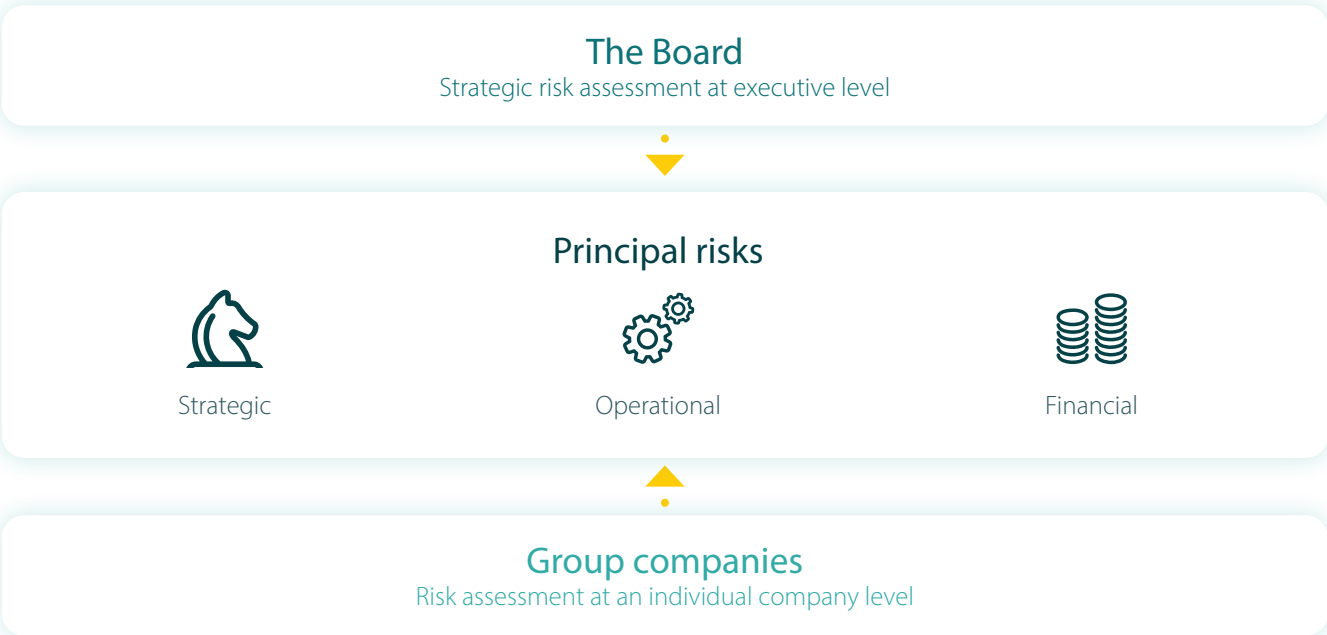





Principal risks and uncertainties.

Risk management process









The Board is responsible for the identification and effective management of risks posed to the Group. Due to the impact certain risks could pose, the Board regularly reviews the likelihood of risks occurring and the potential impact they could have on the business. Detailed below is a list of the principal risks facing the business, and the corresponding actions the Board is currently taking in order to manage them.







Strategic priorities key	Type of risks key	Change in period key
1 Focus on high-quality products and good leadership in technology	 Strategic	 Increase in risk
2 Continue to grow the customer base for Group companies	 Operational	 Decrease in risk
3 Focus on manufacturing excellence	 Financial	 No change in risk
4 Continue to develop high quality people		

Area of risk	Type of risk	Description of risk	Mitigation of risk	Possible impact on performance	Strategic priorities impacted upon	Change in period
A Adverse economic conditions		Deferred or reduced capital investment plans in market sectors, which our products are supplied into and are key sources of revenue for the Group	<ul style="list-style-type: none"> Broad range of customers in differing sectors High quality, technically advanced products to differentiate the Group from competitors Energy efficient products with shorter payback periods Actively seek to identify new opportunities to ensure we maximise our potential of winning new business 	High	1, 2, 4	
B Business continuity		A significant proportion of the Group's revenues are from products manufactured in the Redditch facility	<ul style="list-style-type: none"> High level of importance attached to environmental management systems, health and safety and preventative maintenance Insurance cover is maintained to provide financial protection where appropriate Increased production flexibility with the ability to build products in more than one manufacturing facility 	High	2, 3	
C Price changes		Erosion of revenue and profitability	<ul style="list-style-type: none"> Management reviews prices regularly to take into account fluctuations in costs, in order to minimise the risk of reduction in gross margin, or the loss of market share from a lack of competitiveness 	High	1, 2	
D Changes in government legislation or policy		<p>Reduction in public sector expenditure and changing policy increases risk to our order book</p> <p>Increased complexity of access to EU markets</p>	<ul style="list-style-type: none"> Continue to seek to diversify our customer portfolio to ensure we have an appropriate spread, mitigating the risk of any industry or specific sector spending issues Develop sales in new markets Leveraging increasing footprint in Europe 	Medium	2, 4	

