SC177553

REPORT 2010

Aggreko plc Annual Report and Accounts 2010

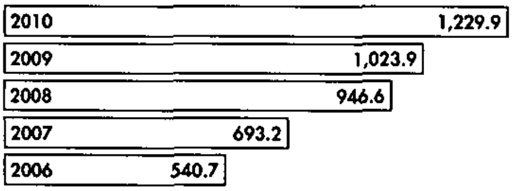
The Directors' Report of Aggreko plc for the year ended 31 December 2010 is set out on pages 4 to 78 and includes the section headed 'Our Performance' on page 2 and the sections of the Annual Report referred to in these pages. This Annual Report contains forward looking statements. These forward looking statements are not guarantees of future performance. Rather they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results to differ from any future results or developments expressed or implied from the forward looking statements. Each forward looking statement speaks only as of the date of the particular statement.

OUR PERFORMANCE

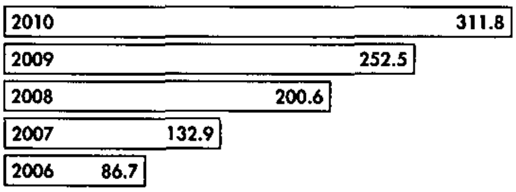
Financial highlights

	2010	2009	Movement As reported %	Movement Constant currency %
Revenue £m	**1,229.9**	1,023.9	20.1	17.4
Trading profit £m	**311.8**	252.5	23.5	20.4
Profit before tax £m	**304.4**	244.0	24.8	
Diluted EPS pence	**78.98**	62.42	26.5	
Dividend per share pence[2]	**18.90**	12.60	50.0	

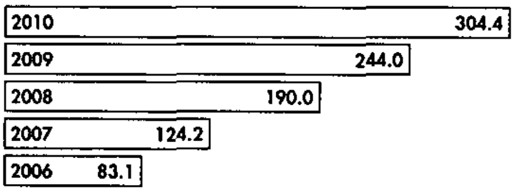
Revenue
£m



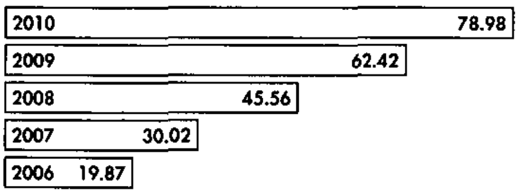
Trading profit[1]
£m



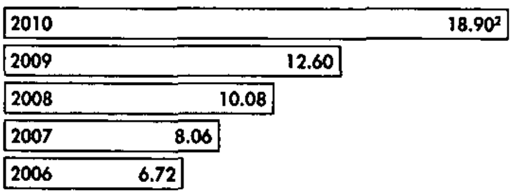
Profit before tax[1]
£m



Diluted eps[1]
Pence



Dividend per share
Pence



1 2006 numbers are pre-exceptional items.

2 The Board is recommending a final dividend of 12.35 pence per ordinary share, which, when added to the interim dividend of 6.55 pence, gives a total for the year of 18.90 pence per ordinary share.

Directors' Report

CHAIRMAN'S STATEMENT

Introduction

I am pleased to report that Aggreko has delivered another strong set of results. Reported revenue in 2010 grew by 20% to £1,230 million (2009: £1,024 million) and trading profit[1] grew by 23% to £312 million (2009: £252 million). Trading margin[2] increased to 25.4% (2009: 24.7%), while profit before tax increased by 25% to £304 million (2009: £244 million) and earnings per share increased by 27% to 79.37 pence (2009: 62.67 pence). Return on average capital employed improved by 3.4pp to 32.4%.

Amongst our businesses, International Power Projects grew revenue in constant currency and excluding pass-through fuel[3] by 8%, and recorded the highest level of order intake in its history. Our Local business saw revenue grow by 24% on a constant currency basis over 2009, helped by three major sporting events (the Vancouver Winter Olympics, FIFA World Cup and the Asian Games). Excluding revenues from these events, and in constant currency, Local business revenues grew by 11%.

Strategy

Aggreko's strategy has remained broadly unchanged since it was developed in 2003. Our goal is to deliver attractive and growing returns to shareholders, excellent service to customers and rewarding careers to our employees by being the leading global provider of temporary power and temperature control. We focus on growing our business organically, supported by fleet investment and geographic expansion, but we will also make acquisitions where they can add value. We continued to invest heavily in the business in 2010, with fleet capital expenditure increasing by £105 million to £254 million, which is 1.7 times depreciation. In addition, on 3 December 2010 we completed the acquisition of Northland Power Services, a leading provider of power solutions for the oil and gas exploration and production market in the Rocky Mountains region of North America, for a maximum consideration of £16.7 million; and on 7 March 2011 we announced an agreement to acquire N.Z. Generator Hire Limited in New Zealand for £12.7 million.

In March 2010 we reported on the result of our biennial strategy update. In this update we reiterated our belief that the business could deliver, on average, double-digit revenue and earnings growth over the period 2007-2012, with fleet capital expenditure expected to be around £1 billion over the same period. I am pleased to report that we are ahead of plan, having delivered compound annual growth over the first three years, in constant curre cy, of 13% in revenue and 20% in operating profit. Fleet capital expenditure over the period has averaged £220 million per annum – which is slightly above our original forecast; in 2011 we expect to invest around £320 million, due to an increase in the rate of investment in our gas fleet and in the expansion of our Local business service centre network. We believe that our strategies for both the Local and International Power Projects businesses are working well, and that our aspiration of delivering double-digit revenue and earnings growth on average over the five years to 2012 remains achievable, although, as we have repeatedly said, there may be peaks and troughs along the way.

1 Trading profit represents operating profit before gain on sale of property, plant and equipment.

2 Trading margin represents trading profit over reported revenue.

3 Pass-through fuel relates to contracts in our International Power Projects business where we provide fuel on a pass-through basis.

Funding

The business delivered a strong cash performance in the year. Net cash inflow from operations during the year increased by 9% to £468 million (2009: £431 million). This funded capital expenditure of £269 million, which was £108 million higher than in 2009. The strong cashflow resulted in a reduction of net debt during the year of £43 million, to stand at £132 million at 31 December 2010.

Our financial position continues to be very strong with net debt to EBITDA (Earnings before Interest Tax Depreciation & Amortisation) of 0.3 times (2009: 0.4 times) at 31 December 2010 compared to our bank covenant of 3 times. Interest cover, measured on an EBITDA basis, is at 47.1 times (2009: 22.8 times), far ahead of our covenant of 4 times. Towards the end of 2010, we refinanced £459 million of bank facilities, putting in place new facilities with maturities of 3 and 5 years. In addition, since the year end, we have for the first time raised funding in the US private placement market, securing US$275 million (£177 million), with maturities ranging between 7 and 10 years and with the same financial covenants as our banking facilities. Drawdown of these funds will take place in mid March 2011.

Dividend

In view of the strong performance of the business, and as announced at the time of the Interim results, the Board is recommending a 50% increase in the dividend for the year as a whole; this will comprise a final dividend of 12.35 pence per ordinary share which, when added to the interim dividend of 6.55 pence, gives a total for the year of 18.90 pence (2009: 12.60 pence). At this level, the dividend would be covered 4.20 times. Subject to approval by shareholders, the final dividend will be paid on 19 May 2011 to ordinary shareholders on the register as at 15 April 2011, with an ex-dividend date of 13 April 2011.

Return to shareholders

The Board has carried out a review of the Group's balance sheet structure, and I am pleased to say that, in addition to the 50% increase in the dividend referred to above, we plan to make a return of capital to shareholders.

The review of the balance sheet structure concluded that our strong trading performance and confidence in the outlook allows us to increase the returns which the Group makes to its shareholders, while sustaining investment in the long-term growth of the business. The Board believes gearing of around 1 times net debt to EBITDA, which is close to the average level the Group has had since demerger, is an appropriate level for the business. Absent some particularly large demand on our resources (such as a major acquisition or investment in a new product line), such a level will allow us to support our strategic priority of investing as fast as we prudently can in the organic growth of the business, while at the same time continuing to grow the ordinary dividend appropriately.

The current level of net debt to EBITDA is 0.3 times, and we plan to move back to a level of around 1 times net debt to EBITDA over the next two to three years. Subject to shareholder approval, we propose to start this process with an initial return to ordinary shareholders of approximately £150 million, to be effected by way of a return of value of around 55 pence in respect of each existing ordinary share in issue at the relevant record date (which is likely to be in early July 2011). The return will be made by way of a B share scheme, which will give shareholders some choice as to when, and in what form, they receive their proceeds from the return of value. Notably, it should allow most individual UK taxpayers to receive the return in the form of a capital receipt, if they so wish. The B share scheme will be accompanied by a share consolidation designed to maintain comparability of share price and return per share of the ordinary shares before and after the creation of the B shares.

A circular will be sent to shareholders setting out the details of these proposals in early May 2011.

Employees

On behalf of the Board, I wish to express my sincere thanks to all our colleagues across the Group for their commitment and support throughout another very busy year.

Ethics Committee

Integrity and honesty in all our business dealings are central to Aggreko's reputation and long term success. For many years the Group has had a clear and robust ethics policy, and strong related procedures; the Board has now taken the further step of establishing a committee chaired by myself along with David Hamill and Ken Hanna whose principal tasks are to advise the Board on the development of strategy and policy on ethical matters, and to oversee Aggreko's policies and procedures for the identification, assessment, management and reporting of ethical risk. The Ethics Committee had its first meeting in February 2011 and I look forward to including a full report on its activities in our 2011 Annual Report.

Board changes

Nigel Northridge retired as a Director on 31 August 2010. Nigel joined the Board in February 2002, and we have benefitted enormously from his advice and experience. David Hamill has now succeeded him as Senior Independent Director, and Russell King as Chairman of the Remuneration Committee.

On 21 October 2010 we were delighted to announce the appointment of Ken Hanna as a Non-executive Director. Ken is Chairman of Inchcape plc and a Non-executive Director of Tesco plc. A Chartered Accountant, during his career he has worked in a number of general management and financial roles, including Chief Financial Officer of Cadbury plc from 2004 to 2009. His significant international experience and financial expertise will add further strength to the Board.

Outlook for 2011

The current instability in some countries in the Middle East and Africa makes the task of predicting the outcome for the year more than normally difficult; our global scale and diversification of risk exposures will be helpful as we manage through this period of uncertainty. We currently anticipate that for the year as a whole trading profit in 2011 will be at a similar level to 2010. Allowing for currency movements and the £87 million of major events revenue in 2010 which will not recur in 2011, this would represent underlying growth of around 15%. We expect both International Power Projects and our Local businesses to deliver good growth on an underlying basis in 2011, and to support this, fleet capital investment is expected to increase by 26% to a record £320 million.

In International Power Projects, the business will benefit from the strong order-intake seen in 2010, and the order book is now some 60% higher than the prior year as a consequence of signing several large multi-year contracts. The off-hire rate has fallen sharply in recent months, and the business started the year with nearly 14% more capacity on rent than at the beginning of 2010; as a consequence we expect the business to deliver strong growth in 2011.

Amongst the Local businesses, we are expecting all of our businesses to deliver underlying growth. In North America, we expect the recovery seen in the second half of 2010 to continue into 2011. In Europe and the Middle East, we also expect to see growth in 2011, albeit at more modest levels than North America. In Aggreko International's Local business, we are continuing our programme of geographic expansion, and expect to open several new service centres during the year; we expect this business to deliver strong underlying revenue growth in 2011.

Philip Rogerson
Chairman
10 March 2011

WHAT WE DO

Our business

Aggreko provides power and temperature control solutions to customers who need them either very quickly, or for a short or indeterminate length of time. We have two business models; in the Local business, we hire our equipment to customers, who then operate it for themselves, although we retain responsibility for servicing and maintaining it. In the International Power Projects business, we operate as a power producer. We install and operate power plants and our customers pay us for having the generating capacity available, as well as the electricity we produce for them.

We do this on a global basis, with 148 service centres and offices in 34 countries; in 2010 we served customers in about 100 countries. The solutions we provide range from the simple to the very complex, for example:

- generating power for entire countries in times of severe power shortfall;
- multi-million pound projects to help increase production in petrochemical plants by providing additional power and liquid cooling;
- the design and operation of the temporary power infrastructure for major public events such as the Olympic Games and the FIFA World Cup;
- providing temperature control in an office after the air-conditioning has broken down;
- installing chillers to provide the cooling for temporary ice-rinks; and
- renting a generator for a few days to a power utility while it carries out improvements to transmission lines.

The distinguishing features of our business are:

- The products and services we provide are mission-critical. Power and temperature control are utility services without which our customers cannot operate. Most customers use our services only occasionally – but, when they do, they rely on us to keep their business or even whole cities and countries functioning and safe. They are therefore likely to be more interested in quality of service rather than price.
- We are not exposed to the fortunes of any single end-user market. All businesses use power, and many use temperature control. Our equipment and services are transferable between end-user segments, so the generator used today in a pharmaceutical plant may be on a film set tomorrow and a building site the day after.
- We operate globally. This means that we can respond to events as they happen anywhere around the world and can move our equipment to wherever it can deliver the best returns.
- We are organised to address all types of opportunity, from the rental of a single generator for a weekend, to managing huge projects worth many millions of pounds.
- We are experts. We are focused on a very narrow range of products – power and temperature control – and that means we have technical expertise, equipment, skills and experience on a scale, and to a depth, that we believe nobody else can rival.
- We design and manufacture our own fleet, which means that we are able to optimise it for the specific requirements of our customers and of the rental business.
- We keep our equipment for its useful life, so the better we build and maintain the equipment, the longer its life will be and the more money we make. We therefore take enormous care to build and maintain our equipment to the highest standards and this, in turn, means that our customers see high quality and reliable equipment.

By developing these competitive advantages, Aggreko has grown over the last 50 years or so to be the world market leader with outstanding people, strong customer relationships, a powerful brand and an excellent reputation. We have also developed a business large enough to enjoy economies of scale, which has enabled us to deliver highly attractive returns to shareholders while delivering outstanding value and service to our customers.

WHERE WE DO IT

Our locations

Aggreko has global reach through an international network of service centres and offices spanning Europe, North, Central & South America, as well as the Middle East, Asia, Africa and Australasia. Our 148 service centres in 34 countries enable us to combine local knowledge, strong customer relationships and efficient logistics to provide excellent service and speed of response, while our commitment to managing the business and assets on a homogenous and global basis means that each local service centre can draw on huge resources to support its customers.

This is a key competitive advantage: being close to our customers means we can be there in an emergency, able to respond quickly to their needs. At the same time, as a global business, we can use our resources strategically, moving staff and equipment around the world to wherever our customers need them.

A list of our locations is shown on pages 10 to 11.

OUR FLEET

Aggreko is probably unique amongst large equipment rental companies in that we design and build the majority of our fleet in our own manufacturing facility in Scotland. We believe that this is an important competitive advantage, for a number of reasons:

- First, it means that we can optimise the equipment to meet our particular operational requirements. A generator or chiller is normally designed to be permanently installed and rarely, if ever, moved; its performance will also be adapted for the regulations and ambient conditions of the country in which it is sold. An Aggreko generator will be picked up and put down hundreds of times during its working life, and may be required to work faultlessly at +50°C in the Saudi Arabian desert and a few weeks later at -40°C in Siberia. This is not a capability that is available in off-the-shelf equipment. We also design our equipment with the knowledge that we will own it for its operating life and the more reliable it is, and the longer it lasts, the higher the returns we will make. Given the choice of 6mm steel for a bed-plate, or 8mm, we choose 10mm.
- Second, the volume in which we purchase the key components is significant in terms of the overall market. In some sizes of equipment, we are probably the largest buyer in the world. By designing and manufacturing our own equipment, we can capture for ourselves the benefits of being a volume purchaser.
- Third, having our own design and manufacturing capability means that we can react extremely quickly to customer requirements. We only have to convince ourselves of the desirability of a particular design feature, not a third party manufacturer.

Most rental businesses have a model of buying assets and then selling them on at a relatively early stage in their useful life. This minimises service costs and enables them to use income from used fleet sales to help finance new equipment purchases. Because we build longevity into our equipment, and failure rates in generators and chillers are more related to how well they are maintained rather than how old they are, we opt for a policy of rigorously maintaining our assets and running them for as long as possible. This also has the important benefit that our business model is not exposed to the vagaries of prices achievable in the used equipment market, which tend to fluctuate with the economic cycle.

Our power fleet is significantly larger than any of our competitors: at the end of 2010, it comprised 13,500 generators ranging in size from 10KW to 2MW which, in aggregate, amount to over 6,600MW of generating capacity. To put this into perspective, that is the equivalent of about 10% of peak power demand on the UK national grid. We also have very large inventories of transformers, cable and distribution equipment. In aggregate, the net asset value of our power fleet is £669 million, and the original cost carried in our balance sheet is £1,325 million.

Our chiller fleet is also much larger than any of our competitors, with over 1,950 units having a total capacity of 890MW. The net asset value of our chiller fleet is £30 million, and the original cost carried in our balance sheet is £96 million.

The rest of our fleet mainly comprises air-conditioners, oil-free air compressors, cooling towers and other ancillary equipment with an aggregate net asset value of £103 million, and the original cost carried in our balance sheet is £239 million.

OUR GLOBAL REACH

Europe
Aachen
Aberdeen
Antwerp
Barcelona
Bedford
Berlin
Bordeaux
Bristol
Cannock
Doncaster
Dumbarton
Egersund
Fareham
Frankfurt
Glasgow
Gothenburg
Great Yarmouth
Hamburg
Helsinki
Inverness
Le Havre
Leipzig
Lille
London
Lyon
Madrid
Manchester
Marseilles
Milan
Mulhouse
Munich
Nantes
Nuneaton
Oslo
Paris
Plymouth
Port Talbot
Portlaoise
Washington

Middle East
Abu Dhabi
Al Khobar
Aktau
Doha
Jebel Ali
Jeddah
Manama
Muscat
Safat
Sharjah
Yanbu

Asia
Singapore

Africa
Lagos

Australasia
Adelaide
Auckland
Brisbane
Darwin
Emerald
Fiji
Kalgoorlie
Karratha
Melbourne
Newcastle
Perth
Sydney
Townsville

South America
Caracas
Macae
Rio de Janeiro

North America
Atlanta
Baltimore
Baton Rouge
Beaumont
Boston
Bridgeport
Calvert City
Charleston
Chicago
Chickasha
Cincinnati
Cleveland
Columbia
Corpus Christi
Dallas

Decatur
Denver
Detroit
Fayetteville
Houston
Jacksonville
Kansas City
Lake Charles
Las Vegas
Linden
Los Angeles
Memphis
Mobile
Nashville
New Iberia
New Orleans
Oklahoma City
Pearland
Phoenix
Puerto Rico
Richmond
San Antonio
Sarnia
St. Louis
Tampa
Toronto

Service centres that have opened in the last 5 years:

Europe
Dorsten
Heinenoord
Metz
Moerdijk
Moscow
Padova

Asia
Beijing
Dalian
Pune
Shanghai

Africa
Johannesburg

Australasia
Geraldton
Gladstone

South America
Antofagasta
Buenos Aires
Campinas
Concepcion
Manaus
Parauapebas
Puerto Montt
Recife
Santiago

Central America
Mexico City
Monterrey
Panama
Villahermosa

North America
Edmonton
Fort McMurray
Fort St. John
Gillette
Indianapolis
Long Island
Miami
Minneapolis St. Paul
Minot
Roosevelt
San Francisco
Seattle
Shreveport

OUR BUSINESS MODELS

Aggreko is organised around two different business models:

Local business

Our Local business runs with high volumes of generally quite low value transactions, renting equipment to enable customers to respond quickly to requirements for power and temperature control. Aside from major events (where contracts can be worth tens of millions of pounds), the average contract size is around £10,000, but the range is from £200 to over £1,000,000. Although most of this business has a lead-time of 24 hours or more, about 25% of its revenues come from responding to emergencies. It is therefore essential to have the capability to deploy equipment and people to the customer's site within a matter of hours. This business operates from 148 service centres in North, Central & South America, Europe, the Middle East, Africa, Asia and Australasia. These service centres serve customers who are normally within a radius of 200 miles, and they offer the complete range of our products and services.

In 2010, the Local business had revenues of £696 million which is 60% of Aggreko's total revenue excluding pass-through fuel[1].

International Power Projects

The International Power Projects business sells power which we deliver using power plants built, owned and operated by ourselves. Whereas in the Local business a contract with a customer is described in terms of renting specified items of equipment for a period of time, most of the contracts that International Power Projects performs are for providing a defined amount of electrical power, for which a customer pays a fixed monthly capacity charge; they then pay, in addition, a variable charge for each MW-hour they take. Under the terms of these contracts, Aggreko is responsible for installing and operating the equipment and the invoice to the customer is for power generation capacity not equipment rented. Most projects in this business are worth over £1 million a year and some can be worth very much more than that; in 2010, we invoiced our largest utility customer (excluding pass-through fuel) around £70 million. 75% of revenue comes from power utilities in developing countries but we also serve governments, armed forces, international agencies as well as oil and mining companies. A typical contract in this business would be for the rental of 20-50MW for an initial period of 6-9 months, which will often be extended. Our power-plants are highly modular, and their capacity can be flexed in 1MW increments using standard containerised units of our own proprietary design, assembled in our factory in Scotland; importantly, these generators are also in widespread use in the Local business, so fleet can be shared between the two businesses. They use either diesel or gas as fuel and are designed to be easily transportable, reliable and robust. Power projects can arise anywhere in the world and the required response time is generally weeks rather than the hours or days needed in the Local business. To support these projects, we concentrate our fleet in a number of hubs – in Central America, Europe, the Middle East and Asia. From each hub, large amounts of equipment can be shipped or flown rapidly to wherever it is needed.

In 2010, our International Power Projects business generated revenues of £460 million, or 40% of Aggreko's total revenue excluding pass-through fuel revenue[1].

Who are our customers?

Aggreko serves every industry that uses power and temperature control, making our customer-base very diverse both in terms of geography and market segment. This is a great advantage, as it gives us some protection against problems in any one particular market. And we can quickly move resources to sectors and countries which are growing.

1 Pass-through fuel revenue relates to contracts in our International Power Projects business in Uganda where we provide fuel on a pass-through basis.

Aggreko revenue by customer segment
Excluding pass-through fuel revenue

1 Utilities	36%
2 Oil and gas	9%
3 Military	7%
4 Petrochemical & refining	7%
5 Manufacturing	6%
6 Events	13%
7 Construction	4%
8 Contracting	5%
9 Services	4%
10 Quarrying & mining	3%
11 Shipping	1%
12 Other	5%

Source: Aggreko internal reports

Aggreko revenue by geography
Excluding pass-through fuel revenue

1 North America	21%
2 Europe	15%
3 Middle East	19%
4 Africa	19%
5 Asia and Australasia	13%
6 South & Central America	13%

Source: Aggreko internal reports

Competitive environment

When customers need power or temperature control equipment, they have the choice to buy, lease or rent, and therefore the biggest competitors for our customers' money are not rental companies, but equipment manufacturers. The vast majority of chillers and generators supplied to end-users each year are bought or leased, and only a few are rented. So, in terms of pricing and service, we always have to be focused on the fact that customers have a choice, not only of using other rental companies, but also to buy from manufacturers. The defining issues in the choice between buying and renting tend to be speed – how quickly do you need it? – and duration – how long do you need it for? Urgent need, and/or short duration, is the requirement that we as a rental business serve.

Within the Local business, barriers to entry are relatively low; many companies, small and large, drift in and out of rental, and competition in each market is fierce. Typically, competitors in the Local business are either privately-owned specialist rental businesses, or divisions of large plant-hire companies. Their common characteristic is that they are local: most of them operate in a single country and, often, in just a particular part of a country. In their own territory they are very effective, but they find it difficult to operate outside their home market. So in most areas in which we operate, competition in the Local business is fierce; but the names we do battle with will tend to be different country by country.

In International Power Projects we also see localised competition, often from the local distributors of major manufacturers such as Caterpillar, or from local entrepreneurs who want to try their hand at power generation. These companies find it hard to organise themselves across territories, however, and it is difficult to operate efficiently in the International Power Projects business without a large homogenous fleet and the infrastructure to market, sell and operate it in a consistent manner around the world.

In both the Local business and International Power Projects valuable economies of scale accrue to those who can operate on a global basis. However, to gain these benefits of global scale requires a very long-term commitment to building distribution, deep technical expertise across a number of disciplines, and a well developed supply-chain; it also requires hundreds of millions of pounds of capital to fund fleet investment. Some people have the misconception that Aggreko has grown from nothing over a short period of time; to the contrary, Aggreko was founded 50 years ago, and it has taken us decades, several billion pounds of cumulative investment in fleet and a global network of service centres to get to the point where we are big enough to enjoy the benefits of global scale. Over the last 10 years, some very large and powerful companies who have global scale in adjacent markets have tried to emulate Aggreko but none have yet succeeded in building a global integrated power and temperature control business of the same scale. Aggreko is, at the moment, the only business in the market which has grown large enough to capture the economies of global scale and, in turn, these efficiencies have enabled us to fund rates of investment far ahead of any competitor. As a consequence of this rate of investment, we have grown to be significantly larger than any other company operating in our market.

THE MARKET

Our market

Demand for Aggreko's services is created by events: our customers generally turn to us when something unusual happens which means they need power or temperature control quickly, or there is a requirement which is transitory. Events that stimulate demand range from the very large and infrequent to the small and recurrent.

Examples of high-value, infrequent events or situations we have worked on include:

- Large-scale power shortage – Kenya, Bangladesh and Venezuela.
- Major sporting occasions – Olympic Games, FIFA World Cup, Asian Games, Ryder Cup, SuperBowl.
- Natural disasters – Hurricanes Gustav and Ike in 2008, Nashville floods in 2010.
- Post-conflict re-construction – Middle East, Africa and the Balkans.

Examples of lower-value, more frequent events on which we might work are:

- An oil refinery needs additional cooling during the summer to maintain production throughput.
- A glass manufacturer suffers a breakdown in its plant and needs power while its own equipment is being repaired.
- A city centre needs chillers to create an ice-rink for the Christmas period.

How big is the market, and what is our market share?

Because we operate in very specific niches of the rental market – power, temperature control and, in North America only, oil-free compressed air – and across a very broad geography, it is very difficult to determine with any accuracy the size of our market. A complicating fact is that our own activities serve to create market demand – Bangladesh and Indonesia did not figure highly in our estimates of market size a few years ago, but they are now important customers as a result of our sales efforts. Furthermore, our market is event driven, and major events such as hurricanes in North America, the Olympic Games, or major droughts in Africa can influence market size in the short-term.

As there is no third-party research that exactly matches our business, we have to use a number of different approaches to estimate the size of the global market. All of our measurements of market size relate to rental revenue, as services revenues like fuel and freight are highly volatile and do not have any reflection on underlying market size.

For most OECD countries in which we operate, we use three techniques:

- Supply-side estimation. We use market intelligence to estimate the supply-side – i.e. how large our competitors are. This is notoriously inaccurate, as competitors often have much broader product ranges. It is extremely difficult to work out how much of their revenue comes specifically from generators and chillers, and how much from the many other lines of equipment they may offer.
- Demand-side estimation. In our Local business, our global IT system and a much sharper emphasis on sector-based marketing, are helping us to develop an improved understanding of our revenue by sector and customer. For our International Power Projects business, we have invested considerable effort in proprietary research with professional economists to develop models which forecast the supply of, and demand for, power.
- Third-party data, where it is available.

Directors' Report

By triangulating these techniques, we develop an estimate of market size but the truth is that it is a guess, and probably not a very accurate one. In 2003, we did a great deal of work on market sizing, and came to the conclusion that the market was worth about £1.3 billion and was growing at about 5%. Since then, our own rental revenues have grown at a compound annual rate (CAGR) of 21%, which would imply either that our market share has grown improbably fast, that the original market size was wrong or that we under-estimated the growth-rate. In all probability, the truth is a mixture of all three factors. Our best guess is that the market in which we operate is now worth somewhere around £3.5 billion per year.

Given our rental revenues of £941 million in 2010, this would imply an Aggreko world-wide share of sales of around 25%. Behind this lies enormous variation. In many developing countries, where the rental market is barely developed, and where we are called in to provide temporary utility power, we may represent 100% of the power rental market for the period of the project but none when it ends. In OECD countries, where the rental markets are better developed, our share of the market will be lower than the 25% we estimate for our global share of the market. However, in nearly all the major markets in which we operate, Aggreko is the largest or second-largest player.

What drives market growth in the Local business?

Growth in Aggreko's Local business is driven by three main factors:

- GDP – as an economy grows, so does demand for energy.
- Propensity to rent – how inclined people are to rent rather than buy. This is driven by issues such as the tax treatment of capital assets and the growing awareness and acceptance of outsourcing.
- Events – high-value/low-frequency events change the size of a market, although only temporarily. For example, the scale of Hurricanes Gustav and Ike in 2008 led to a short-term surge in temporary power demand in the areas affected by the hurricanes; likewise, the FIFA World Cup vastly increased the market for power rental in South Africa, but for 6 months only.

In seeking to understand the drivers of growth better, we have devised the concept of 'Aggreko GDP'; this is the GDP of a country weighted to account for Aggreko's sectoral mix of revenues. Typically, this means that we are weighted more towards manufacturing than, say, financial services. Over the past few years, we have observed that in countries where the growth rate of Aggreko GDP is below 5%, our revenues tend to grow at 2-3 percentage points faster than the rate of Aggreko GDP. In economies where Aggreko GDP growth is above 5%, we get an increasingly leveraged effect, with Aggreko sales growth far outpacing GDP growth. This is for a number of reasons but, most notably, simply that when economies are growing fast, customers want equipment quickly; they want high levels of service, and they want to focus on doing what they are good at, rather than owning large amounts of equipment.

The graph overleaf plots this relationship between growth in Aggreko's revenues by country and growth in Aggreko nominal GDP between 2003 and 2007. We have not included 2008-2010 because the data for these years is polluted by the recent recession. We would caution that these figures include the impact of the GE Energy Rentals acquisition in December 2006 which will exaggerate the underlying sales growth in some countries, but we feel that the trend they show is directionally correct.

What drives market growth in the Local business? continued

Aggreko Revenue CAGR 03-07 vs 'Aggreko' Nominal GDP

Source: Oxford Economics, Aggreko Management accounts
Note: Includes GE-ER revenues in 2007

Overall, in times of positive GDP growth, we estimate that the market addressed by our Local business for the short-term rental of power and temperature control is growing at some 2-3% above GDP in developed markets. So, if GDP grows at 3% on average over the cycle, our market should grow at about 5%. In countries with rates of nominal GDP growth that are above 5%, the market can grow much faster.

An obvious question is "so what happens in a downturn?" The experience of the last 2 years has been instructive but, before discussing it, we have to qualify the analysis by saying that all recessions are different and, just because our business behaved one way in the recession of 2008-2009, does not mean it will behave the same in the next one.

We started warning in early 2008 that we thought that demand and rates would weaken in our Local businesses in North America and Europe, but it was not until the second quarter of 2009 that we felt any impact, with demand weakening in almost every Local business. From this might come the tentative conclusion that our business is 'late-cycle'. Whether that will be true of all future recessions is uncertain, as there are no particular reasons we can think of which would explain why customers should seek to leave cutting back on our services until the recession is well underway. We also recovered from the recession extremely quickly; within a year our like-for-like volumes in the Local business were growing again. The recovery was particularly sharp in North America. One might conclude from this that Aggreko is in the happy position of being late-cycle into a recession and early-cycle out of it. We would be very suspicious of such a golden scenario. We think, on balance, that a number of factors helped us: unlike many businesses, we trimmed our costs rather than hacked them and, above all, sought to keep our sales force in place, which meant that we were able to maintain relationships with customers through the downturn and were ready to serve them when they were ready to buy again; our global reach and presence in markets that barely felt the impact of the recession also helped us, as did our exposure to customers in sectors such as oil and gas and petrochemicals in which plant maintenance can be delayed a year or two, but ultimately has to be done. We were also the beneficiaries of great good luck, in that 2010 was an 'annus mirabilis' in major events revenue, with the Vancouver Winter Olympics, the FIFA World Cup, and the Asian Games all occurring in the same year. This elision of three major events in a single year happens only once every 4 years.

During the period we really felt the recession in our Local business (Q2 2009 to Q1 2010), we reduced rates to keep volumes up for the critical summer season. The power and temperature control businesses reacted very differently; power volumes were surprisingly stable, but temperature control volumes dropped by about 10%. For many of our customers, being without power is not an option, but going without extra cooling capacity may well be possible, particularly if industrial customers are not running their processes at full capacity. Rates fell for both power and temperature control during this period.

Our conclusion from this? It is that, in a recession, the Local business probably behaves the same way as it does when GDP is growing – i.e. volume shrinks at about twice the rate of Aggreko GDP, but there is then an additional impact of rate erosion which can be of the order of 5-10%.

What drives market growth in the International Power Projects business?

The factors which drive the growth of our International Power Projects business are different. The main trigger of demand is power cuts; when the lights go out in a country, people want power restored as quickly as possible. It is a perverse fact that people value power most when they are without it. We believe that in many parts of the world, and most particularly in many developing countries, there will be increasing numbers of power cuts, caused by a combination of burgeoning demand for power and inadequate investment in new capacity.

We believe that demand for power is going to grow much faster than is commonly believed; working with a leading group of professional economists at Oxford Economics, we have built a model which takes data on GDP and population growth, power consumption, and power generation capacity for 120 countries over the last 10 years. Using this historical data, it then projects future power demand based on forecasts of population and GDP growth. Our model predicts that world-wide demand for power will grow by around 4% per annum between 2007 and 2015, compared with forecasts by the International Energy Agency (IEA) of 2.6%. Our model reflects the sharp divergence between the growth in power consumption between OECD and non-OECD countries in recent years, as shown in the graph below. Poor countries are seeing demand for power increasing by over 7-8% per annum, whilst rich countries are growing at under 1-2% (see graph below).

Rolling 3-year average growth in electricity consumption 1988-2008

Source: International Energy Agency

The rapid growth in power consumption in developing countries is driven by industrialisation and by the growing number of consumers having access to devices which consume electricity, such as fridges, televisions and mobile phones. Between 2000 and 2015, we forecast that the number of people whose power consumption is growing faster than per-capita GDP will double, from 2.5 billion to over 5 billion (see graph below). The majority of these people live in developing countries, where investment in the acquisition of new generating capacity and maintenance of existing capacity has been far below levels required to keep supply in line with demand.

Population with electricity consumption growing faster than GDP (billion)

Source: Oxford Economics

The Market continued

What drives market growth in the International Power Projects business? continued

To make this situation worse, by 2015, 25% of the world's installed power-generating capacity will be over 40 years old, which we believe is a reasonable proxy for the average life of a permanent power plant. The coming years will see the beginning of a replacement cycle during which a large part of existing power-plant construction capacity will be dedicated to replacing existing plants in North America and Europe, rather than building replacement or additional capacity in developing countries. The sums which need to be mobilised over the next 10 years to re-build the power distribution and generation capacity in North America and Europe are huge; in the UK alone, the regulator estimates that up to £200 billion will be required. This means that developing countries will have to compete for funds with developed countries, where investment risk is perceived to be far lower.

