






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.



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	 Strategic	Deferred or reduced capital investment plans in market sectors, which our products are supplied into and are key sources of revenue for the Group Impact of COVID-19 on domestic and global economies	<ul style="list-style-type: none"> Broad range of customers in differing sectors High quality, technically advanced products to differentiate the Group from competitors Actively seek to identify new opportunities to ensure we maximise our potential of winning new business 	High	1 2 4	
B Changes in government legislation or policy	 Strategic	Reduction in public sector expenditure and changing policy increases risk to our order book Increased complexity of access to EU markets	<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 	Medium	2 4	

Area of risk	Type of risk	Description of risk	Mitigation of risk	Possible impact on performance	Strategic priorities impacted upon	Change in period
C Competitive environment	 Strategic	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	
D Price changes	 Operational	Erosion of revenue and profitability	<ul style="list-style-type: none"> Management reviews prices, at least annually, 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 	Medium	1 2	
E Business continuity	 Operational	The majority 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	
F Credit risk	 Financial	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	
G Movements in currency exchange	 Financial	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	




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
H Cyber security	 Operational	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 for employees ongoing 	Medium	1 3 4	
I Exit from the European Union	 Strategic	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 Global pandemic – COVID-19	 Operational	Potential disruption to operations from further outbreak of COVID-19	<ul style="list-style-type: none"> Risk assessments, preventative measures including lateral flow testing when required, temperature screening, distancing and hygiene measures in place Additional component stock held at some companies to mitigate any supply chain disruption Potential to utilise manufacturing facilities at other Group companies 	High	2 3	

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

RISKS KEY

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