12 Earnings per share

Basic and diluted earnings per share from continuing operations are calculated as follows:	2009 Basic £m	2009 Diluted £m	2008 Basic £m	2008 Diluted £m
Earnings (after tax and minority interests), being net profits attributable to equity holders of the parent	**50.4**	**50.4**	72.5	72.5

	Number of shares Million	Number of shares Million	Number of shares Million	Number of shares Million
Weighted average of ordinary shares in issue during the year	**64.0**	**64.0**	65.2	65.2
Add: weighted average of shares under option during the year	**–**	**1.1**	–	1.2
Add: weighted average of own shares held (excluding treasury shares)	**–**	**0.1**	–	0.1
Subtract: number of shares assumed issued at fair value during the year	**–**	**(0.1)**	–	(0.1)
Adjusted weighted average of ordinary shares in issue	**64.0**	**65.1**	65.2	66.4

	2009 Pence	2009 Pence	2008 Pence	2008 Pence
Earnings per share from continuing operations	**78.8p**	**77.4p**	111.1	109.2

Total earnings per share from continuing and discontinued operations of 78.8p (2008: 108.6p) was calculated based on earnings of £50.4m (2008: £70.8m) and the weighted average number of ordinary shares in issue during the year of 64.0 million (2008: 65.2 million).

Total diluted earnings per share from continuing and discontinued operations of 77.4p (2008: 106.7p) was calculated based on earnings of £50.4m (2008: £70.8m) and the adjusted weighted average number of ordinary shares in issue during the year of 65.1 million (2008: 66.4 million).

Loss per share from discontinued operation of nil (2008: 2.5p) was calculated based on a loss of £nil (2008: £1.7m) and the weighted average number of ordinary shares in issue during the year of 64.0 million (2008: 65.2 million).

Diluted loss per share from discontinued operation of nil (2008: 2.5p) was calculated based on a loss of £nil (2008: £1.7m) and the adjusted weighted average number of ordinary shares in issue during the year of 65.1 million (2008: 66.4 million).

13 Intangible assets

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
At 1 January 2008	79.0	5.7	**84.7**
Acquired with subsidiaries	–	1.0	**1.0**
Additions	3.9	1.4	**5.3**
Exchange differences	24.9	2.1	**27.0**
At 31 December 2008 and 1 January 2009	107.8	10.2	**118.0**
Acquired with subsidiaries	–	2.6	**2.6**
Additions	13.6	0.7	**14.3**
Exchange differences	(7.9)	(0.5)	**(8.4)**
At 31 December 2009	113.5	13.0	**126.5**
Accumulated amortisation and impairment			
At 1 January 2008	–	3.9	**3.9**
Amortisation charge for the year	–	0.7	**0.7**
Exchange differences	–	1.6	**1.6**
At 31 December 2008 and 1 January 2009	–	6.2	**6.2**
Amortisation charge for the year	–	1.5	**1.5**
Exchange differences	–	(0.3)	**(0.3)**
At 31 December 2009	–	7.4	**7.4**
Carrying amount			
At 31 December 2009	113.5	5.6	**119.1**
At 31 December 2008 and 1 January 2009	107.8	4.0	**111.8**
At 1 January 2008	79.0	1.8	**80.8**

Notes to the consolidated financial statements

Continued

13 Intangible assets continued

For impairment testing purposes goodwill has been allocated to sixteen separate cash generating units 'CGUs'. Of these, the carrying amount of goodwill allocated to three individual CGUs (Suncoast, HJ Foundations and Resource Piling) is significant in comparison to the total carrying amount of goodwill and comprises 63% of the total. The carrying amounts allocated to a further four CGUs, taken together, comprise a further 25% of the total. The relevant CGUs and the carrying amount of the goodwill allocated to each are as set out below:

Cash Generating Unit	Operating segment	**2009 £m**	2008 £m
Suncoast	US	**40.2**	44.1
HJ Foundation	US	**17.4**	19.0
Resource Piling	CEMEA (Singapore)	**13.4**	–
Hayward Baker	US	**8.7**	9.5
Keller-Terra	CEMEA (Spain)	**8.0**	8.6
Keller Geotechnique	UK	**6.7**	6.7
Phi	UK	**5.2**	5.2
Other	Various	**13.9**	14.7
		113.5	107.8

The recoverable amount of the goodwill allocated to each CGU has been determined based on a value in use calculation. The calculations all use cash flow projections based on financial budgets and forecasts approved by management covering a five year period.

