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TREATT PLC
HALF YEAR RESULTS ANNOUNCEMENT
SIX MONTHS ENDED 31 MARCH 2012

Treatt PLC, the manufacturer and supplier of conventional, organic and fair trade ingredients for the flavour, fragrance and cosmetic industries announces today its half year results for the six months ended 31 March 2012.

SUMMARY

- Group revenue increased by 1% to £36.0 million (2011: £35.8 million)
- EBITDA stands at £2.4m (2011: £4.5m)
- Profit before tax for the period was £1.6m (2011: £3.7m)
- Half year PBT in line with 2009 (£1.4m) and 2010 (£1.5m)
- Interim dividend raised by 6% to 5.1p (2011 interim dividend: 4.8p)

Enquiries:

Treatt plc	Tel: 01284 714820
Hugo Bovill	Managing Director
Richard Hope	Finance Director

CHAIRMAN'S STATEMENT

"Group half year turnover up 1%, profits down but remain higher than in either 2009 or 2010"

The first six months of the year saw Group revenue increasing by 1% to £36.0m (2011: £35.8m). In the absence of the prior year windfall orange oil stock profits, profit before tax was £1.6m (2011: £3.7m). This compares with half year profit before tax in 2009 and 2010 of £1.4m and £1.5m respectively. EBITDA stands at £2.4m (2011: £4.5m) and earnings per share 10.1 pence per share (2011: 25.7 pence per share).

Following a strong performance in 2011, Treatt USA continues to perform well across its entire product portfolio. Earthoil, the Group's natural cosmetics ingredient division specialising in organic and fair trade, has had a solid first six months and continues to grow at a steady pace, albeit from a small base. As previously reported, the Group's UK operating business, R.C. Treatt, was less busy in the first quarter of the financial year with some customers de-stocking on an even bigger scale than that which occurred in 2009; however, as anticipated, business began to recover in Q2 and has much improved.

During the half year, the prices of many products fell. For instance, orange oil, the Group's largest raw material, peaked in early 2011 at over $10/kg, and remained at historically very high levels for most of 2011 although volumes were considerably reduced. During the first six months of this financial year, the price of orange oil began to fall sharply and is now below $4/kg. The Group takes a long term, managed risk approach, to managing such falls, balancing inventory to ensure the needs of existing customers can be serviced and that stock losses are minimised.

The Board has consequently declared an increase in the interim dividend of 6% to 5.1 pence per share (2011: 4.8 pence per share) which will be payable on 19 October 2012 to all shareholders on the register at close of business on 14 September 2012.

Final Salary Pension Scheme

The UK final salary pension scheme, which was closed to new entrants in 2001 and with final salaries having been capped at 2003 levels in real terms, had an accounting deficit at the start of the financial year of £0.6m, net of deferred tax, which had increased to £1.5m at the balance sheet date. Following consultation with members of the final salary scheme, all members have agreed that the scheme will not be subject to any further accruals after 31 December 2012 and instead the members are being offered membership of the Company's defined contribution pension plan with effect from 1 January 2013. The effect of this change has not been taken into account as at the balance sheet date as the consultation with members had not been concluded at that time.

Risks and uncertainties

Group risk is regularly reviewed at Board level to ensure that risk management is being implemented and monitored effectively, details of which can be found in note 8.

Going concern

In determining whether the Group's half year condensed consolidated financial statements can be prepared on a going concern basis, 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 borrowing facilities. The key factors considered by the Directors were:

- the implications of the challenging economic environment and future uncertainties on the Group's revenues and profits by undertaking forecasts and projections on a regular basis;
- the impact of the competitive environment within which the Group's businesses operate;
- the potential actions that could be taken in the event that revenues are worse than expected, to ensure that operating profit and cash flows are protected;
- the Group's access to overdraft facilities and committed bank facilities to meet day-to-day working capital requirements. Since the period end all the Group's banking facilities have been renewed, with £3.25m of existing facilities being transferred from a one year committed to a three year revolving credit facility.

As at the date of this report, the Directors have a reasonable expectation that the Group has adequate resources to continue in business for the foreseeable future. Accordingly, the half year results have been prepared on the going concern basis.