Principal risks and uncertainties continued

Area of risk	Type of risk	Description of risk	Mitigation of risk	Possible impact on performance	Strategic priorities impacted upon	Change in period
E Impact of conflict on domestic and global economies		Potential impact on supply chains including increase in certain raw material prices and disruption to some shipping routes. Impact of energy supply price increases.	<ul style="list-style-type: none"> Alternative sources for certain materials and alternative shipping routes, albeit with higher costs in some circumstances Electricity usage has been reduced with implementation of solar panels at the majority of manufacturing sites across the Group 	Medium	2, 3	
F Competitive environment		Existing competitors, powerful new entrants and continued evolution of technologies in the lighting industry eroding our revenue and profitability	<ul style="list-style-type: none"> Offering innovative products and service solutions that are technologically advanced products to enable us to differentiate ourselves from our competitors Investing in research and development activities to produce new and evolving product ranges Investing in new production equipment to ensure we can keep costs low and maintain barriers to new market entrants 	Medium	1, 2, 3, 4	
G Sustainability & climate-related risk		The Group has potential exposure to climate-related risk that could impact both its operations and the products it promotes.	<ul style="list-style-type: none"> Sustainability targets are set each year for Group companies. Education of employees to further develop sustainability and climate-related understanding, evolving knowledge of the related risks. Targeted reduction of total GHG emissions, reducing the impact of its operations. 	Medium	2, 4	
H Cyber security		A breach of IT security could result in the inability to operate systems effectively and efficiently or the release of inappropriate information	<ul style="list-style-type: none"> Continual review and monitoring of potential risks Computers encrypted where necessary to protect data Cyber security awareness training continues to be delivered to employees Third party specialists engaged to provide enhanced support and advice Critical applications protected by multi-factor authentication and all connectivity is through the Virtual Private Network (VPN) 	Medium	1, 3, 4	

Area of risk	Type of risk	Description of risk	Mitigation of risk	Possible impact on performance	Strategic priorities impacted upon	Change in period
I Exit from the European Union		Increased complexity of access to EU markets, customers in certain EU territories actively moving business from UK companies.	<ul style="list-style-type: none"> With the Group having a manufacturing presence in two EU countries, the Netherlands and Spain, this leaves us ideally placed to react to any negative trade barriers that may be imposed on the UK Continue to develop closer working relationship with these entities, sharing product development, market knowledge and operational expertise to ensure we have the flexibility to adapt to any changes in the future Creation of legal entity in Republic of Ireland to route all EU business in the future to ease the process of customers trading with us 	Medium	2, 4	
J Credit risk		The Group offers credit terms which carry risk of slow payment and default	<ul style="list-style-type: none"> Credit policy includes an assessment of the bad debt risk and management of higher risk customers The Group maintains a credit insurance policy for a significant proportion of its debtors 	Low	2	
K Movements in currency exchange		The Group is exposed to transaction and translation risks. With some natural hedging in EUR this risk is primarily with changes in the GBP:USD rates	<ul style="list-style-type: none"> The Group has increased its sourcing of materials to maintain a natural hedge to offset its currency risk from EUR receivables, whilst at the same time buying EUR and USD when the exchange rate is favourable, compared to our operational rates, to minimise the risk 	Low	2	

Strategic priorities key

- 1 Focus on high-quality products and good leadership in technology
- 2 Continue to grow the customer base for Group companies
- 3 Focus on manufacturing excellence
- 4 Continue to develop high-quality people

Type of risks key

-  Strategic
-  Operational
-  Financial

Change in period key

-  Increase in risk
-  Decrease in risk
-  No change in risk