

## Principal Risks and Uncertainties

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 are currently taking in order to manage them.

Area of risk	Type of risk	Description of risk
<b>A</b> Adverse economic conditions	Strategic	<ul style="list-style-type: none"> <li>Deferred or reduced capital investment plans in market sectors, which our products are supplied into and are key sources of revenue for the Group</li> </ul>
<b>B</b> Changes in government legislation or policy	Strategic	<ul style="list-style-type: none"> <li>Reduction in public sector expenditure and changing policy increases risk to our order book</li> <li>Uncertainty of free access to EU markets</li> </ul>
<b>C</b> Competitive environment	Strategic	<ul style="list-style-type: none"> <li>Existing competitors, powerful new entrants and continued evolution of technologies in the lighting industry eroding our revenue and profitability</li> </ul>
<b>D</b> Price changes	Operational	<ul style="list-style-type: none"> <li>Erosion of revenue and profitability</li> </ul>
<b>E</b> Business continuity	Operational	<ul style="list-style-type: none"> <li>The majority of the Group's revenues are from products manufactured in the Redditch facility</li> </ul>
<b>F</b> Credit risk	Financial	<ul style="list-style-type: none"> <li>The Group offers credit terms which carry risk of slow payment and default</li> </ul>
<b>G</b> Movements in currency exchange rates	Financial	<ul style="list-style-type: none"> <li>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</li> </ul>
<b>H</b> Cyber security	Operational	<ul style="list-style-type: none"> <li>A breach of IT security could result in the inability to operate systems effectively and efficiently or the release of inappropriate information</li> </ul>
<b>I</b> Exit from the European Union	Strategic	<ul style="list-style-type: none"> <li>Significant uncertainty remains over how the economic landscape might be affected in the next few years</li> </ul>

Key



Increase in risk



No change in risk



Decrease in risk

Mitigation of risk	Possible impact on performance	Strategic priorities impacted upon	Change in period
<ul style="list-style-type: none"> <li>Broad range of customers in differing sectors</li> <li>High quality, technically advanced products to differentiate the Group from competitors</li> <li>Actively seek to identify new opportunities to ensure we maximise our potential of winning new business</li> </ul>	High	1 2 4	▲
<ul style="list-style-type: none"> <li>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</li> <li>Develop sales in new markets</li> </ul>	Medium	2 4	▲
<ul style="list-style-type: none"> <li>Offering innovative products and service solutions that are technologically advanced products to enable us to differentiate ourselves from our competitors</li> <li>Investing in research and development activities to produce new and evolving product ranges</li> <li>Investing in new production equipment to ensure we can keep costs low and maintain barriers to new market entrants</li> </ul>	Medium	1 2 3 4	=
<ul style="list-style-type: none"> <li>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</li> </ul>	Medium	1 2	=
<ul style="list-style-type: none"> <li>High level of importance attached to environmental management systems, health and safety and preventative maintenance</li> <li>Insurance cover is maintained to provide financial protection where appropriate</li> <li>Increased production flexibility with the ability to build products in more than one manufacturing facility</li> </ul>	High	2 3	=
<ul style="list-style-type: none"> <li>Credit policy includes an assessment of the bad debt risk and management of higher risk customers</li> <li>The Group maintains a credit insurance policy for a significant proportion of its debtors</li> </ul>	Low	2	=
<ul style="list-style-type: none"> <li>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</li> </ul>	Low	2	▲
<ul style="list-style-type: none"> <li>New Group IT Manager recruited to strengthen our internal team</li> <li>Anti-malware implemented</li> <li>Disaster recovery capabilities are under review with a view to further investment</li> </ul>	Low	1 3 4	▲
<ul style="list-style-type: none"> <li>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</li> <li>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</li> <li>As more details emerge we will assess the impact, in the short term the Group will review the implications based on potential outcomes</li> </ul>	Medium	2 4	▲