Our models predict that the combination of these demand-side and supply-side factors will increase the world-wide shortfall of power generating capacity nearly 10-fold, from about 70 gigawatts (GW) in 2005 to around 600 GW by 2015. The ultimate size of the shortfall will depend on both the rate of increase in demand, and the net additional generating and transmission capacity brought into production during the period. However, even if the shortfall is at the bottom end of our forecasts, it will still represent a level of global power shortage many times larger than today's. We are confident that such a level of power shortage will drive powerful growth over the medium and long term in demand for temporary power as countries struggle to keep the lights on.

Investors have been keen to understand what the impact of a recession might be on our International Power Projects business. In our 2008 Annual Report, we wrote "It is certainly likely that lower rates of per-capita GDP growth will lead to slower rates of growth in demand for electricity in developing countries. However, we believe that, unless there is a prolonged economic catastrophe, the market for temporary power in developing countries will continue to grow." Experience in 2009 and 2010 has supported this hypothesis: growth in MW on rent during 2009 was 10%, down from 40% in 2008, but growth nevertheless; in 2010, we had record levels of order-intake and grew the MW on rent by 14%. The latest figures produced by the IEA suggest that consumption of electricity in non-OECD countries grew by 5.3% in 2008 – a recession notwithstanding. Another concern has been that recession might bring a bad-debt problem in International Power Projects but this has not been our experience.

We end this section with our customary warning: International Power Projects specialises in providing energy infrastructure in countries where political and commercial risk is high – sometimes very high – and the fact is that we do business where others fear to tread. To date, we have never had a material loss of equipment or receivables, but it is very likely that sooner or later one of our customers will misbehave. Our assets are at much greater risk of loss or impairment than they would be if they were sitting in the suburbs of London or New York or Singapore. We have extensive risk-mitigation procedures and techniques, but investors should regard the current level of returns in this business as being 'risk-unadjusted rates of return', because nobody has yet behaved badly enough to adjust them.

OUR STRATEGY

Group strategy

The objective of our strategy is to deliver long-term value to shareholders, excellent service to customers and rewarding careers to our employees by being the leading global provider of temporary power and temperature control. Our strategy is founded on the belief that in our market sector, it is possible to create competitive advantage by building a truly global business – i.e. one which operates the same way around the world and can use the same fleet everywhere, the same processes, the same skills, and the same infrastructure. This homogeneity means that significant operating advantages and efficiencies accrue to those who have global scale; the focus of our efforts, therefore is directed towards building global scale and securing these advantages and efficiencies for ourselves.

The strategy was developed following an in-depth review of Aggreko's business in 2003, and has been consistently applied for the last seven years; it continues to be the basis of our business planning, and we believe that consistency of purpose has been a major contributor to our success. 20% compound growth in revenues and 33% compound growth in trading profit over the last seven years indicate that the strategy is the right one, and we continue to work relentlessly to implement it.

Aggreko Group – excluding pass-through fuel

	2010	2003	CAGR
Revenue (£m)	1,156	324	20%
Trading profit (£m)	310	42	33%
Trading margin	27%	13%	
Diluted earnings per share (pence)	78.98	10.14	34%
Return on capital employed (ROCE)*	32%	13%	
Enterprise value at year end (£m)[1]	4,198	514	35%

* calculated by dividing operating profit for a period by the average net operating assets as at 1 January, 30 June and 31 December.

1 Enterprise value is defined as market value plus net debt.

The strong growth over recent years was only made possible because, over the preceding 40 years, Aggreko's management and owners had patiently built a foundation of service centres in North America, Europe, the Middle East, Asia and Australia; had spotted that designing and building our own equipment had major advantages; had created a hard-working, entrepreneurial and customer-focused culture; and had built a brand. The lesson we see every day is that it takes decades to achieve the sort of global scale Aggreko now has, and there are no short cuts.

Aggreko's strategy is developed by the senior management team, led by the Chief Executive, and involves internal and external research, much of it proprietary. We seek to develop a deep understanding of the drivers of demand, changing customer requirements, the competitive environment, as well as developments in technology and regulation. We look at our own strengths and weaknesses, and at the opportunities and threats that are likely to face us. From this analysis, we develop a list of investment and operational options, and analyse their relative risks and rewards, bearing in mind the capabilities and resources of the Group.

We regularly test our strategy which keeps it fresh and relevant, and enables us to spot and react to new opportunities. Having conducted a root-and-branch review in 2003 we re-examined our conclusions in 2005, 2007 and 2009. The conclusions from the 2009 review, which were communicated to investors in March 2010, are summarised below:

- The strategy we developed in 2003, and re-affirmed in 2005 and 2007, is working well.
- Our Local business continues to offer attractive opportunities for growth, both from growing our density and footprint in existing markets, and expanding into new countries.
- The factors which have driven the growth of our International Power Projects business will continue to provide plenty of headroom for this business for the foreseeable future; the world faces serious structural shortages of power which will last for many years and which should sustain demand for our services.
- In our 2009 review we stepped up the work we are doing on emissions and planning the transition of our fleet to use equipment with improved emissions performance.
- In all our businesses, there are opportunities to improve the efficiency of operations, whilst maintaining our prized agility. There are plenty of things we can do better.

We plan to start the next review of our strategy in 2012; our next formal strategy update to investors is likely to be in early 2013.

Our strategy for each of the business lines is set out below and, at the end of this section, we reflect on some of the future trends that we believe may come to be important to our business in the years ahead.

Business line operational strategy

Supporting the Group strategy, Aggreko has developed operational strategies for our two different lines of business:

- The Local business rents power and temperature control systems, from small generators to large cooling plants, to customers who are typically within a few hours' driving time of our service centres;
- The International Power Projects business builds and then operates temporary power plants, selling their capacity and output to utilities, the military and major mining and oil companies.

The Local business

The Local business serves customers from 148 service centres in 34 countries in North, Central & South America, Europe, the Middle East, Africa, Asia and Australasia. This is a business with high transaction volumes: average contracts (excluding major events) have a value of around £10,000 and last a few weeks. The Local business represents 60% of Aggreko's revenues, excluding pass-through fuel, and 46% of trading profit. Since our first strategy review in 2003, revenues and trading profit have increased at a compound growth rate of 15% and 27% respectively:

Aggreko Local business

				% of Group	
	2010	2003	CAGR	2010	2003
Revenue (£m)	696	258	15%	60%	80%
Trading profit (£m)	142	27	27%	46%	64%
Trading margin	20%	10%			
ROCE*	26%	11%			

There are three elements in our strategy for the Local business:

- Maintain a clear differentiation between our offering and that of our competitors through superior service.
- Use the benefits of global scale to be extremely efficient. This should enable us to make attractive returns whilst delivering a superior service at competitive prices.
- Offering superior service at competitive prices will allow us to increase market share and extend our global reach, delivering growing revenues at attractive margins.

Against the first objective – to maintain a clear differentiation between our offering and that of our competitors – third-party research shows that Aggreko is one of the world's best-performing companies in terms of customer satisfaction. We are determined to maintain this reputation for premium service and we do this through the attitude and expertise of our staff, the geographic reach of our operations, the design, availability and reliability of our equipment, and the ability to respond to our customers 24 hours a day, 7 days a week.

The claim to be one of the world's best-performing companies in terms of customer satisfaction is a big one, but we think we have good reason to make it. For each of the last 5 years we have been asking about 25,000 customers what they think of the service they have received from us, and measure our Net Promoter Scores. This is an objective measure of customer satisfaction which reflects the balance between those who think we are wonderful, and those who think we are dreadful. Happily, the former greatly outnumber the latter. Over the last 5 years our score has improved by 10pp and Satmetrix, a global leader in customer experience programmes who manage over 11 million customer responses annually (including Aggreko's), have confirmed that our Net Promoter Score in 2010 was the highest of all their customers benchmarked world-wide in the business-to-business segment.

The second objective of our strategy for the Local business is to be extremely efficient in the way we run our operations. This is essential if we are to provide superior customer service at a competitive price and, at the same time, deliver to our shareholders an attractive return on capital. In a business in which lead-times are short, logistics are complex, and we process a large number of low-value transactions, a pre-condition of efficiency is having high quality systems and robust processes.

The operation of our Local businesses in most areas is based on a 'hub-and-spoke' model which has two types of service centre: hubs hold our larger items of equipment as well as providing service and repair facilities; spokes are smaller and act as logistics points from which equipment can be delivered quickly to a customer's site. The hubs and spokes have been organised into areas in which a manager has responsibility for the revenues, profitability and the return on capital employed within that area. In this model, most administrative and call handling functions are carried out in central rental centres.

Our Local business enjoys numerous advantages as a result of its global scale. Standardised operating processes, and the investment in a single global IT platform, bring visibility and homogeneity. Global utilisation statistics allow us to spot where equipment is under-utilised, and where it can be moved to for the best return, and this is reflected in the increase in revenue to average gross rental assets, which is a financial measure of utilisation; between 2004 and 2010, revenue to average gross rental assets in the Local business increased from 62% to 82%. Global fleet sourcing allows us to stock our fleet with premium-quality equipment at competitive cost. Global reach allows us to deliver service to customers (such as major events customers) wherever they go. Global processes allow us to disseminate best practice quickly. The benefits of our global scale accrue to both customers and shareholders. Our Net Promoter Scores tell us that the model works well for customers and, for our shareholders the benefit has been a compound growth in trading profit of 27% over the last 7 years and a return on capital employed that has improved from 11% to 26% over the same period.

The third objective of our strategy for the Local business is to deliver growth in revenues by increasing market share and global reach. In our more mature markets, such as North America and Europe, we know that the most profitable businesses are those where we have dense networks of service centres which can share equipment, staff and customers, and benefit from the low transport costs that come from being physically close to customers. So, in these markets, we focus on adding new service centres and upgrading existing centres to make them more capable. In the last 4 years, in our mature markets in Australia, North America and Europe, we have opened or upgraded service centres in:

North America:	Indianapolis, Long Island, Fort McMurray, Gillette, Shreveport, Minneapolis St Paul, Seattle, Ft St John, Minot, Roosevelt
Europe:	Bordeaux, Bristol, Metz, Padova, Berlin
Australia:	Geraldton, Gladstone

However, we know that our businesses grow fastest where there is strong growth in GDP, and, specifically, in Aggreko GDP (GDP weighted to industries which typically use our services). So a core part of our strategy has been expanding our Local business in the faster-growing economies of South America, the Middle East, Africa and Asia. The acquisition of GE Energy Rentals in 2006 helped us to expand our footprint in Brazil, Chile and Mexico and, since then, we have opened or upgraded service centres in:

Our Strategy continued

Africa:	Johannesburg
Middle East:	Doha, Jebel Ali, Abu Dhabi, Muscat, Jeddah, Al Khobar
Central & South America:	Panama, Buenos Aires, Antofagasta, Recife, Parauapebas, Concepcion, Monterrey, Villahermosa
Asia:	Pune, Shanghai, Dalian, Singapore
Russia:	Moscow

International Power Projects

This business serves the requirements of power utilities, governments, armed forces and major industrial users for utility-quality, temporary power generation. Whereas in the Local business we rent equipment to customers who operate it for themselves, in International Power Projects we contract to provide power generated by plants financed, built, commissioned and operated by our own staff. The power plants can range in size from 10 megawatts (MW) to 200MW on a single site.

The business operates in areas where we do not have a large Local business. Most of the customers are power utilities in Africa, Asia, Central and South America. As described in the 'What we do' section, the driver of demand in these markets is that our customers' economies are growing, with consequent increases in demand for additional power which cannot be met by the current generating capacity. As a result, many of them face chronic power shortages which damage their ability to support economic growth and increased prosperity. These shortages are often caused or exacerbated by the variability of supply arising from the use of hydro-electric power plants whose output is dependent on rainfall. We estimate that the gap between world-wide supply and demand of electricity is growing by some 50,000MW per annum, which compares to our International Power Projects fleet size of around 3,600MW.

International Power Projects now represents 40% of Group revenues and 54% of trading profit, excluding pass-through fuel. Since 2003, International Power Projects revenue excluding pass-through fuel and trading profit have grown at a compound annual growth rate of 32% and 41% respectively:

International Power Projects excl pass-through fuel

				% of Group	
	2010	2003	CAGR	2010	2003
Revenue (£m)	460	66	32%	40%	20%
Trading profit (£m)	168	15	41%	54%	36%
Trading margin	37%	23%			
ROCE*	40%	25%			

Note: pass-through fuel refers to revenues we generate from one customer for whom we have agreed to manage the provision of fuel on a 'pass-through' basis. This revenue stream fluctuates with the cost of fuel and the volumes taken, while having an immaterial impact on our profitability. We therefore exclude pass-through fuel from most discussions of our business.

The strategy for this business is straightforward: grow as fast as we prudently can, to secure for ourselves the operating efficiencies and competitive advantages which come from being the largest global operator. So far, we have been successful in executing this strategy, and our International Power Projects business is now many times larger than its next largest competitor.

The reason why it is advantageous to be a global operator in International Power Projects is because demand can shift rapidly between continents. In 2003, South America and Asia were probably the largest markets, and Africa was only a small proportion of global demand. In 2009, the market in Africa was larger than South America and Asia combined. Going in to 2011, the position (as measured by our fleet-on-rent) is reversed, with about 500MW having come off-hire in Africa in 2010 and about 700MW going on-hire in Asia. These shifts in demand were driven in part by rainfall patterns, in part by the relationship between economic growth and investment in permanent power generation and in part by geo-political issues. To be successful in the long-term, therefore, requires the ability to serve demand globally, and that requires sales, marketing and operational infrastructure to be present in all major markets.

The reason we want to be big – and bigger than any of our competitors – is because we believe that, as in the Local business, scale brings significant competitive advantages in International Power Projects. There are numerous reasons for this:

- Being able to address demand on a world-wide basis means higher utilisation. When fleet returns from a customer at the end of a contract, the speed with which it can be put back on contract again is a major determinant of profitability and returns on capital. Fleet will find new work far more quickly if it can address the total pool of world demand than if it is only able to operate in a single region.

- By the time customers have decided they really do have to spend money on temporary power, they generally want it as fast as possible. Being able to offer very fast lead-times for large amounts of capacity is a significant competitive advantage. Small operators simply cannot afford to keep 250-300MW of capacity (say, £30-£40 million of capital) sitting idle waiting for the next job. Because the equipment used in International Power Projects is also used in the Local business fleet, we manage our large generators as a common global pool. Between the Local business and International Power Projects, we currently have a fleet of over 5,000 of these large generators, and can deploy hundreds of MW of capacity from our various businesses around the world on very short notice. A good example would be a recent power contract in Bangladesh, where we were able to deliver and commission 200MW spread over 3 sites within 90 days of the contract signature; no competitor could deliver so much power in such a short lead-time, and a permanent power plant of similar scale would take years to deliver and install.

- The management of risk is a critical part of our business; we place tens of millions of pounds worth of capital assets in countries where the operational, political and payment risks are high – sometimes very high. While we take great care to mitigate these risks, it is probable that sooner or later we will have a loss of either receivables, or equipment, or both. However, because of our scale, such a loss would not imperil the company as a whole. We treat our risks in the same way investors do: we minimise the risk of losses doing material damage to the business by having a broad portfolio of exposures, none of them correlated. For smaller companies, their portfolio of country risk is inevitably much more concentrated; the probability of loss in any one country for smaller companies is no less than it is for us, but their ability to withstand the consequences of a large loss is. Scale therefore allows us to deal in markets where others might, with good reason, fear to tread.

- Returns from rental businesses are heavily dependent upon the underlying capital cost of the rental fleet. Clearly, large buyers should get better terms than small buyers and, since we are by far the largest purchaser of power generation for rental applications in the world, we believe that we are advantaged in this area. The fact that we have the scale to justify having our own manufacturing and design facilities also means that we can source equipment better suited to our precise requirements, and more cheaply, than smaller operators.

In summary, a large operator will have lower volatility of demand, better lifetime utilisation of equipment, be better able to respond to customer requirements, and will have a lower capital cost per MW of fleet. In International Power Projects, bigger is better – and Aggreko is now much larger than any other competitor in this market, as well as being the only company to have distribution in all the major markets.

Further ahead

In our 2009 Annual Report, we set out thoughts about opportunities that might arise from the de-carbonisation of power generation in developed countries. In 2010 we have continued with our research in this area, and we remain hopeful that there will be money-making opportunities, but they will take years, rather than months, to develop. When they come, however, they could be material, so we are continuing to work on building our expertise in this sector. Because this is important work in progress, we repeat below what we said in last year's Annual Report, suitably updated.

In the 2009 strategy update, presented to investors in March 2010, we tried to look ahead and outside the boundaries of our existing business model to see if there might be other opportunities for us to deliver value to our shareholders. We were encouraged by what we found, and we set out below some of our thoughts about the way the energy market might develop.

We estimate that world demand for electricity will increase at a compound rate of around 4% between 2007 and 2015; this compares to a growth in net capacity of around 3% per annum, resulting in a world-wide projected shortfall in supply growing at around 50,000MW per annum. This supply:demand gap is likely to be focussed on emerging markets, who have burgeoning demand, and inadequate supply.

Our Strategy continued

These emerging markets have been strong markets for our International Power Projects business for the last five years. In our 2009 study however, we identified that some of the stresses which create demand for us in emerging markets may also start to appear in more developed economies.

The market for the supply of electricity, like most utility businesses, thrives on stability and hates uncertainty. This is particularly so in countries that rely on the private sector to fund investment in power generation, which is the case in most developed markets. The long life and enormous capital costs of the infrastructure required to generate and deliver cheap electricity require an environment in which investors can build power plants and be reasonably sure of the amount of money they will earn over the next thirty or forty years. We believe that the market for the supply of electricity in developed countries is going through a phase where that stability and certainty is lacking. There is going to be a lot of change, uncertainty and market stress, and the next 10 years are going to be hugely challenging for governments, regulators, investors and operators.

The main source of that stress and uncertainty arises from the struggle to devise ways to manage the electricity supply market to deliver de-carbonisation of power generation, and to accommodate changing public attitudes to nuclear power. On the one hand, over the last 50 years the great power-plant manufacturers of the world have developed extremely effective technology for generating vast amounts of cheap electricity using hydro-carbon and nuclear fuels. These technologies have been perfected in time for public opinion to decide that they must have less of that and far more renewable technology, much of which is decades away from competing in terms of either cost or efficiency with thermal plants.

The amount of subsidy, or the increase in the price of carbon, required to level the playing field between a modern Combined-Cycle Gas Turbine and an off-shore wind-farm is enormous. Regulators, economists and politicians have struggled to devise 'market signals' with which they can square this circle, proposing revisions to policy, subsidy regimes and planning regulations at bewildering rates, and this rapidly changing outlook has encouraged investors to wait-and-see rather than build new plant.

Levels of investment have been inadequate to replace power plants which, either because of age or because they fail to meet emissions standards, will have to be closed in the next 10 years. Between 2000 and 2009 the amount of generating capacity outside China over 40 years old (a reasonable proxy for the average life of power plants) more than doubled, and yet in the same period the amount of new capacity commissioned per year outside China fell (see graph); by 2015 over a quarter of the world's generating capacity outside China will be over 40 years old. These trends are shown in the graph below; the red line shows the dramatic growth in the amount of generating capacity over 40 years old.

MW installed by year 1979-2009 vs Plant >40 years old

Source: Platts

We believe that the developed world is building up a bow-wave of delayed investment that sometime in the next 10 years will have to break. The most immediate effect of the wave breaking will likely be rapid inflation in the building costs of new plant as plant operators rush to order the plants that should already be in construction.

But what plants will they build? The majority of plants will inevitably have to be thermal, but the electricity networks of the future are all going to have to deal with large amounts of wind-power, and that is going to require substantial investment in transmission and distribution networks to cope with intermittent output and, in the case of wind, the fact that large wind-farms have to be positioned far from centres of consumption. For those unfamiliar with the variability of wind generation, the graph below shows the output from Ireland's 900MW of installed wind capacity during the period 1st October-31st December 2010.

Wind output in MW, Ireland Oct-Dec 2010

Source: Eirgrid

During this 3-month period, there were 21 occasions where power output varied by more than 100MW within 15 minutes; 108 when that variation occurred within 30 minutes. The peak output was over 1,130MW, and the lowest was 24MW. These variations in output bore no relationship to demand.

Presenting these facts is neither a polemic against wind-power, nor one in favour of thermal plants. It is simply stating that the generation mix in 10 years time will be different and will have to cater for part of the mix being far more variable than system operators are used to having to deal with.

Our whole strategy in developing our International Power Projects business has been based on our analysis that the energy gap between supply and demand was getting worse, and particularly so in emerging markets. So that is not new. What is new is our analysis that similar stresses may begin to emerge in developed economies over the next 10 years, driven partially by the policy of de-carbonising power generation and lack of investment.

These stresses should present opportunities for Aggreko. The technology which we have developed over recent years has some unique features that may make it attractive to system operators who will have to manage large amounts of renewable generation, low reserve margins and ageing plant. To be more specific:

- We have developed a highly-efficient, multi-fuel, utility power generating capability which has a capital cost per megawatt about one third that of conventional utility power plants. We think conventional power-plant technologies such as Combined-Cycle Gas Turbines, Hydro and Nuclear, while ideally suited for base-load operation, will struggle with the economics of operating on an intermittent basis and the unpredictable start-stop cycle required to respond to the variable output of renewable power generation.
- Our technology is ideally suited to intermittent, fast-start operation. Within 30 seconds we can bring enough power on-line to keep the lights on for whole cities. We think system operators will come to find this sort of sustainable, distributed, fast response capability essential if they are to operate with meaningful amounts of wind generation.
- Our technology is ideally suited to distributed operation. Because it comes in 1MW blocks and is mobile, we can put 25MW here, 150MW there and 5MW over there; and then can shift 50MW of the 150MW site to the 25MW site within a couple of days. We think that distributed generation will become increasingly popular with system operators and they will value the mobility and flexibility we have the capability to provide. And, for our part, we should be able to generate premium returns by being able to move our plant globally to where the need, and therefore the price, is greatest.

- To match what we believe will become an increasingly attractive technical proposition, we also have, for a power generation company, an enormous customer base and global reach. We already are established suppliers to power utilities and governments in around 50 countries. This means that we have the ability to roll out good ideas on a global scale.

In summary: to date, the main focus of our International Power Projects business has been emerging markets. Over the next 10 years, however, as wind penetration rises, and as old plants retire, reserve margins will fall in developed economies as well. At this point, opportunities might arise for Aggreko to support system operators and utilities in developed markets as well as in emerging markets.

We would like to stress that this is not a short-term opportunity. Quite the opposite: in the short term many developed countries have high reserve margins as the economic crisis has caused power consumption to reduce. But these reserve margins are forecast to fall quite sharply between now and 2020. So we will spend some time over the next few years exploring these ideas.

Capital structure

The intention of Aggreko's strategy is to deliver long-term value to its shareholders, and so far we have been highly successful in doing so, both on an absolute and a relative basis. Since 2005 we have delivered a 458% growth in our index of Total Shareholder Return – which compares with 25% and 49% for the FTSE-100 and FTSE-250 respectively. This value creation comes from two sources. First, share price accretion as a result of 42% compound growth in earnings per share; this earnings growth is the result of very high rates of capital investment in the business, (about £1 billion invested over the last five years, compared to depreciation over the same period of about £590 million), along with one large and several small acquisitions (about £132 million spent over the last five years). The second source of investor return has been dividends which, since 2005, have grown at a compound rate of 25%.

With the business delivering returns on average capital employed of over 30%, it is clearly in our shareholders' interests that we invest as much as we prudently can into the business. However, the margins and returns are currently so strong that in the last two years we have been able to reduce levels of net debt substantially, while investing far ahead of depreciation. From a peak level of net debt of £364 million (31 December 2008) and peak Net Debt to EBITDA of 1.3 times (31 December 2006), net debt has reduced to £132 million, and Net Debt to EBITDA to 0.3 times as at 31 December 2010. Given the proven ability of the business to fund organic growth from operating cashflows, and the nature of our business model, it seems sensible to run the business with a modest amount of debt. We say 'modest' because we are strongly of the view that it is unwise to run a business which has high levels of operational gearing with high levels of financial gearing.

Since the Group demerged in 1997, Net Debt to EBITDA has averaged around 1 times, and this is a level we feel is about right for our business. Absent a major acquisition, or the requirement for an unusual level of fleet investment, it gives us the ability to deal with the normal fluctuations in capital expenditure (which can be quite sharp: +/- £100 million in a year) and working capital, and is well within our covenants to lenders which stand at 3 times. We have concluded therefore that, over the medium term, we should aim to keep our net debt at 'around' 1 times.

In terms of the pace at which we move to the 1 times level, we think that the need for flexibility argues for moving over the next 2 to 3 years rather than in a single step. It is with this in mind that we have announced our intention to effect a return of value of approximately £150 million in 2011 (to be effected by way of a B share scheme), and a further amount, depending on circumstances in the next 2 to 3 years, that will move Net Debt to EBITDA to around 1 times.

MANAGEMENT OF RESOURCES

This section describes how we manage our key resources to deliver the strategy outlined above.

People

Aggreko has 3,850 permanent employees working around the world and they are united by a unique culture. Phrases such as 'customer focused', 'can-do', 'completely dependable' capture part of the ethos of Aggreko employees. We have captured our culture in 3 words: performance, passion and pace. This culture has developed through the years and derives from the fact that, very often, Aggreko is helping people and businesses to recover from, or to avoid, emergencies or disruption. Customers are often dependent on Aggreko people to keep things running, sometimes under very difficult circumstances. Our people are highly skilled, and many of them have years of experience. They are used to reacting quickly, getting the job done professionally and safely, and they respond well in a crisis.

Taking into account the environment in which we operate, it is essential that our people are properly trained, given the correct level of responsibility and accountability to make decisions on a timely basis, and are remunerated and incentivised appropriately. Each part of the business has training programmes in place to ensure that our employees have the necessary skills to perform their roles to a high level. This training is a combination of on-the-job learning and specific skill development through training courses. A major component of this training is related to Environmental Health and Safety (EH&S) issues. More detail of our EH&S policies is given on pages 46 to 50.

Aggreko continues to improve the capability of its people in line with the growth of the Company. The talent management system, which was introduced 3 years ago for the 150 senior managers in the business, has been extended to the next management level and now covers around 300 managers. We have a number of senior management education programmes, including a one-week residential course, specifically designed for Aggreko at IMD in Lausanne. Furthermore, we introduced a Global Education Policy to support younger people with job-related, long-term educational programmes. All the businesses have extensive technical training programmes, covering everything from basic equipment maintenance through to High Voltage Engineering. Over the last 2 years, as part of our Continuous Improvement Programme, we have trained 25 people to Black Belt level, and over 200 to Orange Belt level.

The Company's remuneration policy, which is described on pages 65 to 77, is aligned with the key objectives of growing earnings and delivering strong returns on capital. To underline this point, the Group's long term incentive scheme and many senior managers' annual bonuses are based on targets set against both earnings per share and returns on capital employed. We have a policy of encouraging employees at all levels to own shares in the company, and over 2,400 people participate in the Sharesave programme; and over 160 participate in the Long-Term Incentive Programme.

Physical assets

Many rental businesses provide standard products to their customers. The car or hammer-drill you rent is the same as the one you can buy. Aggreko's equipment is different: manufacturers of generators and temperature control equipment generally design their product to be installed and stay in the same location for its working life. For our business, however, this equipment has to be lifted and transported hundreds of times during its working life. It must be able to work in extreme conditions – the same generator might be working in -40°C on an oil rig in Russia one week, and in +50°C in the Saudi Arabian desert the next. Designing and building equipment that can do this, while remaining safe, quiet, reliable and compliant with environmental and safety regulations, is a key skill of Aggreko. Unusually for a rental company we design and manufacture most of our equipment, and our specialist in-house teams based in Dumbarton, Scotland understand intimately the requirements of the environment in which the fleet operates. Not only do we have industry-leading equipment, we also have a great deal of it – £1,660 million worth at original cost as at 31 December 2010.

Unlike most other rental businesses, we have a policy of keeping equipment for its useful life. This gives us a powerful incentive to maintain it well, which gives it both longer life and better reliability. We have a large number of skilled engineers, well-equipped workshops and rigorous servicing regimes to ensure that our equipment is maintained to the highest standards.

Management of Resources continued

Taking well-judged fleet investment decisions is a key part of Aggreko's management task. All material investments are judged by reference to internal rates of return, and we monitor utilisation daily. Fleet is frequently moved between countries to optimise utilisation, and our ERP system gives us the ability to manage our fleet on a real time basis across the world which, in turn, will enable us to optimise its deployment and returns.

One measure of how we are doing in terms of managing our physical assets is the return on average capital employed. This measure is one of the key performance indicators shown on page 29.

Financial resources

The Group maintains sufficient facilities to meet its normal funding requirements over the medium term. Historically these facilities have been in the form of committed bank facilities arranged on a bilateral basis with a number of international banks with 3 and 5 year maturities. The financial covenants attached to these facilities are that EBITDA should be no less than 4 times interest, and net debt should be no more than 3 times EBITDA. The Group does not consider that these covenants are restrictive to its operations.

Towards the end of 2010, we refinanced £459 million of bank facilities, putting in place new facilities with maturities of 3 and 5 years. In addition, since the year end, we have for the first time raised funding in the US private placement market, securing US$275 million (£177 million), with maturities ranging between 7 and 10 years and with financial covenants the same as our banking facilities. Drawdown of these funds will take place in mid March 2011. This diversifies Aggreko's funding sources and provides us with a longer maturity profile.

Supply chain

During 2010, Aggreko's capital expenditure totalled £269 million. Of this, over 70% was assembled by our manufacturing facility which is based in Dumbarton, Scotland. The remainder of the capital expenditure was sourced direct from third party manufacturers to Aggreko specification and managed by our supply chain team in Dumbarton. Aggreko's supply chain capability in managing suppliers of both finished product and components for assembly is a key part of our business capability. We have long-standing relationships with many of our suppliers, notably Cummins which supplies a number of engine ranges and alternators. We have also developed new sourcing relationships in countries such as China and India where we work very closely with suppliers to ensure that the components produced comply with Aggreko's strict quality standards.

KEY PERFORMANCE INDICATORS

The Group uses a large number of performance indicators to measure operational and financial activity in the business. Most of these are studied on a daily, weekly or monthly basis. A well-developed management accounts pack, including profit and loss statements as well as key ratios related to capital productivity and customer satisfaction scores, are prepared for each profit centre monthly. In addition, every general manager in the business receives a weekly and monthly pack of indicators which is the basis of regular operational meetings.

There are five Key Performance Indicators (KPI's) which we use as measures of the longer-term health of the business and which we use to monitor progress in implementing the Group's strategic objectives. They are:

- Safety
- Return on average capital employed
- Earnings per share
- Customer loyalty
- Staff turnover

Safety

Our business involves the frequent movement of heavy equipment which, in its operation, produces lethal voltages and contains thousands of litres of fuel. Rigorous safety processes are absolutely essential if we are to avoid accidents which could cause injury to people and damage to our reputation and property. Safety processes are also a basic benchmark of operational discipline and there is, in our view, a close correlation between a well-run business and a safe business.

The main KPI we use to measure safety performance is the internationally recognised Frequency Accident Rating ('FAR') which is calculated as the number of lost time accidents multiplied by 200,000 (being the base for 100 employees working 40 hours per week, 50 weeks per year) divided by the total hours worked. A lost time accident is a work related injury/illness that results in an employee's inability to work the day after the initial injury/illness.

The Group's performance improved slightly over 2009 and is still significantly better than the benchmark statistic reported for US rental and leasing industries published by the US Department of Labor which was 2.1 FAR in 2009. Further discussion of Health & Safety matters can be found in this report in the Risks and Uncertainties section (page 34) and under Corporate Social Responsibility (pages 46 and 47). FAR was as follows:

Frequency Accident Rating

2010	0.71
2009	0.76
2008	0.46
2007	0.50
2006	0.75

Return on average capital employed

In a business as capital-intensive as Aggreko's, profitability alone is a poor measure of performance; it is perfectly possible to be generating good margins, but poor value for shareholders, if assets (and in particular, fleet) are being allocated incorrectly. We believe that, by focusing on return on average capital employed ('ROCE'), we measure both margin performance and capital productivity, and we make sure that unit managers are tending their balance sheets as well as their profit and loss accounts. We calculate ROCE by dividing operating profit for a period by the average of the net operating assets as at 1 January, 30 June and 31 December. ROCE was as follows:

Returns on average capital employed %

2010	32.4
2009	29.0
2008	28.5
2007	26.7
2006	22.1

Earnings per share

Measuring the creation or destruction of shareholder value is a complex and much-debated topic. We believe that Diluted EPS, while not perfect, is an accessible measure of the returns we are generating as a Group for our shareholders, and also has the merit of being auditable and well understood. So, for the Group as a whole, the key measure of short-term financial performance is diluted earnings per share pre-exceptional items ('Adjusted EPS'). Adjusted EPS is calculated based on profit attributable to equity shareholders (adjusted to exclude exceptional items) divided by the diluted weighted average number of ordinary shares ranking for dividend during the relevant period. Adjusted EPS was as follows:

Key Performance Indicators continued

Adjusted EPS Pence

2010	78.98
2009	62.42
2008	45.56
2007	30.02
2006	19.87

Customer loyalty

The Group deals every year with thousands of customers, and we have developed a process by which we can objectively measure the performance of our business units, not only in financial terms but also the extent to which they are making customers feel inclined to return to us the next time they need the services we provide. We believe that near real-time measurement of our performance, as seen by our customers, gives us visibility of operational issues which might otherwise take months to emerge through the profit and loss account. Accordingly, we use the Satmetrix system, whereby we send customers an email immediately after a contract closes asking them to fill out a detailed questionnaire about how they thought we performed. This data is then collated to conform to the same management structure as our profit and loss accounts so that, in monthly management accounts, we see not only a team's financial performance but also their operational performance as measured by how well their customers think they have done for the same period.

These questionnaires generate enormous amounts of data about how customers view our processes and performance and, in order to distil this down into a single usable indicator, we track a ratio called the Net Promoter Score (NPS). Broadly speaking the NPS measures the proportion of our customers who think we do an excellent job against those who think we are average or worse. In 2010, around 38,000 questionnaires were processed and we received over 4,200 replies: we believe that the scale of the response we get enables us to have confidence in this KPI.

Across the Group, our NPS over the last five years was:

Net Promoter Score

2010	60
2009	60
2008	58
2007	52
2006	50

Satmetrix, a global leader in customer experience programmes who manage over 11 million customer responses annually (including Aggreko's), have confirmed that our Net Promoter Score in 2010 was the highest of all their customers benchmarked world-wide in the business-to-business segment.

Staff turnover

In a service business such as Aggreko, it is the attitude, skill and motivation of our staff which makes the difference between mediocre and excellent performance. Staff retention therefore is a reasonable proxy for how employees feel about our company. We monitor staff turnover which is measured as the number of employees who left the Group (other than through redundancy) during the period as a proportion of the total average employees during the period. Staff turnover was as follows:

Staff turnover %

2010	13.4
2009	12.2
2008	15.1
2007	16.2
2006	14.9

The level of staff turnover in 2010 was slightly up on the previous year but still lower than the level seen between 2006-2008.