Prospects

The improvement in the Group's performance has continued into Q3 with order book levels increasing across the Group. The Board, therefore, now believes that results in the second half of the year will result in its expectations for the full financial year ended 30 September 2012 being exceeded, particularly now that raw material ingredient market prices have begun to stabilise.

Tim Jones
Chairman
18 May 2012

For the six months ended 31 March 2012

CONDENSED GROUP INCOME STATEMENT

	Notes	Six months ended 31 March 2012 (Unaudited) £'000	Six months ended 31 March 2011 (Unaudited) £'000	Year ended 30 September 2011 (Audited) £'000
Revenue	3	**36,026**	35,799	74,518
Cost of sales		**(28,835)**	(26,630)	(56,700)
Gross profit		**7,191**	9,169	17,818
Administrative expenses		**(5,536)**	(5,282)	(10,694)
Operating profit before foreign exchange gain/(loss)		**1,655**	3,887	7,124
Foreign exchange gain/(loss)		**171**	44	(260)
Operating profit after foreign exchange gain/(loss)		**1,826**	3,931	6,864
Finance revenue		**60**	43	88
Finance costs		**(330)**	(254)	(580)
Profit before taxation		**1,556**	3,720	6,372
Taxation	4	**(523)**	(1,088)	(2,017)
Profit for the period		**1,033**	2,632	4,355
Attributable to:				
Owners of the Parent Company		**1,033**	2,625	4,348
Non-controlling interests		**-**	7	7
		1,033	2,632	4,355
Earnings per share				
- Basic	5	**10.1p**	25.7p	42.5p
- Diluted	5	**10.1p**	25.6p	42.3p

All amounts relate to continuing operations

The notes on pages 10 to 15 form part of this half year results announcement

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 31 March 2012 (Unaudited) £'000	Six months ended 31 March 2011 (Unaudited) £'000	Year ended 30 September 2011 (Audited) £'000
Profit for the period	**1,033**	2,632	4,355
Other comprehensive income/(expense):			
Currency translation differences on foreign currency net investments	**(187)**	(154)	94
Current taxation on foreign currency translation differences	**3**	(3)	(4)
Deferred taxation on foreign currency translation differences	**(7)**	3	7
Fair value movement on cash flow hedge	**81**	-	(864)
Deferred taxation on fair value movement	**(27)**	-	207
Actuarial (loss)/gain on defined benefit pension scheme	**(1,260)**	1,090	599
Deferred tax on actuarial gain or loss	**290**	(251)	(144)
Other comprehensive income for the period	**(1,107)**	685	(105)
Total comprehensive income for the period	**(74)**	3,317	4,250
Attributable to:			
Owners of the Parent Company	**(74)**	3,310	4,243
Non-controlling interests	**-**	7	7
	(74)	3,317	4,250

