.

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 50 to 53.

Streamlined energy and carbon reporting

In compliance with the SECR requirements, our greenhouse gas emissions, energy consumption and energy reduction initiatives are reported within the sustainability section on pages 35 to 49.

Directors' interests in shares

The interests of Directors in shares of the Company are shown in the Directors' Remuneration Report on page 97.

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 and have elected to prepare the Parent Company financial statements in accordance with UK-adopted international accounting standards.

The Group financial statements are required by law, and UK-adopted international accounting standards, 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 UK-adopted international accounting standards, 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 UK-adopted 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 2022.

Ryan Govender
Chief Financial Officer 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 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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.

We have audited the financial statements of Treatt Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 September 2022 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Changes in Equity, the Parent Company Statement of Changes in Equity, the Group and Parent Company Balance Sheets, the 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 UK adopted international accounting standards 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 including retenders and reappointments is 3 years, covering the years ended 30 September 2020 to 30 September 2022. 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 as well as assessing management's ability to forecast through comparison of actuals to prior year 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 and the expiration of the certain facilities in April 2023. 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 without the facilities being renewed;
- We assessed covenants during the year, at the year end and through the going concern period, checking 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.

OVERVIEW

Coverage[1]	98.5% (2021: 99.9%) of Group profit before tax 99.5% (2021: 99.9%) of Group revenue 99.8% (2021: 99.7%) of Group total assets
Key audit matters	Valuation of inventory which is consistent with prior years
Materiality	Group financial statements as a whole £808,000 (2021:£980,000) based on 5% of profit before tax.

1 These are areas which have been subject to a full scope audit by the group engagement team

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 15. 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 accounting policy, key judgements and estimates applied are disclosed in note 3 and the Group inventory note can be found in note 17.	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.	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 and held discussions 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Treatt Plc

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.

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	
	2022 £	2021 £	2022 £	2021 £
Materiality	808,000	980,000	436,000	600,000
Basis for determining materiality	5% of profits before tax	5% of profits before tax	1% of total assets	1.4% 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 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.	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	£566,000	£686,000	£305,000	£424,600
Basis for determining performance materiality	70% of financial statement materiality. The level of performance materiality was set after considering a number of factors including significant transactions in the year, the expected value of known and likely misstatements, and management's attitude towards proposed misstatements.			

Component materiality

We set materiality for each component of the Group based on a percentage of between 54% and 66% (2021: 61% to 71%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £436,000 to £536,000 (2021: £600,000 to £700,000). 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 £28,000 (2021:£34,300). 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.

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 page 69; 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 68.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 103; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 64. • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 83; and • The section describing the work of the audit committee set out on pages 81 to 83.

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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Treatt Plc

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the statement of Director's responsibilities, 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, UK adopted International Accounting Standards,, 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;
- 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 2022

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 2022

	Notes	2022 Before exceptional items £'000	2022 Exceptional items £'000	2022 Total £'000	2021 Before exceptional items £'000	2021 Exceptional items £'000	2021 Total £'000
Revenue	4	**140,185**	**–**	**140,185**	124,326	–	124,326
Cost of sales		**(101,101)**	**–**	**(101,101)**	(82,103)	–	(82,103)
Gross profit		**39,084**	**–**	**39,084**	42,223	–	42,223
Administrative expenses	8	**(23,311)**	**(601)**	**(23,912)**	(20,877)	–	(20,877)
Gain on disposal of land and buildings	8	**–**	**3,324**	**3,324**	–	–	–
Relocation expenses	8	**–**	**(1,800)**	**(1,800)**	–	(1,302)	(1,302)
Operating profit[1]	5	**15,773**	**923**	**16,696**	21,346	(1,302)	20,044
Finance income	7	**8**	**–**	**8**	12	–	12
Finance costs	7	**(525)**	**–**	**(525)**	(439)	–	(439)
Profit before taxation		**15,256**	**923**	**16,179**	20,919	(1,302)	19,617
Taxation	9	**(3,295)**	**431**	**(2,864)**	(4,655)	186	(4,469)
Profit for the year attributable to owners of the Parent Company		**11,961**	**1,354**	**13,315**	16,264	(1,116)	15,148

Earnings per share		2022 Adjusted[2]	2022 Statutory	2021 Adjusted[2]	2021 Statutory
Basic	11	**19.80p**	**22.04p**	27.05p	25.19p
Diluted	11	**19.60p**	**21.82p**	26.74p	24.91p

1 Operating profit is calculated as profit before 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 8.

All financial information presented relates to continuing operations.

Notes 1 to 31 form part of these financial statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2022

	Notes	2022 £'000	2021 £'000
Profit for the year attributable to owners of the Parent Company		**13,315**	15,148
Items that will or may be reclassified subsequently to profit or loss:			
Currency translation differences on foreign currency net investments		**11,461**	(1,752)
Current tax on foreign currency translation differences	9	**102**	18
Fair value movement on cash flow hedges	23	**(23)**	(508)
Deferred tax on fair value movement	9	**4**	93
		11,544	(2,149)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain on defined benefit pension scheme	27	**8,273**	2,952
Deferred tax on actuarial gain	9	**(2,068)**	(135)
		6,205	2,817
Other comprehensive income for the year		**17,749**	668
Total comprehensive income for the year attributable to owners of the Parent Company		**31,064**	15,816

All financial information presented relates to continuing operations.

Notes 1 to 31 form part of these financial statements.

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2022

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	23, 29	–	–	–	(508)	–	–	(508)
Actuarial gain on defined benefit pension scheme	27	–	–	–	–	–	2,952	2,952
Taxation relating to items above	9	–	–	–	93	18	(135)	(24)
Total comprehensive income		–	–	–	(415)	(1,734)	17,965	15,816
Transactions with owners:								
Dividends	10	–	–	–	–	–	(3,704)	(3,704)
Share-based payments	26	–	–	–	–	–	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	24	3	–	(3)	–	–	–	–
Taxation relating to items recognised directly in equity	9	–	–	–	–	–	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**

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 2021		1,208	23,484	(4)	(292)	1,820	80,083	**106,299**
Profit for the year		–	–	–	–	–	13,315	**13,315**
Other comprehensive income:								
Exchange differences		–	–	–	–	11,461	–	**11,461**
Fair value movement on cash flow hedges	23, 29	–	–	–	(23)	–	–	**(23)**
Actuarial gain on defined benefit pension scheme	27	–	–	–	–	–	8,273	**8,273**
Taxation relating to items above	9	–	–	–	4	102	(2,068)	**(1,962)**
Total comprehensive income		–	–	–	(19)	11,563	19,520	**31,064**
Transactions with owners:								
Dividends	10	–	–	–	–	–	(4,834)	**(4,834)**
Share-based payments	26	–	–	–	–	–	1,115	**1,115**
Movement in own shares in share trusts		–	–	8	–	–	–	**8**
Gain on release of shares in share trusts		–	–	–	–	–	622	**622**
Issue of share capital	24	9	–	(9)	–	–	–	**–**
Taxation relating to items recognised directly in equity	9	–	–	–	–	–	(424)	**(424)**
Total transactions with owners		**9**	**–**	**(1)**	**–**	**–**	**(3,521)**	**(3,513)**
30 September 2022		**1,217**	**23,484**	**(5)**	**(311)**	**13,383**	**96,082**	**133,850**

Notes 1 to 31 form part of these financial statements.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2022

Parent Company	Notes	Share capital £'000	Share premium account £'000	Own shares in share trusts £'000	Retained earnings £'000	Total equity £'000
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	10	–	–	–	(3,704)	(3,704)
Movement in own shares in share trusts		–	–	4	–	4
Share-based payments	15	–	–	–	1,732	1,732
Gain on release of shares in share trusts		–	–	–	629	629
Issue of share capital	24	3	–	(3)	–	–
Total transactions with owners		3	–	1	(1,343)	(1,339)
30 September 2021		1,208	23,484	(4)	17,456	**42,144**
Profit for the year		–	–	–	4,101	**4,101**
Total comprehensive income		–	–	–	4,101	**4,101**
Transactions with owners:						
Dividends	10	–	–	–	(4,834)	**(4,834)**
Movement in own shares in share trusts		–	–	8	–	**8**
Share-based payments	15	–	–	–	1,115	**1,115**
Gain on release of shares in share trusts		–	–	–	622	**622**
Issue of share capital	24	9	–	(9)	–	**–**
Total transactions with owners		**9**	**–**	**(1)**	**(3,097)**	**(3,089)**
30 September 2022		**1,217**	**23,484**	**(5)**	**18,460**	**43,156**

Notes 1 to 31 form part of these financial statements.

GROUP AND PARENT COMPANY BALANCE SHEETS

as at 30 September 2022

Registered number: 01568937

		Group		Parent Company	
	Notes	2022 £'000	2021 £'000	2022 £'000	2021 £'000
ASSETS					
Non-current assets					
Intangible assets	12	**3,206**	2,424	**–**	–
Property, plant and equipment	13	**74,281**	61,039	**–**	–
Right-of-use assets	14	**375**	1,556	**–**	–
Investment in subsidiaries	15	**–**	–	**37,385**	36,189
Post-employment benefits	27	**1,782**	–	**–**	–
Deferred tax assets	16	**–**	792	**–**	–
		79,644	65,811	**37,385**	36,189
Current assets					
Inventories	17	**68,351**	47,263	**–**	–
Trade and other receivables	18	**37,113**	26,371	**4,141**	1,252
Current tax assets		**719**	2,701	**–**	–
Derivative financial instruments	23	**–**	11	**–**	–
Cash and bank balances	19	**2,354**	7,260	**2,085**	5,206
		108,537	83,606	**6,226**	6,458
Total assets		**188,181**	149,417	**43,611**	42,647
LIABILITIES					
Current liabilities					
Bank overdrafts	20	**(6,174)**	(7,013)	**–**	–
Borrowings	20	**(15,861)**	(5,684)	**–**	–
Provisions	21	**(397)**	(143)	**–**	–
Trade and other payables	22	**(22,903)**	(17,027)	**(455)**	(503)
Lease liabilities	14	**(105)**	(96)	**–**	–
Derivative financial instruments	23	**(666)**	(593)	**–**	–
Current tax liabilities		**(223)**	–	**–**	–
		(46,329)	(30,556)	**(455)**	(503)
Net current assets		**62,208**	53,050	**5,771**	5,955

		Group		Parent Company	
	Notes	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Non-current liabilities					
Borrowings	20	**(2,342)**	(2,624)	**–**	–
Lease liabilities	14	**(291)**	(957)	**–**	–
Post-employment benefits	27	**–**	(6,806)	**–**	–
Deferred tax liabilities	16	**(5,369)**	(2,175)	**–**	–
		(8,002)	(12,562)	**–**	–
Total liabilities		**(54,331)**	(43,118)	**(455)**	(503)
Net assets		**133,850**	106,299	**43,156**	42,144
EQUITY					
Share capital	24	**1,217**	1,208	**1,217**	1,208
Share premium account	25	**23,484**	23,484	**23,484**	23,484
Own shares in share trusts		**(5)**	(4)	**(5)**	(4)
Hedging reserve		**(311)**	(292)	**–**	–
Foreign exchange reserve		**13,383**	1,820	**–**	–
Retained earnings		**96,082**	80,083	**18,460**	17,456
Total equity attributable to owners of the Parent Company		**133,850**	**106,299**	**43,156**	**42,144**

Notes 1 – 31 form part of these financial statements.