Keller's businesses operate in cyclical markets and are expected to continue to face challenging market conditions for the foreseeable future. The most important factors in the value in use calculations, however, are the forecast revenues and gross margin in five years' time and the discount rates applied to future cash flows. The key assumptions underlying the cash flow forecasts are therefore the extent of the revenue recovery in the forecast five year period and the gross margins assumed at the end of the period. The discount rates used in the value in use calculations are based on the weighted average cost of capital of companies comparable to the relevant CGUs.

Most of the forecast cash flows used to derive values in use anticipate a slight decline in sales and profitability in 2010 from the levels of 2009. In all cases, it is assumed that revenues and profits recover over time to no better than a mid-cycle position by no later than year five (2014). Management consider all the forecast improvements in sales, margins and profits to be reasonably achievable given the expected recovery, over time, in market conditions and the historic trading results of the relevant CGUs. Cash flows beyond 2014 have been extrapolated using a steady growth rate of between 2% and 3% (2008: 3%), which does not exceed the long term average growth rates for the markets in which the relevant CGUs operate.

The macroeconomic assumptions underlying all the forecasts therefore are for a gradual recovery to more normal market conditions by 2014. Clearly, in the unlikely event that these assumptions prove significantly over optimistic and the relevant countries experience a severe and prolonged depression, such that demand for the Group's products is materially below long term historic levels for a significant number of years, this would adversely impact the forecast cash flows and more than likely lead to impairments of goodwill. The extent of such impairments however is impossible to predict at this stage. If, as management consider probable, the medium term macroeconomic background assumed proves not to be significantly over optimistic, management believes that any reasonably possible change in the key assumptions on which the recoverable amounts of the CGUs identified above are based would not cause any of their carrying amounts to exceed their recoverable amounts.

Additional specific information relating to the value in use calculations for CGUs with significant goodwill are as follows:

Suncoast

The value in use of Suncoast has been determined using a pre-tax discount rate of 17.4% (2008: 16.0%). Suncoast's revenues are primarily linked to US residential construction spend and the forecast cash flows assume a gradual recovery in US residential beginning in 2010. Revenues forecast for 2014 (and then forecast forward at a growth rate of 3% per annum) are consistent with national US housing starts of around 1.5 million in that year, a level which third party forecasts generally assume to be the average annual requirement for new homes in the US based on expected demographic trends. Gross margins are forecast to recover over time to a level below that earned in the five years prior to the recent recession, despite considerable operational improvements at Suncoast in recent years.

HJ Foundation

The value in use of HJ Foundations has been determined using a pre-tax discount rate of 18.0% (2008: 18.7%). HJ, which was acquired by Keller in October 2007, has historically derived its revenues solely from southern Florida, a construction market which has declined substantially over the last three years following a boom period. The forecast cash flows assume a gradual recovery in the south Florida market from 2011 and that HJ continues to grow its sales elsewhere in Florida and other parts of the US, consistent with the strategy underlying the acquisition. However, the revenues from southern Florida forecast for 2014 (and then forecast forward at a growth rate of 3% per annum) are less than half those achieved in the boom of 2005 and 2006. Management consider the forecast 2014 revenues from other geographical markets reasonably achievable given progress to date and the ability to leverage off the wider Keller US network. Gross margins are forecast to recover over time to a level consistent with other Keller US piling companies.

Resource Piling

The value in use of Resource Piling, which was acquired by Keller in October 2009, has been determined using a pre-tax discount rate of 13.3%. The forecast cash flows assume sales over the next five years in line with those achieved by the business over the past two years with forecast growth at 3% thereafter. Forecast margins are consistent with the historic average for the business, but less than those earned in the two years immediately preceding acquisition.

Hayward Baker (US), Keller-Terra (Spain), Keller Geotechnique and Phi (both UK)

All these businesses are more geographically diverse than HJ and have revenues more broadly spread across construction markets as a whole than Suncoast. Their values in use have been determined using pre-tax discount rates of between 15.3% and 17.4%. For all four, the forecast cash flows are based on the same key assumptions about macroeconomic conditions; they assume decreases in sales and profits in 2010, reflecting more difficult expected conditions in their respective markets. Sales and profits are then forecast to recover gradually from 2011. The forecast sales growth to 2014 is based on external forecasts for the relevant construction markets, adjusted in the case of Keller-Terra and Phi for moderate market share gains on the assumption that their main products continue to increase their penetration of the overall foundation market. Forecast gross margins are in all cases consistent with or below the average normalised margins of the last five years.