The notes on pages 10 to 15 form part of this half year results announcement

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Own shares in share trust £'000	Hedging reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	**Total £'000**	Non-controlling interests £'000	**Total equity £'000**
1 October 2010	1,048	2,757	(602)	-	880	18,435	**22,518**	-	**22,518**
Net profit for the period	-	-	-	-	-	2,625	**2,625**	7	**2,632**
Other comprehensive income/(expense):									
Exchange differences net of tax	-	-	-	-	(154)	-	**(154)**	-	**(154)**
Actuarial gain on defined benefit pension scheme net of tax	-	-	-	-	-	839	**839**	-	**839**
Total comprehensive income/(expense)	-	-	-	-	(154)	3,464	**3,310**	7	**3,317**
Transactions with owners:									
Dividends	-	-	-	-	-	(1,330)	**(1,330)**	-	**(1,330)**
Share-based payments	-	-	-	-	-	10	**10**	-	**10**
Movement in own shares in share trust	-	-	20	-	-	-	**20**	-	**20**
Purchase of shares from non-controlling interest	-	-	-	-	-	-	**-**	(7)	**(7)**
1 April 2011	1,048	2,757	(582)	-	726	20,579	**24,528**	-	**24,528**
Net profit for the period	-	-	-	-	-	1,723	**1,723**	-	**1,723**
Other comprehensive income/(expense):									
Exchange differences net of tax	-	-	-	-	248	3	**251**	-	**251**
Fair value movement on cash flow hedge	-	-	-	(864)	-	207	**(657)**	-	**(657)**
Actuarial loss on defined benefit pension scheme net of tax	-	-	-	-	-	(384)	**(384)**	-	**(384)**
Total comprehensive (expense)/income	-	-	-	(864)	248	1,549	**933**	-	**933**
Transactions with owners:									
Share-based payments	-	-	-	-	-	10	**10**	-	**10**
Movement in own shares in share trust	-	-	97	-	-	-	**97**	-	**97**
Loss on release of shares in share trust	-	-	-	-	-	(17)	**(17)**	-	**(17)**
1 October 2011	1,048	2,757	(485)	(864)	974	22,121	**25,551**	-	**25,551**
Net profit for the period	-	-	-	-	-	1,033	**1,033**	-	**1,033**
Other comprehensive income/(expense):									
Exchange differences net of tax	-	-	-	-	(187)	(4)	**(191)**	-	**(191)**
Fair value movement on cash flow hedge	-	-	-	81	-	(27)	**54**	-	**54**
Actuarial loss on defined benefit pension scheme net of tax	-	-	-	-	-	(970)	**(970)**	-	**(970)**
Total comprehensive income/(expense)	-	-	-	81	(187)	32	**(74)**	-	**(74)**
Transactions with owners:									
Dividends	-	-	-	-	-	(1,490)	**(1,490)**	-	**(1,490)**
Share-based payments	-	-	-	-	-	12	**12**	-	**12**
Movement in own shares in share trust	-	-	(385)	-	-	-	**(385)**	-	**(385)**
Gain on release of shares in share trust	-	-	-	-	-	1	**1**	-	**1**
31 March 2012	**1,048**	**2,757**	**(870)**	**(783)**	**787**	**20,676**	**23,615**	**-**	**23,615**

The notes on pages 10 to 15 form part of this half year results announcement

CONDENSED GROUP BALANCE SHEET

	As at 31 March	As at 31 March 2011	As at 30 September

	2012		2011
	(Unaudited)	(Unaudited)	(Audited)
	£'000	£'000	£'000
ASSETS			
Non-current assets			
Goodwill	**1,192**	1,057	1,192
Other intangible assets	**765**	338	742
Property, plant and equipment	**11,213**	10,091	10,120
Deferred tax assets	**447**	101	271
Trade and other receivables	**586**	586	586
	14,203	12,173	12,911
Current assets			
Inventories	**19,961**	20,569	20,338
Trade and other receivables	**14,246**	15,207	11,854
Current tax assets	**8**	-	121
Cash and cash equivalents	**3,572**	951	3,534
	37,787	36,727	35,847
Total assets	**51,990**	48,900	48,758
LIABILITIES			
Current liabilities			
Borrowings	**(6,601)**	(5,513)	(3,922)
Provisions	**-**	(30)	(79)
Trade and other payables	**(9,374)**	(9,552)	(8,363)
Current tax liabilities	**(110)**	(540)	(228)
	(16,085)	(15,635)	(12,592)
Net current assets	**21,702**	21,092	23,255
Non-current liabilities			
Deferred tax liabilities	**(520)**	(430)	(532)
Borrowings	**(8,272)**	(7,224)	(7,606)
Trade and other payables	**(135)**	-	(135)
Post-employment benefits	**(1,905)**	(408)	(803)
Derivative financial instruments	**(783)**	-	(864)
Redeemable loan notes payable	**(675)**	(675)	(675)
	(12,290)	(8,737)	(10,615)
Total liabilities	**(28,375)**	(24,372)	(23,207)
Net assets	**23,615**	24,528	25,551

CONDENSED GROUP BALANCE SHEET (continued)