The Parent Company reported a profit for the year of £4,101,000 (2021: £3,155,000).

The financial statements were approved by the Board of Directors and authorised for issue on 29 November 2022 and were signed on its behalf by:

Tim Jones
Chairman

Ryan Govender
Chief Financial Officer

GROUP AND PARENT COMPANY STATEMENTS OF CASH FLOWS

for the year ended 30 September 2022

		Group		Parent Company	
	Notes	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Cash flow from operating activities					
Profit before taxation		**16,179**	19,617	**4,102**	3,155
Adjusted for:					
Depreciation of property, plant and equipment and right-of-use assets		**2,476**	1,705	**–**	–
Amortisation of intangible assets	12	**215**	93	**–**	–
Gain on disposal of land and buildings	8	**(3,324)**	–	**–**	–
Net finance costs excluding post-employment benefit expense	7	**382**	270	**(16)**	(65)
Share-based payments	26	**1,039**	1,733	**–**	–
Increase in fair value of derivatives		**61**	365	**–**	–
Employer contributions to defined benefit pension scheme	27	**(450)**	(450)	**–**	–
Post-employment benefit expense	27	**135**	157	**–**	–
Operating cash flow before movements in working capital		**16,713**	23,490	**4,086**	3,090
Movements in working capital:					
Increase in inventories		**(14,396)**	(11,851)	**–**	–
(Increase)/decrease in receivables		**(8,502)**	(2,680)	**–**	(453)
Increase/(decrease) in payables		**4,355**	4,483	**3**	243
Cash (used in)/generated from operations		**(1,830)**	13,442	**4,089**	2,880
Taxation received/(paid)		**443**	(4,874)	**–**	–
Net cash (used in)/generated from operating activities		**(1,387)**	8,568	**4,089**	2,880

	Notes	Group 2022 £'000	Group 2021 £'000	Parent Company 2022 £'000	Parent Company 2021 £'000
Cash flow from investing activities					
Proceeds on disposal of property, plant and equipment		**5,597**	–	**–**	–
Increase in intercompany loan balance		**–**	–	**(2,925)**	–
Acquisition of shares in subsidiaries	15	**–**	–	**(81)**	(360)
Purchase of property, plant and equipment		**(11,849)**	(13,195)	**–**	–
Purchase of intangible assets	12	**(925)**	(1,178)	**–**	–
Interest received/(paid)	7	**8**	12	**–**	(1)
Net cash used in investing activities		**(7,169)**	(14,361)	**(3,006)**	(361)
Cash flow from financing activities					
Repayment of bank loans		**(360)**	(674)	**–**	–
Increase of bank loans		**9,412**	5,000	**–**	–
Repayment of lease liabilities		**(80)**	(10)	**–**	–
Interest paid	7	**(390)**	(282)	**–**	–
Dividends paid	10	**(4,834)**	(3,704)	**(4,834)**	(3,704)
Proceeds on issue of shares	24	**9**	3	**9**	3
Net sale of own shares by share trusts		**621**	630	**621**	630
Net cash generated from/(used in) financing activities		**4,378**	963	**(4,204)**	(3,071)
Net decrease in cash and cash equivalents		**(4,178)**	(4,830)	**(3,121)**	(552)
Effect of foreign exchange rates		**111**	(173)	**–**	–
Movement in cash and cash equivalents in the year		**(4,067)**	(5,003)	**(3,121)**	(552)
Cash and cash equivalents at beginning of year		**247**	5,250	**5,206**	5,758
Cash and cash equivalents at end of year		**(3,820)**	247	**2,085**	5,206
Cash and cash equivalents comprise:					
Cash and bank balances	19	**2,354**	7,260	**2,085**	5,206
Bank overdrafts	20	**(6,174)**	(7,013)	**–**	–
		(3,820)	247	**2,085**	5,206

Notes 1 – 31 form part of these financial statements.

GROUP RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

for the year ended 30 September 2022

The statement of reconciliation of net cash flow to movement in net debt does not form part of the primary statements.

	2022 £'000	2021 £'000
Movement in cash and cash equivalents in the year	**(4,067)**	(5,003)
Repayment of bank loans	**360**	674
Increase of bank loans	**(9,412)**	(5,000)
Reduction in/(increase of) lease liabilities	**657**	(394)
Cash outflow from changes in net debt in the year	**(12,462)**	(9,723)
Effect of foreign exchange rates	**(843)**	182
Movement in net debt in the year	**(13,305)**	(9,541)
Net (debt)/cash at beginning of year	**(9,114)**	427
Net debt at end of year	**(22,419)**	(9,114)

Analysis of movement in net debt during the year:

	At 1 October 2021 £'000	Cash flow £'000	Foreign exchange movements £'000	At 30 September 2022 £'000
Cash and bank balances	7,260	(5,017)	111	**2,354**
Bank overdrafts	(7,013)	839	–	**(6,174)**
Cash and cash equivalents	247	(4,178)	111	**(3,820)**
Bank loans	(8,308)	(9,052)	(843)	**(18,203)**
Lease liabilities	(1,053)	666	(9)	**(396)**
Net debt	(9,114)	(12,564)	(741)	**(22,419)**

	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 overdrafts	(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)	427	(9,552)	11	(9,114)

Notes 1 – 31 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

1. GENERAL INFORMATION

Treatt plc (the Parent Company) is a public limited company incorporated in the United Kingdom and is 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 157.

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 UK-adopted international financial reporting standards. The Parent Company has also prepared its own financial statements in accordance with UK-adopted 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 Directors have concluded that it is reasonable to adopt the going concern basis in preparing these financial statements based on the expectation that the Group has adequate resources to continue as a going concern for a period of 12 months from the date of these financial statements.

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 as set out on pages 65 to 67, most significantly severe business interruption like that which was experienced during the pandemic, or that could arise through the impact of climate change.

The current Global economic environment post-pandemic is still uncertain in both domestic and international markets. We have seen supply-side challenges and economic slowdown due to China's lockdowns, together with higher-than-expected inflationary pressures, especially on raw material prices and energy from Russia's invasion of Ukraine, all alongside a challenging labour market.

Considering this, the Directors have modelled scenarios representing varying degrees of severity and have considered the impact of changes in working capital, foreign exchange rates, revenues and margins. These assumptions are those that would arise from the aforementioned uncertainties and that would adversely impact cash generation and profitability. Using these assumptions, headroom and covenant compliance have been assessed throughout the going concern (12-month) and viability (three-year) periods. The modelling indicated that the Group would comply with its covenants throughout the tested periods.

A further 'reverse stress test' scenario was modelled to find a sustained reduction in revenue that would give rise to a breach of the Group's covenant conditions within the next 24 months. This scenario was then stress-tested further by overlaying the adverse impact of a decline in profit margins.

At the year-end date, the Group had net debt of £22.4m, headroom on facilities of £8.8m and was comfortably within its net debt to EBITDA ratio covenant limit of 2.5x and interest cover limit of 4.0x. The Group has an accordion facility of £6.5m and access to an uncommitted asset-backed financing line should further funding be required. Facilities of £13.4m come for renewal in April 2023, and for the purpose of the review these were assumed not to be renewed.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Going concern continued

Under the reverse-engineered scenario, it was determined that a continuous decline in sales of greater than 12.5% per annum, or 8.0% per annum alongside a 300bps decline in margin for two consecutive years, with no change to the forecast operating costs and no mitigating measures put in place, would lead to a breach in banking covenants around 22 months from the date of this report and a breach in headroom in May 2023 if the Group fails to refinance any of its facilities that fall for renewal, does not draw upon its uncommitted facilities and does not implement any of the cash-saving measures it has at its disposal. The Directors believe that the financial position of the Group is sufficiently robust that it could renew or extend its facilities should it wish to and consider it implausible that the Group would not act swiftly and decisively to activate the cash generative mitigations it has at its disposal should they be required.

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's ability to continue as a going concern for a period of at least 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis of accounting in preparing these 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.

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 12 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2022

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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 overdrafts.

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 – 15 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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2022

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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, 12-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 payables

Trade payables are not interest-bearing and are stated at their nominal value.

Equity instruments

Equity instruments issued by the Parent Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

The Group's activities expose it to both the financial risks of changes in foreign currency exchange rates and interest rates. From time to time the Group uses foreign exchange forward and option contracts and interest rate swap contracts to hedge some of these exposures. The Group does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the Board. Further information on currency and interest rate management is provided in note 29.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2022

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Hedge accounting

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with the Group's risk management objectives and strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group prospectively documents whether the hedging instrument that is used in a hedging relationship is effective in offsetting changes in fair values or cash flows of the hedged item.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. If a hedging transaction is no longer expected to occur, the net cumulative gain or loss that was recognised in equity is reclassified to profit and loss as a reclassification adjustment through reserves. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Cash flow hedges

Changes in the fair value of derivative financial instruments that are designated as 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 or surplus recognised in the balance sheet represents the present value of the defined benefit pension obligations as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to 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 2022

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 or asset are set out in note 27.