PRINCIPAL RISKS AND UNCERTAINTIES

In the day-to-day operations of the Group we face many risks and uncertainties. Our job is to mitigate and manage these risks, and the Board has developed a formal risk management process to support this. Set out below are the principal risks and uncertainties which we believe could adversely affect us, potentially impacting the employees, operations, revenue, profits, cash flows or assets of the Group. This list is not exhaustive – there are many things that could go wrong in an operation as large and geographically diverse as ours – and the list might change as something that seems immaterial today assumes greater importance tomorrow.

Economic conditions

There is a link in our business between demand for our services and levels of economic activity; this link is particularly evident in the Local business. If GDP growth goes negative, demand for rental equipment is likely to shrink even faster and this impact is likely to be multiplied by pricing weakness at times of low demand. As we have experienced in recent years, the operational gearing inherent in our business models means that variations in demand can lead to much larger variations in profitability. We also have some businesses which, by their nature, are exposed to particular sectors – for instance, our Australian business is highly dependent on mining activity, our Singapore business has a high proportion of shipping activity, and a large proportion of our Norwegian business comes from North Sea oil and gas.

We mitigate this risk in a number of ways. First, having a global footprint is a great advantage because we can move rental fleet from low-growth economies to higher-growth environments; for example, in 2008 and 2009 we moved considerable quantities of fleet from Europe to the Middle East. Secondly, we try to ensure that, as they grow, our businesses build a customer-base which is as diverse as possible, to reduce sectoral exposure. In the Middle East, for instance, we are investing in our temperature control business which, in time, will reduce our relative exposure to construction; in North America we have special initiatives in place to develop our business in under-penetrated sectors. Thirdly, in the event of a more generalised downturn in demand, as we experienced in 2009, we can quickly reduce capital expenditure which was demonstrated by our new fleet investment being £106.7 million lower in 2009 than 2008. Given the large depreciation element in the business' cost base (£158 million in 2010), reducing capital expenditure to a level close to depreciation makes the business very cash generative which, in turn, reduces debt and interest cost.

Another economic factor to consider is the price of fuel, which is usually the single greatest element in the cost of running a generator. Over the last few years, the price of fuel has been extremely volatile, but this does not seem to have any noticeable impact on people's willingness to rent; people rent generators because they need power, not because it is a cheap way of generating electricity. The major impact of the oil-price on our business is that, at times when it has been high it has produced huge wealth in oil-producing countries which has been re-cycled into infrastructure investment which has, in turn, stimulated demand for our services. If the oil-price is persistently low – by which we mean under $40 per barrel – we would expect to see an adverse impact on our business in oil-producing countries.

Exchange rate fluctuations can have a material impact on our performance reflected in sterling: the Group's asset values, earnings and cash flows are influenced by a wide variety of currencies owing to the geographic diversity of the Group's customers and areas of operation. The majority of the Group's revenue and costs are denominated in US dollars. The relative value of currencies can fluctuate widely and could have a material impact on the Group's asset values, costs, earnings, debt levels and cash flows, expressed in sterling.

Political risk

This section should be read in conjunction with the subsequent section on failure to collect payments. The Group operates in around 100 countries, many in Africa, Asia and Central and South America. In some jurisdictions there are significant risks of political instability which can result in civil unrest, equipment seizure, renegotiation or nullification of existing agreements, changes in laws, taxation policies or currency restrictions. Any of these could have a damaging effect on the profitability of our operations in a country.

Prior to undertaking a contract in a new country, we carry out a risk assessment process to consider risks to our people, assets and to payments. The safety of our employees is always our first concern. If the level of risk is considered unacceptable we will decline to

Principal Risks and Uncertainties continued

participate in any contract; where there are potential issues, we develop detailed contingency plans. Our greatest exposure lies in our International Power Projects business, and they perform risk assessments on a contract-by-contract basis. The Group uses a wide range of tools and techniques to manage financial risk, including insurances, bonds, guarantees and cash advances.

Generally, we find that Governments are keen to behave in a fair way to suppliers of critical infrastructure such as Aggreko. In the last three years, we have had two incidents, both of which were subsequently resolved, where our equipment has been seized by authorities as a result of tax or import duty disputes. Neither of these were material to a Group of our size, but either could have been fatal to a small company. Both are indicative of the fact that we operate in countries where the behaviour of the authorities can be unpredictable, and not always in line with contractual commitments.

The general level of political risk faced by the business has probably increased over the last year, mainly as a result of the recent unrest in the Middle East and Africa.

Failure to collect payments or to recover assets

The vast majority of the contracts into which the Group enters are small relative to the size of the Group and, if a customer fails to pay a debt, this is dealt with in the normal course. However, the Group has some large contracts in developing countries where payment practices can be unpredictable. The Group constantly monitors the risk profile and debtor position of such contracts, and deploys a variety of techniques to mitigate the risks of delayed or non-payment. This mitigation will vary from customer to customer, but our armoury includes obtaining advance payments, letters of credit, bank guarantees, and in some cases insurance against losses. As a result of the rigorous approach to risk management, the Group has historically had a low level of bad debt, and has never had a significant loss. While the rapid growth in our International Power Projects business makes it less likely that any bad debt would be material to the Group's balance sheet, the increased number of contracts and countries in which we operate increases the likelihood of a loss and makes it highly likely that, at some stage, a major customer will default or prevent us from repatriating assets.

The risk of non-payment of a receivable presents a particular risk for a public company such as Aggreko, because our customers are rarely attuned to our obligations to regularly update the market on our performance. While we seek to ensure that no one country could cause the company material medium or long-term damage, failure to collect a major debt could result in an unexpected, and possibly significant, reduction in our profits in any given reporting period. We continually make judgements as to whether we need to book a provision against particular debts, and if these are material, they could cause us to miss a forecast and lead to a negative share price reaction. Unless a customer actually seizes equipment, deciding whether a receivable will be collected or not is more art than science and there have been several occasions when we have had to make difficult judgements as to when to provide for a debt. There may come a time when we get it wrong, and either we announce a provision on a debt which a few days later gets paid, or do not announce a provision and find ourselves subsequently criticised for not providing for it earlier.

Even though we have an ever broader portfolio of contracts, and therefore a more diversified portfolio of risk, we caution investors that the current very high returns on capital that we earn, particularly in our International Power Projects business, are in effect 'risk-unadjusted'. So far, no customer has behaved badly enough to adjust them.

Events

The business is, by nature, driven by events. People hire generators because some event or need makes it essential. Aggreko's revenues, cashflows and profits can be influenced significantly by external events as evidenced in the past by hurricanes in North America or by the contracts to supply power to the military camps in the Middle East. These events are, by their nature, difficult to predict and, combined with the high operational gearing inherent in our business, can lead to volatility in trading outcomes. By developing the business globally, as well as by increasing and broadening the Group's revenue base, the impact of a single event on the overall Group will reduce. Additionally, the ability to move equipment around the world allows the Group to adjust to changes in utilisation caused by any changes in demand.

Failure to conduct business dealings with integrity and honesty

Some of the countries in which the Group operates have a reputation for corruption and, given that many of our contracts involve large sums of money, we are at risk of being accused of bribery and other unethical behaviour. The first and most important way of avoiding this risk is to ensure that people, both inside and outside the Group, know that Aggreko does not engage in, and will not tolerate, bribery, corruption or unethical behaviour. We have a strict Ethics Policy, a copy of which is available on our website www.aggreko.com. Rather than just publishing it, we get every employee to sign it when they join the business; every consultant acting on our behalf agrees in writing to abide by it, and every consultancy or agency agreement has an explicit term stating that the agreement will be terminated immediately if the consultant or agent does not abide by our policy. We are also in the process of rolling out a confidential, multi-lingual hotline, available world-wide, which will allow any employee who has any concerns to report them to an independent third party on an anonymous basis.

While the risk of unethical behaviour can take many forms, the most significant risk we run in this area is the behaviour of third party sales agents and consultants in our International Power Projects business. Given the ephemeral nature of this business – there might be no business for us in a country for 5 years and then suddenly a power crisis might present an opportunity to supply 100MW for 6 months – it is not practical to maintain full-time salespeople in each of the 100 countries where we do, or could conceivably do, business. Instead, we make agreements with organisations which know a country well, can keep our services on the radar of decision makers, and keep us briefed on opportunities. When an opportunity arises, we send in our own salespeople to work with them. These consultants do not get paid a retainer and may receive no compensation other than a 'thank you' and a pat on the back for years; the reason why they are prepared to do this is because when we do win a contract, they are well rewarded. And they work hard for the money, often taking responsibility for the supply of critical elements of the project such as finding power-plant sites, providing administration and technical services, labour and security. The fact that they are only paid on results might be seen to raise the risk that they are tempted to indulge in bribery to secure their income. How do we protect against this? In our view, it is all down to the choice of the sales consultant and, to this end, we carry out comprehensive due diligence on all potential candidates. Before we appoint an agent or consultant, we use specialist third-party investigators to conduct comprehensive background checks on them; these checks include obtaining bank references and searches for previous records of inappropriate behaviour or of any family or other links with the customer or government. Once a sales consultant has been appointed, we keep a close eye on them. Payments made to agents and sales consultants are subject to audit by both internal and external auditors to ensure they are in accordance with the agreements, and we have a full-time Compliance Officer who continuously monitors our dealings with sales consultants and agents. In addition, we carry out regular training by outside lawyers of managers and salespeople who deal in at-risk jurisdictions and, from time to time, we conduct independent reviews of contract files. We also structure our sales consultancy agreements to allow us to terminate any agreement immediately and without compensation in the event that we suspect any inappropriate behaviour. Given that these sales consultants have much to gain by working for us, this is a powerful incentive to behave.

Despite the fact that none of the business that we would consider to be at elevated risk of ethical issues comes under its jurisdiction, until recently we have modelled our compliance regime around the requirements of the US Foreign Corrupt Practices Act (FCPA), on the basis that it probably sets the highest standards in the world. However, the imminent passing into law of the Bribery Act in the UK, which is generally regarded as being significantly stronger than the FCPA, has led us to further review and tighten our procedures. Amongst the changes we have made is the establishment of a Board Ethics Committee, composed entirely of Non-executive Directors, to approve our ethics-related policies and procedures and to monitor compliance.

Principal Risks and Uncertainties continued

Acquisitions

It is part of our strategy to acquire businesses in our core market which can add value to Aggreko. In the last seven years, we have acquired five small businesses – the temperature control business of Prime Energy in the USA, the assets and business of Power Plus Rentals & Sales Ltd in Canada, the power rental business of Cummins India, the power business of Northland Power Services in the Rocky Mountains region of North America, the power rental business of N.Z. Generator Hire Limited – and one large global business – GE Energy Rentals. We are well aware that buying businesses can be risky; in our business, the greatest areas of risk are:

- Over-paying
- Acquiring liabilities we do not know about or understand
- Failing to integrate effectively

We mitigate these risks by having a rigorous acquisition process, which is overseen by the Board. All acquisitions are subject to detailed financial modelling, using different scenarios, so we can understand the likely returns in various circumstances. We undertake detailed due diligence, particularly on the operational side, and we look for extensive warranties and covenants from vendors. Finally, we have a well-developed and effective acquisition integration model as demonstrated by the success of the GE ER integration.

Safety

The business of the group involves transporting, installing and operating large amounts of heavy equipment, which produces lethal voltages or very high pressure air, and involves the use of millions of litres of fuel which could cause serious damage to the environment. Every day, we manage the risks associated with this business, and we have carefully designed procedures to minimise the risk of an accident. If these procedures are not followed however, accidents can happen and might result in injury to people, claims against the Group, damage to its reputation and its chances of winning and retaining contracts.

The Group has a proactive operational culture that puts health and safety at the top of its agenda in order to reduce the likelihood of an accident. We work very closely with our customers, employees and Health & Safety authorities, to evaluate and assess major risks to ensure that health and safety procedures are rigorously followed. The Group has developed health and safety KPI's which are reviewed by the Board on a regular basis.

Competition

Aggreko operates in a highly competitive business. The barriers to entry are low, particularly in the Local business and, in every major market in which we operate, competitors are constantly entering or leaving the market. We welcome this competition as it keeps us sharp and also helps to grow the overall rental market which, in many countries, is under-developed.

We monitor competitor activity carefully but, ultimately, our only protection from suffering material damage to our business by competitors is to work relentlessly to provide our customers with a high quality and differentiated service proposition at a price that they believe provides good value.

Product technology and emissions regulation

The majority of Aggreko's fleet is diesel-powered, and some of our equipment is over 10 years old. As part of the increasing focus on environmental issues, countries continue to introduce legislation related to permissible levels of emissions and this has the potential to affect our business. Our engines are sourced from major manufacturers who, in turn, have to develop products which conform to legislation, so we are dependent on them being able to respond to legislation. We also have to be aware that when we buy a generator, we want to be able to rent it for its useful life and to be able to move it between countries.

To mitigate these risks, we adopt a number of strategies. First, we retain considerable in-house expertise on engine technology and emissions – so we have a good understanding of these issues. Secondly, we have very close relationships with engine manufacturers, so we get good forward visibility of their product development pipeline. When new products appear – particularly those with improved emissions performance – we try to introduce them into the fleet as quickly as possible to ensure that, over time, our fleet evolves to ever-better levels of emissions performance. An example of this is the significant investment we have made in the development of our gas-fuelled technology: these engines have significantly reduced emissions compared with other fuel types. Thirdly, if emissions-compliance becomes such an issue that it begins to impact our business in a material way in some territories, our global footprint will be a major advantage as it gives us numerous options for the re-deployment of our fleet.

People

Aggreko knows that it is people who make the difference between great performance and mediocre performance. This is true at all levels within the business. We are keenly aware of the need to attract the right people, establish them in their roles and manage their development. As a framework for people development, we have in place a talent management programme which covers most of the management population. Under this programme, we try to identify the development needs of each individual from the outset, as well as identifying successor candidates for senior roles. We have also worked with one of the world's leading business schools, IMD, to develop and deliver a tailor-made group-wide management education programme.

Another risk is that competitors seek to recruit our key personnel. For many years, Aggreko has been a target for recruitment and we manage this on a daily basis. We actually regard it as a compliment that so many companies want to recruit our people. The main mitigation for this is to make sure that people enjoy working for Aggreko, that they feel that they are recognised, cared for, and have challenging and interesting jobs. Reward is also an important part of the equation, and there can be little doubt that our policy of rewarding people well for good performance, and of having a successful Long-Term Incentive Plan, has acted as a powerful retention tool.

Information technology

Our business involves high transaction volumes, complex logistics and the need to track thousands of assets on hundreds of sites. We are therefore heavily dependent on the resilience of both the application software (we use an ERP system called Movex) and of the data-processing and network infrastructure. A serious failure in this area would immediately and materially affect our business.

The Group has a detailed disaster recovery plan in place which is tested on a regular basis. Our main data centre in Glasgow has high levels of resilience built into it, and we also have a physically separate third-party disaster-recovery site. Additionally, we have a second data centre in Dubai which will allow the Group to continue processing data in the event of a major incident.

Accounting and treasury/major fraud

There is a risk that fraud or accounting discrepancies may occur if the financial and operational control framework is inadequate. This may distort the reported results. In order to mitigate this risk, significant work has been undertaken to put in place a robust control framework. Additionally, a strong Internal Audit function reviews the operation of this control framework and reports regularly to the Audit Committee. The risk is also mitigated by recruiting and developing a strong finance function which is focused on ensuring the accuracy and integrity of the reported results.

REVIEW OF TRADING

Group trading performance

These results are for the 52 weeks ended 31 December 2010. In the last full financial year (2009) we reported a 53-week period.

Aggreko delivered another strong trading performance in 2010, with reported revenues growing by 20% and earnings per share growing by 27%. Our International Power Projects business won a record level of new orders and, in the Local business, trading profit grew by 53%, helped by an 'annus mirabilis' in our events business where we provided power to the Vancouver Winter Olympics (VANOC), the FIFA World Cup in South Africa and the Asian Games in Guangzhou.

	2010 £ million	2009[2] £ million	Movement As reported	Movement Constant currency
Revenue	**1,229.9**	1,023.9	20.1%	17.4%
Revenue excl pass-through fuel	**1,155.7**	965.9	19.7%	16.9%
Trading profit[1]	**311.8**	252.5	23.5%	20.4%
Operating profit	**314.5**	262.1	20.0%	17.1%
Net interest expense	**(10.1)**	(18.1)	44.2%	
Profit before tax	**304.4**	244.0	24.8%	
Taxation	**(91.3)**	(75.6)	(20.7)%	
Profit after tax	**213.1**	168.4	26.6%	
Basic earnings per share (pence)	**79.37**	62.67	26.6%	

1 Trading profit represents operating profit before gain on sale of property, plant and equipment.

2 The 2009 trading results are for 53 weeks; the estimated impact of the extra week's trading was around an additional £16 million of revenue and £10 million of trading profit.

As reported, Group revenue at £1,229.9 million (2009: £1,023.9 million) was 20% higher than 2009, while Group trading profit of £311.8 million (2009: £252.5 million) was 23% ahead of 2009. This delivered an increase in Group trading margin from 24.7% in 2009 to 25.4% in 2010. Return on capital employed, measured as operating profit divided by average net operating assets, improved by 3.4pp to 32.4% (2009: 29.0%). The weakening of Sterling during the year, particularly against the US Dollar and the Australian Dollar, had the effect of increasing reported revenue by £23.4 million and trading profit by £6.5 million.

Group profit before tax increased by 25% to £304.4 million (2009: £244.0 million), and profit after tax increased by 27% to £213.1 million (2009: £168.4 million). Earnings per share grew 27% to 79.37 pence (2009: 62.67 pence). The effective tax rate for the full year is 30.0% compared to 31.0% in the prior year.

As mentioned above, 2010 was an exceptional year for major sporting events; among them, the FIFA World Cup, the Vancouver Winter Olympics and the Asian Games accounted for £87 million of revenue in 2010. 2009, on the other hand, had the benefit of a 53rd week. To give investors a better understanding of the performance of the business without these one-off events, we also report movements in 'underlying' revenue and profit. This is defined as revenue and profit adjusted, where appropriate, for currency movements, pass-through fuel and the impact of both the 53rd week in 2009 and of the three major sporting events (VANOC, FIFA World Cup and Asian Games). On this basis, underlying revenue and trading profit both increased by 11% on the prior year. On the same basis trading margin was 25.4% (2009: 25.4%).

Fleet capital expenditure for the year was £254.4 million (2009: £149.7 million) which represented 95% of total capital expenditure. This fleet spend was 173% of the depreciation charge in the period, reflecting the continued expansion of our rental fleet; our International business accounted for 64% of this investment. In addition, we acquired £5.6 million of property, plant and equipment as part of the acquisition of Northland Power Services, a power rental business based in Wyoming, which was acquired in December 2010. Capital productivity – expressed as the ratio of revenue (excluding pass-through fuel) to average gross rental assets – increased from 71% to 76%, driven by improved utilisation and rates in the Local business and the exceptional level of major sporting events, which are generally less capital intensive than the rest of the business.

The Group delivered another strong performance on cash. EBITDA (earnings before interest, taxes, depreciation and amortisation) increased 15% to £475.6 million. This was a material factor in the decrease in net debt of £43.3 million to £132.2 million despite a 67% increase in total capital expenditure.

Corporate activity

On 3 December 2010 we completed the acquisition of Northland Power Services, a leading provider of temporary power solutions for the oil and gas exploration and production market in the Rocky Mountains region of North America, for a maximum consideration of $25.7 million (£16.7 million). The oil and gas market is a key focus for Aggreko, both in North America and worldwide, and the Northland acquisition strengthens Aggreko's position in the market as a whole and in the particular segment of supporting the extraction of coal-bed methane and shale oil and gas resources. On 7 March 2011 we also entered into an agreement to acquire N.Z. Generator Hire Limited, a leading provider of temporary power solutions in New Zealand and the Pacific Islands. The total consideration is NZ$27.5 million (£12.7 million).

Regional trading performance

The performance of each of our regional businesses is described below. 2010 was a year in which the usual order of things in Aggreko was reversed. In recent years, it has been the International Power Projects business which has been the main driver of growth but, in 2010, it was the Local business which grew trading profit by 53%, while International Power Projects delivered an uncharacteristically modest 7% growth in reported trading profit, mainly due to an unusually high level of on- and off-hires in the contract base.

Regional trading performance as reported in £ million

	Revenue			Trading Profit		
Management Group	2010 £ million	2009 £ million	Change %	2010 £ million	2009 £ million	Change %
Local business						
North America	**245.9**	197.6	24.4%	**45.1**	34.1	32.4%
Europe	**164.2**	158.9	3.3%	**18.6**	12.9	44.7%
Middle East & South East Europe (SEE)	**97.6**	90.7	7.6%	**23.0**	22.4	2.6%
Sub-total Europe & Middle East	**261.8**	249.6	4.9%	**41.6**	35.3	18.0%
International Local businesses	**187.7**	96.8	93.9%	**55.2**	23.5	134.1%
Sub-total Local business	**695.4**	**544.0**	**27.8%**	**141.9**	**92.9**	**52.7%**
International Power Projects (IPP)						
IPP excl. pass-through fuel	**460.3**	421.9	9.1%	**168.0**	157.9	6.5%
IPP pass-through fuel	**74.2**	58.0	27.8%	**1.9**	1.7	12.2%
Sub-total International Power Projects	**534.5**	**479.9**	**11.4%**	**169.9**	**159.6**	**6.5%**
Group	**1,229.9**	**1,023.9**	**20.1%**	**311.8**	**252.5**	**23.5%**
Group excluding pass – through fuel	**1,155.7**	**965.9**	**19.7%**	**309.9**	**250.8**	**23.6%**

Local business: North America

	2010 $ million	2009 $ million	Constant currency change[1] %
Revenue	**380.1**	309.8	21.3%
Trading profit	**69.7**	53.4	29.3%

1 Constant currency takes account of the impact of translational exchange movements in respect of our businesses which operate in currency other than sterling.

After a difficult year in 2009, our North American business recovered strongly in 2010, in part due to revenues from the Vancouver Winter Olympics in the first half. More importantly, the business saw an improvement in underlying trading (i.e. adjusting for currency, Vancouver, and the 53rd week in 2009) in the second half, with underlying revenues and trading profit up 35% and 51% respectively. For the year as a whole, revenue in constant currency increased by 21% to $380.1 million and trading profit increased by 29%

Review of Trading continued

to $69.7 million; trading margin increased to 18.3% (2009: 17.2%). On an underlying basis, revenues for the year as a whole increased 19%.

Revenue recognised in the year from VANOC amounted to $30 million, bringing the total contract value to $45 million including the revenue that was recognised in the second half of 2009. This was the largest project ever undertaken by our North American business, and our team performed extremely well, installing over 1,800 electrical distribution panels, 750 transformers and 500 miles of cable servicing 52 venues and other sites.

Excluding VANOC, rental revenue grew by 16% and services revenue was up 23%. Power rental revenue was up 11% whilst temperature control revenue increased by 22%. Oil-free compressed air rental revenues grew by 15%.

It should be noted that the sharp recovery in the North American business – and particularly in temperature control – was helped by the comparison between a particularly cool summer season in 2009 and a particularly hot one in 2010. Revenue in nearly all the business units increased on prior year; Canada saw a sharp recovery as work in the Alberta Oil Sands resumed, and the acquisition of Power Plus in 2008 really proved its worth in 2010. The Southern Business Unit had a particularly strong year, aided by the clean-up work associated with the Nashville floods and the BP oil spill in the Gulf of Mexico. Underlying volumes and rates improved on prior year helped by growth in the petrochemical & refining, contracting and manufacturing sectors.

In the first few months following the acquisition of Northland, the new business has performed satisfactorily. This acquisition, along with the opening of new service centres in Shreveport, Minneapolis St Paul, Seattle, Ft St John, Minot and Roosevelt has significantly extended the footprint of our North American business.

We expect that the recovery in trading we have seen in the second half of 2010 will continue into 2011, aided by our recent acquisition and continued geographic and sector infill in other parts of North America. 2011 is also an important year for North America as we are in the process of investing in excess of $120 million in new fleet which will deliver significantly better emissions performance.

Local business: Europe & Middle East

	2010 £ million	2009 £ million	Constant currency change %
Revenue	**261.8**	249.6	5.5%
Trading profit	**41.6**	35.3	17.5%

Europe

	2010 £ million	2009 £ million	Constant currency change %
Revenue	**164.2**	158.9	5.2%
Trading profit	**18.6**	12.9	46.8%

Middle East & SEE

	2010 AED million	2009 AED million	Constant currency change %
Revenue	**554.1**	522.4	6.1%
Trading profit	**130.4**	128.9	1.1%

The Europe & Middle East business made progress in the year, with revenue increasing on a constant currency basis by 5% to £261.8 million; trading margin increased to 15.9% (2009: 14.1%) and trading profit increased on a constant currency basis by 17% to £41.6 million. Revenue excluding the 53rd week in 2009 increased by 7%.

Revenue in Europe of £164.2 million was 5% ahead of the prior year on a constant currency basis with most areas growing compared to the prior year. Rental revenue increased by 2%, with power decreasing by 1% but temperature control increasing by 12% aided by a warm summer in Continental Europe. Services revenue, which mainly comprises fuel and transport, increased by 9%. Our business in Russia, which was only fully established in 2008, is performing very well, and by the end of the year we had over 70MW on rent (Dec 2009: 24MW on rent). Trading profit in Europe increased by 47% helped by the release of two accruals, established in 2009, following the favourable resolution of the issues.

Revenue in the Middle East of AED554.1 million (£97.6 million) was 6% ahead of the prior year on a constant currency basis. Rental revenue increased by 2% in the Middle East, with power increasing by 4%, but temperature control decreasing by 16%. Services revenue, which mainly comprises fuel and transport and generates much lower margins than rental, increased by 25%. Within the region, the adverse economic conditions experienced in Dubai in 2009 have continued to have an impact in 2010 with revenue falling significantly again. This decrease has been offset, however, by continued growth in other markets in the Middle East. On a sector basis we had good growth in utilities, oil and gas, and construction, but weaker demand in shipping and manufacturing. Margins decreased slightly to 23.5% (2009: 24.7%), reflecting the higher proportion of services revenues.

The recovery in Europe and Middle East has been less pronounced than in North America, reflecting the generally slower rate of economic recovery. The 11% underlying growth (i.e. excluding the 53rd week in 2009) in the second half was an improvement on the 4% seen in the first half, and the business starts 2011 with some large contracts secured in the Middle East and Russia. We are cautiously optimistic that we will see further improvement in the region in 2011.

Local business: Aggreko International

	2010 £ million	2009 £ million	Constant currency change %
Revenue	**187.7**	96.8	70.9%
Trading profit	**55.2**	23.5	106.0%

Aggreko International's Local businesses operate in Australia, New Zealand, Brazil, Mexico, Argentina, Chile, Singapore, China, India and South Africa. For this reporting period, Aggreko International's Local businesses also include the revenues from the FIFA World Cup and Asian Games contracts.

The FIFA World Cup contract was the largest events contract by value ever performed by Aggreko with 259 generators and chillers, 525 kilometres of cable and over 1,200 electrical distribution panels on 11 sites. Revenue from the FIFA World Cup in the year amounted to £48 million. The Asian Games was attended by over 9,700 athletes from 45 nations competing in 42 events, and Aggreko provided 100MW of power generation and over 150 kilometres of cable; revenue from the event in the year amounted to £20 million. Both of these contracts helped to drive an increase of 71% in the total revenues of Aggreko International's Local business. Trading margin increased to 29.4% from 24.4% in the prior year.

Excluding both of these contracts, as well as the impact of the 53rd week in 2009, revenue increased 11% over prior year.

Excluding the major events, rental revenue was up 9%, with power up 9% and temperature control up 10%. Services revenue increased by 10%. Revenue in the majority of Aggreko International's Local businesses increased as compared to last year.

We expect Aggreko International's Local businesses to grow on an underlying basis in 2011; we are continuing our rapid expansion of our service centre network. In the last two years, we have opened new service centres in Adelaide, Geraldton, Gladstone, Buenos Aires, Concepcion, Monterrey, Villahermosa, Recife and Parauapebas and we expect several new sites to be commissioned in 2011.

International Power Projects: Aggreko International

	2010 $ million	2009 $ million	Constant currency change %
Revenue (excl. pass-through fuel)	**711.5**	661.3	7.6%
Trading profit (excl. pass-through fuel)	**259.8**	247.5	4.9%

Our International Power Projects business had a difficult year, but one in which it made important progress in achieving its strategic objectives. It was difficult, because the business saw unprecedented levels of on- and off-hires as the geographic balance of the business shifted. As a result of this change in the contract base, the business now has a record order-book and has achieved one of our strategic objectives, which is to improve the regional balance, which had been heavily weighted towards Africa, and establish operations of real scale in Asia and South America. At the beginning of 2010, the business had 1,586MW on hire in Africa and the Middle East, 191MW in Asia, and 387MW in Central and South America; by the end of the year, the numbers were 1,025MW in Africa and the Middle East, 833MW in Asia and 657MW in Central and South America.

Review of Trading continued

Demand was very strong during 2010. We secured 49 new contracts in 25 countries and a record 1,300MW of new work; the previous highest number was 630MW in 2009. 730MW of the new work was in Asia, and 270MW in Central and South America. At the start of 2011, our order book stood at almost 30,000MW-months, an increase of 60% over the prior year, and the equivalent of 14 months' revenue at the current run-rate. This order intake coincided with record levels of off-hires, which totalled about 1,000MW during the year. The timing of these off-hires was fortuitous, as we would certainly not have been able to cater for the record level of new orders had we not had large amounts of fleet coming off-hire elsewhere. But the effect of large amounts of fleet being de-commissioned on one continent and then re-commissioned on another, via several thousand miles of ocean and at least two sets of customs authorities, meant that an abnormal proportion of the fleet was costing, rather than earning, money during 2010, and utilisation over the year averaged 80% – well below the levels we have achieved in previous years in International Power Projects.

In terms of trading performance, revenue and profits (excluding pass-through fuel) increased by 8% and 5% respectively. Excluding the 53rd week in 2009, revenue increased by 10%. Trading margin was slightly down on prior year at 36.5% (2009: 37.4%) reflecting the very high levels of off-hires during the year. Revenue from our gas-powered units grew strongly with the number of MW of gas on rent increasing on average by 30% year-on-year.

On an area basis, revenue increased in Asia, Central America and South America but decreased in South and East Africa, North & West Africa and Military. Around 75% of International Power Projects' revenue in 2010 came from utilities; military projects represented about 16%, and oil & gas, mining and manufacturing together contributed about 9%. At the start of the new year, the International Power Projects fleet, at over 3,600MW, is 19% larger than 12 months earlier, including a gas fleet which is 30% larger.

International Power Projects started the year with nearly 14% more capacity on rent than a year ago and a very strong order book. We also expect the level of off-hires to be lower in 2011, and as a consequence we expect this business to grow at a faster rate in 2011 than in 2010.

DETAILED FINANCIAL REVIEW

Critical accounting policies

The Group's significant accounting policies are set out in Note 1 to the Group's Annual Report & Accounts.

Preparation of the consolidated financial statements requires Directors to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual outcomes could differ from those estimated.

The Directors believe that the accounting policies discussed below represent those which require the greatest exercise of judgement. The Directors have used their best judgement in determining the estimates and assumptions used in these areas but a different set of judgements could result in material changes to our reported results. The discussion below should be read in conjunction with the full statement of accounting policies, set out in Note 1 to the Group's Annual Report & Accounts.

Property, plant and equipment

Rental fleet accounts for £801.7 million, or around 93%, of the net book value of property, plant and equipment used in our business; the great majority of equipment in the rental fleet is depreciated on a straight-line basis to a residual value of zero over 8 years, although we do have some classes which we depreciate over 10 years. The annual fleet depreciation charge of £146.8 million (2009: £138.1 million) relates to the estimated service lives allocated to each class of fleet asset. Asset lives are reviewed regularly and changed if necessary to reflect current thinking on their remaining lives in light of technological change, prospective economic utilisation and the physical condition of the assets.

Intangible assets

In accordance with IFRS 3 (revised) 'Business Combinations', goodwill arising on acquisition of assets and subsidiaries is capitalised and included in intangible assets. IFRS 3 (revised) also requires the identification of other acquired intangible assets. The techniques used to value these intangible assets are in line with internationally used models but do require the use of estimates and forecasts which may differ from actual outcomes. Future results are impacted by the amortisation period adopted for these items and, potentially, by any differences between forecast and actual outcomes related to individual intangible assets. The amortisation charge for intangible assets in 2010 was £2.8 million (2009: £2.7 million). Included in this charge was £2.7 million related to the amortisation of intangible assets arising from business combinations (2009: £2.5 million).

Goodwill of £60.4 million (2009: £51.3 million) is not amortised, but is tested annually for impairment and carried at cost less accumulated impairment losses. The impairment review calculations require the use of forecasts related to the future profitability and cash generating ability of the acquired assets.

Pensions

Pension arrangements for our employees vary depending on best practice and regulation in each country. The Group operates a defined benefit scheme for UK employees, which was closed to new employees joining the Group after 1 April 2002; most of the other schemes in operation around the world are varieties of defined contribution schemes.

Under IAS 19: 'Employee Benefits', Aggreko has recognised a pre tax pension deficit of £3.2 million at 31 December 2010 (2009: £5.8 million) which is determined using actuarial assumptions. The decrease in the pension deficit is a result of the additional contributions made by the Company during the year over and above the cost of accrual of benefits. The Company paid £3.5 million in January 2010 in line with the Recovery Plan agreed for the Scheme following the actuarial valuation at 31 December 2008. In addition higher-than-expected returns were achieved on Scheme assets over the year. The additional contributions and investment returns have been offset by lower net interest rates used to value the liabilities.

The main assumptions used in the IAS 19 valuation for the previous two years are shown in Note 25 of the Annual Report & Accounts. The sensitivities regarding these assumptions are shown in the table overleaf.

Detailed Financial Review continued

Assumptions

Assumption	Increase	Deficit £ million Change	Income statement cost £ million Change
Rate of increase in salaries	0.5%	2.8	0.4
Rate of increase in pensions in payment	0.5%	3.6	0.3
Discount rate	0.5%	(7.2)	(0.4)
Inflation (0.5% increases on pensions increases, deferred revaluation and salary increases)	0.5%	7.9	0.8
Expected return on Scheme assets	0.5%	n/a	(0.3)
Longevity	1 year	1.3	0.1

Taxation

Aggreko's tax charge of 30% is based on the profit for the year and tax rates in force at the balance sheet date. In addition to corporation tax, Aggreko is subject to indirect taxes such as sales and employment taxes across various tax jurisdictions in the approximate 100 countries in which the Group operates. The varying nature and complexity of tax law requires the Group to review its tax positions and make appropriate judgements at the balance sheet date. Further detail, including a detailed tax reconciliation, is shown at Note 9 to the Annual Report and Accounts.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. An impairment is recorded for the difference between the carrying amount and the recoverable amount where there is objective evidence that the Group may not be able to collect all amounts due. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default, or large and old outstanding balances, particularly in countries where the legal system is not easily used to enforce recovery, are considered indicators that the trade receivable is impaired.