	As at 31 March 2012 (Unaudited) £'000	As at 31 March 2011 (Unaudited) £'000	As at 30 September 2011 (Audited) £'000
EQUITY			
Share capital	**1,048**	1,048	1,048
Share premium account	**2,757**	2,757	2,757
Own shares in share trust	**(870)**	(582)	(485)
Hedging reserve	**(783)**	-	(864)
Foreign exchange reserve	**787**	726	974
Retained earnings	**20,676**	20,579	22,121
Total equity attributable to owners of the Parent Company	**23,615**	24,528	25,551

The notes on pages 10 to 15 form part of this half year results announcement

CONDENSED GROUP STATEMENT OF CASH FLOWS

	Six months ended		Year ended
	31 March	31 March	30 September
	2012	2011	2011
	(Unaudited)	(Unaudited)	(Audited)
	£'000	£'000	£'000
Cash flow from operating activities			
Profit before taxation	**1,556**	3,720	6,372
Adjusted for:			
Foreign exchange (loss)/gain	**(150)**	(89)	111
Depreciation of property, plant and equipment	**515**	490	1,043
Amortisation of intangible assets	**76**	52	125
(Profit)/Loss on disposal of property, plant and equipment	**(1)**	2	8
Net interest payable	**292**	227	527
Share-based payments	**12**	10	20
Decrease in post-employment benefit obligation	**(159)**	(97)	(194)
	2,141	4,315	8,012
Changes in working capital:			
Decrease/(increase) in inventories	**377**	(394)	(164)
(Increase)/decrease in trade and other receivables	**(2,392)**	(2,704)	649
Increase/(decrease) in trade and other payables	**931**	954	(185)
Cash flow from operations	**1,057**	2,171	8,312
Taxation paid	**(457)**	(885)	(1,998)
Net cash from operating activities	**600**	1,286	6,314
Cash flow from investing activities			
Disposal or acquisition of investments in subsidiaries	**(1)**	(13)	(14)
Purchase of property, plant and equipment	**(1,686)**	(410)	(1,265)
Purchase of intangible assets	**(99)**	(140)	(275)
Interest received	**38**	27	53
	(1,748)	(536)	(1,501)

CONDENSED GROUP STATEMENT OF CASH FLOWS (continued)

	Six months ended 31 March 2012 (Unaudited) £'000	Six months ended 31 March 2011 (Unaudited) £'000	Year ended 30 September 2011 (Audited) £'000
Cash flow from financing activities			
Increase/(repayment) of bank loans	**921**	(93)	285
Interest payable	**(330)**	(254)	(580)
Dividends paid	**(1,485)**	(1,330)	(1,330)
Net (purchase)/sale of own shares by share trust	**(384)**	20	100
	(1,278)	(1,657)	(1,525)
Net (decrease)/increase in cash and cash equivalents	**(2,426)**	(907)	3,288
Cash and cash equivalents at beginning of period	**(178)**	(3,471)	(3,471)
Effect of foreign exchange rate changes	**(1)**	(25)	5
Cash and cash equivalents at end of period	**(2,605)**	(4,403)	(178)
Cash and cash equivalents comprise:			
Cash and cash equivalents	**3,572**	951	3,534
Bank borrowings	**(6,177)**	(5,354)	(3,712)
	(2,605)	(4,403)	(178)

The notes on pages 10 to 15 form part of this half year results announcement

Responsibility statement
We confirm that to the best of our knowledge:

(a) the half year results announcement for the six months ended 31 March 2012 ’the announcement’ has been prepared in accordance with IAS 34
(b) the announcement includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year)
(c) the announcement includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Financial Director
R.A. Hope
18 May 2012

NOTES TO THE UNAUDITED HALF YEAR RESULTS ANNOUNCEMENT

1. Basis of preparation

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

The consolidated half year results are prepared on the basis of all International Accounting Standards (IAS) and IFRS published by the International Accounting Standards Board (IASB) that are currently in issue. New interpretations may be issued by the International Financial Reporting Interpretations Committee (IFRIC) on existing standards and best practice continues to evolve. It is therefore possible that the accounting policies set out below may be updated by the time the Group prepares its full set of financial statements under IFRS for the year ending 30 September 2012.