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 vest. Details of the assumptions made in respect of each of the share-based payment schemes are disclosed in note 26. Changes in these assumptions could lead to changes in the income statement expense in future periods.

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.

Own shares in share trusts

Own shares in share trusts relate to shares held in the Treatt Employee Benefit Trust (the EBT) and 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2022

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		2022 £'000	2021 £'000
United Kingdom		**9,777**	9,502
Rest of Europe	– Germany	**7,907**	5,970
	– Ireland	**11,527**	7,313
	– Other	**14,596**	13,931
The Americas	– USA	**53,731**	53,356
	– Other	**12,919**	9,595
Rest of the World	– China	**7,901**	7,440
	– Other	**21,827**	17,219
		140,185	124,326

All Group revenue is in respect of the sale of goods, other than property rental income of £1,000 (2021: £18,000). No country included within 'Other' contributes more than 5% of the Group's total revenue. The Group revenue from the largest customer was £15,226,000 (2021: £10,331,000).

Non-current assets by geographical location, excluding deferred tax assets and post-employment benefit surplus were as follows:

Continuing operations	2022 £'000	2021 £'000
United Kingdom	**44.952**	41,622
United States	**32,910**	23,397
	77,862	65,019

5. PROFIT FOR THE YEAR

Profit[1] for the year is stated after charging/(crediting):

Group	2022 £'000	2021 £'000
Depreciation of property, plant and equipment and right-of-use assets	**2,476**	1,705
Amortisation of intangible assets[2]	**215**	93
Research and development costs	**2,338**	1,767
Research and development tax credits	**(208)**	(181)
Net foreign exchange (gain)/loss[3]	**(1)**	450
Rent receivable	**(1)**	(18)
Cost of inventories recognised as an expense[4]	**84,469**	69,204
Write down of inventories recognised as an expense	**2,295**	1,157
Shipping costs	**3,362**	2,774
IT and telephony costs	**1,174**	953
Insurance costs	**1,061**	950
Energy and utility costs	**1,217**	987

1 Figures refer to operating profit excluding exceptional items, which is calculated as profit before exceptional items, net finance costs and taxation.

2 Included in administrative expenses.

3 Excludes foreign exchange gains or losses on financial instruments disclosed in note 23.

4 Included in cost of sales.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2022

5. PROFIT FOR THE YEAR CONTINUED

The analysis of auditor's remuneration is as follows:

	2022 £'000	2021 £'000
Fees payable to the Parent Company's auditors and their associates for the audit of:		
– the Parent Company and Group accounts	**73**	55
– the Group's subsidiaries pursuant to legislation	**164**	124
Total audit fees	**237**	179
Fees payable to the Parent Company's auditors and their associates for other services to the Group:		
– other assurance services	**14**	12
Total non-audit fees	**14**	12

6. EMPLOYEES

Number of employees

During the year the average number of staff employed by the Group, including Directors, was as follows:

Group	2022 Number	2021 Number
Technical and production	**208**	216
Administration and sales	**233**	176
	441	392

The total number of staff employed by the Group at the year-end date is 425 (2021: 423), no staff were employed by the Parent Company in the current or prior year. During the year, the Directors shown on pages 70 and 71 were employed by R C Treatt & Co Limited.

Employment costs

The following costs were incurred in respect of the above:

Group	2022 £'000	2021 £'000
Wages and salaries	**19,733**	17,912
Social security costs	**1,683**	1,962
Pension costs (see note 27)	**1,206**	997
Share-based payments (see note 26)	**1,039**	1,733
	23,661	22,604

The value of other short-term non-monetary benefits were £1,545,000 (2021: £1,110,000).

Directors

During the year, the aggregate emoluments in respect of the Executive and Non-executive Directors was as follows:

Group	2022 £'000	2021 £'000
Directors in aggregate		
Emoluments in respect of qualifying services	**722**	1,134
Fees paid to Non-executive Directors in respect of qualifying services	**417**	375
Taxable benefits in respect of qualifying services	**32**	32
Gains made on the vesting of share options	**351**	501
Pension contributions to money purchase schemes	**52**	63
	1,574	2,105

Further information on Directors' emoluments and share options are set out on pages 95 to 99.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2022

7. NET FINANCE COSTS

Group	2022 £'000	2021 £'000
Finance income		
Bank interest received	–	12
Other interest received	8	–
	8	12
Finance costs		
Bank interest paid	189	89
Other bank finance costs	187	168
Post-employment benefit expense (see note 27)	135	157
Lease liabilities finance expense (see note 14)	14	25
	525	439

8. EXCEPTIONAL ITEMS

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

Group	2022 £'000	2021 £'000
Disposal of Northern Way premises:		
Gain on disposal of land and buildings	3,324	–
Less: tax effect of disposal	–	–
UK relocation project:		
Relocation expenses	(1,800)	(1,302)
Less: tax effect of relocation expenses	317	186
Restructuring costs:		
Restructuring costs	(601)	–
Less: tax effect of restructuring costs	114	–
	1,354	(1,116)

The exceptional items all relate to non-recurring items.

On 28 February 2022, the Group successfully disposed of its former UK premises at Northern Way, Bury St Edmunds. The proceeds of the sale, net of selling costs were £5,597,000 and the associated gain on disposal was £3,324,000. The gain on the sale of property is not expected to be taxable as indexation allowances are available which fully offset the taxable gain.

Relocation expenses relate to one-off costs incurred in connection with the relocation of the Group's UK operations that do not fall to be capitalised.

Restructuring costs relate to a significant change to the management and executive leadership structure of the global business, which was announced in May 2022. The restructuring costs consist of employment and termination costs for those employees impacted. Payments to employees are those which are contractually due under their existing terms and conditions, and are therefore considered to be fully allowable expenses for tax purposes. During the financial year, payments totalling £387,000 had been made, with the cash flow impact of the remaining costs expected to be settled in the following financial year.

9. TAXATION

Analysis of tax charge in income statement:

Group	2022 £'000	2021 £'000
Current tax:		
UK corporation tax on profits for the year	153	157
Adjustments to UK tax in respect of previous periods	(231)	(131)
Overseas corporation tax on profits for the year	2,069	3,882
Adjustments to overseas tax in respect of previous periods	(52)	(534)
Total current tax	1,939	3,374
Deferred tax:		
Origination and reversal of temporary differences	726	945
Effect of change of tax rate on opening deferred tax	(45)	183
Adjustments in respect of previous periods	244	(33)
Total deferred tax (see note 16)	925	1,095
Tax on profit on ordinary activities	2,864	4,469

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2022

9. TAXATION CONTINUED

Analysis of tax charge/(credit) in other comprehensive income:

Group	2022 £'000	2021 £'000
Current tax:		
Foreign currency translation differences	**(102)**	(18)
Total current tax	**(102)**	(18)
Deferred tax:		
Cash flow hedges	**(4)**	(93)
Defined benefit pension scheme	**2,068**	135
Total deferred tax	**2,064**	42
Total tax expense recognised in other comprehensive income	**1,962**	24

Analysis of tax credit in equity:

Group	2022 £'000	2021 £'000
Current tax:		
Share-based payments	**(20)**	(116)
Deferred tax:		
Share-based payments	**444**	(586)
Total tax charge recognised in equity	**424**	(702)

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% (2021: 19.0%). The differences are explained below:

Group	2022 £'000	2021 £'000
Profit before tax multiplied by standard rate of UK corporation tax at 19.0% (2021: 19.0%)	**3,074**	3,727
Effects of:		
Expenses not deductible in determining taxable profit	**268**	660
Income not taxable in determining taxable profit	**(694)**	–
Research and development tax credits	**(243)**	(52)
Difference in tax rates on overseas earnings	**678**	479
Adjustments to tax charge in respect of prior years	**(39)**	(699)
Effect of change of tax rate on opening deferred tax	**(38)**	354
Deferred tax not recognised	**(142)**	–
Total tax charge for the year	**2,864**	4,469

The Group's effective UK corporation tax rate for the year was 17.7% (2021: 22.8%). The effective tax rate of US-based earnings is 21.5% (2021: 21.9%). The adjustments in respect of prior years relate to the finalisation of previous year's tax computations.

10. DIVIDENDS

Equity dividends on ordinary shares:

	Dividend per share for years ended 30 September				
Parent Company and Group	2022 Pence	2021 Pence	2020 Pence	2022 £'000	2021 £'000
Interim dividend	**2.50p[3]**	2.00p[2]	1.84p[1]	**1,512**	1,203
Final dividend	**5.35p[4]**	5.50p[3]	4.16p[2]	**3,322**	2,501
	7.85p	7.50p	6.00p	**4,834**	3,704

1 Accounted for in the year ended 30 September 2020.

2 Accounted for in the year ended 30 September 2021.

3 Accounted for in the year ended 30 September 2022.

4 The proposed final dividend for the year ended 30 September 2022 of 5.35p pence will be voted on at the Annual General Meeting on 31 January 2023 and will therefore be accounted for in the financial statements for the year ending 30 September 2023.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 September 2022

11. EARNINGS PER SHARE

Basic earnings per share

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

Group	2022	2021
Profit attributable to owners of the Parent Company (£'000)	**13,315**	15,148
Weighted average number of ordinary shares in issue (No: '000)	**60,400**	60,125
Basic earnings per share (pence)	**22.04p**	25.19p

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	2022 No ('000)	2021 No ('000)
Weighted average number of shares	**60,578**	60,310
Weighted average number of shares held in the EBT and SIP	**(178)**	(185)
Weighted average number of shares used for calculating basic EPS	**60,400**	60,125
Executive share option schemes	**487**	486
All-employee share options	**148**	210
Weighted average number of shares used for calculating diluted EPS	**61,035**	60,821
Diluted earnings per share (pence)	**21.82p**	24.91p

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	2022 £'000	2021 £'000
Profit after taxation attributable to owners of the Parent Company	**13,315**	15,148
Adjusted for:		
Exceptional items – gain on disposal of land and buildings (see note 8)	**(3,324)**	–
Exceptional items – relocation expenses (see note 8)	**1,800**	1,302
Exceptional items – restructuring costs (see note 8)	**601**	–
Taxation thereon	**(431)**	(186)
Adjusted earnings	**11,961**	16,264
Adjusted basic earnings per share (pence)	**19.80p**	27.05p
Adjusted diluted earnings per share (pence)	**19.60p**	26.74p

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2022

12. INTANGIBLE ASSETS

Group	Development costs £'000	Software licences £'000	Total £'000
Cost			
1 October 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
Exchange adjustment	86	3	**89**
Additions	278	647	**925**
Disposals	–	(43)	**(43)**
30 September 2022	**989**	**2,674**	**3,663**
Amortisation			
1 October 2020	–	279	279
Exchange adjustment	1	–	1
Charge for year	41	52	93
Disposals	–	(104)	(104)
30 September 2021	42	226	268
Exchange adjustment	15	2	**17**
Charge for year	44	171	**215**
Disposals	–	(43)	**(43)**
30 September 2022	**101**	**356**	**457**
Net book value			
30 September 2022	**888**	**2,318**	**3,206**
30 September 2021	583	1,841	2,424

Included in intangible assets are software licences in the course of construction totalling £53,000 (2021: £1,699,000) and included within development costs are ongoing projects totalling £488,000 (2021: £210,000) which are not yet subject to amortisation. Intangible assets with a net book value of £407,000 (2021: £373,000) have been pledged as security in relation to all US borrowings as detailed in note 20. Included within software additions is £8,000 (2021: nil) of interest payments capitalised in accordance with IAS 23, 'Borrowing Costs'.