The majority of the contracts into which the Group enters are small relative to the size of the Group and, if a customer fails to pay a debt, this is dealt with in the normal course of business. However, some of the contracts the Group undertakes in developing countries are substantial, and are in jurisdictions where payment practices can be unpredictable. The Group monitors the risk profile and debtor position of all such contracts regularly, and deploys a variety of techniques to mitigate the risks of delayed or non-payment; these include securing advance payments and guarantees. As a result of this rigorous approach to risk management, the Group has historically had a low level of bad debt. When a trade receivable is uncollectable it is written off against the provision for impairment of trade receivables account. At 31 December 2010 the provision for impairment of trade receivables in the balance sheet was £33.4 million (2009: £26.2 million).

Currency translation

The volatility of exchange rates during the year increased revenue and trading profit by £23.4 million and £6.5 million respectively as a result of currency movement. Currency translation also gave rise to a £39.1 million increase in net assets as a result of year-on-year movements in the exchange rates. Set out in the table below are the principal exchange rates affecting the Group's overseas profits and net assets.

Per £ Sterling

	2010		2009	
	Average	Year End	Average	Year End
Principal Exchange Rates				
United States Dollar	**1.55**	**1.55**	1.57	1.62
Euro	**1.17**	**1.16**	1.12	1.12
Other Operational Exchange Rates				
UAE Dirhams	**5.68**	**5.69**	5.76	5.95
Australian Dollar	**1.68**	**1.52**	1.99	1.80

Source: Reuters

Interest

The net interest charge was £10.1 million, a decrease of £8.0 million on 2009, reflecting the lower level of average net debt during the year and the £3.3 million cost in 2009 of terminating some interest rate swaps. Interest cover, measured on an EBITDA basis, remains very strong and increased to 47.1 times from 22.8 times in 2009.

Directors' Report

Effective tax rate

The effective tax rate for the full year is 30.0% compared to 31.0% in the prior year reflecting the geographic mix of profits.

Dividends

If the proposed final dividend of 12.35 pence is approved by shareholders, it will result in a full year dividend of 18.90 pence per ordinary share, giving dividend cover of 4.20 times (2009: 4.97 times).

Cashflow

The net cash inflow from operations during the year totalled £467.9 million (2009: £430.8 million). This funded capital expenditure of £268.8 million, which was £107.9 million higher than in 2009. Net debt at 31 December 2010 was £43.3 million lower than the previous year mainly as a result of the strong cashflow from operating activities. As a result of the decrease in net debt, gearing (net debt as a percentage of equity) at 31 December 2010 decreased to 16% from 29% at 31 December 2009 while net debt to EBITDA decreased to 0.3x (2009: 0.4x).

There was a £23.7 million working capital outflow in the year which, in general terms, reflected increased activity levels across the business. More specifically, Aggreko's working capital position tends to be heavily influenced by our International Power Projects business and also activity levels at our manufacturing operation. In International Power Projects, we saw an increase in all elements of working capital with higher levels of activity driving this. We also saw an increase in International Power Projects' debtor days caused largely by a small number of countries where payments were slower than usual. Since year end, we have received payments from most of these countries, however, this movement underlines the challenge of collecting debt from some of the countries in which our International Power Projects business operates. However, there were no material bad debt write-offs in the year. Our manufacturing operation saw increases in inventory and accounts payable reflecting the increased level of activity in 2010 and early 2011.

Net operating assets

The net operating assets of the Group (including goodwill) at 31 December 2010 totalled £1,065.8 million, £182.0 million higher than 2009. The main components of net operating assets are:

£ million

			Movement	
	2010	2009	Headline	Constant currency
Rental fleet	**801.7**	660.3	21.4%	15.5%
Property and plant	**57.1**	52.7	8.5%	6.4%
Inventory	**117.8**	86.3	36.4%	30.9%
Net trade debtors	**192.0**	136.3	40.9%	34.9%

A key measure of Aggreko's performance is the return (expressed as operating profit) generated from average net operating assets (ROCE). We calculate the average net operating assets for a period by taking the average of the net operating assets as at 1 January, 30 June and 31 December; this is the basis on which we report our calculations of ROCE. The average net operating assets in 2010 were £969.9 million, up 7.4% on 2009. In 2010 the ROCE increased to 32.4% compared with 29.0% in 2009.

Acquisition of Northland Power Services

On 3 December 2010, the Group acquired the assets and business of Northland Power Services. The purchase consideration, paid in cash, comprises a fixed element of $23.7 million (£15.4 million) and further payments of up to a maximum of $2.0 million (£1.3 million) dependent on financial performance during 2011. The fair value of net assets acquired was £9.5 million resulting in goodwill of £7.2 million.

Detailed Financial Review continued

Shareholders' equity

Shareholders' equity increased by £211.3 million to £814.4 million, represented by the net assets of the Group of £946.6 million before net debt of £132.2 million. The movements in shareholders' equity are analysed in the table below:

Movements in shareholders' equity

	£ million	£ million
As at 1 January 2010		603.1
Profit for the financial year	213.1	
Dividend[1]	(39.7)	
Retained earnings		173.4
New share capital subscribed		1.7
Purchase of own shares held under trust		(27.2)
Credit in respect of employee share awards		18.7
Actuarial losses on retirement benefits		(0.6)
Currency translation difference		39.1
Movement in hedging reserve		(3.6)
Other[2]		9.8
As at 31 December 2010		**814.4**

1 Reflects the final dividend for 2009 of 8.23 pence per share (2009: 6.28 pence) and the interim dividend for 2010 of 6.55 pence per share (2009: 4.37 pence) that were paid during the year.

2 Other mainly includes tax on items taken directly to reserves.

The £213.1 million of post-tax profit in the year represents a return of 26.2% on shareholders' equity (2009: 27.9%).

Treasury

The Group's operations expose it to a variety of financial risks that include liquidity, the effects of changes in foreign currency exchange rates, interest rates, and credit risk. The Group has a centralised treasury operation whose primary role is to ensure that adequate liquidity is available to meet the Group's funding requirements as they arise, and that financial risk arising from the Group's underlying operations is effectively identified and managed.

The treasury operations are conducted in accordance with policies and procedures approved by the Board and are reviewed annually. Financial instruments are only executed for hedging purposes, and transactions that are speculative in nature are expressly forbidden. Monthly reports are provided to senior management and treasury operations are subject to periodic internal and external review.

Capital management

The Group's objective with respect to managing capital is to maintain a balance sheet structure that safeguards the Group's financial position through economic cycles and one that is efficient in terms of providing long term returns to shareholders. If appropriate, the Group can choose to adjust its capital structure by varying the amount of dividend paid to shareholders, by returning capital to shareholders, by issuing new shares, or by adjusting the level of capital expenditure. As discussed above gearing at 31 December 2010 decreased to 16% from 29% at 31 December 2009. Total capital is equity as shown in the Group balance sheet.

Liquidity and funding

The Group maintains sufficient facilities to meet its normal funding requirements over the medium term. At 31 December 2010 these facilities are primarily in the form of committed bank facilities totalling £604.1 million, arranged on a bilateral basis with a number of international banks. The financial covenants attached to these facilities are that EBITDA should be no less than 4 times interest and net debt should be no more than 3 times EBITDA. The Group does not consider that these covenants are restrictive to its operations. The maturity profile of the borrowings is detailed in Note 17 in the Annual Report & Accounts.

Net debt amounted to £132.2 million at 31 December 2010 and, at that date, un-drawn committed facilities were £470.1 million.

Towards the end of 2010, we refinanced £459 million of bank facilities, putting in place new facilities with maturities of 3 and 5 years. In addition, since the year end, we have for the first time raised funding in the US private placement market, securing US$275 million (£177 million), with maturities ranging between 7 and 10 years and with financial covenants the same as our banking facilities. Drawdown of these funds will take place in mid March 2011.

Interest rate risk

The Group's policy is to minimise the exposure to interest rates by ensuring an appropriate balance of fixed and floating rates. The Group's primary funding is at floating rates through its bank facilities. In order to manage the associated interest rate risk, the Group uses interest rate swaps to vary the mix of fixed and floating rates. At 31 December 2010, £110.9 million of the net debt of £132.2 million was at fixed rates of interest resulting in a fixed to floating rate net debt ratio of 84:16 (2009: 61:39)[1].

Foreign exchange risk

The Group is subject to currency exposure on the translation into Sterling of its net investments in overseas subsidiaries. In order to reduce the currency risk arising, the Group uses direct borrowings in the same currency as those investments. Group borrowings are predominantly drawn down in the principal currencies used by the Group, namely US Dollar, Euro and Sterling.

The Group manages its currency flows to minimise foreign exchange risk arising on transactions denominated in foreign currencies and uses forward contracts, where appropriate, in order to hedge net currency flows.

Credit risk

Cash deposits and other financial instruments give rise to credit risk on amounts due from counterparties. The Group manages this risk by limiting the aggregate amounts and their duration depending on external credit ratings of the relevant counterparty. In the case of financial assets exposed to credit risk, the carrying amount in the balance sheet, net of any applicable provision for loss, represents the amount exposed to credit risk.

Insurance

The Group operates a policy of buying cover against the material risks which the business faces, where it is possible to purchase such cover on reasonable terms. Where this is not possible, or where the risks would not have a material impact on the Group as a whole, we self-insure.

1 The increase in this ratio is driven by a decrease in Group net debt rather than an increase in the absolute value of fixed rate debt.

CORPORATE SOCIAL RESPONSIBILITY

Introduction

This report describes the policies and procedures that the Board has put in place to ensure that Aggreko operates in a safe, ethical and responsible manner, which protects the environment as well as safeguarding the health and safety of its employees, its customers, and the communities in which it operates. The process for identifying, evaluating and managing the risks that are considered significant is summarised under the heading of Internal Control on page 56.

The nature of our business is that we work in many different countries, often in remote and difficult environments, with equipment and substances which, if improperly handled, are potentially dangerous to people and harmful to property and the environment. We frequently operate in response to natural or man-made disasters, where the infrastructure has been badly damaged and where operating conditions are far from ideal. Over time, therefore, we have developed a comprehensive range of operating procedures and processes to ensure that we minimise any risk of harm to people or to the environment.

Health and safety

Aggreko puts health and safety at the very heart of its operations. Most of our equipment is heavy, electro-mechanical equipment which is moved around frequently. Compressors and generators respectively produce high-pressure compressed air and high voltages electricity, either of which can be harmful to people if mishandled.

Aggreko's policy is to implement common health and safety operating procedures worldwide. Whether operating in the Australian bush, the Saudi Arabian desert or in downtown Manhattan, our operating procedures are the same high standard.

Among the key features of Aggreko's worldwide Health and Safety Policy are:

- ensuring that health and safety issues are at the forefront of considerations when we design our equipment;
- ensuring that our equipment is built and maintained to the highest standards;
- training and educating our staff worldwide in the safe operation of our equipment; and
- ensuring that health and safety issues have the appropriate level of focus throughout the management chain.

Aggreko has created its own Global Environmental Health and Safety Management System (GEMS) which has been implemented throughout the business. At the core of GEMS is a Best Operating Practice document that is published in 8 languages (English, French, German, Dutch, Spanish, Italian, Norwegian and Singhalese). The Best Operating Practice is updated in the light of experience and incidents.

GEMS incorporates a comprehensive reporting system which is designed to ensure that the Company knows of every incident, and can learn from it. A uniform accident and incident data collection procedure is implemented worldwide, and from this we can measure our performance and benchmark our operations. Performance measures are reported at a business unit level on a monthly basis. Any serious incident is immediately reported to the Executive Director responsible for the business unit concerned.

Meetings of the senior management of each region are held regularly; at each of these an Executive Director will normally chair the meeting, and incidents reported under GEMS are discussed. The Executive Director responsible for Health and Safety, George Walker, produces monthly reports, which are considered at each meeting of the Board.

Safety

Our business involves the frequent movement of heavy equipment which, in its operation, produces lethal voltages and contains thousands of litres of fuel. Rigorous safety processes are absolutely essential if we are to avoid accidents which could cause injury to people and damage to our reputation and property. Safety processes are also a basic benchmark of operational discipline and there is, in our view, a close correlation between a well-run business and a safe business.

The main KPI we use to measure safety performance is the internationally recognised Frequency Accident Rating ('FAR') which is calculated as the number of lost time accidents multiplied by 200,000 (being the base for 100 employees working 40 hours per week, 50 weeks per year) divided by the total hours worked. A lost time accident is a work related injury/illness that results in an employee's inability to work the day after the initial injury/illness.

The Group's performance during 2010 shows a modest improvement over 2009, and we make great efforts to drive this number down. However, we take some comfort from the fact that our accident rate is about a third of the benchmark statistic reported for US rental and leasing industries published by the US Department of Labor which was 2.1 FAR in 2009. At 0.71, our FAR is the same as many industries whose principal activities are office bound and dealing with nothing more dangerous than a PC.

FAR was as follows:

	Year ended 31 December				
	2010	2009	2008	2007	2006
FAR	0.71	0.76	0.46	0.50	0.75

Employees and equal opportunities

Aggreko is committed to promoting equal opportunities for all, irrespective of disability, ethnic origin, gender or any other considerations that do not affect a person's ability to perform their job.

The Group's policies for recruitment, training, career development and promotion of employees are based on the suitability of the individual and give those who are disabled equal treatment with the able bodied. Where appropriate, employees disabled after joining the Group are given suitable training for alternative employment with the Group or elsewhere.

The Group continues to operate team briefings throughout its business to keep employees informed of developments and plans, both in their own operations and in the Group as a whole. Employees have access to the 'Aggreko Resource Centre', an intranet based system, which provides them with a wide range of information on the activities of the Group around the world. The annual and interim results are publicised extensively throughout the business and are made available to all employees.

The Group is introducing a whistleblowing hotline in 2011, which will give access for all employees to a confidential, multi-lingual service to report any cases of ethical non-compliance, bullying or discrimination.

The environment

Set out below is an explanation of the terms and abbreviations used in this section.

CO_2 Carbon Dioxide.

EPA Environmental Protection Agency.

SCR Selective Catalytic Reduction.

g/kWh Emissions in grams per kilowatt hour.

kVA A thousand volt amperes.

LWA Sound power level at source.

MW A million watts.

NOx Oxides of Nitrogen.

Particulate In general this term relates to visible smoke.

Tier 1, Tier 2, Tier 3, Tier 4 US Federal Government target emission reduction levels.

Environmental Policy

Aggreko's equipment is designed to function in all continents and all types of terrain. By careful design and use of the most suitable technology, we also aim to minimise the environmental impact of that equipment. Aggreko makes available to its customers equipment and solutions that are designed to comply with applicable laws, regulations and industry standards wherever we operate in the world. In effect, this means they comply with the laws, regulations and standards of some of the most stringent jurisdictions in which we operate and, therefore, far exceed the levels required in many others.

The two major environmental issues we deal with in our business are emissions-to-air from our equipment – the vast majority of which is diesel powered, and the safe handling and disposal of fuel and oil.

Our Environmental Policies are managed in a similar way to safety. They comprise:

- ensuring that environmental issues are at the forefront of considerations when we design our fleet;
- ensuring that our equipment is built and maintained to the highest standards;
- training and educating our staff worldwide in the safe operation of our equipment; and
- ensuring that environmental issues have the appropriate level of focus throughout the management chain.

Emissions-to-air: exhaust gases and particulates
Emissions-to-air are an inevitable by-product of hydrocarbon fuelled engines. Over the years, as engines have become more efficient and legislation to limit emissions around the world has become stricter, emissions have reduced sharply. Aggreko works in co-operation with the manufacturers of diesel engines in order to meet new emission requirements in a timely manner.

The principal contribution we can make to reducing emissions to air is in maintaining our equipment in good order, and introducing engines into the fleet with good emissions performance.

In an increasing number of countries, air quality regulations stipulate emission standards with which new equipment being sold must comply. Generally countries allow equipment already operating to continue to do so for its useful life. This is called 'grandfathering'. The US EPA has introduced the earliest and most stringent regulation in this area, introducing reduction targets for emissions of NOx and particulate in Tiers, starting with Tier 1 in 1996, moving to Tier 4 final around 2014. The EPA requirements have therefore been the main driver of new generator development. The following graph illustrates the reduction targets for emissions under the EPA regime.

NOx and particulate reduction targets

As our suppliers produce engines which comply with new emissions, we work with them to introduce the new engines into the fleet. In 2008, we started trialling new Tier 2 compliant engines for our high-horsepower range, and these were introduced into production in 2010. We are currently investing some $120 million in upgrading our high-horsepower fleet in North America to Tier 2. At lower horsepower sizes we have started to deliver Tier 3 and Tier 4i machines.

Subject to manufacturers' ability to introduce the necessary technology into volume production, we expect that in 2011 the majority of engines we build will be certified to at least Tier 2.

Tier 4 emissions
Development is underway of diesel generators to meet up-coming Tier 4 standards for mobile generators. In 2008 a significant project was undertaken in Chile to deliver the lowest level of NOx yet stipulated by a standard. Seventy of Aggreko's project machines were fitted with an advanced SCR that reduced NOx by 90%. Similar technology will probably be required to meet EPA Tier 4 requirements in the US and in Europe shortly after. We are currently working closely with engine manufacturers to develop appropriate solutions for these requirements.

Aggregreko natural gas generator development

We are constantly exploring new ways of reducing emissions, and have developed a gas-fuelled temporary power solution, which has significantly lower levels of emissions (see below).

	Tier 1 engine	Gas engine	Reduction
NOx	6.9 g/(bhp-hr)	1.0 g/(bhp-hr)	87%
Particulates	0.4 g/(bhp-hr)	0.1 g/(bhp-hr)	75%
CO_2 intensity	6.4 g CO_2/ kWh	4.7 g CO_2/ kWh	13%

Natural gas presents a competitive advantage over other energy sources. It is seen as economically more efficient because only about 10% of the natural gas produced is wasted before it gets to final consumption. In addition, technological advances are constantly improving efficiencies in extraction, transportation and storage techniques as well as in equipment that uses natural gas.

Natural gas is considered an environmentally-friendly clean fuel, offering important environmental benefits when compared with other fossil fuels. The superior environmental qualities over coal or oil are that emissions of sulphur dioxide are negligible and that the level of NOx and CO_2 emissions is significantly lower. Where the gas fuel is essentially a by-product of production or is derived from a biological source, a CO_2 and greenhouse gas reduction is realised. This helps to reduce problems of acid rain, ozone or greenhouse gases.

In many of Aggreko's target markets natural gas is effectively a stranded resource. Aggreko's service allows for generation of power from this valuable resource on a more flexible and scalable basis than existing solutions.

Alternative energy sources

In addition to the work we have undertaken developing natural gas-powered generators, we are constantly reviewing product technologies, looking for advances that we can adopt within our product portfolio. These include:

- Bio-fuels – Across some of our markets we have seen the emergence of Bio-diesel as an alternative energy source. These fuels are compatible with most of our generator fleet, either in a blended or pure format. Bio-fuel can reduce CO_2 emissions, given that the crop that derived the fuel has absorbed CO_2 from the atmosphere. While we will continue to support customers who wish to run our equipment on Bio-fuels, our main concern with this energy source is sustainability of the sources of production, and the environmental impact of certain production methods. Consequently, we are not actively promoting Bio-fuel use in our business.

- Fuel Cells – Whilst we keep a close watch on the development of Fuel Cell technology, we do not currently see any commercial application in our business. This may change as technology improves and costs reduce.

- Renewables – At present, it is hard to envisage the application of renewable energy sources to large temporary power generation projects. While we have, for example, reviewed the application of battery technology in combination with a diesel generator to provide hybrid power, which can improve efficiency and reduce fuel consumption, technology is not yet advanced enough to enable us to pursue a hybrid renewable option. We do however foresee a role for our products in supporting systems and grids which rely upon renewables, where seasonal restrictions can occur.

Emissions-to-air: carbon dioxide

All of Aggreko's core activities release CO_2 into the atmosphere to a greater or lesser extent. The most significant impact arises from power generation in Aggreko International owing to the intensiveness of our activities in providing temporary power stations. Any generation of electricity using hydrocarbon fuels inevitably causes the release of CO_2 and the performance of Aggreko's equipment is comparable to other equivalent power sources. Aggreko is actively researching the availability of alternative mobile power sources that will reduce the level of CO_2 emissions; until an economically viable alternative becomes available, the level of emissions will mirror the level of our business activity. The actual amount of CO_2 released by our engines is driven by the usage our customers make of our equipment on rent; an engine running 24 hours/day will emit much more CO_2 than an engine used for a few hours a day. These patterns of usage can vary widely from country to country and from year to year. We estimate that customers using Aggreko engines produced an average CO_2 emission rate of 650 g/kWh. The CO_2 intensity of UK grid power generation is approximately 602 g/kWh; given our mix of gas and diesel generating sets, it is therefore reasonable to assume that the CO_2 intensity of our customer's use of Aggreko equipment is likely to be similar to that of the UK National Grid.

Because customers operate and fuel much of our fleet, we do not have visibility of fuel consumption (and therefore CO_2 emissions), so we can only guess at what the emissions are in a year, but a reasonable estimate would be between 12 and 15 million tonnes of CO_2 world-wide; this compares with Drax power station in the UK, which has a capacity of 4,000MW and produces about 22 million tonnes of CO_2 per annum.

The graph below illustrates the relative emissions rates of Coal, Diesel and Gas for electricity production.

CO_2 intensity in pure electricity production

Petroleum spills and the safe disposal of waste fluids

Aggreko and its customers handle a considerable quantity of diesel fuel and the rare occurrence of accidental fuel spills is an area that the Group monitors very closely. The measure used by management to measure the performance of the Group in handling fuel is the 'Petroleum Release Rating' (PRR). This is calculated as litres released to ground, divided by the cumulative average MW on rent. The PRR performance over the past three years has been:

- 2010 – 0.58
- 2009 – 0.49
- 2008 – 0.75

Our equipment has been specifically designed to minimise the risk of fluid spillage through features such as a 'save-all base', double-walled storage tanks and fail-safe valves. A PRR score of 0.61 has been set by the Group as a target for 2011 which is an improvement on the 3-year average experience.

Another potential source of environmental damage is in the disposal of consumables such as engine oil and filters. In our Local business, these are normally returned to our service centres where they are safely disposed of. In our International Power Projects business, site-specific arrangements are made to ensure the safe handling of these items.

Reporting of fuel spills is handled in a similar way to safety incidents, with monthly reporting at regional level, and quarterly reporting to the Board.

Noise

Aggreko has built a competitive advantage through an equipment fleet that minimises external noise. This is done by the use of custom-built acoustic enclosures as well as high performance isolation and attenuation systems. Aggreko continues to work closely with its suppliers and local university research departments in order to develop its expertise in this field. As a result, our equipment is able to achieve the following performance standards that are well below the maximum levels permitted by current European legislation.

Size of generator	Certified noise level (Sound Power LWA)		
Prime power	Maximum EU limit	Aggreko Standard Product	Aggreko Premium Product
30kVA	96.47	92.0	78.0
60kVA	96.77	93.0	80.0
125kVA	97.10	94.0	83.0
200kVA	97.30	94.0	91.0
350kVA	97.55	92.0	90.0

Note: A reduction of 3 LWA in the certified noise level equates to an audible noise level that is approximately 50% lower.

Refrigerant

In accordance with the timelines and accords set out by the Montreal protocol Aggreko has phased out CFC plant from its temperature control rental fleet and is in the process of phasing out HCFC plant; we have introduced HFC production models in all areas.

Social Responsibility

Policy

Aggreko has a policy of encouraging local teams to engage with the communities in which they work, and each year they undertake innumerable initiatives to help the disadvantaged or those affected by natural disasters.

Charitable donations

During the financial year the Group contributed over £300,000 in terms of cash, employees' time and other services to a range of charitable, community and disaster relief organisations. This is an estimate, and probably an under-estimate, because it is hard to precisely value employees' time and value-in-kind donations, and it compares to around £200,000 donated in 2009. Of this total, £43,256 (2009: £48,900) was donated in cash to registered UK charities.

We have a policy of giving little donations to many organisations which are involved with the communities in which we work, rather than giving a lot of money to a few. Our largest single donation goes to Book Aid International, a charity promoting literacy in Africa, with whom we have been working since 2006. Book Aid has provided hundreds of thousands of books to schools and libraries. We admire their work enormously, and donations from Aggreko have enabled books to be distributed in Cameroon, Kenya, Namibia, Tanzania and Uganda. Books are, we feel, a good form of donation; they do not require maintenance; they can be used by many people; they are not open to corruption; they last a long time; and they help directly in the key task of helping people to help themselves.

No political donations were made during the financial year (2009: nil).

Business ethics

Ethics Policy

Aggreko has a reputation for delivering innovation, performance and solutions. Also at the heart of our long-term success is something less tangible and less easily illustrated with figures or case studies. This key element is integrity and honesty in our business dealings, a factor that contributes to our long-term relationships with customers. All Aggreko employees, as well as consultants and agents who we work with, are expected to behave ethically in their work, and our expectations of them are set out in a Corporate Ethics Policy. The objective of the Policy is to make Aggreko a good company to work for; to maintain our reputation for exceptional customer service and ethical business dealings; to compete ethically; and to ensure the business is managed to a consistently high standard. In 2011, the Board set up an Ethics Committee comprising Philip Rogerson (Chairman), David Hamill and Ken Hanna, to oversee the implementation of the Group's policies and procedures. Further discussion of our policies for handling ethical risks is set out under Principal Risks and Uncertainties on page 33.

Employees who suspect any breaches of the Corporate Ethics Policy are encouraged to speak up, and their confidentiality and position is protected if they do so. The implementation of a Group-wide whistleblowing hotline, described above, will help this process.

See our Corporate Responsibility website

Further information and copies of the Environmental, Health and Safety Policy and Corporate Ethics Policy are available at www.aggreko.com/investors/corporateresponsibility.

Board of Directors

1. Philip Rogerson †

(66) Chairman

Philip Rogerson is Chairman of Carillion plc and, since 1 March 2010, of Bunzl plc. Until February 1998 he was Deputy Chairman of BG plc (formerly British Gas plc) having been a Director since 1992, and has subsequently held a number of Non-executive appointments. He retired as Chairman of Northgate plc in December 2009 and Non-executive Director of Davis Service Group Plc in February 2010. He joined the Board of Aggreko plc in September 1997 and was appointed as Chairman in April 2002.

2. Rupert Soames OBE †

(51) Group Chief Executive

Rupert Soames joined the Board as Group Chief Executive on 1 July 2003. He was formerly with Misys PLC, where he was Chief Executive of the Banking and Securities Division. Before joining Misys, Rupert was with GEC plc for 15 years, working in a number of their subsidiaries; in the last four years of his service with GEC he was responsible for the UK, African and Asian operations of Avery Berkel. He is the Senior Independent Director of Electrocomponents plc.

3. Angus Cockburn

(47) Finance Director

Angus Cockburn, a Chartered Accountant, joined Aggreko in May 2000 as Finance Director. He was previously Managing Director of Pringle of Scotland, a division of Dawson International PLC, having joined that company in 1997 from PepsiCo Inc. At PepsiCo he spent five years in various positions, latterly as Regional Finance Director for Central Europe based in Budapest. He has worked with KPMG both in the UK and in the USA and has an MBA from the IMD Business School in Switzerland. He is also a Non-executive Director of Howden Joinery Group Plc (formerly Galiform plc) and a former chairman of the Group of Scottish Finance Directors.

4. George Walker

(53) President – Aggreko North America

George Walker, a United States citizen, joined Aggreko in 1987 when the Group initially entered the temperature control business through the acquisition of Mobile Air-Conditioning Inc. where he was Controller and then Vice-President. A graduate of the University of Texas, he became a Vice-President of Aggreko Inc. in 1988 and was appointed Executive Vice-President in 1997. In January 2001 he became President of Aggreko North America and was appointed as an Executive Director of Aggreko plc.

5. Bill Caplan

(53) Regional Director – Europe and the Middle East
Bill Caplan joined the Board on 17 November 2008. He previously worked for 20 years in Europe, Asia, the Middle East, Africa and the USA with United Parcel Service (UPS) and UPS Supply Chain Solutions. He was born and educated in the USA, gaining an MBA from Harvard Business School after selling his family owned beverage distribution business in 1987. He currently serves as a Board Trustee and Non-executive Director for Phoenix Futures, a UK based charity.

6. Kash Pandya

(48) Regional Director – International
Kash Pandya joined the Board on 20 June 2005. He was previously Chief Executive of Johnston Group plc, and prior to that he was President, Europe, Asia & South America of APW, the world's largest manufacturer of specialist cabinets and enclosures for the telecoms and computer industries. Between 1996 and 1999, Kash worked for Caradon plc, latterly as Director of European Operations of the Radiator Division. Between his appointment in 2005 and December 2008 he ran Aggreko's European business. In January 2009 he moved to Dubai and took over responsibility for Aggreko International.

7. David Hamill * § †

(53) Non-executive Director
David Hamill, who was appointed to the Board in May 2007, was until December 2007 Chairman and Chief Executive of ICI Paints and a main board director of ICI. In January 2008 ICI was acquired by Akzo Nobel and for the calendar year of 2008, Mr Hamill led the integration process, forming the world's largest decorative paints business. During 2009, he was appointed as Senior Advisor to Bain Capital and has developed personal business interests.

8. Robert MacLeod * § †

(46) Non-executive Director
Robert MacLeod was appointed to the Board in September 2007. He is a Chartered Accountant and is Group Finance Director of Johnson Matthey plc. From June 2004 until June 2009 he was Group Finance Director of WS Atkins plc. He joined the Atkins Group as Group Financial Controller in March 2003 having previously worked in a variety of senior financial roles at Enterprise Oil plc. A graduate of Cambridge University, he trained at KPMG.

9. Russell King * § †

(53) Non-executive Director
Russell King joined the Board in February 2009. He was appointed Non-executive Director of Spectris plc in October 2010. He is senior advisor to RBC Capital Markets and the founder of Sorrett Advisors. Until October 2009 he was Chief Strategy Officer of Anglo American PLC, having joined Anglo American as Group Head of Human Resources, Business Development and Sustainable Development in 2001. Previously, he spent over 20 years at ICI, with experience in its fertiliser, petrochemical and paint businesses.

10. Ken Hanna * § †

(57) Non-executive Director
Ken Hanna was appointed to the Board in October 2010. He is currently Chairman of Inchcape plc and a Non-executive Director of Tesco plc. Ken is also Chairman of Shooting Star/CHASE a South West London charity supporting families with children and teenagers who have life limiting conditions. Until early 2009, Ken was Chief Financial Officer of Cadbury plc. He has also held positions as Operating Partner in Compass Partners, a European Private Equity firm; Group Chief Executive at Dalgety plc; Group Finance Director of United Distillers plc and Group Finance Director of Avis Europe plc. He is a fellow of the Institute of Chartered Accountants.

Company Secretary

11. Peter Kennerley (54)

Peter Kennerley was appointed Director of Legal Affairs and Company Secretary in October 2008. He was formerly Company Secretary and General Counsel of Scottish & Newcastle plc and before that a partner at Simmons & Simmons specialising in corporate law. He also spent two years as Secretary to the Takeover Panel.

Board Committees Membership

* Audit, § Remuneration, † Nomination

Corporate Governance

Introduction

Aggreko is committed to maintaining high standards of corporate governance. Not many public companies state that they are committed to maintaining low standards of corporate governance, so we think it might be useful to state, as precisely as we are able, what we mean by this.

First, we mean that we take governance at all levels in the Company seriously, and we think about it. Second, it means that we do not slavishly follow the strictures and advice of every governance guru or 'expert' body, but we try to adopt those approaches that we believe are likely to work in the particular context of Aggreko's business and culture, and which promote the following:

- Transparency; giving shareholders the information they need to judge whether the executive management and the Board are doing a good job on their behalf;
- Effective decision-making, risk management and control;
- A proper balance between Executive and Non-executive Directors;
- Keeping the interests of the owners of the business aligned with, and at the front of the mind of, the people charged with managing the business; and
- The ability of the Company to hear the voice of people other than shareholders who are touched by it. Principally these are regulatory and standards bodies, employees, customers, suppliers and the communities in which we operate

being mindful of the need to keep the amount of money and time spent on activities other than those involving making money for our shareholders to an appropriate level.

Putting governance into practice

We support the UK Corporate Governance Code published by the Financial Reporting Council in June 2010 (the 'New Code') and its predecessor, the Combined Code on Corporate Governance published by the FRC in June 2008 (the 'Combined Code'). The New Code applies to accounting periods beginning on or after 29 June 2010, so the Combined Code applied to our 2010 financial year. We consider that the Group complied with all of the provisions of the Combined Code throughout the year ended 31 December 2010 with the exception of the Combined Code provision that at least half of the Board, excluding the Chairman, should be independent Non-executive Directors; the reasons for this are explained in detail in the paragraph below entitled 'Non-executive Directors'. Copies of the New Code and the Combined Code are publicly available at www.frc.org.uk.

The Board

The Board currently comprises a Chairman, Chief Executive, four other Executive Directors and four Non-executive Directors; their details are set out on pages 52 and 53.

Amongst the matters reserved for decision by the Board are strategy, acquisitions and disposals, capital projects over a defined limit, annual budgets, new Group borrowing facilities and significant changes to employee benefit schemes.

There is a defined division of responsibilities between the Non-executive Chairman and the Chief Executive. The Chairman is primarily responsible for the effective working of the Board; the Chief Executive is responsible for the operational management of the business; for developing strategy and presenting it to the Board; and for the implementation of the strategy as agreed by the Board.

Non-executive Directors

Non-executive Directors bring a wide range of experience to the Company and David Hamill, Robert MacLeod, Russell King and Ken Hanna are considered by the Board to be independent as defined in the Combined Code.

David Hamill is the Senior Independent Director and is available to meet shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or Finance Director has failed to resolve or for which such contact is inappropriate.

The New Code and the Combined Code state that at least half of the Board, excluding the Chairman, should be independent Non-executive Directors. However, the Directors believe that, beyond a certain size, Boards risk becoming ineffective at control and decision-making; they certainly become more expensive as they grow larger. Ideally, in our view, the Aggreko Board works most effectively, and represents best value for shareholders, with no more than ten people sitting round the table.

Applying the 'no more than ten round the table' rule leaves nine places for executive and Non-executive Directors. Operationally, Aggreko is organised into three regions, and the choice in terms of the number of Executive Directors sitting on the Board is two, or five. The Board has concluded that the ability to hold to account the line managers who run the business on a daily basis, to get their input into decision-making, and to get the additional Board-level visibility which comes from having these executives as part of the Board adds real value, and is the appropriate choice. We have therefore decided not to comply with the New Code or the Combined Code in this respect only, having four Non-executive Directors, rather than the five we would need to be in line with the New Code or the Combined Code.

Board Committees

The Board has standing Audit, Nomination and Remuneration Committees and, since December 2010, an Ethics Committee. The memberships, roles and activities of the first three are detailed in separate reports: Audit Committee on pages 62 and 63, Remuneration Committee on pages 65 to 77 and Nomination Committee on page 64.