The information relating to the six months ended 31 March 2012 and 31 March 2011 is unaudited and does not constitute statutory accounts. The statutory accounts for the year ended 30 September 2011 have been reported on by the company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 of the Companies Act 2006. These half year results for the six months ended 31 March 2012 have neither been audited nor reviewed by the Group's auditors.

2. Accounting policies

These half year results have been prepared on the basis of the same accounting policies and presentation set out in the Group's 30 September 2011annual report.

3. Segmental information

(a) 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 is deemed to be the Managing Director who is 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 has identified two operating segments as follows:

Segment	Major product category
Manufacturing	Distilled, extracted, and other manufactured essential and vegetable oils; natural distillates.
Aromatic chemicals & other products	Aroma and specialty chemicals, standardised essential oils, concretes, absolutes, oleoresins & isolates.

These reportable segments were identified as they are managed separately as the products supplied, and the processes used in order to produce the products, differ.

A significant proportion of the Group's resources, assets and liabilities are shared by both business segments and therefore, necessarily, the segment net income, assets and liabilities shown below include apportionments in relation to each segment's contribution to Group profits. This is considered the most reasonable basis upon which to present business segmental information.

				Six months ended 31 March 2012
	Manufacturing	**Aroma chemicals & other**	**Un-allocated**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Revenue	18,686	17,340	-	36,026
Segment profit	1,384	442	-	1,826
Net finance costs	-	-	(270)	(270)
Profit before taxation	**1,384**	**442**	**(270)**	**1,556**
Taxation	-	-	(523)	(523)
Profit after taxation	**1,384**	**442**	**(793)**	**1,033**
Segment assets	29,865	22,125	-	51,990
Segment liabilities	(12,957)	(13,513)	(1,905)	(28,375)
Net segment assets	**16,908**	**8,612**	**(1,905)**	**23,615**
Segment capital expenditure	**1,522**	**263**	**-**	**1,785**
Segment depreciation and amortisation	**339**	**252**	**-**	**591**

3. **Segmental information – (a) business segments (continued)**

				Six months ended 31 March 2011
	Manufacturing	Aroma chemicals & other	Un-allocated	Total
	£'000	£'000	£'000	£'000
Revenue	18,181	17,618	-	35,799
Segment profit	2,744	1,187	-	3,931
Net finance costs	-	-	(211)	(211)
Profit before taxation	**2,744**	**1,187**	**(211)**	**3,720**
Taxation	-	-	(1,088)	(1,088)
Profit after taxation	**2,744**	**1,187**	**(1,299)**	**2,632**
Segment assets	28,651	20,249	-	48,900
Segment liabilities	(11,943)	(12,021)	(408)	(24,372)
Net segment assets	**16,708**	**8,228**	**(408)**	**24,528**
Segment capital expenditure	**347**	**210**	**-**	**557**
Segment depreciation and amortisation	**341**	**201**	**-**	**542**

				Year ended 30 September 2011
	Manufacturing	Aroma chemicals & other	Un-allocated	Total
	£'000	£'000	£'000	£'000
Revenue	39,623	34,895	-	74,518
Segment profit	5,051	1,813	-	6,864
Net finance costs	-	-	(492)	(492)
Profit before taxation	**5,051**	**1,813**	**(492)**	**6,372**
Taxation	-	-	(2,017)	(2,017)
Net segment income	**5,051**	**1,813**	**(2,509)**	**4,355**
Segment assets	29,511	19,247	-	48,758
Segment liabilities	(11,275)	(11,129)	(803)	(23,207)
Net segment assets	**18,236**	**8,118**	**(803)**	**25,551**
Segment capital expenditure	**1,105**	**440**	**-**	**1,545**
Segment depreciation and amortisation	**737**	**431**	**-**	**1,168**

3. **Segmental information (continued)**

(b) Geographical segments

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods or services:

	Six months ended		Year ended
	31 March	31 March	30 September
	2012	2011	2011
	(Unaudited)	(Unaudited)	(Audited)
	£'000	£'000	£'000
United Kingdom	**4,599**	4,354	8,755
Rest of Europe	**9,075**	10,172	20,949
The Americas	**13,578**	12,822	27,909
Rest of the World	**8,774**	8,451	16,905
	36,026	35,799	74,518

4. Taxation

Taxation has been provided at 33.6% (six months ended 31 March 2011: 29.2%) which is the effective group rate currently anticipated for the financial year ending 30 September 2012.