13. PROPERTY, PLANT AND EQUIPMENT

Group	Land & buildings £'000	Plant & machinery £'000	Fixtures, fittings & equipment £'000	Laboratory equipment £'000	Total £'000
Cost					
1 October 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
Exchange adjustment	2,798	3,666	436	126	**7,026**
Additions	28	10,486	1,005	491	**12,010**
Disposals	(2,611)	(922)	(606)	(104)	**(4,243)**
30 September 2022	**37,679**	**40,919**	**5,822**	**2,224**	**86,644**
Depreciation					
1 October 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
Exchange adjustment	347	1,140	129	34	**1,650**
Charge for year	334	1,266	560	213	**2,373**
Disposals	(840)	(922)	(606)	(104)	**(2,472)**
30 September 2022	**2,175**	**8,093**	**1,623**	**472**	**12,363**
Net book value					
30 September 2022	**35,504**	**32,826**	**4,199**	**1,752**	**74,281**
30 September 2021	35,130	21,080	3,447	1,382	61,039

Included within freehold land and buildings is £6,597,000 (2021: £6,016,000) of land which is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2022

13. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Included in property, plant and equipment are land and buildings assets in the course of construction totalling £7,363,000 (2021: £15,503,000), plant and machinery assets in the course of construction of £21,422,000 (2021: £14,899,000), fixtures, fittings and equipment in the course of construction totalling £827,000 (2021: £2,013,000) and laboratory equipment in the course of construction totalling £225,000 (2021: £868,000) which are not yet being depreciated.

Included within land and buildings additions is £1,000 (2021: £4,000), within plant and machinery additions is £273,000 (2021: £19,000), within fixtures and fittings is £5,000 (2021: nil) and laboratory equipment £1,000 (2021: nil) of interest payments capitalised in accordance with IAS 23, 'Borrowing Costs'.

Property, plant and equipment with a net book value of £32,443,000 (2021: £22,984,000) has been pledged as security in relation to all US borrowings and property, plant and equipment with a net book value of £21,325,000 (2021: £23,175,000) has been pledged as security in relation to UK borrowings as detailed in note 20.

Capital commitments	2022 £'000	2021 £'000
Contracted but not provided for	**4,398**	4,919

14. 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 12 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 2020	1,138	35	1,173
Exchange Adjustment (see note 12)	–	(3)	(3)
Additions	–	406	406
Depreciation charge	(9)	(11)	(20)
30 September 2021	1,129	427	1,556
Exchange adjustment	–	10	**10**
Additions	–	37	**37**
Disposals	(1,126)	–	**(1,126)**
Depreciation charge	(3)	(99)	**(102)**
30 September 2022	**–**	**375**	**375**

Lease liabilities

Group	2022 £'000	2021 £'000
Lease liabilities		
At start of year	**1,053**	659
Exchange adjustment	**9**	(3)
Additions	**36**	406
Lease liabilities finance expense	**14**	25
Disposals	**(622)**	–
Repayments of lease liabilities	**(94)**	(34)
Balance at end of year	**396**	1,053
Of which:		
Current lease liabilities	**105**	96
Non-current lease liabilities	**291**	957

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 3.0% (2021: 3.2%).

Following the disposal of the Group's former UK Headquarters at Northern Way and its associated leases in February 2022, the Group's leasing activities now primarily comprise equipment hire agreements. There are no residual value guarantees, variable lease payments or extension options in any of the lease arrangements.

As part of the sale agreement for the sale of premises at Northern Way, the Group leased back a building for a period of up to 19 months, with a break-clause at 12 months. The short-term exemption, as permitted by IFRS 16, 'Leases' was applied from the outset as expectations were of a 12-month lease. The income statement expense in respect of short-term leases is £35,000 (2021: £nil).

The maturity analysis of the undiscounted contractual lease commitments is shown below:

Group	2022 £'000	2021 £'000
Maturity analysis – undiscounted lease payments		
Within one year	**105**	97
In one to two years	**91**	109
In two to five years	**213**	301
In more than five years	**–**	2,994

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2022

15. INVESTMENTS IN SUBSIDIARIES

Parent Company	£'000
Cost	
1 October 2020	34,097
Capital contribution to subsidiaries	1,732
Acquisition of share capital in subsidiaries	360
30 September 2021	36,189
Capital contribution to subsidiaries	**1,115**
Acquisition of share capital in subsidiaries	**81**
30 September 2022	**37,385**

Parent Company	2022 £'000	2021 £'000
Subsidiary:		
R C Treatt & Co Limited – 100% (2021: 100%)	**27,790**	26,871
Treatt USA Inc – 100% (2021: 100%)	**9,154**	8,958
Treatt Trading (Shanghai) Company Limited – (2021: 100%)	**441**	360
	37,385	36,189

Treatt SIP Trustees Limited and Treatt Development Company Limited were no longer required as part of the Group's company structure and were struck-off the register in November 2021.

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

Registered office addresses:

1 Skyliner Way, Bury St Edmunds, IP32 7FR, UK.
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.

16. DEFERRED TAXATION

Group	2022 £'000	2021 £'000
UK deferred tax asset	**–**	792
Deferred tax assets	**–**	792
UK deferred tax liability	**(1,707)**	–
Overseas deferred tax liability	**(3,662)**	(2,175)
Deferred tax liabilities	**(5,369)**	(2,175)

Deferred tax assets and liabilities are presented net within the same legal jurisdictions where it is expected that such assets and liabilities may be set-off in the future.

At the balance sheet date, R C Treatt & Co Limited had a deferred tax liability in relation to its pension surplus

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% (2021: 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 21.5% (2021: 21.9%).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2022

16. DEFERRED TAXATION CONTINUED

A reconciliation of the net deferred tax liability is shown below:

	UK deferred tax					Overseas deferred tax		
Group	Post-employment benefits £'000	Fixed assets £'000	Cash flow hedge £'000	Other and share-based payments £'000	Losses £'000	Fixed assets £'000	Other temporary differences £'000	Total £'000
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 to equity:								
For the year	–	–	–	428	–	–	123	551
For change in tax rate	–	–	–	35	–	–	–	35
1 October 2021	1,702	(1,797)	69	818	–	(2,768)	593	(1,383)
Exchange differences	–	–	–	–	–	(661)	108	**(553)**
Credit/(charge) to income statement:								
For the year	(80)	(1,277)	–	(142)	1,609	(627)	(209)	**(726)**
In respect of prior period	–	(231)	–	(30)	17	–	–	**(244)**
For change in tax rate	–	–	–	–	–	47	(2)	**45**
Credit/(charge) to other comprehensive income:								
For the year	(2,068)	–	4	–	–	–	–	**(2,064)**
For change in tax rate	–	–	–	–	–	–	–	**–**
Charge to equity:								
For the year	–	–	–	(301)	–	–	(143)	**(444)**
For change in tax rate	–	–	–	–	–	–	–	**–**
30 September 2022	**(446)**	**(3,305)**	**73**	**345**	**1,626**	**(4,009)**	**347**	**(5,369)**

17. INVENTORIES

Group	2022 £'000	2021 £'000
Raw materials	**30,784**	23,162
Work in progress and intermediate products	**22,347**	20,197
Finished goods	**15,220**	3,904
	68,351	47,263

Inventories are stated net of provisions for impairment of £3,602,000 (2021: £2,102,000).

Inventory with a carrying value of £40,810,000 (2021: £28,541,000) has been pledged as security in relation to all US borrowings as detailed in note 20.

18. TRADE AND OTHER RECEIVABLES

	Group		Parent Company	
Current	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade receivables[1]	**34,727**	23,529	**–**	–
Amounts owed by subsidiaries	**–**	–	**4,086**	1,194
Other receivables	**478**	763	**55**	58
Prepayments	**1,908**	2,079	**–**	–
	37,113	26,371	**4,141**	1,252

1 This includes £9,000 (2021: £1,109,000) 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 September 2022

18. TRADE AND OTHER RECEIVABLES CONTINUED

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	2022	2021
Average debtor days	**76**	67

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	2022 £'000	2021 £'000
Impairment provision		
At start of year	**788**	611
Released in year	**(628)**	(127)
Provided in year	**624**	314
Foreign exchange	**32**	(10)
Balance at end of year	**816**	788

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 33.4% (2021: 33.0%) 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	2022 £'000	2021 £'000
Number of days past the due date:		
1-30	**127**	–
31-60	**–**	–
Over 60	**689**	788

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 29 and the Financial Review on pages 54 to 60. The currency exposure within trade receivables of the principal foreign currencies, was as follows:

Group	2022 £'000	2021 £'000
US Dollar	**23,691**	14,896
Euro	**3,314**	3,358

Trade receivables with a carrying value of £12,462,000 (2021: £10,505,000) have been pledged as security in relation to all US borrowings as detailed in note 20.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2022

19. CASH AND BANK BALANCES

Group and Parent Company

Cash and bank balances of £2,354,000 (2021: £7,260,000) 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 £2,085,000 (2021: £5,206,000). The carrying amount of these assets approximates to their fair value.