We established the Ethics Committee in December 2010, with the principal roles of advising the Board on the development of strategy and policy on ethical matters and overseeing the Company's policies and procedures for the identification, assessment, management and reporting of ethical risk. The members of the Committee are: Philip Rogerson (Chairman), David Hamill and Ken Hanna. Peter Kennerley is Secretary to the Committee and Rupert Soames will attend by invitation. We will include a separate report from the Ethics Committee in our 2011 Annual Report.

Each Committee reports to, and has its terms of reference approved by, the Board and the minutes of the Committee meetings are circulated to, and reviewed by, the Board. The terms of reference of the standing Committees of the Board are available on our website at www.aggreko.com/investors/corporategovernance.

Board meetings

The Board generally meets at least six times a year. At each meeting, the Board receives certain regular reports, for example covering current trading, treasury, and environment, health and safety. At particular points in the year, the Board reviews budgets, capital expenditure, risks and financial statements. The Board has regular updates on strategy and also reviews other topics, such as technical or legal developments, acquisition opportunities, and the competitive environment, as appropriate. Most Board meetings will have a detailed presentation by a Regional Director on the performance of their region. The Board also receives reports on how other people feel about us; they get copies of investor and analyst feedback, customer satisfaction metrics, and the results of employee surveys.

The Board generally meets in central London or at the Group head office in Glasgow, but at least one meeting each year is held at one of the Group's other locations, which gives the Directors the opportunity to review the operations and meet local management. During 2010, for example, the Board visited our manufacturing facility at Dumbarton.

The attendance of Directors at meetings during 2010 is set out in the table below:

	Notes	Board meetings	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings in 2010		7	3	4	6
Bill Caplan		7	–	–	–
Angus Cockburn		7	–	–	–
David Hamill		6	2	4	5
Russell King		7	2	4	6
Robert MacLeod		6	3	4	6
Nigel Northridge	1	4(4)	2(2)	3(3)	4(4)
Kash Pandya		7	–	–	–
Philip Rogerson		7	–	–	6
Rupert Soames		7	–	–	6
George Walker		7	–	–	–
Ken Hanna	2	3(3)	1(1)	1(1)	1(1)

Note 1: Resigned on 31 August 2010 – maximum possible number of meetings to be attended shown in brackets.

Note 2: Appointed on 21 October 2010 – maximum possible number of meetings to be attended shown in brackets.

The Chairman holds meetings with the Non-executive Directors without the Executive Directors present, and at least once a year the Senior Non-executive Director chairs a meeting of the Non-executive Directors without the Chairman present.

Induction, development and support

All new Directors receive a full, formal and tailored induction on joining the Board, including meetings with senior management and advisers and visits to the Group's operational locations. The Board calendar is planned to ensure that Directors are briefed on a wide range of topics throughout the year and are given the opportunity to visit sites and discuss aspects of the business with employees. We recognise that our Directors have a diverse range of experience, and so we encourage them to attend external seminars and briefings that will assist them individually.

Directors have access to independent professional advice at the Company's expense where they judge this to be necessary to discharge their responsibilities as Directors and all Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with.

Election of Directors

Any Director appointed by the Board is subject to election by Shareholders at the first opportunity after his appointment. The Company's Articles of Association (the 'Articles') also state that each Director must retire from office at the third Annual General Meeting held after the Annual General Meeting at which he was last elected. However, it is a requirement of the New Code, which applies to the Company for 2011 and future years, that all Directors should be subject to annual election by shareholders; accordingly all members of the Board will be offering themselves for re-election at the 2011 Annual General Meeting. It is part of the Chairman's role to discuss the time commitment and contribution of each Non-executive Director as part of his individual appraisal, and the Nomination Committee unanimously recommends the reappointment of each of the Directors.

All of the Directors have service agreements or letters of appointment and the details of their terms are set out in the Remuneration Report on page 77. No other contract with the Company or any subsidiary undertaking of the Company in which any Director was materially interested subsisted during or at the end of the financial year.

Board performance evaluation

We have a well established process for conducting the annual evaluation of Board and Committee performance, using an assessment questionnaire prepared by the Company Secretary and the Chairman which we ask all Directors to complete. Directors grade areas such as the performance of the Board and its Committees, the effectiveness of the Chairman, Executive and Non-executive Directors, the monitoring of operational performance and Corporate Governance, as well as Leadership and Culture. The advantage of this approach is that we can compare results from year to year. The Company Secretary and the Chairman write a report of the results, which is discussed by the Board and by each Committee. In addition the results are discussed separately between Non-executive Directors and they also provide a background to interviews between the Chairman and individual Directors as part of annual appraisals.

Overall, the results of the 2010 evaluation were very positive but we agreed on a number of topics which would remain a priority for 2011, including: continuing to ensure that we had a robust succession planning process; meeting the challenge of developing environmental and emissions regulation; regular discussion of strategy throughout the year, and monitoring of the political and financial risks associated with the countries in which we operate. These items have now been included in the Board calendar for 2011.

We have reviewed the interests declared by Directors which could conflict with those of the Company, and we are satisfied that the Board's powers to authorise potential conflicts is operating effectively.

Relations with shareholders

The Board aims to present a balanced and clear view of the Group in communications with shareholders and believes that being transparent in describing how we see the market and the prospects for the business is extremely important.

We communicate with shareholders in a number of different ways. The formal reporting of our full and half year results and trading updates are a combination of presentations, group calls and one to one meetings. The full and half year reporting is then followed by investor meetings in all major cities where we have institutional shareholders covering the UK, Continental Europe, Scandinavia and North America. We also regularly meet with existing and prospective shareholders to update them on our latest performance or to introduce them to the Company and periodically arrange a visit to the business to give analysts and major shareholders a better understanding of what goes on day to day. The last visit of this type was during 2010 when we invited analysts to visit a number of our International Power Project sites in Africa and to see our contract for the FIFA World Cup in operation. The presentations from this visit as well as all other presentations on the business are available on the Company's website.

The Board receives regular updates on the views of shareholders through briefings from the Chairman, Chief Executive and Finance Director as well as reports from the Company's brokers and the Company's investor relations advisers. In addition, the Senior Independent Director is available to meet shareholders if they wish to raise issues separately from the arrangements described above.

We enjoy meeting both private and institutional shareholders at the Company's Annual General Meeting, which this year will be held in Glasgow on Wednesday, 27 April. Further details of the meeting are set out on page 61 and in the letter from the Chairman and notice of meeting sent with this report. Shareholders unable to attend are encouraged to vote using the proxy card mailed to them or electronically as detailed in the Notice of Meeting.

Internal control

The Board has applied Principle C.2 of the Combined Code by establishing a continuous process for identifying, evaluating and managing the risks that are considered significant by the Group in accordance with the revised Turnbull Guidance on Internal Control published by the Financial Reporting Council. This process has been in place for the period under review and up to the date of approval of the Annual Report and Accounts. The process is designed to manage rather than eliminate risk, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board's monitoring framework covers a wide range of controls, including financial, operational and compliance controls together with risk management. It is based principally on reviewing reports from management and considering whether significant risks are identified, evaluated, managed and controlled and ensuring that any significant weakness thus identified is promptly remedied. The Board continues to enhance and strengthen the procedures for identifying and monitoring key areas of risk.

The Board also considers financing and investment decisions concerning the Group and monitors the policy and control mechanisms for managing treasury risk. The Group insurance programme is reviewed by the Board, which also approves self-insured exposures.

During each financial year the Audit Committee reviews the external and internal audit work programmes and considers reports from internal and external auditors on the system of internal control and any material control weaknesses. It also receives responses from management regarding the actions taken on issues identified in audit reports.

Performance reporting and information

The Group has in place a comprehensive financial review cycle, which includes a detailed annual budgeting process where business units prepare budgets for approval by the Board. The Group uses a large number of performance indicators to measure both operational and financial activity in the business. Depending on the measure these are reported and reviewed on a daily, weekly or monthly basis. In addition management in the business receive a weekly and monthly pack of indicators which are the basis of regular operational meetings, where corrective action is taken if necessary. At a group level a well-developed management accounts pack including income statements, balance sheets, cash flow statement as well as key ratios related to capital productivity and customer satisfaction scores, is prepared and reviewed monthly by management. As part of the monthly reporting process a forecast of the current year numbers is carried out. To ensure consistency of reporting the Group has a global ERP system and a global consolidation system as well as a common accounting policies and procedures manual. Management monitor the publication of new reporting standards and work closely with their external auditors in evaluating the impact of these standards.

Review of effectiveness of internal control

In compliance with Provision C.2.1 of the Combined Code, the Board reviews the effectiveness of the Group's system of internal control.

On an annual basis the Audit Committee receives a formal review that is designed to assess the application of the principal financial and operational controls operated by the Group. The review, which is based on self-assessment by senior operational management, is carried out using a risk review and control questionnaire and is intended to complement the internal and external audit procedures. There is also a comprehensive procedure for monitoring all significant risks and key risks have been identified on a risk register. The Board has considered the probability of those risks occurring and their impact, as well as the actions that would be taken in response to them if they did occur.

The Board has undertaken a specific assessment of internal control for the purpose of this Annual Report. This assessment considered all significant aspects of internal control during the year ended 31 December 2010. Accordingly, the Board is satisfied that the Group continues to have an effective system of internal control.

Corporate Social Responsibility

The Board has set policies for the Group to ensure that it operates worldwide in a safe, ethical and responsible manner, which protects the environment as well as safeguarding the health and safety of its employees, its customers and the communities in which it operates. These policies are intended to recognise, evaluate and manage responsibly environmental, health and safety risks through implementation of a comprehensive Global Environmental, Health and Safety Management System that standardises best operating practices, objectives, data collection, reporting, audits, performance indicators and goals. These policies are set out in more detail on pages 46 to 51.

Pensions

The assets of the UK defined-benefit pension fund are controlled by the Directors of Aggreko Pension Scheme Trustee Limited; they are held separately from the assets of the Company and invested by independent fund managers. These segregated funds cannot be invested directly in the Company. Four trustees have been appointed by the Company and, in addition, two member-nominated trustees have been appointed. This fund was closed to new employees joining the Group after 1 April 2002; new UK employees are now offered membership of a Group Personal Pension Plan.

Share capital
On 31 December 2010 the Company had in issue 274,318,271 ordinary shares of 20p each. Details of the changes in issued share capital during the year are shown in Note 21 to the accounts.

Rights and obligations attached to shares
Subject to applicable statutes (in this section referred to as the 'Companies Acts') and to any rights conferred on the holders of any other shares, any share may be issued with or have attached to it such rights and restrictions as the Company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may decide.

Voting
Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held and to any other provisions of the Articles, on a show of hands every member who is present in person or by proxy or represented by a corporate representative at a general meeting of the Company has one vote. On a poll every member who is present in person or by proxy or represented by a corporate representative has one vote for every share of which he is the holder. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, is accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority is determined by the order in which the names stand in the register in respect of the joint holding.

Restrictions on voting
No member is, unless the Board otherwise decides, entitled in respect of any share held by him to vote (either personally or by proxy or by a corporate representative) at any general meeting of the Company or at any separate general meeting of the holders of any class of shares in the Company if any calls or other sums presently payable by him in respect of that share remain unpaid or if he is a person with a 0.25 per cent. interest (as defined in the Articles) and he has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts.

The Company is not aware of any agreement between holders of securities that may result in restrictions on voting rights.

Dividends and other distributions
Subject to the provisions of the Companies Acts, the Company may by ordinary resolution from time to time declare dividends in accordance with the respective rights of the members, but no dividend can exceed the amount recommended by the Board. Subject to the provisions of the Companies Acts, the Board may pay such interim dividends as appear to the Board to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of the Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, it shall not incur any liability to the holders of any shares for any loss they may suffer in consequence of the payment of an interim or fixed dividend on any other class of shares ranking pari passu with or after those shares.

The Board may deduct from any dividend or other moneys payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in respect of shares of the Company. The Board may also withhold payment of all or any part of any dividends or other moneys payable in respect of the Company's shares from a person with a 0.25 per cent. interest (as defined in the Articles) if such a person has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts.

Variation of rights
Subject to the provisions of the Companies Acts, rights attached to any class of shares may be varied either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. The necessary quorum applying to any such separate general meeting is two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares), (but at any adjourned meeting one holder present in person or by proxy (whatever the number of shares held by him) will constitute a quorum); every holder of shares of the class present in person or by proxy (excluding any shares of that class held as treasury shares) is entitled on a poll to one vote for every share of the class held by him (subject to any rights or restrictions attached to any class of shares) and any holder of shares of the class present in person or by proxy may demand a poll.

Restrictions on transfer of securities in the Company

There are no restrictions on the transfer of securities in the Company, except that:

- certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws); and

- pursuant to the Listing Rules of the Financial Services Authority certain employees of the Company require the approval of the Company to deal in the Company's ordinary shares.

The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities.

Amendment of Articles of Association

Unless expressly specified to the contrary in the Articles of the Company, the Articles may be amended by a special resolution of the Company's shareholders.

Appointment and replacement of Directors

Unless otherwise determined by ordinary resolution of the Company, the number of Directors (disregarding alternate Directors) is not less than two nor more than fifteen. No shareholding qualification for Directors is required. The Company or the Board may appoint any person to be a Director. Any Director so appointed by the Board shall hold office only until the next general meeting and shall then be eligible for election. The Board or any committee authorised by the Board may appoint one or more Directors to hold employment or executive office with the Company for such period (subject to the Companies Acts) and on such other terms as the Board or committee may in its discretion decide and may revoke or terminate any appointment so made.

The Articles state that each Director must retire from office at the third Annual General Meeting after the Annual General Meeting at which he was last elected. However, it is a requirement of the New Code, which applies to the Company in 2011 and future years, that all Directors should be subject to annual election by shareholders. In addition to any power of removal conferred by the Companies Acts, the Company may by special resolution remove any Director before the expiration of his period of office. The office of a Director must be vacated if: (i) he resigns his office by notice in writing delivered to the office or tendered at a meeting of the Board; or (ii) by notice in writing he offers to resign and the Board resolves to accept such offer; or (iii) his resignation is requested by all of the other Directors and all of the other Directors are not less than three in number; or (iv) a registered medical practitioner who is treating that Director gives a written opinion to the Company stating that that Director has become physically or mentally incapable of acting as a Director and may remain so for more than three months; or (v) by reason of a Director's mental health, a court makes an order which wholly or partly prevents that Director from personally exercising any powers or rights which that Director would otherwise have; or (vi) he is absent without the permission of the Board from meetings of the Board (whether or not an alternate Director appointed by him attends) for six consecutive months and the Board resolves that his office is vacated; or (vii) he becomes bankrupt or compounds with his creditors generally; or (viii) he is prohibited by law from being a Director; or (ix) he ceases to be a Director by virtue of the Companies Acts or is removed from office pursuant to the Articles.

Powers of the Directors

Subject to the provisions of the Companies Acts, the Company's Articles and to any directions given by the Company in general meeting by special resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company whether relating to the management of the business of the Company or not. In particular, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or any third party.

Powers in relation to the Company issuing or buying back its own shares

The Directors were granted authority at the last Annual General Meeting held in 2010 to allot relevant securities up to a nominal amount of £17,985,000. That authority will apply until the earlier of 30 June 2011 and the conclusion of the Annual General Meeting for 2011. At this year's Annual General Meeting shareholders will be asked to grant an authority to allot relevant securities (i) up to a nominal amount of £18,301,246 and (ii) comprising equity securities up to a nominal amount of £18,301,246 (after deducting from such limit any relevant securities allotted under (i)), in connection with an offer by way of a rights issue, such authority to apply until the end of next year's Annual General Meeting (or, if earlier, until the close of business on 30 June 2012).

A special resolution will also be proposed to renew the Directors' power to make non-pre-emptive issues for cash in connection with rights issues and otherwise up to a nominal amount of £2,745,186.

The Company was also authorised at the Annual General Meeting held in 2010 to make market purchases of up to 27,250,000 ordinary shares. This authorisation will expire on the earlier of the conclusion of the Annual General Meeting of the Company for 2011 and 30 June 2011.

A special resolution will also be proposed at this year's Annual General Meeting to renew the Directors' authority to repurchase the Company's ordinary shares in the market. The authority will be limited to a maximum of 27,451,869 ordinary shares and sets the minimum and maximum prices which may be paid.

Securities carrying special rights

No person holds securities in the Company carrying special rights with regard to control of the Company.

Rights under the employee share scheme

Appleby Trust (Jersey) Limited, as Trustee of the Aggreko Employees' Benefit Trust, holds 2.22% of the issued share capital of the Company as at 8 March 2011 on trust for the benefit of the employees and former employees of the Group and their dependents. The voting rights in relation to these shares are exercised by the Trustee and there are no restrictions on the exercise of the voting of, or the acceptance of any offer relating to, the shares. The Trustee is obliged to waive all dividends on the shares unless requested to do otherwise by the Company in writing.

Going concern

The Directors, having made all the relevant enquiries, consider that the Group and the Company have adequate resources at their disposal to continue their operations for the foreseeable future, and that it is therefore appropriate to prepare the accounts on a going concern basis.

Change of control

The Company has in place a number of agreements with advisers, financial institutions and customers which contain certain termination rights which would have effect on a change of control. The Directors believe these agreements to be commercially sensitive and that their disclosure would be seriously prejudicial to the Company; accordingly they do not intend disclosing specific details of these. In addition, all of the Company's share schemes contain provisions which in the event of a change of control, would result in outstanding options and awards becoming exercisable, subject to the rules of the relevant schemes.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Disclosure of information to the Company's Auditor

In accordance with section 418 of the Companies Act 2006 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 (as defined by section 418(3) of the Companies Act 2006) of which the Company's Auditor is 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 Auditor is aware of that information.

Indemnity of officers

Under Article 154 of the Articles, the Company may indemnify any Director or other officer against any liability, subject to the provisions of the Companies Acts, and the Articles grant an indemnity to the Directors against any liability for the costs of legal proceedings where judgement is given in their favour.

Under the authority conferred by Article 154, the Company has granted indemnities to Directors and officers of the Company and its subsidiaries. The indemnities do not apply to any claim which arises out of fraud, default, negligence or breach of fiduciary duty or trust by the indemnified person.

In addition, the Company may purchase and maintain for any Director or other officer, insurance against any liability. The Company maintains appropriate insurance cover against legal action brought against its Directors and officers and the Directors and officers of its subsidiaries.

Supplier payment policy

It is the Company's policy to settle the terms and conditions of payment with suppliers when agreeing each transaction, to ensure that suppliers are made aware of these terms and, in practice, provided the supplier meets its contractual obligations, to abide by them. In overall terms, the Company had approximately 15 days' credit outstanding as at the balance sheet date.

Essential contractual arrangements

The Company buys the majority of its generator engines from Cummins Limited, a subsidiary of Cummins Inc based in Columbus, Indiana, USA. The Company also relies upon their global service and support network for the supply of spare parts. The Company's relationship with Cummins is governed by a supply agreement which is regularly reviewed.

Annual General Meeting

The Company's Annual General Meeting will be held at 11.00 a.m. on Wednesday 27 April 2011 at the Radisson BLU Hotel, 301 Argyle Street, Glasgow G2 8DL.

Annual General Meeting – Special Business

Special Business comprises resolutions: to authorise the Directors to allot ordinary shares up to an aggregate amount representing approximately one third of the issued ordinary share capital of the Company and a further one third in relation to rights issues, in line with guidance issued by the Association of the British Insurers; to disapply the statutory pre-emption rights of shareholders on allotment of equity securities for cash up to a limit of a total of shares with a nominal value of approximately 5% of the current issued share capital; to renew the authority of the Company to purchase its own ordinary shares; and to approve the calling of meetings other than Annual General Meetings on 14 days' notice.

Auditor

A resolution re-appointing PricewaterhouseCoopers as the Company's auditor will be proposed at the Annual General Meeting.

Material share interests

As at 8 March 2011 the Company had received notifications of the following share holdings representing 3% or more of the voting rights attached to the issued ordinary share capital of the Company:

Name of shareholder	Number of shares	% of total voting rights
Prudential plc†	22,214,129	8.12
Black Rock	16,166,777	5.91
Baillie Gifford & Co	11,804,464	4.31
Alastair E H Salvesen*	10,890,000	3.98
Legal & General Group Plc	10,797,375	3.96

† Including direct and indirect subsidiary company interests.

* Including immediate family and trustee interests.

The Directors are not aware of any other material interests amounting to 3% or more in the share capital of the Company.

Peter Kennerley
Director of Legal Affairs & Company Secretary
10 March 2011

Directors' Report

Audit Committee Report

Responsibilities and role of the Audit Committee

The Committee's main responsibilities are to oversee and monitor:

- the external audit process, including the appointment of the external auditor, their fees and independence;
- the nature and scope of the external audit and its effectiveness;
- the effectiveness of internal audit;
- the Company's procedure for handling allegations from whistleblowers and for detecting fraud;
- the effectiveness of systems for internal financial control, financial reporting and risk management;
- the integrity of the Company's financial reports, including reviewing the findings of the external audit; and
- making appropriate recommendations to the Board.

The full Terms of Reference of the Committee are available on our website at www.aggreko.com/investors/corporategovernance.

Membership of the Committee

The members of the Committee during the year were as follows:

Robert MacLeod	Chairman
David Hamill	
Ken Hanna	(appointed 21 October 2010)
Russell King	
Nigel Northridge	(resigned 31 August 2010)

All members of the Committee are independent Non-executive Directors. Robert MacLeod, a chartered accountant and Group Finance Director of Johnson Matthey plc, and Ken Hanna, until recently Chief Financial Officer of Cadbury plc, each brings a high level of recent relevant financial experience to the Committee. Peter Kennerley is Secretary to the Committee. The Group Chairman, the Chief Executive, Finance Director, Group Financial Controller and Head of Internal Audit attend meetings by invitation when appropriate. The main audit partner from our external auditor also generally attends the Committee. At least once each year we hold a separate session with the external auditor without members of management and a separate private session with the Head of Internal Audit.

Main activities of the Committee during the year

The Committee met three times during the year.

External auditor independence

We reconfirmed our policy on non-audit services provided by the external auditor: individual fees in excess of 50% of the annual audit fee and any in excess of the aggregate fees above 100% of the audit fee require the Committee's specific approval. We also considered the actual level and nature of non-audit work and were satisfied that they were in line with policy and did not detract from the objectives and independence of the external auditor.

Reappointment of external auditor

The Committee last supervised a competitive tender for the external audit in 2006, following which PricewaterhouseCoopers were reappointed external auditor. The Committee is again recommending to the Board that a proposal be put to shareholders at the 2011 Annual General Meeting for the reappointment of PricewaterhouseCoopers. There are no contractual restrictions on the Company's choice of external auditor, and in making our recommendation we took into account, amongst other matters, the objectivity and independence of PricewaterhouseCoopers, as noted above, their continuing effectiveness and cost.

Directors' Report

Internal audit function

An important element of our role is to review the annual progress of the internal audit plan against the agreed plan for the year.

The internal audit team currently consists of three members of staff in addition to the Head of Internal Audit, and the team undertake financial, operational and strategic audits across the Aggreko group using a risk based methodology. Group Internal Audit is also responsible for IT related audits, and these services are provided by an outsourced provider. We agreed the scope of work and coverage levels as part of the annual internal audit plan and the team work under the direction of the Head of Internal Audit to deliver the plan throughout the year. We also considered all internal control issues raised in the internal audit reports and the adequacy of internal audit resources.

Whistleblowing

The Committee reviewed the Company's arrangements for reporting potential improprieties in financial reporting or other matters, independent investigation and follow-up and we can confirm that they remained adequate for addressing the Company's obligations under the Code.

R. MacLeod

Robert MacLeod
Chairman of the Audit Committee
10 March 2011

Nomination Committee Report

Responsibilities and role of the Nomination Committee

The principal role of the Committee is to assist the Board with succession planning and with the selection process for the appointment of new Directors, both Executive and Non-executive, including the Chairman. This involves:

- evaluating the balance and skills, knowledge and experience on the Board and identifying the capabilities required for a particular appointment;
- overseeing the search process; and
- arranging for all members of the Board to meet any preferred candidate before any formal recommendation to the Board.

The full Terms of Reference of the Committee are available on our website at www.aggreko.com/investors/corporategovernance.

Membership of the Committee

The members of the Committee during the year were as follows:

Philip Rogerson	Chairman
David Hamill	
Ken Hanna	(appointed 21 October 2010)
Russell King	
Robert MacLeod	
Nigel Northridge	(resigned 31 August 2010)
Rupert Soames	

The majority of the members of the Committee are independent Non-executive Directors. Peter Kennerley is Secretary to the Committee and Siegfried Putzer, Group Human Resources Director, also attends meetings of the Committee by invitation.

Main activities of the Committee during the year

The Committee focused on three main tasks during the year.

The first was the selection and appointment of a new Non-executive Director. This involved agreeing on the qualities we were looking for in our new Board member, appointing independent search consultants and interviewing candidates. As noted above, we also make sure that all members of the Board have the opportunity of meeting our preferred candidate before we make a formal recommendation to the Board, and we were delighted to announce the appointment of Ken Hanna as Non-executive Director in October.

Our second task was to review Board responsibilities following Nigel Northridge's retirement in August. This resulted in the appointments of David Hamill as Senior Independent Director and Russell King as Chairman of the Remuneration Committee.

Thirdly, we continued our review of succession arrangements within the Group. We recognise that having the right Directors and senior management is crucial for Aggreko's success, and it is a key task of the Committee to ensure that we have a robust and continuous succession planning process. This process involves both the Committee and the full Board. The Committee reviews the composition of the Board twice each year – in June and December – focusing in particular on Executive Director posts. In conjunction with the June meeting, the full Board then looks at people and posts at one or two levels below the Board, to identify possible candidates for succession to bigger roles, individual potential and development needs and areas where we might have to recruit from outside the Group to fill a future vacancy.

We held six meetings during 2010.

As in previous years, as part of the Company's annual evaluation of Board performance, all Directors were consulted on the composition of the Board, and were of the view that it was of the right size, with the appropriate range of skills and balance between Executive and Non-executive Directors. We explain our approach to the size and composition of the Board in the paragraph headed 'Non-executive Directors' in our Corporate Governance report on pages 54 and 55.

Philip Rogerson
Chairman of the Nomination Committee
10 March 2011

Remuneration Report

Introduction by Russell King, Remuneration Committee Chairman

On behalf of the Remuneration Committee, I am pleased to present the Directors' report on remuneration for 2010.

Despite the tough challenges faced by all companies in the last financial year, Aggreko's 2010 results demonstrate the strength of our business, the commitment and hard work of our employees, and the effective leadership of our executive team.

The Remuneration Committee has endeavoured to ensure that remuneration across our Company is fair and helps drive growth in profits and shareholder value over the short- and longer-term. We believe that executive remuneration decisions for 2010 reflect the executive team's success in achieving this growth.

Salaries for the executive team were frozen in 2009 to reflect the economic climate at that time. In 2010 the Committee increased salaries by between 3% and 20% for the Executive Directors to bring them a little closer to market median. This recognises the increased scale of the Company that has resulted from a greater than five-fold increase in its market capitalisation over the last five years.

In the coming year, the Committee will continue to review the Company's remuneration practices to ensure that they continue to help attract, retain and motivate talent we need, enabling further growth in value for Aggreko's shareholders.

The following report provides further detail of our current remuneration arrangements and outcomes for 2010. The report will be put to the shareholder vote at our AGM in April 2011 and we look forward to receiving your support.

Background

The Remuneration Report is one of the most keenly-studied parts of our Annual Report; we take the view that the processes around setting pay and performance are an important part of a Board's work, and shareholders will make judgements about the quality of governance of the Company as a whole when they read the Remuneration Report. We have therefore made an effort to make this report readable and clear, which is quite a hard task given the very considerable amount of regulation that, entirely appropriately, applies to this section.

First, the Directors confirm that we abide by all the rules. Specifically, the Company has complied with the Principles and underlying Provisions relating to Directors' remuneration of The Combined Code of Corporate Governance during 2010 and, for 2011 and later years, we intend to comply with its successor, The UK Corporate Governance Code and that this Remuneration Report has been prepared in accordance with the Large & Medium-sized Companies and Groups (Accounts and Report) Regulations 2008. Details of each individual Director's remuneration for 2010 are set out on pages 72 to 74. Information on Directors' share and share option interests may be found on pages 75 and 76.

The auditors are required to report on the 'auditable' part of this report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 2006 (as amended by the Regulations). The information which has been audited can be viewed on pages 72 to 77. No other parts of this report have been audited.

Responsibilities and role of the Remuneration Committee

The Committee's principal function is to determine the Company's policy on Board remuneration and to approve the specific remuneration packages for the Executive Directors and the Company Secretary, including their service contracts. The Committee also has responsibility for making a recommendation to the Board in respect of the remuneration of the Chairman. The Committee's remit therefore includes, but is not restricted to, basic salary, benefits in kind, performance related awards, share options and share awards, long-term incentive schemes, pension rights, and any compensation or termination payments.

The full Terms of Reference of the Committee are available on our website at www.aggreko.com/investors/corporategovernance.

Remuneration Report continued

Membership of the Committee

The members of the Committee during the year were as follows:

Russell King	Chairman (from 1 September 2010)
David Hamill	
Ken Hanna	(appointed 21 October 2010)
Robert MacLeod	
Nigel Northridge	(resigned 31 August 2010)

All of the members of the Committee are Independent Non-executive Directors. This is important because it means that the pay of the Executive Directors is set by people who are independent of the Executives, and who can come to sensible judgements as to what is in the interest of shareholders and fair to the Executives. Peter Kennerley is Secretary to the Committee and we consult both the Chairman and the Chief Executive and invite them to attend meetings when appropriate, but no Director is allowed to be present when his own remuneration is discussed. Our principal external advisers during the year were Hewitt New Bridge Street, who advised on revisions to and administration of the Company's share plans, and Kepler Associates to give advice on pay, benchmarking and other matters related to compensation. Neither Hewitt New Bridge Street, nor Kepler Associates, provide any other services to the Group.

Main activities of the Committee during the year

The main focus of the Committee's activity comprises managing the various aspects of the remuneration package of Executive Directors at Aggreko. This package comprises:

- annual salary;
- annual bonus;
- the Company's Long-term Incentive Programme (LTIP);
- pension and life assurance; and
- other benefits, including healthcare and expatriate benefits for Directors seconded away from their home country.

The Committee met four times during 2010; details of members' attendance are set out in the table on page 55.

The main tasks for the Committee were:

- reviewing and approving the Executive Directors' bonuses for 2009;
- setting targets and rules for Executive Directors' bonuses for 2010;
- reviewing and approving the vesting of the 2007 LTIP awards;
- reviewing and approving the rules and performance criteria for the 2010 LTIP grant;
- deciding on the level of pay increase in the annual salary review; and
- approving minor amendments to the rules of the LTIP to simplify their administration.

Directors' Report

Remuneration policy

The Committee has adopted a number of principles which it applies to the way we set, balance and measure the different elements of the remuneration package for Executive Directors. In developing these policies the Committee is mindful of the views of the various bodies which opine on executive pay.

As a general policy, we aim to ensure that our remuneration policy rewards executives for delivering what we see as being their central responsibility, which is to increase the value of the business to shareholders consistently and over a long period of time. To achieve this we have structured the reward package with the following principles in mind:

- We want our Executives, and indeed all our employees, to feel fairly paid, and we do not want them to be easy prey for competitors who are hunting for talent. However, we don't want to waste money by over-paying. Accordingly, we aim to position our packages so that the fixed element of pay (i.e. salary, pension, and benefits) packages are around the median of that paid by companies of similar size and complexity.
- As far as the total reward package is concerned, we believe that shareholders support the concept of paying outstanding rewards for outstanding performance. We therefore have designed performance-related schemes that offer executives the opportunity to earn large rewards if they produce large increases in shareholder value. Concomitantly, they should not receive performance rewards if performance is mediocre.

More specifically:

- We believe that Executive Directors should be able to earn more from their performance-related pay than from their fixed pay to encourage them to deliver superior performance.
- Within the performance-related pay element, we believe that Executive Directors should be able to earn more from long-term incentives than short-term incentives. The value to executives of delivering consistent growth over a three-year period should be greater than they can earn from their annual bonuses. This means that they are not motivated to deliver short-term gain at the cost of long-term value.
- These charts illustrate the mix of total remuneration for the Chief Executive for on-target performance and maximum remuneration:

Pay mix for on-target performance

1 Base	31%
2 Pension	8%
3 Bonus	20%
4 LTIP	41%

Pay mix for maximum outcome

1 Base	18%
2 Pension	4%
3 Bonus	22%
4 LTIP	56%

- In terms of target-setting, we believe that we should try as far as we can to use measures which are closely aligned to those which deliver value for shareholders and which are independently auditable. We also believe that the targets should give clear 'line-of-sight' for the Executives (i.e. they know what they have to do to earn the money, and as far as possible, what they have to do is under their control); for this reason we prefer absolute, rather than relative measures. The targets set for annual bonuses and the Long-term Incentive Programme at Group level are Diluted Earnings per Share (D-EPS) and Return on Capital Employed (ROCE); both of these are Key Performance Indicators for the Company as described on pages 29 and 30. We believe that if the Executives deliver growing D-EPS, at healthy rates of ROCE, the value of the Company to the shareholders will increase.
- Finally, we believe that there should be alignment in terms of the structure of performance pay schemes between the Executive Directors and the wider senior management team within Aggreko. We think it important that the entire senior management team is working towards the same targets and under the same schemes, and if the Executive Directors are doing well, the management team are doing well. We also take into account the pay and employment conditions of all employees of the Group when reviewing and setting executive remuneration.

These are the general principles of our current policy, which we intend to follow for 2011 and, subject to any changes in circumstances or best practices for future years.

Following these general principles, we set out below a description of how we have applied them to the various elements of remuneration in 2010.

Fixed pay

Annual salary

Annual Salaries for Executive Directors are generally reviewed each year by the Committee in June. Salaries are determined by a combination of the individual's contribution to the business and the market rate for the position. We aim to pay the market median for standard performance and pay up to the market upper quartile for upper quartile performance. On occasions it may be necessary to pay above the market median to attract people of the right calibre to meet the needs of the business. In setting annual salaries, as with other elements of remuneration, we have discretion to consider all relevant factors, including performance on environmental, social and governance issues.

The appropriate market rate is the rate in the market place from which the individual is most likely to be recruited. The Company operates in a number of market places throughout the world where remuneration practice and levels differ. This can result in pay and benefit differentials between the Executive Directors.

In arriving at an appropriate market rate, we commission studies from our advisers, who carry out in-depth research on the practices of Aggreko's peer group in the UK to establish accurate benchmarks. The same approach is taken for expatriate and overseas salaries where reference is made to the appropriate data for the geographical location.

Pensions

Pensions are based on current practice in the markets in which we operate and take into account long-term trends in pension provision. Further details on pension provision are set out on pages 73 and 74, but, in summary, Angus Cockburn is a member of the Aggreko plc Pension Scheme, which is a defined-benefit scheme. Messrs Soames, Caplan and Pandya, who joined the company after the Pension Scheme was closed to new entrants, benefit from a defined-contribution scheme. George Walker also has a defined-contribution scheme, but one which operates under US rules.

