

# Directors' Report

The directors present their Directors' report with the audited consolidated financial statements of the Group and the Company for the financial year ended 30 June 2020.

## Principal Activity

The main activity of the Group continues to be the design, manufacture and supply of professional lighting equipment. Each company within the Group operates in a different market of the lighting sector.

## Business Review

The trading results for the year are set out in the Consolidated Income Statement on page 78 and the Group's financial position at the end of the year is set out in the Consolidated and Company Statements of Financial Position on page 80. A review of the performance of the business during the financial year and expected future developments are contained in the Chairman's Statement, the Operational Performance section and the Financial Performance section which form part of the Strategic Report.

## Key Performance Indicators

The directors consider the main financial key performance indicators (KPIs) to be those disclosed on page 22 (financial highlights). The two most important KPIs to the business are revenue and operating profit.

The directors monitor non-financial areas of the business relating to energy saving and environmental responsibility, market and product development, customer service and product support on a regular basis.

Objectives are set for each company within the Group incorporating financial and non-financial targets which have appropriate measurements that reflect their nature. These are monitored regularly at local and Group Board level. During the year a number of objectives were achieved, some impacted by COVID-19 in the final quarter of the year.

## Principal Risks and Uncertainties

The table on pages 46 to 48 details what we consider to be the principal risks and uncertainties to the business, and how we seek to manage and mitigate these risks.

The Group has financial risks and seeks to minimise and manage these by incorporating controls into key functions as part of the normal business operation.

Details of other risk management procedures are included within the internal control section of this report and in the financial risk section within the accounting policies (note 1).

## Internal Control

The Board of directors has overall responsibility for the system of internal control and for reviewing its effectiveness throughout the Group. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable but not absolute assurance against misstatement or loss.

The directors have responsibility for maintaining a system of internal control which provides reasonable assurance of the effective and efficient operations, internal financial control and compliance with laws and regulations.

## Other Areas of Control

During the year and continuing after the year end, the Board has operated a formal risk identification and evaluation process as part of a continuous review of the Group's internal controls. This process considers financial, operational and compliance risks and includes participation from senior executives from all operating subsidiaries. The results of this process to date have been utilised by the Board to focus the ongoing process for identifying, evaluating and managing the Group's significant risks. The programme is utilised to monitor the potential

impact of the risks identified and, where appropriate, actions are taken to ensure they are effectively controlled. This process is extended to include a detailed review of risk, as assessed by local senior executives, and procedures have been established to ensure that the Group Board is made aware of any additional significant risks identified and to consider appropriate action. This process culminated in the provision of a certificate, by senior executives at the operating sites, confirming that they have identified and addressed the risks arising in their business and reported them to the Group Board accordingly.

## Proposed Dividend

Details of the proposed dividend are disclosed in the Financial Performance section on pages 42 and 43.

## Directors

The directors of the Company during the year and at the date of this report are set out on pages 56 and 57.

The directors retiring by rotation are M Allcock, A B Thorpe, A M Cooper who, being eligible, offer themselves for re-election. M Allcock has a service contract terminable on 24 months' notice.

## Directors' Share Interests

The details of the directors' share interests are set out in the directors' remuneration report on page 67.

## Directors' Indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

## Board Constitution

The Company continues to be proprietorial in nature and the directors act as a unitary Board and as a consequence are unable to see the benefits of splitting the Board into sub-committees and in particular of constituting audit and nomination committees as matters that would normally be considered by an audit or nomination committee are addressed by the full Board with the non-executive directors present and the auditors attending as appropriate.

A remuneration committee has been established with the following people serving on it:

### P D Mason

Non-executive director and Chairman of the committee.

### A B Thorpe

Non-executive director.

### I A Thorpe

Non-executive director.

Terms and conditions for the operation of this committee are in place and it meets as and when required. The committee's report is presented on pages 65 to 68.

Where there is a requirement for a senior personnel or subsidiary board appointment a sub-committee is formed. Any appointment to the Group Board would involve all Board members in the selection process.

The Board meets regularly during the year and has a schedule of matters reserved for its approval, which only the Board may change.

## Substantial Shareholdings

At 30 September 2020, the Company had received notification of the following interests in 3% or more of the issued share capital, excluding holdings of directors:

### Liontrust Investment

#### Partners LLP

6,228,630 (5.4%)

### C M Brangwin

7,231,550 (6.2%)

## Relations with Shareholders

Directors are kept informed of the views of shareholders by face-to-face contact at the Company's premises on the day of the Annual General Meeting where possible and, if appropriate, by meeting with major shareholders at other times during the year. See Notice of Meeting – AGM 2020.

## Directors' Authority to Issue Shares

In previous years, at the Annual General Meeting, shareholders have been asked to pass resolutions to authorise the directors to allot shares for cash or to grant rights to subscribe for, or to convert any security into, shares in the Company and to allow them to do so (and also to sell treasury shares) in certain circumstances without first offering the shares in question to existing shareholders.

As the directors have no intention of exercising these authorities, there will be no resolution to grant these powers at the forthcoming Annual General Meeting.

This will not, however, prevent shares from being allotted or treasury shares being sold to individuals who exercise options under any share option scheme of the Company.

## Purchase of Own Shares

Resolution number 8 set out in the notice of the Annual General Meeting will, if it is approved, allow the Company to exercise the authority contained in the Articles of Association to purchase its own shares. The Board has no firm intention that the Company should make purchases of its own shares if the proposed authority becomes effective, but would like to be able to act quickly if circumstances arise in which such a purchase would be desirable.

Purchases will only be made on the Alternative Investment Market and only in circumstances where the directors believe that they are in the

best interests of the shareholders generally. Furthermore, purchases will only be made if the directors believe that they would result in an increase in earnings per share.

The proposed authority will be limited by the terms of the special resolution to the purchase of 11,893,559 ordinary shares representing 10% of the Company's issued ordinary share capital at 30 September 2020 and a nominal value of £118,936.

The minimum price per ordinary share payable by the Company (exclusive of expenses) will be 1p. The maximum to be paid will be an amount not more than 5% above the average of the middle market quotations for ordinary shares of the Company as derived from the Alternative Investment Market on the five business days immediately preceding the date of each purchase. The Company may either cancel any shares which it purchases under this authority or transfer them into treasury, and subsequently sell or transfer them out of treasury or cancel them. The maximum number of shares and the permitted price range are stated in order to comply with statutory and Stock Exchange requirements and should not be taken as representative of the number of shares (if any) which may be purchased, or the terms of such a purchase.

The authority will lapse on the date of the Annual General Meeting of the Company in 2021. However, in order to maintain the Board's flexibility of action it is envisaged that it will be renewed at future Annual General Meetings.