A detailed analysis of net cash balances by currency is shown in note 29. 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.

20. BORROWINGS

Current

Group	2022 £'000	2021 £'000
UK bank overdrafts	**6,174**	7,013
UK revolving credit facilities	**13,000**	5,000
US line of credit	**2,034**	–
US term loan	**827**	684
	22,035	12,697

Non-current

Group	2022 £'000	2021 £'000
US term loan	**2,342**	2,624

Loans and borrowings

The term loan comprises the following:

Group	2022 £'000	2021 £'000
Treatt USA $6.5m term loan – US	**3,169**	3,308

The Group has a three-year US Dollar credit facility (US line of credit) of $8.0 million (with an additional $2.0 million seasonal line from March to July each year) expiring in July 2025. At the year-end date the overdrawn balance was £2,034,000 (2021: £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) alongside a £6.5m accordion facility, secured on the value of the freehold land and buildings of the new UK Headquarters at Skyliner Way, renewing in March 2024 and a $9.0 million unsecured RCF and an unsecured overdraft facility of $6.0 million which both come for renewal in April 2023.

The Group's UK-based bank borrowings and cash balances denominated in Sterling 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, the £6,174,000 balance on the UK overdraft was offset against UK cash balances within the overdraft pool, and was incurring interest.

Borrowings are repayable as follows:

Group	2022 £'000	2021 £'000
– in one year or less	**22,035**	12,697
– in more than one year but not more than two years	**827**	685
– in more than two years but not more than five years	**1,515**	1,939
– in more than five years	**–**	–
	24,377	15,321

Further information on Group borrowing facilities is given in notes 28 and 29, including a detailed analysis of cash balances by currency.

Borrowing facilities

At 30 September 2022, the Group had total borrowing facilities of £30,773,000 (2021: £25,833,000) of which £13,437,000 (2021: £2,225,000) expires in one year or less at the balance sheet date. At 30 September 2022 the Group had access to £8,355,000 (2021: £17,822,000) of financing facilities including its own cash balances at that date.

21. PROVISIONS

Group	2022 £'000	2021 £'000
Onerous contract provision:		
At start of year	**143**	146
Utilised in year	**(138)**	(145)
Additional provision in year	**348**	142
Foreign exchange	**44**	–
Balance at end of year	**397**	143

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 September 2022

21. PROVISIONS CONTINUED
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.

22. TRADE AND OTHER PAYABLES

	Group		Parent Company	
Current	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade payables	**17,565**	10,412	**27**	67
Other taxes and social security costs	**411**	346	**(1)**	–
Accruals and other creditors	**4,927**	6,269	**429**	436
	22,903	17,027	**455**	503

Trade payables principally comprise amounts for trade purchases and on-going costs. The Directors consider that the carrying amount of trade and other payables approximates to their fair values.

The currency risk in respect of trade payables is managed in conjunction with the other currency risks faced by the Group as part of its overall hedging strategy. For further details see note 29 and the Financial Review on pages 54 to 60. The currency exposure within trade payables of the principal foreign currencies, was as follows:

Group	2022 £'000	2021 £'000
US Dollar	**12,236**	9,387
Euro	**464**	241

23. DERIVATIVE FINANCIAL INSTRUMENTS

Group	2022 £'000	2021 £'000
Derivative financial assets:		
Current:		
Foreign exchange contracts asset	**–**	11
Derivative financial liabilities:		
Current:		
Foreign exchange contracts liability	**(666)**	(593)

The gains/(losses) on derivative financial instruments were as follows:

Group	2022 £'000	2021 £'000
Income statement:		
Foreign exchange contracts	(2,336)	1,355
Other comprehensive income:		
Foreign exchange contracts	(23)	(508)

Further details on the Group's hedging policies and derivative financial instruments are disclosed in note 29.

24. SHARE CAPITAL

	2022		2021	
Parent Company and Group Called up, allotted and fully paid	£'000	Number	£'000	Number
At start of year	**1,208**	**60,411,933**	1,205	60,270,670
Issued in year	**9**	**452,631**	3	141,263
At end of year	**1,217**	**60,864,564**	1,208	60,411,933

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 400,000 (2021: 100,000) ordinary shares to the Employee Benefit Trust, and 52,631 (2021: 41,263) ordinary shares to the SIP Trust, at nominal value of 2p per share, for the purpose of meeting obligations under employee share option schemes.

25. SHARE PREMIUM ACCOUNT

Parent Company and Group	2022 £'000
Balance at 1 October 2021 and 30 September 2022	**23,484**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2022

26. 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	2022 £'000	2021 £'000
Share option schemes – see (a) below	**735**	1,390
Share incentive plans – see (b) below	**380**	342
	1,115	1,732
Effect of movement in foreign exchange rates	**(76)**	1
	1,039	1,733

(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 2022	Number exercised in year	Exercise price per share	Date option exercisable
UK SAYE[1] Scheme 2018	–	7,138	373.0p	Sep 2021 – Feb 2022
UK SAYE[1] Scheme 2019	14,301	102,622	361.0p	Sep 2022 – Feb 2023
UK SAYE[1] Scheme 2020	110,545	–	409.0p	Sep 2023 – Feb 2024
UK SAYE[1] Scheme 2021	51,077	–	932.0p	Sep 2024 – Feb 2025
UK SAYE[1] Scheme 2022	113,095	–	610.0p	Sep 2025 – Feb 2026
US ESPP[2] Scheme 2021	–	–	1,062.5p	July 2022
US ESPP[2] Scheme 2022	17,615	–	634.0p	July 2023
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	–	Nil	Jun 2020 – Jun 2027
UK LTIP[3] Scheme 2019	14,102	33,486	Nil	Jun 2022 – Jun 2029
US LTIP[3] Scheme 2019	7,295	49,151	Nil	Jun 2022 – Feb 2023
UK LTIP[3] Scheme 2020	39,934	–	Nil	Jun 2023 – Jun 2030
US LTIP[3] Scheme 2020	64,206	–	Nil	Jun 2023 – Feb 2024
UK LTIP[3] Scheme 2021	16,962	–	Nil	Jun 2024 – Jun 2031
UK LTIP[3] Scheme 2021	5,578	–	Nil	Dec 2023 – Dec 2030
US LTIP[3] Scheme 2021	25,275	–	Nil	Jun 2024 – Feb 2025
UK LTIP[3] Scheme 2021	20,124	–	Nil	Dec 2024 – Dec 2031
UK Executive[4] Options 2018	–	134,145	Nil	Dec 2021 – Dec 2028
UK Executive[4] Options 2019	120,014	–	Nil	Dec 2022 – Dec 2029
UK Executive[4] Options 2020	63,755	–	Nil	Dec 2023 – Dec 2030
UK Executive[4] Options 2022	52,232	–	Nil	Feb 2025 – Feb 2032

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 2022

26. 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:	2018 SAYE	2019 SAYE	2020 SAYE	2021 SAYE	2022 SAYE
Share price at date of grant	466.3p	451.0p	511.3p	1,165.0p	762.5p
Contractual life	3.5 years	3.5 years	3.5 years	3.5 years	3.5 years
Expected life	3.0 years	3.0 years	3.5 years	3.5 years	3.5 years
Expected volatility	27.29%	31.10%	39.63%	43.88%	46.77%
Risk-free interest rate	0.71%	0.53%	0.09%	0.17%	1.86%
Dividend yield	1.06%	1.15%	1.10%	0.53%	1.05%
Expected cancellations	10.00%	10.00%	10.00%	10.00%	10.00%
Expected forfeitures	14.46%[1]	4.76%[1]	20.00%	5.00%	20.00%
Fair value per option at date of grant	114.3p	117.0p	158.5p	403.6p	279.9p

Key-employee share schemes:	US LTIP 2019	US LTIP 2020	US ESPP 2021	US LTIP 2021	US ESPP 2022
Share price at date of grant	455.0p	485.0p	1,120.0p	1,140.0p	758.0p
Contractual life	3.2 years	3.2 years	1.0 year	3.2 years	1.0 years
Expected life	3.2 years	3.2 years	1.0 year	3.2 years	1.0 years
Expected volatility	31.10%	39.63%	43.15%	43.88%	42.70%
Risk-free interest rate	0.62%	0.05%	0.17%	0.22%	1.86%
Dividend yield	1.14%	1.16%	0.55%	0.54%	1.06%
Expected cancellations	0.00%	0.00%	10.00%	0.00%	10.00%
Expected forfeitures	18.67%	37.38%	13.88%[1]	20.13%	10.00%
Fair value per option at date of grant	438.6p	467.2p	242.7p	1,120.4p	171.5p

Key-employee share schemes:	UK LTIP 2019	UK LTIP 2020	UK LTIP 2021	UK LTIP 2021[2]	UK LTIP 2021[2]
Share price at date of grant	455.0p	485.0p	1,140.0p	1,000.0p	1,205.0p
Contractual life	10.0 years	10.0 years	10.0 years	10.0 years	10.0 years
Expected life	5.0 years	3.5 years	3.5 years	2.5 years	3.5 years
Expected volatility	31.10%	39.63%	43.88%	48.57%	52.41%
Risk-free interest rate	0.62%	0.05%	0.22%	0.19%	0.69%
Dividend yield	1.14%	1.16%	0.54%	0.62%	0.62%
Expected cancellations	0.00%	0.00%	0.00%	0.00%	0.00%
Expected forfeitures	0.00%	28.75%	20.13%	11.25%	100.00%
Fair value per option at date of grant	429.7p	465.6p	1,118.6p	984.7p	1,179.0p

Executive share schemes:	UK Exec 2018	UK Exec 2019	UK Exec 2020	UK Exec 2022
Share price at date of grant	410.0p	455.0p	746.0p	1,120.0p
Contractual life	10.0 years	10.0 years	10.0 years	10.0 years
Expected life	5.0 years	3.5 years	3.5 years	3.0 years
Expected volatility	27.29%	31.10%	39.63%	44.15%
Risk-free interest rate	0.73%	0.59%	0.11%	1.06%
Dividend yield	1.24%	1.21%	0.80%	0.71%
Expected cancellations	0.00%	0.00%	0.00%	0.00%
Expected forfeitures	0.00%[1]	27.0%[3]	25.50%[3]	100.00%
Fair value per option at date of grant	385.3p	436.1p	725.3p	1,096.2p

1 Actual forfeiture experienced.

2 Additional UK LTIP grants made to specific employees.

3 Expected forfeitures relate to the retirement of Richard Hope on 30 June 2022. The Board exercised its discretion to permit a proportion of shares under these existing LTIP awards awards to be retained,. the non-vesting portion is forfeited. More details are provided in the Director remuneration report on pages 95 and 99.