Benefits

All the Executive Directors receive health-care benefits and life assurance cover. Rupert Soames and Angus Cockburn receive the benefit of a company-funded car and George Walker receives a car allowance. Kash Pandya, who has been seconded from the UK to Dubai, receives an overseas secondment package which covers the cost of housing in Dubai and use of local facilities, a car allowance, and a contribution to school fees.

Performance-related pay

Annual Bonus Scheme

Generally, the outside world places great weight on the performance of the Company from year to year, and we therefore think it appropriate to have a significant, but not the greatest, part of the performance pay linked to annual performance. The purpose of the Annual Bonus Scheme is to align Executive Directors with this performance period and to motivate them to meet and beat demanding annual performance targets. The targets for the Annual Bonus Scheme are tied to the Annual Budgets set by the Board. Generally, bonuses will start to be earned at performance levels a few percentage points below Budget, increase sharply to Budget, and then increase until they reach capped levels, which will generally be at 10-15% above Budget. Executive Directors with regional management responsibilities (Messrs Pandya, Caplan and Walker) have half of their bonus related to the performance of their region (as measured by trading profit and return on capital employed) and half related to D-EPS. The Chief Executive's and Finance Director's bonuses are measured exclusively against D-EPS. In 2010 the on-budget bonus earnings was changed to 50% for all Executive Directors; accordingly the on-budget and maximum bonus earnings for the Executive Directors was:

	% of annual salary	
	On-budget	Maximum
Rupert Soames	50%	125.0%
Angus Cockburn	50%	100.0%
George Walker	50%	125.0%
Kash Pandya	50%	100.0%
Bill Caplan	50%	100.0%

Bonuses are paid following Audit Committee approval of the previous year's trading results, at which point the targets and quanta of bonuses for the current year are set.

Long-term Incentive Programme

The purpose of the Long-term Incentive Programme (LTIP) is to align the interests of shareholders and management in growing the value of the business over the long-term. It does this by granting shares which vest depending on the extent to which the business meets earnings and return on capital targets over a three-year period; the value of the incentive to an executive is also heavily dependent on the level of share-price appreciation over the period, which also helps to align the interest of executive and shareholder. A useful extra feature of the LTIP is that it works as an extremely effective retention tool; the more successful the Company is (and therefore the more attractive our executives are to other companies), the more difficult it becomes for them to lure our people away.

The LTIP was first introduced in 2004, and each year senior executives are invited to join. It consists of two distinct elements: the Performance Share Plan (PSP) and the Co-investment Plan (CIP). In 2010 114 individuals – about 3% of employees – were invited to join one or both of the Plans. In the last five years 219 people have been invited to the LTIP, of whom 180 are at the date of this report still employed by the Company. There have been very few voluntary leavers from amongst the population who are members of the LTIP, which is testimony to its power as a retention tool.

The CIP and PSP are both measured against the performance over three financial years and they share the performance criteria. These are the real (i.e. inflation-adjusted) compound annual growth rate over the performance period of Diluted Earnings per Share (D-EPS), and Return on Capital Employed (ROCE). This aligns directly aligns both elements of the LTIP with group strategy and measures that the Board believes are Key Performance Indicators.

The PSP is a nil-cost conditional award of shares, some, all, or none of which vest depending on performance against the targets; the number of shares conditionally awarded is related to the salary of the individual concerned and his or her level within the Company. Since its inception, the largest PSP award has been equivalent to 100% of the recipient's salary, although the rules of the scheme permit higher levels.

The CIP is a co-investment plan, whose purpose it is to encourage executives to buy and hold shares in the Company. Executives can subscribe Aggreko shares up to a maximum value of 30% of their salary each year they are invited to join the CIP; if they hold those shares for three years, they will be entitled to receive a minimum award of one share for every two they subscribed, plus a maximum performance-related award of a further three shares for every two they subscribed.

The performance criteria for the LTIP are set annually; in 2010 they were:

- 75% of the award would be measured against the real (i.e. inflation-adjusted) compound annual growth in D-EPS over the three-year performance measurement period in a range of 3% to 10%. No performance shares would be awarded against this element if performance were less than 3% and awards would increase straight-line to the maximum at 10% growth.
- 25% of the award would be measured against the average ROCE over the performance period in a range of 25% to 27%. No performance shares would be awarded against this element if performance were less than 25% and awards will increase straight-line to the maximum at 27% ROCE.

In addition to the above, and to reward truly exceptional performance, the number of shares awarded to participants in the LTIP may be increased by between 1.3 and 2.0 times if the real compound annual growth in D-EPS over the three-year performance measurement period is in a range of 13% to 20%.

In 2010, Rupert Soames, the Chief Executive, subscribed the maximum number of CIP shares, equivalent to 30% of his salary. He was awarded PSP shares to a value at the date of grant equivalent to 100% of his salary. The other Executive Directors each received PSP awards equivalent to 70% of their salary; Messrs Pandya, Walker and Cockburn subscribed shares equivalent to 30% of their salary to the CIP, and Bill Caplan subscribed shares equivalent to 25% of his salary.

The Committee regularly reviews the LTIP design to ensure that it continues to be effective, and during the year approved some minor amendments to facilitate the administration of the Plans and to reflect current US Inland Revenue Service practice. It also agreed to offer affected participants the option of bringing forward the vesting date for 2007 awards from 19 April to 23 March 2010 in order to reflect changes in UK tax rates.

Sharesave Plans

The Board believes that Sharesave schemes are valuable in aligning the interests of employees and shareholders, and the Company seeks to make it possible for as many employees as practicable to join the scheme or its various proxies. The Aggreko Sharesave Plans are normally offered annually to employees and Executive Directors who have at least three months' continuous service, and allow a maximum of £250 per month to be saved and converted into Aggreko shares at the end of either two, three, four or five year periods, depending upon local legislation.

During the year the Board approved some minor amendments to the Sharesave Plans.

Remuneration of Chairman and Non-executive Directors

The Board, within the limits set out in the Articles of Association, determines the remuneration policy and level of fees for the Non-executive Directors. The Remuneration Committee recommends remuneration policy and level of fees for the Chairman to the Board. Remuneration comprises an annual fee for acting as a Chairman or Non-executive Director of the Company. Additional fees are paid to Non-executive Directors in respect of service as Chairman of the Audit and Remuneration Committees and as Senior Independent Director. When setting these fees, reference is made to information provided by a number of remuneration surveys, the extent of the duties performed, and the size of the Company. The Chairman and Non-executive Directors are not eligible for bonuses, retirement benefits or to participate in any share scheme operated by the Company.

Directors' Report

Review of past performance

The following chart shows at the value as at 31 December 2010 of £100 invested in the Company on 31 December 2005 compared with the value of £100 invested in the FTSE 100 and the FTSE Mid 250 over the same period. The other points plotted are the values at the intervening financial year-ends. We have chosen to show performance against both indices to reflect the fact that the Company was a member of the FTSE Mid 250 during the first four years of the period and a member of the FTSE 100 during the final year. We believe general indices are more appropriate than sector and peer group comparators given the unique nature of the Company's business.

The following tables provide details of the emoluments, pension entitlements and share interests of the Directors. This information is audited.

Remuneration Report continued

Emoluments

The emoluments (excluding pension contributions) of Directors during the year and during 2009 were as follows:

2010 Emoluments

	Note	Salary £	Fees £	Benefits in kind £	Annual bonus £	Other pay £	2010 total £
Chairman:							
Philip Rogerson		–	172,500	–	–	–	172,500
Executives:							
Rupert Soames		550,000	–	12,453	750,000	–	1,312,453
Angus Cockburn		330,000	–	16,593	360,000	–	706,593
George Walker	1	302,156	–	10,481	363,992	–	676,629
Kash Pandya		298,500	–	120,325	267,309	38,580	724,714
Bill Caplan		275,000	–	1,055	224,740	–	500,795
Non-executives:							
Nigel Northridge	2		35,667		–	–	35,667
David Hamill			46,000	–	–	–	46,000
Robert MacLeod			50,000	–	–	–	50,000
Russell King			46,000	–	–	–	46,000
Ken Hanna	3		8,905	–	–	–	8,905
2010 Total		1,755,656	359,072	160,907	1,966,041	38,580	4,280,256

2009 Emoluments

	Note	Salary £	Fees £	Benefits in kind £	Annual bonus £	Other pay £	2009 total £
Chairman:							
Philip Rogerson		–	145,000	–	–	–	145,000
Executives:							
Rupert Soames		500,000	–	1,050	397,150	–	898,200
Derek Shepherd	4	98,286	–	87,761	78,975	–	265,022
Angus Cockburn		300,000	–	18,608	186,075	–	504,683
George Walker		293,442	–	20,097	116,362	–	429,901
Kash Pandya		290,000	–	117,758	234,936	37,760	680,454
Bill Caplan		270,000	–	1,050	83,734	–	354,784
Non-executives:							
Andrew Salvesen	5	–	14,000	–	–	–	14,000
Nigel Northridge		–	52,000	–	–	–	52,000
David Hamill		–	42,000	–	–	–	42,000
Robert MacLeod		–	48,000	–	–	–	48,000
Russell King	6	–	38,500	–	–	–	38,500
2009 Total		1,751,728	339,500	246,324	1,097,232	37,760	3,472,544

Note 1: This is paid in local currency and for the purposes of this table has been converted into sterling using the average year to date exchange rate of 1.5457.

Note 2: 2010 Emoluments are up to date of resignation, 31 August 2010.

Note 3: 2010 Emoluments are from date of appointment, 21 October 2010.

Note 4: 2009 Emoluments are up to date of retirement, 29 April 2009.

Note 5: 2009 Emoluments are up to date of retirement, 29 April 2009.

Note 6: 2009 Emoluments are from date of appointment, 2 February 2009.

Benefits in kind are made up of private health care, taxable life insurance benefits, car costs and the allowances paid to Directors on expatriate secondment.

Directors' Report

Other pay represents cash payments in lieu of Company contributions in the Group Personal Pension Plan.

Rupert Soames was the highest paid Director. His entitlements under the Pension plan and details of his potential receipt of shares under the Long-term Incentive Arrangements are disclosed separately.

Performance targets were confirmed for the 2010 annual bonus in March 2010. The Chief Executive and the Executive Director responsible for North America had a maximum bonus opportunity of 125% of basic salary and the other Executive Directors a maximum of 100%. The performance target for the Chief Executive and Finance Director was based solely on growth in D-EPS and the performance targets for Regional Executive Directors was based as to 50% on growth in D-EPS, 40% as to growth in regional trading profit and 10% based on regional ROCE. For the annual bonus, D-EPS is calculated on a constant currency basis, using exchange rates fixed at the beginning of the year, so that the bonus reflects the underlying performance of the business, and not currency movements. The budget D-EPS for 2010 was 65.96p (representing growth of 11.7%) and the level at which maximum bonus was payable was 72.56p (representing growth of 22.9%). The actual D-EPS for 2010 on a constant currency basis was 73.03p, representing growth of 23.7%, as a result of which the maximum element of the bonus attributable to D-EPS was payable.

The table below sets out the total bonus entitlement for each Director for 2010:

	D-EPS constant currency		Regional element				Total	
			Trading profit		ROCE			Amount
	Growth	% salary	Growth	% salary		% salary	% salary	payable
Rupert Soames	23.7%	125%	–	–	–	–	125%	£750,000
Angus Cockburn	23.7%	100%	–	–	–	–	100%	£360,000
George Walker	23.7%	62.5%	30%	46%	25.6%	10%	118.5%	$562,623
Kash Pandya	23.7%	50%	20%	27%	48.6%	10%	87%	£267,309
Bill Caplan	23.7%	50%	19%	20%	22.2%	10%	80%	£224,740

Details of changes in basic salary and fees are set out in the table below.

	Note	Currency	Rate of annual salary and fees at 31 Dec 2010	Rate of annual salary and fees at 31 Dec 2009	Increase %
Chairman:					
Philip Rogerson		Sterling	**200,000**	145,000	37.9
Executives:					
Rupert Soames		Sterling	**600,000**	500,000	20
Angus Cockburn		Sterling	**360,000**	300,000	20
George Walker		US Dollars	**475,000**	460,000	3.3
Kash Pandya		Sterling	**307,000**	290,000	5.9
Bill Caplan		Sterling	**280,000**	270,000	3.7
Non-executives:					
David Hamill	1	Sterling	**52,000**	42,000	23.8
Robert MacLeod		Sterling	**52,000**	48,000	8.3
Russell King	2	Sterling	**52,000**	42,000	23.8
Nigel Northridge		Sterling	**n/a**	52,000	–
Ken Hanna		Sterling	**46,000**	n/a	–

Note 1: Change in fees from date of appointment as Senior Independent Director, 1 September 2010.

Note 2: Change in fees from date of appointment as Chairman of Remuneration Committee, 1 September 2010.

Pension entitlements

Executive Directors participate in defined contribution plans that are designed to be in line with the median practice in the relevant country but Executive Directors who reside in the United Kingdom and who joined the Board before 1 April 2002 participate in a defined benefits plan.

Rupert Soames, Kash Pandya and Bill Caplan are members of the Aggreko plc Group Personal Pension Plan. Rupert Soames is entitled to a pension contribution from the Company of 25% of his basic salary and Kash Pandya and Bill Caplan are entitled to a Company contribution of 20%. Kash Pandya has chosen not to take his entire Company contribution into the Group Personal Pension Plan and takes a proportion as a cash payment, shown as Other Pay in the Emoluments table on page 72.

George Walker is entitled to participate in the Employees' Savings Investment Retirement plan and the Supplemental Executive Retirement plan of Aggreko LLC, which are governed by the laws of the United States. These plans allow contributions by the employee and the Group to be deferred for tax.

Contributions paid by the Company under the defined contribution plans during the year are as follows:

	Notes	Company contributions during 2010 £	Company contributions during 2009 £
Rupert Soames		**137,500**	125,000
George Walker	1	**99,539**	111,271
Kash Pandya		**15,840**	15,840
Bill Caplan		**55,000**	40,500

Note 1: This is paid in local currency US$153,857 (2009: US$174,429) and for the purposes of this table has been converted into sterling using the average year to date exchange rate of 1.5457 (2009: 1.5676).

Angus Cockburn joined the Company before 1 April 2002 and is a member of the Aggreko plc Pension Scheme which is a funded, defined-benefit scheme approved by HM Revenue & Customs. The key elements of his benefits are:

- a normal retirement age of 60;
- for service up to 31 December 2006, a benefits accrual rate of 1/30th for each year's service (final salary is subject to the earnings cap for service to 5 April 2006);
- for service after 1 January 2007 the accrual of benefits will be on a 'career average' basis at a rate of 1/30th for each year's service;
- an employee contribution rate of 6% of Pensionable Earnings; and
- a spouse's pension on death.

The following disclosure relates to Angus Cockburn's membership of the Scheme.

	Age	Accrued pension at 31 Dec 2010 £ pa	Increase in accrued pension during 2010 £ pa	Increase in accrued pension during 2010 (net of inflation)* £ pa	Transfer value of accrued pension at 31 Dec 2010 £	Transfer value of accrued pension at 31 Dec 2009 £	Director's contributions during 2010 £	Increase in transfer value during 2010 net of Director's contributions £
Angus Cockburn	47	**73,415**	**11,751**	**8,914**	**1,281,863**	944,994	**18,000**	**318,869**

* Note: Statutory revaluation over 2009 was negative. We have made no reduction to Mr Cockburn's benefits.

The transfer value has been calculated in accordance with the methods and assumptions underlying the calculation of cash equivalents under the Aggreko plc Pension Scheme which are consistent with:

(i) the requirements of Chapter IV of Part IV and Chapter 11 of Part IVA of the Pension Schemes Act 1993; and

(ii) The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

The accrued pension is the amount which would be paid at the anticipated retirement date if the Director left service as at 31 December 2010, with no allowance for increases in the period between leaving service and retirement.

Angus Cockburn is also entitled to a pension of £2,162 per annum payable from age 60 from the Aggreko plc Pension Scheme resulting from benefits transferred in from the scheme of a previous employer. This benefit is not included in the above disclosure.

All Executive Directors who are members of a pension plan are provided with a lump sum death in service benefit of four times salary.

Share interests

The interests of persons who were Directors during the year in the share capital of the Company were as follows:

	31.12.2009	Granted during year	Vested/ exercised during year	31.12.2010	Option price	Date from which exercisable	Expiry date
Performance Share Plan							
Rupert Soames	77,971	–	77,971	–	nil	16.04.2010	19.10.2010
Rupert Soames	150,572	–	–	150,572	nil	23.06.2011	23.12.2011
Rupert Soames	190,114	–	–	190,114	nil	16.04.2012	16.10.2012
Rupert Soames	–	82,918	–	82,918	nil	15.04.2013	15.10.2013
Angus Cockburn	36,534	–	36,534	–	nil	16.04.2010	19.10.2010
Angus Cockburn	65,994	–	–	65,994	nil	23.06.2011	23.12.2011
Angus Cockburn	79,848	–	–	79,848	nil	16.04.2012	16.10.2012
Angus Cockburn	–	34,826	–	34,826	nil	15.04.2013	15.10.2013
George Walker	30,707	–	30,707	–	nil	16.04.2010	19.10.2010
George Walker	52,342	–	–	52,342	nil	23.06.2011	23.12.2011
George Walker	81,846	–	–	81,846	nil	16.04.2012	20.10.2012
George Walker	–	32,364	–	32,364	nil	15.04.2013	15.10.2013
Kash Pandya	33,115	–	33,115	–	nil	16.04.2010	19.10.2010
Kash Pandya	61,280	–	–	61,280	nil	23.06.2011	23.12.2011
Kash Pandya	77,186	–	–	77,186	nil	16.04.2012	19.10.2012
Kash Pandya	–	33,666	–	33,666	nil	15.04.2013	15.10.2013
Bill Caplan	71,864	–	–	71,864	nil	16.04.2012	19.10.2012
Bill Caplan	–	31,344	–	31,344	nil	15.04.2013	15.10.2013
Co-investment Plan							
Rupert Soames	25,992	–	25,992	–	nil	19.04.2010	19.10.2010
Rupert Soames	92,928	–	–	92,928	nil	23.06.2011	23.12.2011
Rupert Soames	134,608	–	–	134,608	nil	16.04.2012	16.10.2012
Rupert Soames	–	53,240	–	53,240	nil	15.04.2013	15.10.2013
Angus Cockburn	15,656	–	15,656	–	nil	19.04.2010	19.10.2010
Angus Cockburn	56,564	–	–	56,564	nil	23.06.2011	23.12.2011
Angus Cockburn	80,764	–	–	80,764	nil	16.04.2012	16.10.2012
Angus Cockburn	–	31,944	–	31,944	nil	15.04.2013	15.10.2013
George Walker	13,160	–	13,160	–	nil	19.04.2010	19.10.2010
George Walker	44,864	–	–	44,864	nil	23.06.2011	23.12.2011
George Walker	82,788	–	–	82,788	nil	16.04.2012	16.10.2012
George Walker	–	29,684	–	29,684	nil	15.04.2013	15.10.2013
Kash Pandya	10,642	–	10,642	–	nil	19.04.2010	19.10.2010
Kash Pandya	19,960	–	–	19,960	nil	23.06.2011	23.12.2011
Kash Pandya	78,072	–	–	78,072	nil	16.04.2012	16.10.2012
Kash Pandya	–	30,880	–	30,880	nil	15.04.2013	15.10.2013
Bill Caplan	60,000	–	–	60,000	nil	16.04.2012	16.10.2012
Bill Caplan	–	22,800	–	22,800	nil	15.04.2013	15.10.2013
Sharesave Options							
Rupert Soames	1,904	–	–	1,904	504p	01.01.2011	01.07.2011
Rupert Soames	–	726	–	726	1239p	01.01.2014	01.07.2014
Angus Cockburn	2,196	–	–	2,196	437p	01.01.2012	01.07.2012
Kash Pandya	–	–	3,351	–	282p	10.11.2009	10.05.2010
Kash Pandya	1,629	–	–	1,629	553p	01.01.2013	01.07.2013
Bill Caplan	1,641	–	–	1,641	553p	01.01.2013	01.07.2013
US Stock Purchase Plan							
George Walker	2,611	–	2,611	–	320p	29.10.2010	29.01.2011
George Walker	–	419	–	419	US$22.52	01.12.2012	25.01.2013

The options under the Sharesave Option Schemes have been granted at a discount of 20% on the share price calculated over the three days prior to the date of invitation to participate, mature after three years and are normally exercisable in the six months following the maturity date. The options under the US Stock Purchase Plan have been granted at a discount of 15% on the closing share price on the date of grant, mature after two years and are normally exercisable in the three months following the maturity date.

Awards under the Performance Share and Co-investment Plans are normally made three years after the date of grant and are subject to performance conditions which are described on pages 69 and 70.

The performance criteria for the LTIP granted in April 2007 and exercisable from April 2010 were:

- 75% of the award would be measured against the real compound annual growth in D-EPS over the three-year performance measurement period in a range of 3% to 8% (with maximum vesting at an aggregate D-EPS for the period of 73.57p). No performance shares would be awarded against this element if performance were less than 3% and awards would increase straight-line to the maximum at 10% growth. The actual D-EPS over the period was 138.0p, which exceeded the upper limit of the range and accordingly all 75% of the award vested under this criterion.
- 25% of the award would be measured against the average return on capital employed over the performance period in a range of 20% to 23%. No performance shares would be awarded against this element if performance were less than 20% and awards will increase straight-line to the maximum at 23% ROCE. The actual average ROCE for the period was 28.1%, which exceeded the upper limit of the range and accordingly all 25% of the award vested under this criterion.

Accordingly LTIP awards granted in April 2007 vested in full.

Information relating to the vesting of awards and exercise of options, to the Directors is as follows:

	Vested/ exercised during year	Date vested/ exercised	Option price	Market price on date vested/ exercised	Value £
Performance Share Plan					
Rupert Soames	77,971	23.03.2010	nil	1196p	932,533
Angus Cockburn	36,534	23.03.2010	nil	1196p	436,946
George Walker	30,707	19.04.2010	nil	1154p	354,358
Kash Pandya	33,115	23.03.2010	nil	1196p	396,055
Co-investment Plan					
Rupert Soames	25,992	23.03.2010	nil	1196p	310,864
Angus Cockburn	15,656	23.03.2010	nil	1196p	187,245
George Walker	13,160	19.04.2010	nil	1154p	151,866
Kash Pandya	10,642	23.03.2010	nil	1196p	127,278
Sharesave Options					
Kash Pandya	3,351	26.01.2010	282p	893p	20,475
US Stock Purchase Plan					
George Walker	2,611	06.12.2010	320p	1563p	32,455

The aggregate gain made on these exercises was £2,950,078 of which £1,243,397 related to the gain of the highest paid Director.

The market price of the shares at 31 December 2010 was 1482 pence and the range during the year was 882 pence to 1685 pence.

Beneficial holdings

		31 December 2010 Ordinary shares of 20p each		31 December 2009 Ordinary shares of 20p each	
	Note	**Beneficial**	**Non-beneficial**	Beneficial	Non-beneficial
Philip Rogerson		**73,782**	–	83,782	–
Rupert Soames		**300,000**	–	352,475	–
Angus Cockburn		**116,422**	–	174,232	–
George Walker		**69,006**	–	177,819	–
Kash Pandya		**100,642**	–	103,885	–
Bill Caplan		**20,700**	–	15,000	–
Nigel Northridge	1	**10,000**	–	10,000	–
David Hamill		**4,000**	–	4,000	–
Robert MacLeod		**20,000**	–	20,000	–
Russell King		**4,000**	–	–	–
Ken Hanna		**10,000**	–	–	–

Note 1: As at date of resignation, 31 August 2010.

Rupert Soames, Angus Cockburn, George Walker, Kash Pandya and William Caplan as Directors of the Company, have an interest in the holdings of the Aggreko Employee Benefit Trust (the 'EBT') as potential beneficiaries. The EBT is a trust established to distribute shares to employees of the Company and its subsidiaries in satisfaction of awards granted under the Aggreko Performance Share Plan and the Aggreko Co-Investment Plan. At 31 December 2010, the trustees of the EBT held a total of 6,087,304 Aggreko plc ordinary shares (2009: 4,422,419) and this holding remains unchanged at the date of this report.

Since 31 December 2010 Rupert Soames has received 1,904 shares as the result of the exercise of Sharesave options. There have been no other changes in Directors' beneficial and non-beneficial interests in shares between the end of the financial year and the date of this report. No Director was interested in any shares of subsidiary undertakings at any time during the year.

Service contracts and notice periods

All of the Executive Directors have service agreements that require one year's notice of termination from the individual and one year's notice of termination from the Company. Directors have a normal retirement age of 60. On early termination, Executive Directors are entitled to basic salary and benefits for the notice period at the rate current at the date of termination, although they will be expected to mitigate their loss where appropriate.

The Directors have, or had, service contracts or letters of appointment as follows:

		Effective date of contract	Un-expired term as at 31 December 2010	Notice period
Chairman:				
Philip Rogerson	Letter of Appointment	24 April 2008*	4 months	–
Executives:				
Rupert Soames	Service Agreement	1 July 2003	–	1 year
Angus Cockburn	Service Agreement	1 May 2000	–	1 year
George Walker	Service Agreement	18 January 2001	–	1 year
Kash Pandya	Service Agreement	20 June 2005	–	1 year
Bill Caplan	Service Agreement	17 November 2008	–	1 year
Non-executives:				
Nigel Northridge	Letter of Appointment	14 February 2008*	–	–
David Hamill	Letter of Appointment	1 May 2010*	2 years and 4 months	–
Robert MacLeod	Letter of Appointment	10 September 2010*	2 years and 8 months	–
Russell King	Letter of Appointment	2 February 2009	1 year and 1 month	–
Ken Hanna	Letter of Appointment	21 October 2010	2 years and 10 months	–

* Replaces an earlier contract/letter of appointment.

External appointments

Rupert Soames is a Non-executive Director of Electrocomponents plc and is permitted to retain earnings from this position; these earnings amounted to £52,500 for the year ended 31 December 2010 (2009: £47,500). Angus Cockburn is a Non-executive Director of Howden Joinery Group plc (formerly Galiform Plc). He is permitted to retain his earnings from that position and these earnings amounted to £48,000 for the year ended 31 December 2010 (2009: £48,000).

Retention of shares by Executive Directors

The Committee has adopted a policy that encourages Executive Directors to use the Long-term Incentive Programme to acquire and retain a material number of shares in the Company with the objective of aligning their long-term interests with those of other shareholders. Under this policy, on vesting of share grants, Executive Directors, who are not within five years of their normal retirement age, should hold at least 50% of the net proceeds in shares until their aggregate holding is equivalent to at least 100% of their salary.

Russell King
Chairman, Remuneration Committee
10 March 2011

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Group and the Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively; and
- prepare the Group and Parent Company financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors, whose names and functions are listed on pages 52 and 53 confirms that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The Directors are responsible for the maintenance and integrity of the Group website www.aggreko.com. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Rupert Soames
Chief Executive
10 March 2011

Angus Cockburn
Finance Director

Accounts

Independent Auditors' Report to the Members of Aggreko plc

We have audited the Group financial statements of Aggreko plc for the year ended 31 December 2010 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Changes in Equity, and the related notes to the Group financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement (set out on page 78), the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, (set out on page 60), in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of Aggreko plc for the year ended 31 December 2010 and on the information in the Remuneration Report that is described as having been audited.

Michael Timar (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Glasgow
10 March 2011

Group Income Statement

For the year ended 31 December 2010

	Notes	2010 £ million	2009 £ million
Revenue	4	1,229.9	1,023.9
Cost of sales		(477.7)	(396.0)
Gross profit		752.2	627.9
Distribution costs		(291.8)	(251.5)
Administrative expenses		(148.6)	(123.9)
Other income		2.7	9.6
Operating profit	4	314.5	262.1
Net finance costs			
– Finance cost	8	(10.6)	(18.5)
– Finance income	8	0.5	0.4
Profit before taxation	5	304.4	244.0
Taxation	9	(91.3)	(75.6)
Profit for the year		213.1	168.4

The above results relate to continuing operations and all profit for the period is attributable to equity shareholders of the Company.

Earnings per share (pence)			
Basic	11	79.37	62.67
Diluted	11	78.98	62.42

Accounts

Group Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 £ million	2009 £ million
Profit for the year		213.1	168.4
Other comprehensive income			
Actuarial losses on retirement benefits	25	(0.6)	(2.1)
Movement in deferred tax on pension liability	9	0.2	0.6
Cash flow hedges (net of deferred tax)		(2.7)	20.4
Net exchange gains/(losses) offset in reserves (net of tax)		34.0	(30.2)
Other comprehensive income/(loss) for the year (net of tax)		30.9	(11.3)
Total comprehensive income for the year		244.0	157.1

The notes on pages 86 to 119 form part of these Accounts.

Group Balance Sheet (Company Number: SC177553)

As at 31 December 2010

	Notes	2010 £ million	2009 £ million
Non-current assets			
Goodwill	12	60.4	51.3
Other intangible assets	13	17.0	15.5
Property, plant and equipment	14	858.8	713.0
Deferred tax asset	20	11.6	6.6
		947.8	786.4
Current assets			
Inventories	15	117.8	86.3
Trade and other receivables	16	309.4	223.3
Cash and cash equivalents	3	26.4	22.2
Derivative financial instruments	18	0.1	–
Current tax assets		3.1	3.9
		456.8	335.7
Total assets		1,404.6	1,122.1
Current liabilities			
Borrowings	17	(47.3)	(17.7)
Derivative financial instruments	18	(2.1)	–
Trade and other payables	19	(308.7)	(219.9)
Current tax liabilities		(77.1)	(52.6)
		(435.2)	(290.2)
Non-current liabilities			
Borrowings	17	(111.3)	(180.0)
Derivative financial instruments	18	(8.4)	(6.7)
Deferred tax liabilities	20	(31.9)	(36.1)
Retirement benefit obligation	25	(3.2)	(5.8)
Provisions		(0.2)	(0.2)
		(155.0)	(228.8)
Total liabilities		(590.2)	(519.0)
Net assets		814.4	603.1
Shareholders' equity			
Share capital	21	54.9	54.7
Share premium		14.8	13.3
Treasury shares	22	(49.6)	(25.8)
Capital redemption reserve		0.1	0.1
Hedging reserve (net of deferred tax)		(7.4)	(4.7)
Foreign exchange reserve		83.7	49.7
Retained earnings		717.9	515.8
Total shareholders' equity		814.4	603.1

Approved and authorised for issue by the Board on 10 March 2011 and signed on its behalf by:

P G Rogerson
Chairman

A G Cockburn
Finance Director

The notes on pages 86 to 119 form part of these Accounts.

Group Cash Flow Statement

For the year ended 31 December 2010

	Notes	2010 £ million	2009 £ million
Cash flows from operating activities			
Cash generated from operations	2	467.9	430.8
Tax paid		(68.4)	(60.1)
Net cash generated from operating activities		399.5	370.7
Cash flows from investing activities			
Acquisitions (net of cash acquired)	27	(15.4)	(4.2)
Purchases of property, plant and equipment (PPE)		(268.8)	(160.9)
Proceeds from sale of PPE	2	7.8	15.4
Net cash used in investing activities		(276.4)	(149.7)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		1.7	3.4
Increase in long-term loans		216.1	89.1
Repayment of long-term loans		(269.6)	(256.2)
Net movement in short-term loans		1.9	3.9
Interest received		0.5	0.4
Interest paid		(10.6)	(19.1)
Dividends paid to shareholders		(39.7)	(28.6)
Purchase of treasury shares		(27.2)	(8.4)
Net cash used in financing activities		(126.9)	(215.5)
Net (decrease)/increase in cash and cash equivalents		(3.8)	5.5
Cash and cash equivalents at beginning of the year		13.5	10.3
Exchange gain/(loss) on cash and cash equivalents		0.5	(2.3)
Cash and cash equivalents at end of the year	3	10.2	13.5

Accounts

Reconciliation of net cash flow to movement in net debt

For the year ended 31 December 2010

	Notes	2010 £ million	2009 £ million
(Decrease)/increase in cash and cash equivalents		(3.8)	5.5
Cash outflow from movement in debt		51.6	163.2
Changes in net debt arising from cash flows		47.8	168.7
Exchange (loss)/gain		(4.5)	19.8
Movement in net debt in year		43.3	188.5
Net debt at beginning of year		(175.5)	(364.0)
Net debt at end of year	17	(132.2)	(175.5)

Group Statement of Changes in Equity

For the year ended 31 December 2010

As at 31 December 2010

	Attributable to equity holders of the Company							
	Ordinary share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Hedging reserve £ million	Foreign exchange reserve (translation) £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2010	54.7	13.3	(25.8)	0.1	(4.7)	49.7	515.8	603.1
Profit for the year	–	–	–	–	–	–	213.1	213.1
Other comprehensive income:								
Transfers from hedging reserve to property, plant and equipment	–	–	–	–	(0.8)	–	–	(0.8)
Fair value losses on interest rate swaps	–	–	–	–	(2.8)	–	–	(2.8)
Deferred tax on items taken to or transferred from equity	–	–	–	–	0.9	–	–	0.9
Currency translation differences (i)	–	–	–	–	–	39.1	–	39.1
Current tax on items taken to or transferred from equity	–	–	–	–	–	(5.1)	–	(5.1)
Actuarial losses on retirement benefits (net of tax)	–	–	–	–	–	–	(0.4)	(0.4)
Total comprehensive income for the year ended 31 December 2010	**–**	**–**	**–**	**–**	**(2.7)**	**34.0**	**212.7**	**244.0**
Transactions with owners:								
Purchase of treasury shares	–	–	(27.2)	–	–	–	–	(27.2)
Credit in respect of employee share awards	–	–	–	–	–	–	18.7	18.7
Issue of ordinary shares to employees under share option schemes	–	–	3.4	–	–	–	(3.4)	–
Current tax on items taken to or transferred from equity	–	–	–	–	–	–	2.7	2.7
Deferred tax on items taken to or transferred from equity	–	–	–	–	–	–	11.1	11.1
New share capital subscribed	0.2	1.5	–	–	–	–	–	1.7
Dividends paid during 2010	–	–	–	–	–	–	(39.7)	(39.7)
	0.2	1.5	(23.8)	–	–	–	(10.6)	(32.7)
Balance at 31 December 2010	**54.9**	**14.8**	**(49.6)**	**0.1**	**(7.4)**	**83.7**	**717.9**	**814.4**

(i) Included in currency translation differences of the Group are exchange losses of £2.8 million arising on borrowings denominated in foreign currencies designated as hedges of net investments overseas, offset by exchange gains of £41.9 million relating to the translation of overseas results and net assets.

