

DIRECTORS' REPORT

The Directors present their report, together with the audited accounts for the year ended 31 December 2008.

Business review and principal activities

The Group's principal activity is specialist ground engineering. In accordance with Section 417 of the Companies Act 2006, the Directors are required to produce a Business Review in this report. The information which fulfils this requirement can be found in the sections set out below and is incorporated by reference into this report. A review of:

- the Group's progress and future prospects, including discussion of the Group's markets and competitive environment and the main trends and factors likely to affect the future development, performance and position of the Group's business is given on pages 8 to 22; and
- environmental matters, employees and social and community issues may be found on pages 23 to 27.

Principal risks and uncertainties and key performance indicators

The key business risks and uncertainties affecting the Group relate to market cycles, acquisitions, technical risk and people. These are explained more fully in the Operating Review, where the key performance indicators, measuring success in managing these risks, are also shown.

The Group is geographically diverse and is managed as a series of local businesses, which gives it a relatively low risk profile. There are no contractual arrangements which, individually, are critical to the business of the Group.

Results and dividends

The results for the year, showing a profit before taxation of £113.2m (2007: £103.2m), are set out on page 44.

The Directors recommend a final dividend of 13.8p per share to be paid on 29 May 2009, to members on the register at the close of business on 1 May 2009. An interim dividend of 6.9p per share was paid on 3 November 2008. The total dividend for the year of 20.7p (2007: 18.0p) will amount to £13.3m (2007: £11.9m).

Directors

The rules governing the election and re-election of directors may be found in the Corporate Governance Report on page 39. The powers of directors of the Company are as set out in the Company's articles of association.

The names and biographical details of the Directors who hold office at the date of this report are given on pages 28 and 29. All served throughout the year. In addition, Mr Keith Payne served on the Board until he retired on 31 January 2008.

The interests of the Directors in the share capital of the Company are shown in the Remuneration Report on page 36. Directors' conflicts of interest are discussed in the Corporate Governance Report on page 39.

The Company's articles of association indemnify the Directors out of the assets of the Company in the event that they suffer any loss or liability in the execution of their duties as Directors, subject to the provisions of the Companies Act 2006.

Retirement and re-election

Mr López Jiménez and Mr Rubright will retire by rotation at the Annual General Meeting and will offer themselves for re-election. Mr Franklin, who has been re-appointed since the last Annual General Meeting, will retire in accordance with the articles of association and will offer himself for election. In addition, Dr West, who has served on the Board as a Non-executive Director for eleven years, will retire and offer himself for re-election.

Share capital and substantial shareholdings

The structure of the Company's share capital, including the rights and obligations attaching to shares, is given in note 25 to the consolidated financial statements.

Details of shares allotted by the Company during the year appear in note 25 to the consolidated financial statements.

At 2 March 2009, the Company had been notified in accordance with the Disclosure and Transparency Rules of the Financial Services Authority of the following interests in its issued ordinary share capital:

	Number of shares held	Percentage of the Company's total voting rights
J P Morgan Chase & Co.	4,798,351	7.5%
GTCEISU Construcción, S.A.	3,691,985	5.7%
Legal & General Investment Management	3,406,541	5.1%
AXA Investment Managers	3,204,463	4.9%
Barclays Global Investors	2,550,357	3.9%

Research and development

The Group continues to have in-house design, development and manufacturing facilities, where staff work closely with site engineers to develop new and more effective methods of solving problems of ground behaviour. Much of the specialised equipment we use is designed and built by us and, where applicable, the development costs are included in the cost of the equipment.

Corporate governance

This is the subject of a separate report on pages 38 to 41 which details the Company's compliance with the Combined Code on Corporate Governance as appended to the Listing Rules of the UK Listing Authority. The Remuneration Report is set out on pages 32 to 37.

Social responsibility

The Group's approach to employee involvement, disabled persons, health and safety and the environment is set out in the Social Responsibility Report on pages 23 to 27.

Management of financial risks

The Group's financial risk management objectives and policies are discussed in the Financial Review on page 22.

Going concern

The accounts have been prepared on the going concern basis as the Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future, as discussed in the Financial Review on page 21.

Payments to suppliers

The Group's policy, in relation to all of its suppliers, is to settle terms of payment when agreeing the terms of the transaction and to abide by those terms, providing that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group does not follow any code or statement on payment practice.

At 31 December 2008 the Group had 63 days' (2007: 58 days') purchases outstanding.

Political and charitable contributions

No contributions were made to any political party during the year. Donations made by the Group in the UK for charitable purposes were £2,000 (2007: £9,000) with charitable donations of £108,000 (2007: £88,000) made by the Group as a whole.

Annual General Meeting

The full wording of the resolutions to be tabled at the forthcoming Annual General Meeting is set out in the Notice of Annual General Meeting on page 75.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution for the reappointment of KPMG Audit Plc as Auditors to the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Jackie Holman

Secretary
2 March 2009