Expected volatility was determined by calculating the historical volatility of the Group's share price over a period equivalent to the expected life of the respective options prior to their date of grant.

The risk-free interest rate was based on the simple average of the historical daily gilt yields quoted for five year benchmark gilts during the month in which a grant of options is made.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2022

26. SHARE-BASED PAYMENTS CONTINUED

Details of movements in share options during the year were as follows:

	2022		2021	
Group	No of options	Weighted average exercise price	No of options	Weighted average exercise price
Outstanding at start of year	**982,449**	**£1.68**	1,111,072	£1.27
Granted during the year	**207,436**	**£3.92**	196,734	£3.39
Forfeited during the year	**(45,791)**	**£1.27**	(6,677)	£1.36
Exercised during the year	**(326,542)**	**£1.22**	(116,757)	£3.64
Lapsed during the year	**(8,787)**	**£10.63**	(201,483)	£0.00
Cancelled during the year	**(27,924)**	**£4.59**	(440)	£4.09
Outstanding at end of year	**780,841**	**£2.28**	982,449	£1.68
Exercisable at end of year	**80,429**	**£0.64**	62,367	£2.22

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 4.4 years (2021: 4.9 years). The weighted average actual market share price on the date of exercise for share options exercised during the year was 841.0 pence (2021: 1,052.4 pence) and the weighted average fair value of options granted during the year was 392.0 pence (2021: 700.6 pence).

(b) Share incentive plans

All UK-based employees are eligible to participate in an HMRC-approved SIP once they have been with the Group for a qualifying period of up to 12 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 £700 (2021: £650) of 'Free Shares', and US employees $1,000 (2021: $950) 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 (2021: 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	
Group	2022	2021	2022	2021
Outstanding at start of year	**167,463**	185,095	**33,152**	34,548
Granted during the year	**35,875**	47,147	**7,440**	9,776
Vested during the year	**(52,638)**	(50,952)	**(10,962)**	(8,437)
Forfeited during the year	**(7,832)**	(5,178)	**(4,074)**	(2,735)
Released during the year	**(578)**	(8,649)	**–**	–
Outstanding at end of year	**142,290**	167,463	**25,556**	33,152

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 2022 the number of shares held by the EBT was 270,000 (2021: 166,000), and the number of shares held by the SIP was 438,000 (2021: 477,000).

27. 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	2022 £'000	2021 £'000
Defined contribution schemes	**1,181**	972
Other pension costs	**25**	25
	1,206	997

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2022

27. POST-EMPLOYMENT BENEFITS CONTINUED

Defined benefit pension scheme

The Group accounts for pensions in accordance with IAS 19, 'Employee Benefits'.

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 actuarial valuation as at 1 January 2021. The liabilities in last year's disclosures were calculated by updating the valuation calculations used in the initial results of the same actuarial valuation.

The actuarial valuation as at 1 January 2021 was 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 assets and liabilities of the scheme at 30 September 2022, 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 disclosed liability makes no allowance for discretionary benefits.

The financial assumptions used to calculate scheme liabilities and assets under IAS 19 are:

Group	2022	2021
Discount rate	**5.50%**	2.05%
Rate of inflation (RPI)	**3.75%**	3.50%
Rate of inflation (CPI)	**3.35%**	3.10%
Rate of increase in pensions in payment – CPI max 5%	**3.20%**	3.00%
Rate of increase in pensions in payment – CPI max 3%	**2.60%**	2.45%
Rate of increase in pensions in payment – CPI max 2.5%	**2.25%**	2.20%
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**	S3PA tables with CMI 2019 projections using a long-term improvement rate of 1.25% pa & initial addition parameter of 0.25% pa
Commutation allowance	**20%**	20%
Proportion married (at retirement or earlier death)	**75%**	75%
GMP equalisation allowance	**0.5% of liability value**	0.5% of liability value
Rate of increase in salaries	**N/A**	N/A
Life expectancy for male aged 65 in 20 years' time	**23.6**	23.6
Life expectancy for female aged 65 in 20 years' time	**26.0**	25.9
Life expectancy for male aged 65 now	**22.3**	22.2
Life expectancy for female aged 65 now	**24.6**	24.5

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2022

27. POST-EMPLOYMENT BENEFITS CONTINUED

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 2021. The valuation revealed that there was a funding deficit in the scheme as at that date of £4,924,000, being a funding level of 82%. The Group has agreed with the Trustees to continue to make deficit funding contributions of £450,000 (2021: £450,000). The weighted average duration of the defined benefit obligation is approximately 14 years.

Recognition of pension surplus

The Group obtained legal advice over the recognition of a pension surplus, and determined that per the scheme rules the Group has an unconditional right to a refund of any surplus that may arise on cessation of the scheme in context of IFRIC 14 paragraph 11b. The full net pension surplus has been recognised on the Group balance sheet.

Group	2022 £'000	2021 £'000
Scheme assets:		
Equities	**11,073**	12,025
Target return funds	**3,776**	4,834
Bonds	**6,300**	6,882
Other	**63**	71
Fair value of scheme assets	**21,212**	23,812
Present value of funded obligations (scheme liabilities)	**(19,430)**	(30,618)
Surplus/(deficit) in the scheme recognised in the balance sheet	**1,782**	(6,806)
Related deferred tax	**(446)**	1,702
Net pension surplus/(liability)	**1,336**	(5,104)
Changes in scheme liabilities		
Balance at start of year	**(30,618)**	(31,166)
Interest cost	**(621)**	(493)
Benefits paid	**704**	671
Remeasurement losses:		
– Experience gain on liabilities	**(548)**	246
– Actuarial gain arising from changes to demographic assumptions	**–**	109
– Actuarial gain arising from changes in financial assumptions	**11,653**	15
Balance at end of year	**(19,430)**	(30,618)

Group	2022 £'000	2021 £'000
Changes in scheme assets		
Balance at start of period	**23,812**	21,115
Interest on scheme assets	**486**	336
Employer contributions	**450**	450
Benefits paid	**(704)**	(671)
Remeasurement gains:		
– (Loss)/return on plan assets (excluding amounts included in interest expense)	**(2,832)**	2,582
Balance at end of year	**21,212**	23,812

Group	2022 £'000	2021 £'000
Amount charged to finance costs		
Interest on scheme assets	**486**	336
Interest on scheme liabilities	**(621)**	(493)
Net expense recognised in income statement	**(135)**	(157)
Amount recognised in statement of comprehensive income		
(Loss)/gain on scheme assets in excess of interest	**(2,832)**	2,582
Experience (losses)/gains on liabilities	**(548)**	246
Gain from changes to demographic assumptions	**–**	109
Gain from changes to financial assumptions	**11,653**	15
Remeasurement gain recognised in statement of comprehensive income	**8,273**	2,952
Actual (loss)/return on scheme assets	**(2,346)**	2.918
Cumulative remeasurement gain/(loss) recognised in statement of comprehensive income	**102**	(8,171)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2022

27. POST-EMPLOYMENT BENEFITS CONTINUED

Approximate effect of change of assumptions on surplus values at 30 September 2022:

	Reduce surplus by: £'000
Reduce discount rate by 0.25% pa	**633**
Increase inflation and all related assumptions by 0.1% pa	**135**
Increase life expectancy by one year	**584**

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.

28. 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 $5,808,000 (£5,203,000) (2021: $3,253,000 (£2,413,000)).

The Parent Company has also guaranteed certain bank borrowings of its UK subsidiary R C Treatt & Co Limited that are held within cash pooling arrangements. At the year-end the liabilities covered by this guarantee amounted to £5,797,000 (2021: £7,013,000).

29. 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 $9.0m (2021: $12.0m) five-year revolving credit facility (RCF) and an unsecured $6.0m (2021: $3.0m) overdraft facility, as well as a secured £7.0m three-year RCF, all of which are held with HSBC. In the US, the Group has a $8.0m (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 54 to 60.

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	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Financial assets				
Measured at amortised cost:				
Trade receivables[1]	**34,718**	22,420	**–**	–
Other receivables	**478**	763	**55**	58
Cash and cash equivalents	**2,354**	7,260	**2,085**	5,206
Amounts owed by subsidiaries	**–**	–	**4,086**	1,194
Derivative financial instruments measured at fair value through other comprehensive income:				
Trade receivables	**9**	1,109	**–**	–
Derivative financial instruments measured at fair value through profit and loss:				
Forward currency contracts (level 2)	**–**	11	**–**	–
	37,559	31,563	**6,226**	6,458

1 Trade receivables at amortised cost are shown net of lifetime expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2022

29. FINANCIAL INSTRUMENTS CONTINUED

	Group		Parent Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Financial liabilities				
Measured at amortised cost:				
Trade payables	**17,565**	10,412	**27**	67
Other creditors	**4,927**	6,269	**429**	436
UK bank overdraft	**6,174**	7,013	**–**	–
US line of credit	**2,034**	–	**–**	–
Lease liabilities	**396**	1,053	**–**	–
Amounts owed to subsidiaries	**–**	–	**–**	–
Revolving credit facilities	**13,000**	5,000	**–**	–
US term loan	**3,169**	3,308	**–**	–
Derivative financial instruments measured at fair value through profit and loss:				
Forward currency contracts (level 2)	**666**	593	**–**	–
	47,931	33,648	**456**	503

Fair values of financial assets and liabilities

The estimated fair values of financial assets and liabilities is not considered to be significantly different from their carrying values.