As at 31 December 2009

	Attributable to equity holders of the Company							
	Ordinary share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Hedging reserve £ million	Foreign exchange reserve (translation) £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2009	54.4	10.2	(20.5)	0.1	(25.1)	79.9	365.8	464.8
Profit for the year	–	–	–	–	–	–	168.4	168.4
Other comprehensive income:								
Fair value gains on foreign currency cash flow hedge	–	–	–	–	6.0	–	–	6.0
Transfers from hedging reserve to property, plant and equipment	–	–	–	–	8.5	–	–	8.5
Fair value gains on interest rate swaps	–	–	–	–	10.6	–	–	10.6
Transfer from hedging reserve to net finance charge on early termination of interest rate swaps	–	–	–	–	3.1	–	–	3.1
Transfer from hedging reserve to net finance charge	–	–	–	–	0.1	–	–	0.1
Deferred tax on items taken to or transferred from equity	–	–	–	–	(7.9)	–	–	(7.9)
Currency translation differences (i)	–	–	–	–	–	(30.9)	–	(30.9)
Current tax on items taken to or transferred from equity	–	–	–	–	–	0.7	–	0.7
Actuarial losses on retirement benefits (net of tax)	–	–	–	–	–	–	(1.5)	(1.5)
Total comprehensive income for the year ended 31 December 2009	–	–	–	–	20.4	(30.2)	166.9	157.1
Transactions with owners:								
Purchase of treasury shares	–	–	(8.4)	–	–	–	–	(8.4)
Credit in respect of employee share awards	–	–	–	–	–	–	9.2	9.2
Issue of ordinary shares to employees under share option schemes	–	–	3.1	–	–	–	(3.1)	–
Current tax on items taken to or transferred from equity	–	–	–	–	–	–	1.3	1.3
Deferred tax on items taken to or transferred from equity	–	–	–	–	–	–	4.3	4.3
New share capital subscribed	0.3	3.1	–	–	–	–	–	3.4
Dividends paid during 2009	–	–	–	–	–	–	(28.6)	(28.6)
	0.3	3.1	(5.3)	–	–	–	(16.9)	(18.8)
Balance at 31 December 2009	54.7	13.3	(25.8)	0.1	(4.7)	49.7	515.8	603.1

(i) Included in currency translation differences of the Group are exchange gains of £24.2 million arising on borrowings denominated in foreign currencies designated as hedges of net investments overseas, offset by exchange losses of £55.1 million relating to the translation of overseas results and net assets.

Notes to the Group Accounts

For the year ended 31 December 2010

1 Accounting policies

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK. The address of the registered office is 120 Bothwell Street, Glasgow G2 7JS, UK.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value.

For practical reasons, the Group prepares its financial statements on a 52 or 53 week period. The financial statements for the 2010 financial year reflect the 52 week period ended 1 January 2011. The financial statements for the 2009 financial year reflect the 53 week period ended 2 January 2010.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

- IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (revised) has had no impact on the current period.
- IAS 38 (amendment), 'Intangible assets', effective 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.
- IFRIC 12, 'Service concession arrangements' (effective 30 March 2009). This interpretation applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services for example, under private finance initiative contracts (PFI) contracts. Under these arrangements, assets are assessed as either intangible assets or finance receivables.
- IFRIC 15, 'Agreements for construction of real estates' (effective 1 January 2009; EU-endorsed for use 1 January 2010). This interpretation clarifies which standard (IAS 18, 'Revenue', or IAS 11, 'Construction contracts') should be applied to particular transactions.

1 Accounting policies continued

- IFRIC 16, 'Hedges of a net investment in a foreign operation' effective 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, the group should clearly document its hedging strategy because of the possibility of different designations at different levels of the group.

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009 however the interpretation was only EU-endorsed for use in periods beginning on or after 31 October 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective from 1 January 2010. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

- Improvements to International Financial Reporting Standards 2009 were issued in April 2009. This is a collection of amendments to 12 standards. The effective dates vary standard by standard but most are effective 1 January 2010.

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted

The Group's assessment of the impact of these new standards and interpretations is set out below.

- Amendments to IFRS 7 'Financial instruments: Disclosures on derecognition'. These amendments are part the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial asset. The amendments are effective for annual periods beginning 1 January 2011.

- IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU.

- Amendments to IAS 12 ' Income taxes'. Currently IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. The amendments are effective for annual periods beginning 1 January 2012.

- Amendments to IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

Notes to the Group Accounts continued
For the year ended 31 December 2010

1 **Accounting policies** continued

- 'Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'.

- 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.

- Improvements to International Financial Reporting Standards 2010 were issued in May 2010. This is a collection of amendments to 6 standards and 1 IFRIC. The effective dates vary standard by standard but most are effective 1 January 2011.

The Directors do not anticipate that the adoption of any of the other above standards or interpretations will have a material impact on the Group's financial statements in the period of initial application.

Basis of consolidation

The Group financial statements consolidate the financial statements of Aggreko plc and all its subsidiaries for the year ended 31 December 2010. Subsidiaries are those entities over which the Group has the power to govern financial and operating policies, generally accompanying a shareholding that confers more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling Interest in the acquiree either at fair value or at the non-controlling interest's proportion of the share of the acquiree's net assets.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Revenue recognition

Revenue for the Group represents the amounts earned from the supply of temporary power, temperature control, oil-free compressed air and related services and excludes sales taxes and intra-group revenue. Revenue can comprise a fixed rental charge and a variable charge related to the usage of assets or other services. In all cases, revenue is recognised in accordance with the contractual arrangements, for fixed rental charges, over the rental period and for variable elements as the asset is utilised or service is provided. Revenue is accrued or deferred at the balance sheet date depending on the date of the most recent invoice issued and the contractual terms.

1 Accounting policies continued

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the plc Board of Directors.

Aggreko's segments comprise Europe, Middle East & South East Europe, North America and International Local (together the Group's Local business) and International Power Projects (IPP). IPP is managed as a single business, with the deployment of assets varying from year to year depending on the location of projects.

This is reflected by the Group's divisional management and organisational structure and the Group's internal financial reporting systems. The segmental analysis is in Note 4 to the Accounts.

Central administrative costs are allocated between segments based on revenue.

Leases

Leases where substantially all of the risks and rewards of ownership are not transferred to the Group are classified as operating leases. Rentals under operating leases are charged against operating profit on a straight line basis over the term of the lease.

Exceptional items

Items are classified as exceptional gains or losses where they are considered by the Group to be material and are different from events or transactions which fall within the ordinary activities of the Group and which individually, or if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to be properly understood.

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and impairment losses. Cost includes purchase price, and directly attributable costs of bringing the asset into the location and condition where it is capable for use. Borrowing costs are not capitalised since the assets are assembled over a short period of time.

Freehold properties are depreciated on a straight line basis over 25 years. Short leasehold properties are depreciated on a straight line basis over the terms of each lease.

Other property, plant and equipment are depreciated on a straight line basis at annual rates estimated to write off the cost of each asset over its useful life from the date it is available for use. Assets in the course of construction are not depreciated. The periods of depreciation are reviewed on an annual basis and the principal periods used are as follows:

Rental fleet	8 to 10 years
Vehicles, plant and equipment	4 to 15 years

Capital grants

Capital grants in respect of additions to property, plant and equipment are netted against the cost of the related asset and this cost is depreciated in accordance with the policy above.

Intangibles

Intangible assets acquired as part of a business combination are capitalised, separately from goodwill, at fair value at the date of acquisition if the asset is separable or arises from contractual or legal rights and its fair value can be measured reliably. Amortisation is calculated on a straight-line method to allocate the fair value at acquisition of each asset over their estimated useful lives as follows: customer relationships: 10 years; non-compete agreements: over the life of the non-compete agreements.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use in the specific software. These costs are amortised on a straight line basis over their estimated useful lives, which is currently deemed to be 4 years.

The useful life of intangible assets is reviewed on an annual basis.

Goodwill

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds the fair value of such assets. Goodwill arising on acquisitions is capitalised and is subject to impairment reviews, both annually and when there are indicators that the carrying value may not be recoverable.

Notes to the Group Accounts continued

For the year ended 31 December 2010

1 Accounting policies continued

For the purpose of the impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, then the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. Any impairment of goodwill is recognised immediately in the income statement.

Impairment of property, plant and equipment and other intangible assets (excluding goodwill)

Property, plant and equipment and other intangible assets are amortised/depreciated and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is calculated using estimated cashflows. These are discounted using an appropriate long-term pre-tax interest rate. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Foreign currencies

Items included in the financial statements for each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The Group's consolidated financial statements are presented in Sterling, which is the Group's presentational currency.

At individual Company level, transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs. Assets and liabilities denominated in foreign currency are translated at the exchange rate ruling at the balance sheet date. Non-monetary assets are translated at the historical rate. In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts.

On consolidation, assets and liabilities of subsidiary undertakings are translated into Sterling at closing rates of exchange. Income and cash flow statements are translated at average rates of exchange for the period. Gains and losses from the settlement of transactions and gains and losses on the translation of monetary assets and liabilities denominated in other currencies are included in the income statement.

Derivative financial instruments

The activities of the Group expose it directly to the financial risks of changes in forward foreign currency exchange rates and interest rates. The Group uses forward foreign exchange contracts and interest rate swap contracts to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes.

Derivatives are initially recorded and subsequently measured at fair value, which is calculated using standard industry valuation techniques in conjunction with observable market data. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows using market interest rates and the fair value of forward foreign exchange contracts is determined using forward foreign exchange market rates at the reporting date. The treatment of changes in fair value of derivatives depends on the derivative classification. The Group designates derivatives as hedges of highly probable forecasted transactions or commitments ('cash flow hedge').

In order to qualify for hedge accounting, the Group is required to document in advance the relationship between the item being hedged and the hedging instrument. The Group is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is re-performed at each period end to ensure that the hedge remains highly effective.

Cash flow hedge

Changes in the fair value of derivative financial instruments that are designated, and effective, as hedges of future cash flows are recognised directly in equity and any ineffective portion is recognised immediately in finance costs in the income statement. If the cash flow hedge is of a firm commitment or forecasted transaction that subsequently results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges of transactions that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in finance costs in the income statement in the same period in which the hedged item affects net profit and loss.

1 Accounting policies continued

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in finance costs in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument no longer qualifies for hedge accounting. At that time any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to finance costs in the income statement.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Overseas net investment hedges

Certain foreign currency borrowings are designated as hedges of the Group's overseas net investments, which are denominated in the functional currency of the reporting operation.

Exchange differences arising from the retranslation of the net investment in foreign entities and of borrowings are taken to equity on consolidation to the extent the hedges are deemed effective. All other exchange gains and losses are dealt with through other income in the income statement.

Taxation

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill, negative goodwill nor from the acquisition of an asset, which does not affect either taxable or accounting income. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Provision for income taxes, mainly withholding taxes, which could arise on the remittance of retained earnings, principally relating to subsidiaries, is only made where there is a current intention to remit such earnings.

Current tax

The charge for the current tax is based on the results for the year as adjusted for items, which are non-assessable or disallowed. It is calculated using taxation rates that have been enacted or substantially enacted by the balance sheet date.

Inventories

Inventories are valued at the lower of cost and net realisable value, using the FIFO or weighted average cost basis. Cost of raw materials, consumables and work in progress includes the cost of direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventory is written down on a case by case basis if the anticipated net realisable value declines below the carrying amount of the inventories. Net realisable value is the estimated selling price less cost to completion and selling expenses. When the reasons for a write-down of the inventory have ceased to exist, the write-down is reversed.

Notes to the Group Accounts continued

For the year ended 31 December 2010

1 Accounting policies continued

Employee benefits

Wages, salaries, social security contributions, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. Where the Group provides long-term employee benefits, the cost is accrued to match the rendering of the services by the employees concerned.

The Group operates a defined benefit pension scheme and a number of defined contribution pension schemes. The cost for the year for the defined benefit scheme is determined using the attained age method with actuarial updates to the valuation being carried out at each balance sheet date. Actuarial gains and losses are recognised in full, directly in retained earnings, in the period in which they occur and are shown in the statement of comprehensive income and expense. The current service cost of the pension charge as well as the expected return on pension scheme assets and interest on pension scheme liabilities are included in arriving at operating profit. The retirement benefit obligation recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of the scheme assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds.

Contributions to defined contribution pension schemes are charged to the income statement in the period in which they become chargeable.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. An impairment is recorded for the difference between the carrying amount and the recoverable amount where there is objective evidence that the Group may not be able to collect all amounts due. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or large and old outstanding balances, particularly in countries where the legal system is not easily used to enforce recovery, are considered indicators that the trade receivable may be impaired. When a trade receivable is uncollectible it is written off against the provision for impairment of trade receivables account.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

Provisions

Provisions are recognised where a legal or constructive obligation has been incurred which will probably lead to an outflow of resources that can be reasonably estimated. Provisions are recorded for the estimated ultimate liability that is expected to arise, taking into account the time value of money where material.

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events, or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

Share-based payments

IFRS 2 'Share-based Payment' has been applied to all grants of equity instruments after 7 November 2002 in accordance with the transitional provisions of the standard. The Group issues equity-settled share-based payments to certain employees under the terms of the Group's various employee-share and option schemes. Equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on an estimate of the shares that will ultimately vest.

Fair value is measured using the Black-Scholes option-pricing model for employee sharesave options and using the Monte Carlo option-pricing model for Executive share options.

Own shares held under trust for the Group's employee share schemes are classed as Treasury shares and deducted in arriving at shareholders' equity. No gain or loss is recognised on disposal of Treasury shares. Purchases of own shares are disclosed as changes in shareholders' equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits with a maturity of three months or less. The definition of cash and cash equivalents used in the cashflow statement is cash in hand and deposits with a maturity of three months or less and includes bank overdrafts.

1 Accounting policies continued

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

Key assumptions and significant judgements

The Group uses estimates and makes judgements in the preparation of its Accounts. The most sensitive areas affecting the Accounts are discussed below.

Property, plant and equipment

Rental fleet accounts for £801.7 million, or around 93%, of the net book value of property, plant and equipment used in our business; the great majority of equipment in the rental fleet is depreciated on a straight-line basis to a residual value of zero over 8 years, although we do have some classes which we depreciate over 10 years. The annual fleet depreciation charge of £146.8 million (2009: £138.1 million) relates to the estimated service lives allocated to each class of fleet asset. Asset lives are reviewed regularly and changed if necessary to reflect current thinking on their remaining lives in light of technological change, prospective economic utilisation and the physical condition of the assets.

Intangible assets

In accordance with IFRS 3 (revised) 'Business Combinations' goodwill arising on acquisition of assets and subsidiaries is capitalised and included in intangible assets. IFRS 3 (revised) also requires the identification of other acquired intangible assets. The techniques used to value these intangible assets are in line with internationally used models but do require the use of estimates and forecasts which may differ from actual outcomes. Future results are impacted by the amortisation period adopted for these items and, potentially, by any differences between forecast and actual outcomes related to individual intangible assets. The amortisation charge for intangible assets in 2010 was £2.8 million (2009: £2.7 million). Included in this charge was £2.7 million related to the amortisation of intangible assets arising from business combinations (2009: £2.5 million).

Goodwill of £60.4 million (2009: £51.3 million) is not amortised but is tested annually for impairment and carried at cost less accumulated impairment losses. The impairment review calculations require the use of forecasts related to the future profitability and cash generating ability of the acquired assets.

Pensions

Pension arrangements vary for our employees and schemes reflect best practice and regulation in each country. The Group operates a defined benefit scheme for UK employees, which was closed to new employees joining the Group after 1 April 2002; most of the other schemes in operation around the world are varieties of defined contribution schemes.

Under IAS 19: 'Employee Benefits' Aggreko has recognised a pre-tax pension deficit of £3.2 million at 31 December 2010 (2009: £5.8 million) which is determined using actuarial assumptions. The decrease in the pension deficit is a result of the additional contributions made by the Company during the year over and above the cost of accrual of benefits. The Company paid £3.5 million in January 2010 in line with the Recovery Plan agreed for the Scheme following the actuarial valuation at 31 December 2008. In addition higher-than-expected returns were achieved on Scheme assets over the year. The additional contributions and investment returns have been offset by lower net interest rates used to value the liabilities.

The main assumptions used in IAS 19 valuation for the previous two years are shown in Note 25 of the Accounts. The sensitivities regarding the assumptions are contained within the Detailed Financial Review on pages 41 and 42.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. An impairment is recorded for the difference between the carrying amount and the recoverable amount where there is objective evidence that the Group may not be able to collect all amounts due. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default, or large and old outstanding balances, particularly in countries where the legal system is not easily used to enforce recovery, are considered indicators that the trade receivable is impaired.

1 Accounting policies continued

The majority of the contracts into which the Group enters are small relative to the size of the Group and, if a customer fails to pay a debt, this is dealt with in the normal course of business. However, some of the contracts the Group undertakes in developing countries are substantial, and are in jurisdictions where payment practices can be unpredictable. The Group monitors the risk profile and debtor position of all such contracts regularly, and deploys a variety of techniques to mitigate the risks of delayed or non-payment; these include securing advance payments and guarantees. As a result of the rigorous approach to risk management, the Group has historically had a low level of bad debt. When a trade receivable is uncollectible it is written off against the provision for impairment of trade receivables account. At 31 December 2010 the provision for impairment of trade receivables in the balance sheet was £33.4 million (2009: £26.2 million).

Taxation

Aggreko's tax charge of 30.0% is based on the profit for the year and tax rates in force at the balance sheet date. In addition to corporation tax, Aggreko is subject to indirect taxes such as sales and employment taxes across tax jurisdictions in the approximately 100 countries in which the Group operates. The varying nature and complexity of the tax law requires the Group to review its tax positions and make appropriate judgements at the balance sheet date. Further detail, including a detailed tax reconciliation, is shown at Note 9 to the Annual Report and Accounts.

Financial risk management

Financial risk factors

The Group's operations expose it to a variety of financial risks that include liquidity, the effects of changes in foreign currency exchange rates, interest rates and credit risk. The Group has a centralised treasury operation whose primary role is to ensure that adequate liquidity is available to meet the Group's funding requirements as they arise, and that financial risk arising from the Group's underlying operations is effectively identified and managed.

The treasury operations are conducted in accordance with policies and procedures approved by the Board and are reviewed annually. Financial instruments are only executed for hedging purposes and transactions that are speculative in nature are expressly forbidden. Monthly reports are provided to senior management and treasury operations are subject to periodic internal and external review.

Liquidity, funding and capital management

The Group's objective with respect to managing capital is to maintain a balance sheet structure that safeguards the Group's financial position through economic cycles and one that is efficient in terms of providing long term returns to shareholders. If appropriate the Group can choose to adjust its capital structure by varying the amount of dividends paid to shareholders, by returning of capital to shareholders, by issuing new shares or by adjusting the level of capital expenditure. Gearing at 31 December 2010 decreased to 16% from 29% at 31 December 2009. Total capital is equity as shown in the Group balance sheet.

The Group maintains sufficient facilities to meet its normal funding requirements over the medium-term. At 31 December 2010 these facilities are primarily in the form of committed bank facilities totalling £604.1 million, arranged on a bilateral basis with a number of international banks. The financial covenants attached to these facilities are that EBITDA should be no less than 4 times interest and net debt should be no more than 3 times EBITDA. The Group does not consider that these financial covenants are restrictive to its operations. The maturity profile of the borrowings is detailed in Note 17 in the Annual Report and Accounts.

Net debt amounted to £132.2 million at 31 December 2010 and at that date undrawn committed facilities were £470.1 million.

Towards the end of 2010, we refinanced £459 million of bank facilities, putting in place new facilities with maturities of 3 and 5 years. In addition, since the year end, we have for the first time raised funding in the US private placement market, securing US$275 million (£177 million), with maturities ranging between 7 and 10 years and with the same financial covenants as our banking facilities. Drawdown of these funds will take place in mid March 2011.

1 Accounting policies continued

Interest rate risk

The Group's policy is to minimise the exposure to interest rates by ensuring an appropriate balance of fixed and floating rates. The Group's primary funding is at floating rates through its bank facilities. In order to manage the associated interest rate risk, the Group uses interest rate swaps to vary the mix of fixed and floating rates. At 31 December 2010, £110.9 million of the net debt of £132.2 million was at fixed rates of interest resulting in a fixed to floating rate net debt ratio of 84:16 (2009: 61:39)[1]. The Group monitors its interest rate exposure on a regular basis by applying forecast interest rates to the Group's forecast net debt profile after taking into account its existing hedges. The Group also calculates the impact on profit and loss of a defined interest rate shift for all currencies. Based on the simulations performed, the impact on profit or loss of a +/-100 basis-point shift, after taking into account existing hedges, would be £0.5 million (2009: £0.7 million). The sensitivity analysis is performed on a monthly basis and is reported to the Board.

Foreign exchange risk

The Group is subject to currency exposure on the translation into Sterling of its net investments in overseas subsidiaries. In order to reduce the currency risk arising, the Group uses direct borrowings in the same currency as those investments. Group borrowings are predominantly drawn down in the principal currencies affecting the Group, namely US Dollar, Euro and Sterling.

The Group manages its currency flows to minimise foreign exchange risk arising on transactions denominated in foreign currencies and uses forward contracts where appropriate in order to hedge net currency flows.

The positive impact of currency, largely due to the movement in the US Dollar and the Australian Dollar, increased our revenues by £23.4 million (2009: £145.9 million) and trading profit by £6.5 million (2009: £35.9 million) for the year ended 31 December 2010. The Group monitors the impact of exchange closely and regularly carries out sensitivity analysis. For every 5 cents movement in the US Dollar to GBP exchange rate there is an approximate impact of £9.1 million (2009: £7.2 million) in trading profit[2] in terms of translation. For every 5 cents movement in the Euro to GBP exchange rate there is an approximate impact of £0.5 million (2009: £0.3 million) in trading profit in terms of translation. Currency translation also gave rise to a £39.1 million increase in reserves as a result of year on year movements in the exchange rates (2009: decrease of £30.9 million). For every 5 cents movement in the US Dollar and Euro, there is an approximate impact in equity of £3.3 million and £0.6 million respectively (2009: £3.4 million and £1.5 million), arising from the currency translation of external borrowings which are being used as a net investment hedge, however this will be offset by a corresponding movement in the equity of the net investment being hedged.

Credit risk

Cash deposits and other financial instruments give rise to credit risk on amounts due from counterparties. The Group manages this risk by limiting the aggregate amounts and their duration depending on external credit ratings of the relevant counterparty. In the case of financial assets exposed to credit risk, the carrying amount in the balance sheet, net of any applicable provisions for loss, represents the amount exposed to credit risk.

Management of trade receivables

The management of trade receivables is the responsibility of the operating units, although they report monthly to Group on debtor days, debtor ageing and significant outstanding debts. At an operating unit level a credit rating is normally established for each customer based on ratings from external agencies. Where no ratings are available, cash in advance payment terms are often established for new customers. Credit limits are reviewed on a regular basis. Some of the contracts undertaken in our IPP business are substantial, and are in jurisdictions where payment practices can be unpredictable. The Group monitors the risk profile and debtor-position of all such contracts regularly, and deploys a variety of techniques to mitigate the risks of delayed or non-payment; these include securing advance payments and bank guarantees. On the largest contracts, all such arrangements are approved at Group level. Contracts are reviewed on a case by case basis to determine the customer and country risk.

Insurance

The Group operates a policy of buying cover against the material risks which the business faces, where it is possible to purchase such cover on reasonable terms. Where this is not possible, or where the risks would not have a material impact on the Group as a whole, we self-insure.

1 The increase in this ratio is driven by a decrease in Group net debt rather than an increase in the absolute value of fixed rate debt.

2 Trading profit represents operating profit before gain on sale of property, plant and equipment.

Notes to the Group Accounts continued

For the year ended 31 December 2010

2 Cashflow from operating activities

	2010 £ million	2009 £ million
Profit for the year	213.1	168.4
Adjustments for:		
Tax	91.3	75.6
Depreciation	158.3	148.2
Amortisation of intangibles	2.8	2.7
Finance income	(0.5)	(0.4)
Finance cost	10.6	18.5
Profit on sale of PPE (see below)	(2.7)	(9.6)
Share based payments	18.7	9.2
Changes in working capital (excluding the effects of exchange differences on consolidation):		
(Increase)/decrease in inventories	(27.7)	7.5
(Increase)/decrease in trade and other receivables	(73.5)	35.2
Increase/(decrease) in trade and other payables	77.5	(24.5)
Cash generated from operations	467.9	430.8

In the cash flow statement, proceeds from sale of PPE comprise:

	2010 £ million	2009 £ million
Net book amount	5.1	5.8
Profit on sale of PPE	2.7	9.6
Proceeds from sale of PPE	7.8	15.4

3 Cash and cash equivalents

	2010 £ million	2009 £ million
Cash at bank and in hand	20.0	21.7
Short-term bank deposits	6.4	0.5
	26.4	22.2

The effective interest rate on short-term bank deposits was 0.2% (2009: 2.6%); these deposits have an average maturity of less than 90 days. Cash is only held in banks which have been approved by Group Treasury.

Cash and bank overdrafts include the following for the purposes of the cashflow statement:

	2010 £ million	2009 £ million
Cash and cash equivalents	26.4	22.2
Bank overdrafts (Note 17)	(16.2)	(8.7)
	10.2	13.5

4 Segmental reporting

(a) Revenue by segment

	Total revenue		Inter-segment revenue		External revenue	
	2010 £ million	2009 £ million	2010 £ million	2009 £ million	2010 £ million	2009 £ million
Middle East & South East Europe	97.6	90.8	–	0.1	97.6	90.7
Europe	164.3	158.9	0.1	–	164.2	158.9
North America	246.8	197.7	0.9	0.1	245.9	197.6
International Local	188.8	97.0	1.1	0.2	187.7	96.8
Local business	697.5	544.4	2.1	0.4	695.4	544.0
International Power Projects	536.0	481.0	1.5	1.1	534.5	479.9
Eliminations	(3.6)	(1.5)	(3.6)	(1.5)	–	–
Group	1,229.9	1,023.9	–	–	1,229.9	1,023.9

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third-parties.

(b) Profit by segment

	Trading profit pre intangible asset amortisation		Amortisation of intangible assets arising from business combinations		Trading profit	
	2010 £ million	2009 £ million	2010 £ million	2009 £ million	2010 £ million	2009 £ million
Middle East & South East Europe	23.1	22.5	(0.1)	(0.1)	23.0	22.4
Europe	18.7	13.0	(0.1)	(0.1)	18.6	12.9
North America	46.8	35.7	(1.7)	(1.6)	45.1	34.1
International Local	55.9	24.1	(0.7)	(0.6)	55.2	23.5
Local business	144.5	95.3	(2.6)	(2.4)	141.9	92.9
International Power Projects	170.0	159.7	(0.1)	(0.1)	169.9	159.6
Group	314.5	255.0	(2.7)	(2.5)	311.8	252.5

	Gain/(loss) on sale of PPE		Operating profit	
	2010 £ million	2009 £ million	2010 £ million	2009 £ million
Middle East & South East Europe	0.1	(0.1)	23.1	22.3
Europe	1.4	7.0	20.0	19.9
North America	2.3	2.7	47.4	36.8
International Local	0.2	0.1	55.4	23.6
Local business	4.0	9.7	145.9	102.6
International Power Projects	(1.3)	(0.1)	168.6	159.5
Group	2.7	9.6	314.5	262.1
Finance costs – net			(10.1)	(18.1)
Profit before taxation			304.4	244.0
Taxation			(91.3)	(75.6)
Profit for the year			213.1	168.4

Accounts

Notes to the Group Accounts continued
For the year ended 31 December 2010

4 Segmental reporting continued
(c) Depreciation and amortisation by segment

	2010 £ million	2009 £ million
Middle East & South East Europe	18.5	16.3
Europe	20.7	24.9
North America	28.2	28.4
International Local	20.3	16.1
Local business	87.7	85.7
International Power Projects	73.4	65.2
Group	161.1	150.9

(d) Capital expenditure on property, plant and equipment and intangible assets by segment

	2010 £ million	2009 £ million
Middle East & South East Europe	26.3	11.9
Europe	27.0	7.9
North America	54.1	24.4
International Local	23.8	21.0
Local business	131.2	65.2
International Power Projects	146.3	99.2
Group	277.5	164.4

Capital expenditure comprises additions of property, plant and equipment (PPE) of £268.8 million (2009: £160.9 million), acquisitions of PPE of £5.6 million (2009: £1.4 million), and acquisitions of other intangible assets of £3.1 million (2009: £2.1 million).

(e) Assets/(liabilities) by segment

	Assets		Liabilities	
	2010 £ million	2009 £ million	2010 £ million	2009 £ million
Middle East & South East Europe	121.7	106.1	(13.2)	(9.5)
Europe	162.6	148.1	(39.8)	(33.8)
North America	273.8	222.2	(43.2)	(27.0)
International Local	174.9	114.1	(30.1)	(19.9)
Local business	733.0	590.5	(126.3)	(90.2)
International Power Projects	656.8	521.1	(197.7)	(137.6)
	1,389.8	1,111.6	(324.0)	(227.8)
Tax and finance payable	14.7	10.5	(110.1)	(89.7)
Derivative financial instruments	0.1	–	(10.5)	(6.7)
Borrowings	–	–	(142.4)	(189.0)
Retirement benefit obligation	–	–	(3.2)	(5.8)
Total assets/(liabilities) per balance sheet	1,404.6	1,122.1	(590.2)	(519.0)

(f) Average number of employees by segment

	2010 Number	2009 Number
Middle East & South East Europe	300	270
Europe	799	808
North America	810	850
International Local	492	439
Local business	2,401	2,367
International Power Projects	1,313	1,253
Group	3,714	3,620

4 Segmental reporting continued

(g) Reconciliation of net operating assets to net assets

	2010 £ million	2009 £ million
Net operating assets	1,065.8	883.8
Retirement benefit obligation	(3.2)	(5.8)
Net tax and finance payable	(95.4)	(79.2)
	967.2	798.8
Borrowings and derivative financial instruments	(152.8)	(195.7)
Net assets	814.4	603.1

5 Profit before taxation

The following items have been included in arriving at profit before taxation:

	2010 £ million	2009 £ million
Staff costs (Note 7)	238.7	201.2
Cost of inventories recognised as an expense (included in cost of sales)	68.7	58.1
Depreciation of property, plant and equipment	158.3	148.2
Amortisation of intangibles (included in administrative expenses)	2.8	2.7
Gain on disposal of property, plant and equipment	(2.7)	(9.6)
Trade receivables impairment	9.5	7.5
Other operating lease rentals payable		
– Plant and equipment	14.5	12.7
– Property	11.3	9.8

Accounts

6 Auditors' remuneration

	2010 £000	2009 £000
Audit services		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	130	124
Fees payable to the Company's auditor and its associates for other services:		
– The audit of the Company's subsidiaries, pursuant to legislation	419	439
– Other services pursuant to legislation	28	27
– Tax services	180	92
– All other services	156	89

7 Employees and Directors

Staff costs for the Group during the year:

	2010 £ million	2009 £ million
Wages and salaries	194.3	170.7
Social security costs	18.4	14.9
Share-based payments	18.7	9.2
Pension costs – defined contribution plans	5.1	4.9
Pension costs – defined benefit plans (Note 25)	2.2	1.5
	238.7	201.2

Full details of Directors' remuneration are set out in the Remuneration Report on pages 65 to 77.

Notes to the Group Accounts continued
For the year ended 31 December 2010

7 Employees and Directors continued
The key management comprise Executive and Non-executive Directors.

	2010 £ million	2009 £ million
Salaries and short-term benefits	4.1	3.2
Post-employment benefits	0.2	0.3
Share-based payments	4.0	2.3
	8.3	5.8

8 Net finance charge

	2010 £ million	2009 £ million
Finance costs on bank loans and overdrafts	(10.6)	(18.4)
Finance income on bank balances and deposits	0.5	0.4
Transfer from hedging reserve to net finance charge	–	(0.1)
	(10.1)	(18.1)

9 Taxation

	2010 £ million	2009 £ million
Analysis of charge in year		
Current tax expense:		
– UK corporation tax	65.8	44.3
– Double taxation relief	(21.0)	(12.4)
	44.8	31.9
– Overseas taxation	49.7	40.6
	94.5	72.5
Adjustments in respect of prior years:		
– UK	(0.1)	(3.2)
– Overseas	(4.6)	(3.5)
	(4.7)	(6.7)
	89.8	65.8
Deferred taxation (Note 20):		
– temporary differences arising in current year	(5.4)	4.1
– movements in respect of prior years	6.9	5.7
	91.3	75.6

	2010 £ million	2009 £ million
Tax on items charged to equity		
Current tax on exchange movements offset in reserves	(1.3)	0.7
Adjustment in respect of prior years to current tax on exchange movements offset in reserves	(3.8)	–
Current tax on share-based payments	2.7	1.3
Deferred tax on IAS 39 movements	0.9	(7.9)
Deferred tax on pension liability	0.2	0.6
Deferred tax on share-based payments	11.1	4.3
	9.8	(1.0)

9 Taxation continued

Variances between the current tax charge and the standard 28.0% (2009: 28.0%) UK corporate tax rate when applied to profit on ordinary activities for the year are as follows:

	2010 £ million	2009 £ million
Profit before taxation	304.4	244.0
Tax calculated at 28.0% (2009: 28.0%) standard UK corporate rate	85.2	68.3
Differences between UK and overseas tax rates	3.0	5.4
Permanent differences	1.5	0.4
Deferred tax effect of future rate changes	(0.8)	0.3
Deferred tax assets not recognised	0.2	2.3
Tax on current year profit	89.1	76.7
Prior year adjustments – current tax	(4.7)	(6.7)
Prior year adjustments – deferred tax	6.9	5.6
Total tax on profit	91.3	75.6
Effective tax rate	30.0%	31.0%

Accounts

10 Dividends

	2010 £ million	2010 per share (p)	2009 £ million	2009 per share (p)
Final paid	22.1	8.23	16.9	6.28
Interim paid	17.6	6.55	11.7	4.37
	39.7	14.78	28.6	10.65

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2010 of 12.35 pence per share which will absorb an estimated £33.1 million of shareholders' funds. It will be paid on 19 May 2011 to shareholders who are on the register of members on 15 April 2011.

11 Earnings per share

Basic earnings per share have been calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares in issue during the year, excluding shares held by the Employee Share Ownership Trusts which are treated as cancelled.

	2010	2009
Profit for the year (£ million)	213.1	168.4
Weighted average number of ordinary shares in issue (million)	268.5	268.7
Basic earnings per share (pence)	79.37	62.67

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2010	2009
Profit for the year (£ million)	213.1	168.4
Weighted average number of ordinary shares in issue (million)	268.5	268.7
Adjustment for share options (million)	1.3	1.0
Diluted weighted average number of ordinary shares in issue (million)	269.8	269.7
Diluted earnings per share (pence)	78.98	62.42

Notes to the Group Accounts continued
For the year ended 31 December 2010

12 Goodwill

	2010 £ million	2009 £ million
Cost		
At 1 January	51.3	53.0
Acquisitions (Note 27)	7.2	0.7
Exchange adjustments	1.9	(2.4)
At 31 December	60.4	51.3
Accumulated impairment losses	–	–
Net book value	60.4	51.3

Goodwill impairment tests
Goodwill has been allocated to cash generating units (CGUs) as follows:

	2010 £ million	2009 £ million
Middle East & South East Europe	1.2	1.2
Europe	11.2	11.7
North America	40.3	31.1
International Local	6.2	5.8
Local business	58.9	49.8
International Power Projects	1.5	1.5
Group	60.4	51.3

Goodwill is tested for impairment annually or whenever there is an indication that the asset may be impaired. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for value in use calculations are those relating to expected changes in revenue and the cost base, discount rates and long-term growth rates. The discount rate used for business valuations was 9.3% after tax (2009: 9.8%), 12.9% before tax (2009: 13.6%) based on the weighted average cost of capital (WACC) of the Group. On the basis that the business carried out by all CGUs is closely related and assets can be redeployed around the Group as required, a consistent Group discount rate has been used for all CGUs. Values in use were determined using current year cashflows, a prudent view of future market trends and excludes any growth capital expenditure. A terminal cash flow was calculated using a long-term growth rate of 2.0%.