5. Earnings per share

(a) Basic earnings per share for the six months ended 31 March 2012 are based on the weighted average number of shares in issue and ranking for dividend in the period of 10,269,779 (2011: 10,232,546) and earnings of £1,033,000 (six months ended 31 March 2011: £2,632,00) being the profit after taxation.

(b) Diluted earnings per share for the six months ended 31 March 2012 are based on the weighted average number of shares in issue in the period, adjusted for the effects of all dilutive potential ordinary shares of 10,309,287 (2011: 10,281,841) and the same earnings as above.

6. Dividends

	Six months ended		Year ended
	31 March 2012 (Unaudited)	31 March 2011 (Unaudited)	30 September 2011 (Audited)
	£'000	£'000	£'000
Equity dividends on ordinary shares:			
Interim dividend for year ended 30 September 2010 – 4.1p	**-**	419	419
Final dividend for year ended 30 September 2010 – 8.9p	**-**	911	911
Interim dividend for year ended 30 September 2011 – 4.8p	**493**	-	-
Final dividend for year ended 30 September 2011 – 9.7p	**997**	-	-
	1,490	1,330	1,330

The declared interim dividend for the year ended 30 September 2012 of 5.1p was approved by the Board on 18 May 2012 and in accordance with IFRS has not been included as a deduction from equity at 31 March 2012. The dividend will be paid on 19 October 2012 to those shareholders on the register at 14 September 2012 and will, therefore, be accounted for in the results for the year ended 30 September 2013.

7. Related party transactions

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

	31 March 2012 (Unaudited)	31 March 2011 (Unaudited)	30 September 2011 (Audited)
Interest received on loan notes from:			
Earthoil Plantations Limited	**24**	7	64
Earthoil Kenya PTY EPZ Limited	**3**	3	6
Dividends received from:			
R.C.Treatt & Co Limited	**(1,491)**	1,331	1,331
Treatt USA Inc	**(641)**	-	-
Redeemable loan notes receivable:			
Earthoil Plantations Limited	**950**	950	950
Earthoil Kenya PTY EPZ Limited	**400**	400	400
Amounts owed to/(by) parent undertaking:			
Earthoil Plantations Limited	**15**	122	192
R.C.Treatt & Co Limited	**986**	1,237	(176)

7. Related party transactions (continued)

The redeemable loan notes are redeemable in full on 31 December 2015 or from 31 March 2009 on request from the issuer. Interest is receivable at 1% above UK base rate. Amounts owed to the Parent Company are unsecured and will be settled in cash.

8. Risks and uncertainties

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

- foreign exchange risk, particularly with regard to the US Dollar, as the Group trades with approximately one hundred countries around the globe. This is controlled through the implementation of a foreign exchange hedging policy;
- credit risk in ensuring payments from customers are received in full and on a timely basis. Appropriate payment terms are agreed with customers including, where necessary, payment in advance or by securing payment through bank letters of credit;
- legislative and regulatory risk as new requirements are being imposed on business and the industries with which the Group is involved, for example the European REACH (Registration, Evaluation and Authorisation of CHemicals) legislation. The Group takes a pro-active and leading role in ensuring that its systems and procedures are adapted to ensure compliance with new or changing legislative or regulatory requirements; and
- movements in commodity and essential oil prices often caused by unpredictable weather patterns or other sudden changes in supply or demand, for example the impact of the 2004 Florida hurricanes on grapefruit oil prices, the 2008 movement in lemon oil prices, and the sharp rise in orange oil prices in late 2010. This is managed by ensuring that Group purchases of raw materials are based upon a well-researched understanding of the risks involved and ensuring that appropriate inventory balances are held in order to meet future demand, whilst not holding excessive levels which may expose the Group to unnecessary risk.