Financial risk management objectives

The Group and Parent Company collate information from across the business and report to the Board on key financial risks. These risks include credit risk, liquidity risk, interest rate risk and currency risk. The Group has policies in place, which have been approved by the Board, to manage these risks. The Group does not enter into traded financial instruments as the costs involved currently outweigh the risks they seek to protect against. Speculative purchases of financial instruments are not made.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group or Parent Company. The Group's credit risk is primarily attributable to its trade receivables and details of how this risk is managed are explained in note 18. 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 19. 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.

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 20. 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	17,565	–	–	–	–
Other creditors	3,736	1,084	104	3	–
UK bank overdraft	6,174	–	–	–	–
US line of credit	2,034	–	–	–	–
Revolving credit facilities	13,000	–	–	–	–
US term loan:					
– Capital repayments	207	620	827	1,515	–
– Interest repayments	34	90	87	65	–
Derivative financial instruments:					
Forward currency contracts	50	616	–	–	–

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2022

29. FINANCIAL INSTRUMENTS CONTINUED

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 $9.0m unsecured RCF, £7.0m secured RCF and $6.0m overdraft facility are charged at SONIA plus 2.25%, SONIA plus 1.20% and Bank of England base rate plus 2.00% respectively for borrowings denominated in Sterling. The Group's US-based $8.0m line of credit and $6.5m term loan are both charged at SOFR plus 1.75%.

The Group's net cash/(debt) position by currency at year-end, is as follows:

	Floating rate financial assets/ (liabilities)		Fixed rate financial liabilities	
Group	**2022 £'000**	**2021 £'000**	**2022 £'000**	**2021 £'000**
Bank balances:				
US Dollars	**(2,015)**	2,131	**–**	–
Sterling	**(10,905)**	(800)	**–**	–
Euro	**1**	509	**–**	–
Other	**93**	420	**–**	–
Overdrafts:				
Sterling	**(6,028)**	(7,013)	**–**	–
Term loans:				
US Dollars	**(3,169)**	(3,308)	**–**	–
Lease liabilities:				
Sterling	**–**	–	**(396)**	(1,053)
Total net debt	**(22,023)**	(8,061)	**(396)**	(1,053)

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 2022 would have decreased or increased as follows:

	Group		Parent Company	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
Impact on profit before tax of 1.00% interest rate movement	**(314)**	(66)	**–**	–

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 managing foreign currency borrowings, and by entering into foreign currency forward contracts and options on a rolling basis with the aim to provide a hedge on the Group's margin exposure where both purchases and sales are made in the same currencies, and gross revenue exposure where only the selling price is exposed. This is achieved by matching the value of the contracts, the hedging instrument, to the expected amount of foreign currency margin received 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 54 to 60.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2022

29. FINANCIAL INSTRUMENTS CONTINUED

Foreign currency contract assets and liabilities are shown under the heading of 'derivative financial instruments', in current assets and liabilities respectively within the Group balance sheet. The following table details the forward and option contracts outstanding at the year-end as well as information regarding their related hedged items:

Group – as at 30 September 2022	Average contract rate	Nominal currency '000	Contract GBP £'000	Fair value loss £'000
US Dollars:				
Forward contract to sell USD within 4 – 6 months	**1.2457**	**$7,000**	**5,642**	**(616)**
Euros:				
Forward contract to sell EUR within 1 – 3 months	**1.1661**	**€2,500**	**2,144**	**(50)**
				(666)

Group – as at 30 September 2021	Average contract rate	Nominal currency '000	Contract GBP £'000	Fair value (loss)/gains £'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)

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. These represent the amounts which the Group would expect to pay or receive in order to close these contracts at the balance sheet date.

The gain/(loss) recognised in the Groups income statement and the Group statement of comprehensive income on cash flow hedges of foreign currency receipts during the year, is as follows:

Group	2022 £'000	2021 £'000
Revenue	**(2,336)**	1,355
Other comprehensive income	**(23)**	(508)
	(2,359)	847

The reconciliation of the hedging reserve per the statement of changes in equity is as follows:

Group	Hedging reserve £'000
1 October 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)
Fair value movement on:	
– Cash flow hedges of probable future receipts	**(2,359)**
Transfer from hedging reserve to:	
– Profit and loss account	**2,336**
Amounts recognised in other comprehensive income	**(23)**
Taxation relating to items above	**4**
30 September 2022	**(311)**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2022

29. FINANCIAL INSTRUMENTS CONTINUED

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	2022 £'000	2021 £'000
US Dollar	**6,953**	1,131
Euro	**2,774**	3,587
Other	**148**	499
	9,875	5,217

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	2022 £'000	2021 £'000
Impact of 10% strengthening of US Dollar against Sterling	**773**	126
Impact of 10% strengthening of Euro against Sterling	**308**	399

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.

30. 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 95 to 99.

Group	2022 £'000	2021 £'000
Salaries and other short-term employee benefits	**754**	1,166
Fees paid to Non-executive Directors in respect of qualifying services	**417**	375
Employer's social security costs	**160**	213
Pension contributions to money purchase schemes	**52**	63
Share-based payments charge in respect of qualifying services	**351**	501
	1,734	2,318

No Directors were members of a defined benefit pension scheme as the scheme was closed to future accrual with effect from 31 December 2012. Further details on Directors' pensions are given in the Directors' Remuneration Report on pages 96 and 97.

Parent Company

Transactions with subsidiaries:

Parent Company	2022 £'000	2021 £'000
Interest received from:		
R C Treatt & Co Limited	**16**	65
Dividends received from:		
R C Treatt & Co Limited	**2,005**	1,404
Treatt USA Inc	**2,829**	2,300

Balances with subsidiaries:

Parent Company	2022 £'000	2021 £'000
Amounts owed to Parent Company:		
R C Treatt & Co Limited	**4,086**	1,194

The Parent Company has guaranteed certain bank borrowings of its subsidiaries as set out in note 29. Amounts owed to the Parent Company are unsecured and will be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2022

31. 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 in the current and prior 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	2022 £'000	2021 £'000	2020 £'000
Total equity	115	**133,850**	106,299	91,120
Net debt/(cash)	118	**22,419**	9,114	(427)
Capital employed		**156,269**	115,413	90,693
Interim total equity[1]		**114,988**	95,369	88,782
Interim net debt/(cash)[1]		**19,787**	4,468	(6,067)
Interim capital employed[1]		**134,775**	99,837	82,715
Average capital employed[2]		**135,486**	101,981	81,519
Adjusted operating profit[3]	110	**15,773**	21,346	15,137
ROACE %		**11.6%**	20.9%	18.6%

ROACE – statutory measure

Group	Page reference	2022 £'000	2021 £'000
Average capital employed[2]		**135,486**	101,981
Profit before taxation	110	**16,179**	19,617
ROACE %		**11.9%**	19.2%

ROCE – former measure

Group	Page reference	2022 £'000	2021 £'000
Closing capital employed		**156,269**	115,413
Adjusted operating profit[3]	110	**15,773**	21,346
ROCE %		**10.1%**	18.5%

The previous five years' measure of ROACE can be found in the Key Performance Indicators section, on page 20.

Net debt/(cash) to adjusted EBITDA

The net debt/(cash) 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, along with its statutory equivalent measure is shown below:

APM Measure

Group	Page reference	2022 £'000	2021 £'000
Profit before taxation	110	**16,179**	19,617
Exceptional items	110	**(923)**	1,302
Profit before taxation and exceptional items	110	**15,256**	20,919
Interest receivable	110	**(8)**	(12)
Interest payable	110	**525**	439
Depreciation of property, plant and equipment and right-of-use assets	126	**2,476**	1,705
Amortisation of intangible assets	126	**215**	93
Adjusted EBITDA		**18,464**	23,144
Net debt	118	**22,419**	9,114
Net debt to adjusted EBITDA	110	**1.21**	0.39

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2022

31. ALTERNATIVE PERFORMANCE MEASURES CONTINUED

Statutory measure

Group	Page reference	2022 £'000	2021 £'000
Profit before taxation	110	**16,179**	19,617
Interest receivable	110	**(8)**	(12)
Interest payable	110	**525**	439
Depreciation of property, plant and equipment and right-of-use assets	126	**2,476**	1,705
Amortisation of intangible assets	126	**215**	93
EBITDA		**19,387**	21,842
Net debt	118	**22,419**	9,114
Net debt to EBITDA	110	**1.16**	0.42

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 Adjusted operating profit for ROACE and ROCE purposes is operating profit before exceptional items as defined in the Group income statement.

Alternative performance measures no longer reported

In the previous financial years, the Group reported free cash flow as an alternative performance measure. The measure was calculated as cash generated from operations minus the purchase of property, plant and equipment and intangible assets, adjusted to exclude UK relocation costs.

The measure was useful to express Group net cashflows without the distortion of the significant annual spend on the UK relocation project. As the capital investment programme nears its conclusion and the associated spend reduces, the measure was no longer considered useful.

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 27 January 2023 at 10.30am at Treatt plc, Skyliner Way, Bury St Edmunds, Suffolk, IP32 7FR is set out below.

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 25 January 2023, 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 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 27 January 2023, at 10.30am for the purpose of considering and, if thought fit, passing the resolutions set out in this notice. Resolutions 1 to 12 (inclusive) will be proposed as ordinary resolutions. Resolutions 13 to 16 (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 2022.

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 remuneration policy is only required to be approved by shareholders every three years or in the intervening period if amendments are proposed. The Company's remuneration policy was approved at the 2022 AGM and accordingly, since no amendments are proposed, it will not be put before shareholders at the AGM in 2023. Resolution 2 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 2022. You can find the Implementation Section of the Directors' Remuneration Report on pages 92 to 99.

Resolution 3 – Final dividend

3. To approve a final dividend of 5.35 pence per share on the ordinary shares of the Company for the year ended 30 September 2022.

Explanatory note

A final dividend can only be paid after the shareholders at a general meeting have approved it. A final dividend of 5.35 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 3 February 2023. If approved, the date of payment of the final dividend will be 16 March 2023. An interim dividend of 2.50 pence per ordinary share was paid on 11 August 2022. This represents an increase of 0.35 pence per share, or 4.7%, on the total 2021 dividend.

Resolutions 4 to 9 – Re-election of Directors

4. To elect Ryan Govender as a Director of the Company.
5. To elect Christine Sisler as a Director of the Company.
6. To elect Philip O'Connor as a Director of the Company.
7. To re-elect Vijay Thakrar as a Director of the Company.
8. To re-elect Daemmon Reeve as a Director of the Company.
9. To re-elect David Johnston as a Director of the Company.

