

Notes to the Financial Statements - continued  
for the Year Ended 31 March 2021

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2. ACCOUNTING POLICIES - continued

**Foreign currencies**

Foreign currency transactions are translated into pounds sterling using the exchange rates prevailing at the date of the transaction. Foreign currency denominated monetary assets and liabilities are re-translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from foreign currency transactions are reflected in the profit and loss account.

**Research and development**

Expenditure on research and development is charged to the income statement in the year in which it is incurred. Research and development expenditure credits relate to amounts recoverable from HMRC on previously incurred expenditure.

**Key judgements and estimating uncertainty**

The preparation of financial statements under FRS 101 requires management to make estimates and assumptions that affect amounts recognised for assets and liabilities at the statement of financial position date and the amounts of revenue and the expenses incurred during the reported period. Actual outcomes may therefore differ from these estimates and assumptions. These estimates and assumptions that have the most significant impact on the carrying value of assets and liabilities of the Company within the next financial year are detailed as follows:

a) Going concern (judgement and estimate)

In preparing these financial statements using the going concern basis of accounting, management has considered the forecast future cash flows of the Group under a management case scenario and several downside scenarios (see pages 53 to 54 of the Directors' Report of the Group Annual Report and Consolidated Financial Statements). Forecast future cash flows include the following areas of judgement:

- Work winning for the Group;
- Construction activity including project margins and working capital position;
- Support of the supply chain in terms of product material, labour supply and flexibility in payment terms;
- Inflationary pressures;
- Disruption to the supply chain;
- Structural drivers for construction work; and
- Possibility of increased Covid-19 related restrictions impacting construction.

**Other judgements and estimates**

a) Covid-19 and Brexit (judgement and estimate)

In light of Covid-19 and Brexit, management has considered other areas of judgement and estimation, including expected credit loss provisioning. Management has concluded that any updates to the estimates associated with these areas of the financial statements are not expected to result in significant change.

b) Climate Change (judgement and estimate)

In preparing the financial statements management has considered the impact of climate change. Potential impacts of climate change, which include increased intensity and frequency of weather events and stricter environmental legislation, have been considered by management, together with the Group's stated target of becoming operational net zero by 2030 and developing plans to achieve net zero scope 3 emissions by 2050 to the extent these can be forecast at present. These considerations did not have a material impact on the financial reporting judgements and estimates and climate change is not expected to have a significant impact on the Group's going concern assessment to March 2023.

Specific areas considered by management included:

- The appropriateness of the estimated useful economic lives of the Company's property, plant and equipment and right-of-use assets where no significant changes are currently needed (notes 9 and 16).

The Group continues to invest in new technologies and product development including a project to decarbonise manufactured concrete components used in construction. The costs of these projects are currently being expensed as incurred.