Explanatory note

In accordance with the Company's Articles of Association and in order to comply with best practice under the 2018 Corporate Governance Code, all Directors will retire and stand for election/re-election. Short biographies of the Directors are given on pages 70 and 71. Having considered the performance

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

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 election/re-election, as appropriate. As previously announced, both Tim Jones and Yetunde Hofmann are stepping down as Chairman and Non-executive Director respectively at the conclusion of the AGM and therefore will not stand for re-election.

Resolution 10 – Re-appointment of auditors

10. 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.

Resolution 11 – Auditor's remuneration

11. 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 12 – Authority to allot securities

12. 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 £405,764 (such amount to be reduced by the nominal amount allotted or granted under paragraph (b) below in excess of such sum); and

(b) comprising equity securities (as defined in Sections 560 of the Act) up to an aggregate nominal amount of £811,528 (such amount to be reduced by any allotments or grants made under paragraph (a) above) in connection with an offer by way of a rights issue in favour of ordinary shareholders in proportion (as nearly as may be practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities), but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of any regulatory body or stock exchange in, any territory or any other matter whatsoever.

provided that this authority shall expire at the conclusion of the AGM of the Company to be held in 2024, or at close of business on 27 April 2024 (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 2024 or, if earlier, on 27 April 2024 (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.

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 £405,764 (representing approximately one-third (33.33%) of the total issued ordinary share capital of the Company as at 22 November 2022, 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 £811,528 (representing approximately two-thirds (66.66%) of the total issued ordinary share capital of the Company as at 22 November 2022, 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 12.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

SPECIAL RESOLUTIONS

Resolution 13 – Authority to disapply pre-emption rights

13. THAT subject to the passing of resolution 12 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 12 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 or sale, such power to be limited to the allotment of equity securities for cash and the sale of treasury shares:

(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 12, 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;

(b) in the case of the authority granted under paragraph (a) of resolution 12 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 £121,729; and

(c) in the case of the authority granted under paragraph (a) of resolution 12 above and/or in the case of any sale of treasury shares (and otherwise than under paragraph (a) and (b) of this resolution), up to a nominal amount equal to 20% of any allotment of equity securities or sale of treasury shares from time to time under paragraph (b) of this resolution, such authority to be used only for the purposes of making a follow-on offer which the Directors determine to be a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

provided that this power shall expire at the conclusion of the AGM of the Company to be held in 2024 or at close of business on 27 April 2024 (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 authorised this.

Resolution 13 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 £121,729 (which includes the sale on a non pre-emptive basis of any shares held in treasury), which is equivalent to approximately 10% of the Company's issued ordinary share capital as at 22 November 2022, 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 2024 or, if earlier, 27 April 2024 (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 most recently published Statement of Principles in respect of any disapplication of pre-emption rights.

Resolution 14 – Authority to disapply pre-emption rights for the purposes of acquisitions or capital investments

14. THAT subject to the passing of resolutions 12 and 13 above and in addition to the power granted under resolution 13, 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 paragraph (a) of resolution 12 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 limited to:

(a) the allotment of equity securities for cash and sale of treasury shares up to an aggregate nominal amount of £121,729; such authority to be used only for the purposes of financing (or refinancing, if the authority is to be used within 12 months after the original transaction) a transaction which the Directors have determined to be either an acquisition or specified 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; and

(b) the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) of this resolution) up to a nominal amount equal to 20% of any allotment of equity securities or sale of treasury shares from time to time under paragraph (a) of this resolution, such authority to be used only for the purposes of making a follow-on offer which the Directors determine to be a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

provided that this power shall expire at the conclusion of the AGM of the Company to be held in 2024 or at close of business on 27 April 2024 (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 14 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 14 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 £121,729, being approximately 10% of the Company's issued ordinary share capital as at 22 November 2022, the latest practicable date prior to publication of this Notice. This is in addition to the 10% referred to in resolution 13. If given, the authority will expire at the conclusion of the next AGM of the Company in 2024 or, if earlier, 27 April 2024 (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 12 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 15 – Authority to purchase own shares

15. 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 6,086,456 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 2024, or at close of business on 27 April 2024 (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 15 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 22 November 2022, the latest practicable date prior to publication of this Notice) and the maximum and minimum prices at which they may be bought.

The total number of options to subscribe for ordinary shares that were outstanding at 22 November 2022, the latest practicable date prior to publication of this Notice, was 729,518. The proportion of issued share capital that they represented at that time was 1.20% 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 1.33%.

If given, the authority will expire at the conclusion of the next AGM of the Company in 2024 or, if earlier, 27 April 2024 (the date which is 15 months after the date of passing of the resolution).

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Resolution 16 – Notice of general meetings

16. 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

Ryan Govender
Chief Financial Officer & Company Secretary

Registered Office:
Skyliner Way
Bury St Edmunds
Suffolk
IP32 7FR

15 December 2022

The note on voting procedures and general rights of shareholders, together with explanatory notes on the resolutions to be put to the meeting form part of this Notice.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

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 25 January 2023 (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 25 January 2023, 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 27 January 2023 and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Please note the following:

(a) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this notice of the AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

(b) CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(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.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

If you are an institutional investor you may be able to appoint a proxy electronically via the Proximity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 10.30am on 25 January 2023 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

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 22 November 2022 the Company's issued share capital consists of 60,864,564 ordinary shares. The number of shares held in the Employee Benefit Trust and Treatt Share Incentive Plan, under which voting rights are waived, is 694,416. The total number of voting rights in the Company as at 22 November 2022 (the latest practicable date prior to publication of this Notice) is 60,170,148.

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).

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 Secretariat on +44 (0) 1284 702500;

Emailing the Company Secretariat on Cosec@treatt.com; or

Writing to: The Company Secretariat, Treatt plc, Skyliner Way, Bury St Edmunds, Suffolk, IP32 7FR.

PARENT COMPANY INFORMATION AND ADVISORS

DIRECTORS

Tim Jones
Chairman and Non-executive Director

Daemmon Reeve
Chief Executive Officer

Ryan Govender
Chief Financial Officer

Vijay Thakrar
Senior Independent Non-executive Director and Chairman Designate

David Johnston
Non-executive Director

Philip O'Connor
Independent Non-executive Director

Christine Sisler
Independent Non-executive Director

COMPANY SECRETARY

Ryan Govender

REGISTERED OFFICE

Skyliner Way,
Bury St. Edmunds,
Suffolk, IP32 7FR

Tel: +44 (0) 1284 702500

Email: cosec@treatt.com

WEBSITE

www.treatt.com

REGISTERED NUMBER

01568937

AUDIT COMMITTEE

Philip O'Connor (Chair)
Vijay Thakrar
Christine Sisler

REMUNERATION COMMITTEE

Yetunde Hofmann (Chair)
Vijay Thakrar
Christine Sisler

NOMINATION COMMITTEE

Vijay Thakrar (Chair)
Daemmon Reeve
Yetunde Hofmann
Christine Sisler
Philip O'Connor

JOINT BROKERS

Investec Bank plc
30 Gresham Street,
London, EC2V 7QP

Peel Hunt LLP
7th Floor,
100 Liverpool Street,
London, EC2M 2AT

PUBLIC RELATIONS

MHP
4th Floor,
60 Great Portland Street,
London, W1W 7RT

AUDITORS

BDO LLP
16 The Havens,
Ransomes Europark,
Ipswich, IP3 9SJ

TAX ADVISORS

KPMG LLP
Botanic House,
98–100 Hills Road,
Cambridge, CB2 1JZ

Crowe LLP
124 South Florida Avenue, Suite 1,
Lakeland, Florida 33801-4629

SOLICITORS

Greene & Greene Solicitors
80 Guildhall Street,
Bury St. Edmunds,
Suffolk, IP33 1QB

Ashurst LLP
London Fruit & Wool Exchange,
1 Duval Square,
London, E1 6PW

BANKERS

HSBC Bank plc
140 Leadenhall Street,
London, EC3V 4PS

Bank of America
5th Floor, 101 E. Kennedy Boulevard,
Tampa, FL 33602

REGISTRARS

Link Group
10th Floor,
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 2021/22

Financial year ended	30 September 2022
Results for year announced	29 November 2022
Annual Report and Financial Statements published	15 December 2022
Annual General Meeting	27 January 2023
Final dividend for 2022 goes 'ex-dividend'	2 February 2023
Record date for 2022 final dividend	3 February 2023
Last day for dividend reinvestment plan election	23 February 2023
Final dividend for 2022 paid	16 March 2023

FINANCIAL YEAR 2022/23

Interim results to 31 March 2023 announced	9 May 2023*
Interim dividend for 2023 goes 'ex-dividend'	29 June 2023*
Record date for 2023 interim dividend	30 June 2023*
Last day for dividend reinvestment plan election	20 July 2023*
Interim dividend for 2023 paid	10 August 2023*
Financial year ended	30 September 2023
Results for year to 30 September 2023 announced	28 November 2023*
Final dividend for 2023 paid	14 March 2024*

* These dates are provisional and may be subject to change

MIX
Paper from responsible sources
FSC® C022913
FSC
www.fsc.org

WORLD LAND TRUST™
www.carbonbalancedpaper.com
CBP00019082504183028

Printed by a CarbonNeutral® Company certified to ISO 14001 environmental management system.

Printed on material from well-managed, FSC™ certified forests and other controlled sources.

100% of the inks used are HP Indigo ElectroInk which complies with RoHS legislation and meets the chemical requirements of the Nordic Ecolabel (Nordic Swan) for printing companies, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled and the remaining 1% used to generate energy.

The paper is Carbon Balanced with World Land Trust, an international conservation charity, who offset carbon emissions through the purchase and preservation of high conservation value land.

Through protecting standing forests, under threat of clearance, carbon is locked-in, that would otherwise be released.

Designed and produced by emperor
Visit us at emperor.works

TREATT

Treatt plc
Skyliner Way, Bury St. Edmunds, Suffolk IP32 7FR

www.treatt.com
cosec@treatt.com
+ 44 (0) 1284 702500