As at 31 December 2010, based on internal valuations, Aggreko plc management concluded that the values in use of the CGUs significantly exceeded their net asset value.

The Directors consider that there is no reasonably possible change in the key assumptions made in their impairment calculations that would give rise to an impairment.

13 Other intangible assets

	2010 £ million	2009 £ million
Cost		
At 1 January	24.1	22.7
Acquisitions (Note 27)	3.1	2.1
Exchange adjustments	1.7	(0.7)
At 31 December	28.9	24.1
Accumulated amortisation		
At 1 January	8.6	6.1
Charge for the year	2.8	2.7
Exchange adjustments	0.5	(0.2)
At 31 December	11.9	8.6
Net book values:		
At 31 December	17.0	15.5

Amortisation charges in the year comprised amortisation of assets arising from business combinations of £2.7 million (2009: £2.5 million) and amortisation of other intangible assets of £0.1 million (2009: £0.2 million). Amortisation charges in the year have been recorded in administrative expenses.

14 Property, plant and equipment

Year ended 31 December 2010

	Freehold properties £ million	Short leasehold properties £ million	Rental fleet £ million	Vehicles, plant and equipment £ million	Total £ million
Cost					
At 1 January 2010	40.2	13.8	1,379.0	65.7	1,498.7
Exchange adjustments	0.4	0.6	66.3	2.2	69.5
Additions	5.7	1.6	254.4	7.1	268.8
Acquisitions (Note 27)	–	–	5.1	0.5	5.6
Disposals	(0.1)	(0.2)	(45.0)	(4.1)	(49.4)
At 31 December 2010	**46.2**	**15.8**	**1,659.8**	**71.4**	**1,793.2**
Accumulated depreciation					
At 1 January 2010	12.7	6.7	718.7	47.6	785.7
Exchange adjustments	0.4	0.2	32.8	1.3	34.7
Charge for the year	2.3	1.4	146.8	7.8	158.3
Disposals	(0.1)	(0.2)	(40.2)	(3.8)	(44.3)
At 31 December 2010	**15.3**	**8.1**	**858.1**	**52.9**	**934.4**
Net book values:					
At 31 December 2010	**30.9**	**7.7**	**801.7**	**18.5**	**858.8**
At 31 December 2009	27.5	7.1	660.3	18.1	713.0

Year ended 31 December 2009

	Freehold properties £ million	Short leasehold properties £ million	Rental fleet £ million	Vehicles, plant and equipment £ million	Total £ million
Cost					
At 1 January 2009	37.9	11.9	1,382.8	64.4	1,497.0
Exchange adjustments	(1.9)	(0.6)	(90.6)	(1.4)	(94.5)
Additions	4.2	2.5	149.7	4.5	160.9
Acquisitions	–	–	1.4	–	1.4
Disposals	–	–	(64.3)	(1.8)	(66.1)
At 31 December 2009	**40.2**	**13.8**	**1,379.0**	**65.7**	**1,498.7**
Accumulated depreciation					
At 1 January 2009	11.7	5.6	684.3	43.4	745.0
Exchange adjustments	(0.6)	(0.3)	(45.1)	(1.2)	(47.2)
Charge for the year	1.6	1.4	138.1	7.1	148.2
Disposals	–	–	(58.6)	(1.7)	(60.3)
At 31 December 2009	**12.7**	**6.7**	**718.7**	**47.6**	**785.7**
Net book values:					
At 31 December 2009	**27.5**	**7.1**	**660.3**	**18.1**	**713.0**
At 31 December 2008	26.2	6.3	698.5	21.0	752.0

15 Inventories

	2010 £ million	2009 £ million
Raw materials and consumables	**110.6**	82.6
Work in progress	**7.2**	3.7
	117.8	86.3

Notes to the Group Accounts continued
For the year ended 31 December 2010

16 Trade and other receivables

	2010 £ million	2009 £ million
Trade receivables	**225.4**	162.5
Less: provision for impairment of receivables	**(33.4)**	(26.2)
Trade receivables – net	**192.0**	136.3
Prepayments and accrued income	**84.4**	66.4
Other receivables	**33.0**	20.6
Total receivables	**309.4**	223.3

Other receivables principally comprise deposits and advance payments.

The value of trade and other receivables quoted in the table above also represent the fair value of these items.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2010 £ million	2009 £ million
Sterling	**17.8**	10.3
Euro	**37.5**	29.2
US Dollar	**175.0**	120.7
Other currencies	**79.1**	63.1
	309.4	223.3

Movements on the Group's provision for impairment of trade receivables are as follows:

	2010 £ million	2009 £ million
At 1 January	**26.2**	25.2
Net provision for receivables impairment	**9.5**	7.5
Receivables written off during the year as uncollectable	**(3.3)**	(4.5)
Exchange	**1.0**	(2.0)
At 31 December	**33.4**	26.2

Credit quality of trade receivables
The table below analyses the total trade receivables balance per reportable segment into fully performing, past due and impaired.

31 December 2010

	Fully performing £ million	Past due £ million	Impaired £ million	Total £ million
Middle East & South East Europe	8.5	6.2	1.7	16.4
Europe	20.0	5.7	2.6	28.3
North America	18.0	14.4	1.4	33.8
International Local	10.4	13.2	2.4	26.0
Local business	56.9	39.5	8.1	104.5
International Power Projects	32.3	63.3	25.3	120.9
Group	**89.2**	**102.8**	**33.4**	**225.4**

31 December 2009

	Fully performing £ million	Past due £ million	Impaired £ million	Total £ million
Middle East & South East Europe	9.7	4.6	1.4	15.7
Europe	17.6	6.4	3.6	27.6
North America	12.4	10.2	1.5	24.1
International Local	6.7	6.7	0.8	14.2
Local business	46.4	27.9	7.3	81.6
International Power Projects	22.1	39.9	18.9	80.9
Group	68.5	67.8	26.2	162.5

16 Trade and other receivables continued

Trade receivables are considered impaired if they are not considered recoverable. 43% of the amounts past due are less than 30 days past due (2009: 66%).

The Group assesses credit quality differently in relation to its two business models as explained below:

Local business

Our Local business serves customers in Middle East & South East Europe, Europe, North America, Asia, Australasia, Central & South America and Africa. It is a high transaction intensive business focused on frequently occurring events and the majority of the contracts in this business are small relative to the size of the Group. There is no concentration of credit risk in this business other than in the case of a major event, for example, the Asian Games in Guangzhou, which is included in the International Local business segment. Apart from these type of major events there are a large number of customers who are unrelated and internationally dispersed.

The management of trade receivables is the responsibility of the operating units, although they report monthly to Group on debtor days, debtor ageing and significant outstanding debts. At an operating unit level a credit rating is normally established for each customer based on ratings from external agencies. Where no ratings are available, cash in advance payment terms are often established for new customers. Credit limits are reviewed on a regular basis. The effectiveness of this credit process has meant that the Group has historically had a low level of bad debt in the Local business.

International Power Projects (IPP)

Our International Power Projects business concentrates on medium to very large contracts. Most projects in this business are worth over £1 million and some can be worth over £10 million. Customers are mainly in developing countries and include power utilities, governments, armed forces, oil companies and mining companies.

In addition the majority of the contracts above are in jurisdictions where payment practices can be unpredictable. The Group monitors the risk profile and debtor position of all such contracts regularly, and deploys a variety of techniques to mitigate the risks of delayed or non-payment; these include securing advance payments, bonds and guarantees. On the largest contracts, all such arrangements are approved at a Group level. Contracts are reviewed on a case by case basis to determine the customer and country risk. To date the Group has also had a low level of bad debt in the IPP business although the risk of a major default is high.

The total trade receivables balance as at 31 December 2010 for our IPP business was £120.9 million (2009: £80.9 million). Within this balance receivable balances totalling £69.5 million (2009: £43.4 million) had some form of payment cover attached to them. This payment cover guards against the risk of customer default rather than the risk associated with customer disputes. The risk associated with the remaining £51.4 million (2009: £37.5 million) is deemed to be either acceptable or payment cover is not obtainable in a cost effective manner.

17 Borrowings

	2010 £ million	2009 £ million
Non-current		
Bank borrowings	111.3	180.0
Current		
Bank overdrafts	16.2	8.7
Bank borrowings	31.1	9.0
	47.3	17.7
Total borrowings	158.6	197.7
Short-term deposits	(6.4)	(0.5)
Cash at bank and in hand	(20.0)	(21.7)
Net borrowings	132.2	175.5

The bank overdrafts and borrowings are all unsecured.

Notes to the Group Accounts continued
For the year ended 31 December 2010

17 Borrowings continued
(i) Maturity of financial liabilities
The maturity profile of the borrowings was as follows:

	2010 £ million	2009 £ million
Within 1 year, or on demand	**47.3**	17.7
Between 1 and 2 years	**10.1**	151.1
Between 2 and 3 years	**81.8**	–
Between 3 and 4 years	**–**	28.9
Between 4 and 5 years	**19.4**	–
	158.6	197.7

(ii) Borrowing facilities
The Group has the following undrawn committed floating rate borrowing facilities available at 31 December 2010 in respect of which all conditions precedent had been met at that date:

	2010 £ million	2009 £ million
Expiring within 1 year	**68.0**	–
Expiring between 1 and 2 years	**30.0**	215.9
Expiring between 2 and 3 years	**166.6**	97.1
Expiring between 3 and 4 years	**–**	31.1
Expiring between 4 and 5 years	**205.5**	–
Expiring after 5 years	**–**	–
	470.1	344.1

Towards the end of 2010, we refinanced £459 million of bank facilities, putting in place new facilities with maturities of 3 and 5 years. In addition, since the year end, we have for the first time raised funding in the US private placement market, securing US$275 million (£177 million), with maturities ranging between 7 and 10 years and with the same financial covenants as our banking facilities. Drawdown of these funds will take place in mid March 2011. A further £9.6 million of bank facilities, arranged prior to the year end, became available for drawdown on 3 February 2011.

(iii) Interest rate risk profile of financial liabilities
The interest rate profile of the Group's financial liabilities at 31 December 2010, after taking account of the interest rate swaps used to manage the interest profile, was:

				Fixed rate debt	
	Floating rate £ million	Fixed rate £ million	Total £ million	Weighted average interest rate %	Weighted average period for which rate is fixed Years
Currency:					
Sterling	**–**	**–**	**–**	**–**	**–**
US Dollar	13.7	93.6	107.3	4.6	5.8
Euro	0.1	17.3	17.4	5.0	2.6
Brazil Reais	16.2	–	16.2	–	–
Indian Rupees	10.1	–	10.1	–	–
Other currencies	7.6	–	7.6	–	–
At 31 December 2010	**47.7**	**110.9**	**158.6**		
Sterling	39.0	–	39.0	–	–
US Dollar	18.6	89.5	108.1	4.6	6.8
Euro	15.1	17.8	32.9	5.0	3.6
Brazil Reais	6.9	–	6.9	–	–
Indian Rupees	3.7	–	3.7	–	–
Other currencies	7.1	–	7.1	–	–
At 31 December 2009	90.4	107.3	197.7		

The floating rate financial liabilities principally comprise debt which carries interest based on different benchmark rates depending on the currency of the balance and are normally fixed in advance for periods between one and three months.

17 Borrowings continued

The weighted average interest rate on fixed debt is derived from the fixed leg of each interest rate swap.

The effect of the Group's interest rate swaps is to classify £110.9 million (2009: £107.3 million) of borrowings in the above table as fixed rate. The notional principal amount of the outstanding interest rate swap contracts at 31 December 2010 was £110.9 million (2009: £107.3 million).

(iv) Interest rate risk profile of financial assets

	Cash at bank and in hand £ million	Short-term deposits £ million	Total £ million
Currency:			
Sterling	0.1	2.1	2.2
US Dollar	5.0	2.2	7.2
Euro	1.8	2.0	3.8
South African Rand	7.1	–	7.1
Other currencies	6.0	0.1	6.1
At 31 December 2010	**20.0**	**6.4**	**26.4**
Currency:			
Sterling	0.7	–	0.7
US Dollar	10.6	–	10.6
Euro	4.7	–	4.7
South African Rand	0.5	–	0.5
Other currencies	5.2	0.5	5.7
At 31 December 2009	21.7	0.5	22.2

All of the above cash and short-term deposits are floating rate and earn interest based on relevant LIBID (London Interbank Bid Rate) equivalents or government bond rates for the currency concerned.

(v) Preference share capital

	2010 Number	2010 £000	2009 Number	2009 £000
Authorised:				
Redeemable preference shares of 25p each	199,998	50	199,998	50

No redeemable preference shares were allotted as at 31 December 2010 and 31 December 2009. The Board is authorised to determine the terms, conditions and manner of redemption of redeemable shares.

18 Financial instruments

As stated in our accounting policies Note 1 on page 90 the activities of the Group expose it directly to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses forward foreign exchange contracts and interest rate swap contracts to hedge these exposures. The movement in the hedging reserve is shown in the Statement of Changes in Equity.

(i) Fair values of financial assets and financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair values of the Group's financial assets and financial liabilities at 31 December 2010. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. Market values have been used to determine fair values.

	2010		2009	
	Book value £ million	Fair value £ million	Book value £ million	Fair value £ million
Primary financial instruments held or issued to finance the Group's operations:				
Current borrowings and overdrafts	(47.3)	(47.3)	(17.7)	(17.7)
Non-current borrowings	(111.3)	(111.3)	(180.0)	(180.0)
Short-term deposits	6.4	6.4	0.5	0.5
Cash at bank and in hand	20.0	20.0	21.7	21.7
Derivative financial instruments held:				
Interest rate swaps	(9.5)	(9.5)	(6.7)	(6.7)
Forward foreign currency contracts	(0.9)	(0.9)	–	–

Notes to the Group Accounts continued

For the year ended 31 December 2010

18 Financial instruments continued

(ii) Summary of methods and assumptions

Interest rate swaps and forward foreign currency contracts

Fair value is based on market price of these instruments at the balance sheet date.

Current borrowings and overdrafts/Short-term deposits

The fair value of short-term deposits and current borrowings and overdrafts approximates to the carrying amount because of the short maturity of these instruments.

Non-current borrowings

In the case of bank loans and other loans, the fair value approximates to the carrying value reported in the balance sheet as all debt is raised on a floating rate basis where payments are reset to market rates at intervals of less than one year.

(iii) Financial instruments

Numerical financial instruments disclosures are set out below. Additional disclosures are set out in the financial review and accounting policies relating to risk management.

	2010		2009	
	Assets £ million	Liabilities £ million	Assets £ million	Liabilities £ million
Current:				
Interest rate swaps – cash flow hedge	–	(1.1)	–	–
Forward foreign currency contracts – cash flow hedge	0.1	(1.0)	–	–
Non-current:				
Interest rate swaps – cash flow hedge	–	(8.4)	–	(6.7)
	0.1	(10.5)	–	(6.7)

Net fair values of derivative financial instruments

The net fair value of derivative financial instruments that are designated as cash flow hedges at the balance sheet date was:

	2010 £ million	2009 £ million
Contracts with negative fair values:		
Interest rate swaps	(9.5)	(6.7)
Forward foreign currency contracts	(0.9)	–
	(10.4)	(6.7)

The net fair value losses at 31 December 2010 on open forward exchange contracts that hedge the foreign currency risk of future anticipated expenditure are £0.9 million (2009: £nil). These will be allocated to the cost of the asset as a basis adjustment when the forecast capital expenditure occurs. The net fair value liability at 31 December 2010 on open interest swaps that hedge interest risk are £9.5 million (2009: liability of £6.7 million). These will be debited to the income statement interest charge over the remaining life of each interest rate swap.

Hedge of net investment in foreign entity

The Group has designated as a hedge of the net investment in its overseas subsidiaries its US Dollar and Euro denominated borrowings. The fair value of the US Dollar borrowings at 31 December 2010 was £107.1 million (2009: £108.1 million), and the Euro borrowings £17.3 million (2009: £32.9 million). The foreign exchange loss of £2.8 million (2009: loss of £24.2 million) on translation of the borrowings into Sterling has been recognised in exchange reserves.

18 **Financial instruments** continued

(iv) The exposure of the Group to interest rate changes when borrowings reprice is as follows:

As at 31 December 2010

	<1 year £ million	1-5 years £ million	>5 years £ million	**Total £ million**
Total borrowings	47.3	111.3	–	**158.6**
Effect of interest rate swaps	(29.0)	(17.3)	(64.6)	**(110.9)**
	18.3	94.0	(64.6)	**47.7**

As at 31 December 2009

	<1 year £ million	1-5 years £ million	>5 years £ million	Total £ million
Total borrowings	17.7	180.0	–	197.7
Effect of interest rate swaps	–	(45.6)	(61.7)	(107.3)
	17.7	134.4	(61.7)	90.4

As at 31 December 2010 and 31 December 2009 all of the Group's debt was exposed to repricing within 3 months of the balance sheet date. £29.0 million of interest rate swaps are due to mature in 2011. The Group's interest rate swap portfolio is reviewed on a regular basis to ensure it is consistent with Group policy as described on page 95.

The effective interest rates at the balance sheet date were as follows:

	2010	2009
Bank overdraft	**10.9%**	9.0%
Bank borrowings	**2.3%**	1.3%

Maturity of financial liabilities

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into the relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2010

	<1 year	1-2 years	2-5 years	>5 years
Borrowings	47.3	10.1	101.2	–
Derivative financial instruments	2.1	–	1.5	6.9
Trade and other payables	114.3	–	3.1	–
	163.7	10.1	105.8	6.9

As at 31 December 2009

	<1 year	1-2 years	2-5 years	>5 years
Borrowings	17.7	153.0	29.9	–
Derivative financial instruments	–	1.9	1.6	3.2
Trade and other payables	69.9	–	–	–
	87.6	154.9	31.5	3.2

No trade payable balances have a contractual maturity greater than 90 days. In respect of suppliers, the Group had approximately 86 days (2009: 63 days) credit outstanding as at the balance sheet date.

Derivative financial instruments settled on a gross basis

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Notes to the Group Accounts continued
For the year ended 31 December 2010

18 Financial instruments continued
As at 31 December 2010

	<1 year
Forward foreign exchange contracts – cashflow hedges	
Outflow	50.7
Inflow	(49.8)
	0.9

As at 31 December 2009

	<1 year
Forward foreign exchange contracts – cashflow hedges	
Outflow	–
Inflow	–
	–

All of the Group's forward foreign currency exchange contracts are due to be settled within one year of the balance sheet date.

19 Trade and other payables

	2010 £ million	2009 £ million
Trade payables	112.7	68.5
Other taxation and social security payable	5.4	2.9
Other payables	31.0	19.9
Accruals and deferred income	159.6	128.6
	308.7	219.9

The value of trade and other payables quoted in the table above also represent the fair value of these items.

20 Deferred tax

	2010 £ million	2009 £ million
At 1 January	(29.5)	(19.8)
Impact of reduction in UK CT rate to 27% from 1 April 2011	0.8	–
Charge to the income statement (Note 9)	(2.3)	(9.8)
Credit/(charge) to equity	12.2	(3.0)
Exchange differences	(1.5)	3.1
At 31 December	(20.3)	(29.5)

The proposed reductions in the main rate of UK corporation tax by 1 per cent per year to 24 per cent by 1 April 2014 are expected to be enacted separately each year. The overall effect of the changes from 27 per cent to 24 per cent, if these applied to the deferred tax balance at 31 December 2010 would be to reduce the deferred tax liability by approximately £0.9 million (being £0.3 million recognised in 2012, £0.3 million recognised in 2013 and £0.3 million recognised in 2014).

No deferred tax liability has been recognised in respect of unremitted earnings of subsidiaries. It is likely that the majority of the overseas earnings will qualify for the UK dividend exemption and the Group can control the distribution of dividends by its subsidiaries. In some countries, local tax is payable on the remittance of a dividend. Were dividends to be remitted from these countries, the additional tax payable would be £3.1 million.

The movements in deferred tax assets and liabilities (prior to off setting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

20 Deferred tax continued

Deferred tax assets are recognised to the extent that the realisation of the related deferred tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of £1.4 million (2009: £4.2 million) of which £1.4 million (2009: £4.2 million) relates to carried forward tax losses as our forecasts indicate that these assets will not reverse in the near future.

Deferred tax assets of £3.2 million (2009: £2.6 million) have been recognised in respect of entities which have suffered a loss in either the current or preceding period.

Deferred tax liabilities

	Accelerated capital depreciation £ million	Other temporary differences £ million	Total £ million
At 1 January 2010	(48.0)	11.9	**(36.1)**
(Charge)/credit to the income statement	(16.3)	9.8	**(6.5)**
Credit to equity	–	12.2	**12.2**
Exchange differences	(1.5)	–	**(1.5)**
At 31 December 2010	(65.8)	33.9	**(31.9)**

Deferred tax assets

	Accelerated capital depreciation £ million	Other temporary differences £ million	Total £ million
At 1 January 2010	(0.5)	7.1	**6.6**
Credit to the income statement	4.3	0.7	**5.0**
At 31 December 2010	3.8	7.8	**11.6**

The net deferred tax liability due after more than one year is £20.3 million (2009: £29.5 million).

21 Share capital

Allotted, called up and fully paid:

	2010 Number of shares	2010 £000	2009 Number of shares	2009 £000
Ordinary shares of 20p each				
At 1 January	273,473,338	54,695	272,116,594	54,424
Employee share option scheme	844,933	169	1,356,744	271
At 31 December	274,318,271	54,864	273,473,338	54,695

During the year 631,527 Ordinary shares of 20 pence each have been issued at prices ranging from £1.17 to £7.11 (US$10.64) to satisfy the exercise of options under the Savings-Related Share Option Schemes ('Sharesave') and Executive Share Option Schemes by eligible employees. In addition 213,406 shares were allotted to US participants in the Long-term Incentive Plan by the allotment of new shares at 20 pence per share.

Share options

The options under the Savings-Related Share Option Schemes have been granted at a discount of 20% on the share price calculated over the three days prior to the date of invitation to participate, mature after three to five years and are normally exercisable in the six months following the maturity date. The options under the US Stock Purchase Plan have been granted at a discount of 15% to the share price on the date of grant, mature after two years and are normally exercisable in the three months following the maturity date.

Notes to the Group Accounts continued

For the year ended 31 December 2010

21 Share capital continued

The options under the Executive Share Option Scheme are normally only exercisable once three years have elapsed from date of grant and lapse after ten years. All Executive Options are subject to performance conditions based on both total shareholder return ('TSR') and growth in Earnings Per Share ('EPS'). TSR is calculated by reference to the increase in the Company's share price plus dividends paid. EPS is Basic Earnings Per Share as disclosed in the consolidated income statement. At the time when the individual wishes to exercise the option, the growth in the Company's TSR is compared to that of the FTSE Mid 250 Index (excluding investment trusts) over a specified period. If the Company's TSR matches or exceeds that index, and the Company's EPS growth matches or exceeds the growth in the Retail Prices Index plus 3% per annum, over three consecutive years, the option is capable of exercise. Retesting of performance conditions is limited to six monthly intervals between 3 and 5 years after the date of grant. For Executive Share Options granted prior to 25 April 2001, at the time when the individual wishes to exercise the option, the Company's TSR since the date of grant of the option is compared to that of the FTSE Mid 250 Index (excluding investment trusts). If the Company's TSR matches or exceeds that index, and the Company's annual EPS growth matches or exceeds the growth in the Retail Prices Index plus 3% per annum, over three consecutive years, the option is capable of exercise.

There is no legal obligation upon the Company to satisfy the options existing under the Savings-Related and Executive Share Option Schemes other than by the allotment of new issue shares.

It is intended to satisfy awards to US participants in the Long-term Incentive Plan by the allotment of new shares. The maximum award would be made on achieving the performance targets set out on pages 69 and 70 of the Remuneration Report.

Aggreko has taken the IFRS 1 exemption to apply IFRS 2 'Share-based Payment' only to options that were granted after 7 November 2002 and were not vested at 1 January 2005.

For the Sharesave and US Stock Options the Black-Scholes option-pricing model was used. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant type	Sharesave	Sharesave	Sharesave	Sharesave	Sharesave	Sharesave	Sharesave	Sharesave
Grant date	12-Nov-04	11-Nov-05	11-Nov-05	10-Nov-06	10-Nov-06	10-Nov-06	9-Nov-07	9-Nov-07
Share price at grant date (£)	1.6	2.5	2.5	3.7	3.7	3.7	5.7	5.7
Option price (£)	1.2	1.9	1.9	2.8	2.8	2.9	5.0	5.0
Number granted	202,541	143,559	33,118	308,910	109,230	19,433	264,698	84,907
Vesting period (years)	5.0	5.0	5.0	3.0	5.0	5.0	3.0	5.0
Expected volatility (%)	42.3	40.5	40.5	26.8	40.6	40.6	32.0	26.8
Expected life (years)	5.3	5.3	5.3	3.3	5.3	5.3	3.3	5.3
Risk free rate (%)	4.6	4.5	4.5	4.9	4.8	4.8	4.7	4.7
Expectation of employees meeting performance criteria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Expected dividends expressed as a dividend yield (%)	3.7	2.4	2.4	1.7	1.7	1.7	1.3	1.3
Fair value per option (£)	0.6	1.1	1.1	1.3	1.7	1.7	1.8	2.0

Grant type	Sharesave	US Stock Plan	Sharesave	Sharesave	Sharesave	US Stock Plan	Sharesave	Sharesave
Grant date	9-Nov-07	9-Nov-07	31-Oct-08	31-Oct-08	31-Oct-08	29-Oct-08	30-Oct-09	30-Oct-09
Share price at grant date (£)	5.7	5.7	4.3	4.3	4.3	3.8	7.6	7.6
Option price (£)	4.9	4.9	4.4	4.4	4.4	3.2	5.5	5.5
Number granted	9,792	93,503	567,259	211,082	44,223	317,923	281,110	70,609
Vesting period (years)	4.0	2.0	3.0	5.0	4.0	2.0	3.0	5.0
Expected volatility (%)	26.8	26.7	36.1	32.4	33.4	38.9	42.6	37.0
Expected life (years)	4.3	2.1	3.3	5.3	4.3	2.1	3.3	5.3
Risk free rate (%)	4.7	4.8	3.4	3.8	3.6	3.0	2.2	2.8
Expectation of employees meeting performance criteria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Expected dividends expressed as a dividend yield (%)	1.3	1.3	2.0	2.0	2.0	2.3	1.4	1.4
Fair value per option	1.9	1.5	1.1	1.2	1.2	1.1	3.1	3.3

21 Share capital continued

Grant type	Sharesave	US Stock Plan	Sharesave	Sharesave	Sharesave	Sharesave	Sharesave	Sharesave
Grant date	30-Oct-09	30-Oct-09	20-Nov-09	25-Oct-10	25-Oct-10	25-Oct-10	25-Oct-10	25-Oct-10
Share price at grant date (£)	7.6	7.6	7.5	16.8	16.8	16.8	16.8	16.8
Option price (£)	5.5	6.5	5.5	12.4	12.4	12.9	12.4	12.4
Number granted	8,439	83,435	16,577	48,187	111,294	3,119	13,793	21,402
Vesting period (years)	4.0	2.0	3.0	3.0	3.0	4.0	5.0	5.0
Expected volatility (%)	39.7	48.4	42.6	43.4	43.4	40.0	38.1	38.1
Expected life (years)	4.3	2.1	1.4	3.2	3.2	4.2	5.2	5.2
Risk free rate (%)	2.5	0.9	2.1	1.0	1.0	1.4	1.7	1.7
Expectation of employees meeting performance criteria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Expected dividends expressed as a dividend yield (%)	1.4	1.4	1.4	0.9	0.9	0.9	0.9	0.9
Fair value per option	3.2	2.5	3.0	6.8	6.8	6.8	7.3	7.3

Grant type	Sharesave	US Stock Plan
Grant date	25-Oct-10	25-Oct-10
Share price at grant date (£)	16.8	16.8
Option price (£)	12.9	14.3
Number granted	3,962	54,800
Vesting period (years)	5.0	2.0
Expected volatility (%)	38.1	45.2
Expected life (years)	5.2	2.1
Risk free rate (%)	1.7	0.8
Expectation of employees meeting performance criteria	n/a	n/a
Expected dividends expressed as a dividend yield (%)	0.9	0.9
Fair value per option	7.1	5.3

The expected volatility is based on the volatility of the total return from the Company's shares over the period to grant equal in length to the expected life of the awards. The expected life is the average expected period to exercise. The risk free interest rate is the expected return on UK Gilts of a similar life.

A summary of movements in share options in Aggreko shares is shown below:

	Sharesave schemes Number of Shares	Weighted average exercise price (£)	Executive share option schemes Number of Shares	Weighted average exercise price (£)	US Stock option plans Number of Shares	Weighted average exercise price (£)	Long-term Incentive Plans Number of Shares	Weighted average exercise price (£)
Outstanding at 1 January 2010	1,962,415	4.04	10,000	4.28	372,733	3.95	1,936,316	nil
Granted	201,757	12.41	–	–	54,800	14.32	509,320	nil
Exercised	(390,069)	2.21	(10,000)	4.28	(231,458)	3.26	(213,406)	nil
Lapsed	(128,815)	4.58	–	–	(39,944)	4.32	(125,938)	nil
Outstanding at 31 December 2010	**1,645,288**	**5.44**	**–**	**–**	**156,131**	**3.57**	**2,106,292**	**nil**
Weighted average contractual life (years)	**2**		**–**		**1**		**1**	

The weighted average share price during the year for options exercised over the year was £2.63 (2009: £3.12). The total charge for the year relating to employee share based payment plans was £18.7 million (2009: £9.2 million), all of which related to equity-settled share based payment transactions.

Accounts

Notes to the Group Accounts continued
For the year ended 31 December 2010

21 Share capital continued
Options and awards outstanding over Ordinary shares as at 31 December 2010 (including those of the Executive Directors), together with the exercise prices and dates of exercise, are as follows:

	Price per share (£)	Earliest exercise date	Latest exercise date	2010 Number	2009 Number	Market price (£)[1]
Executive Share Option Scheme – Aug 2000	4.28	Aug 2003	Aug 2010	–	10,000	4.28
Sharesave – Nov 2004	1.17	Nov 2009	May 2010	–	126,710	1.55
Sharesave – Nov 2005	1.89	Nov 2010	May 2011	75,991	96,553	2.50
	1.90	Nov 2010	May 2011	19,963	19,963	2.50
Sharesave – Nov 2006	2.82	Nov 2009	May 2010	–	253,974	3.74
	2.82	Nov 2011	May 2012	77,206	80,328	3.74
	2.87	Nov 2011	May 2012	16,985	18,515	3.74
Long-term Incentive Plan – Apr 2007	–	Apr 2010	Oct 2010	–	222,346	5.20
US Stock Option Plan – Nov 2007	4.87	Nov 2009	Feb 2010	–	7,713	5.73
Sharesave – Nov 2007	5.04	Nov 2010	May 2011	157,584	166,490	5.73
	4.91	Nov 2011	May 2012	5,402	5,402	5.73
	5.04	Nov 2012	May 2013	31,435	47,164	5.73
	4.91	Nov 2012	May 2013	4,390	4,390	5.73
Long-term Incentive Plan – Apr 2008	–	Apr 2011	Oct 2011	717,198	758,046	5.94
US Stock Option Plan – Oct 2008	3.20	Oct 2010	Jan 2011	29,822	281,585	3.76
Sharesave – Oct 2008	4.37	Oct 2011	Apr 2012	481,063	532,927	4.33
	4.37	Oct 2012	Apr 2013	28,309	29,264	4.33
	4.37	Oct 2013	Apr 2014	185,599	190,377	4.33
	4.37	Oct 2013	Apr 2014	12,426	13,623	4.33
Long-term Incentive Plan – Apr 2009	–	Apr 2012	Oct 2012	879,774	955,924	5.23
US Stock Option Plan – Oct 2009	US$10.64	Nov 2011	Jan 2012	71,509	83,435	7.60
Sharesave UK 3 year – Oct 2009	5.53	Jan 2013	Jun 2013	103,098	110,309	7.60
Sharesave International 3 year	US$8.77	Jan 2013	Jun 2013	130,673	142,046	7.60
– Oct 2009	US$8.77	Jan 2013	Jun 2013	16,577	16,577	7.60
	€6.02	Jan 2013	Jun 2013	22,232	23,278	7.60
	CAD$9.53	Jan 2013	Jun 2013	4,420	5,477	7.60
Sharesave French 4 year – Oct 2009	€6.02	Jan 2014	Jun 2014	7,865	8,439	7.60
Sharesave UK 5 year – Oct 2009	5.53	Jan 2015	Jun 2015	30,930	35,090	7.60
Sharesave International 5 year	US$8.77	Jan 2015	Jun 2015	31,151	32,909	7.60
– Oct 2009	€6.02	Jan 2015	Jun 2015	1,893	2,610	7.60
Long Term Incentive Plan – Apr 2010	–	Apr 2013	Oct 2013	509,320	–	11.89
US Stock Option Plan – Oct 2010	US$22.52	Nov 2011	Jan 2012	54,800	–	16.85
Sharesave UK 3 year – Oct 2010	12.39	Jan 2013	Jun 2013	48,187	–	16.85
Sharesave International 3 year	US$19.57	Jan 2013	Jun 2013	95,018	–	16.85
– Oct 2010	CAD$20.21	Jan 2013	Jun 2013	1,359	–	16.85
	AU$20.21	Jan 2013	Jun 2013	6,954	–	16.85
	€14.39	Jan 2013	Jun 2013	7,530	–	16.85
Sharesave French 4 year – Oct 2010	€14.52	Jan 2014	Jun 2014	3,119	–	16.85
Sharesave UK 5 year – Oct 2010	12.39	Jan 2015	Jun 2015	12,565	–	16.85
Sharesave International 5 year	US$19.57	Jan 2015	Jun 2015	13,473	–	16.85
– Oct 2010	CAD$20.21	Jan 2015	Jun 2015	296	–	16.85
	AU$20.21	Jan 2015	Jun 2015	7,217	–	16.85
	€14.39	Jan 2015	Jun 2015	416	–	16.85
Sharesave French 5 year – Oct 2010	€14.52	Jan 2015	Jun 2015	3,962	–	16.85
				3,907,711	4,281,464	

[1] Market price as at the date of grant.

22 Treasury shares

	2010 £ million	2009 £ million
Treasury shares	(49.6)	(25.8)

22 Treasury shares continued

Interests in own shares represent the cost of 6,087,304 of the Company's ordinary shares (nominal value 20 pence) (31 December 2009: 4,422,419). In April 2010, 1,892,728 shares were acquired (2009: 1,529,280 shares acquired) by the Trust on the open market and 393,433 (2009: nil) were acquired from participants in the Long-term Incentive Plan at market rates. During the year 621,276 shares were allotted (2009: 931,895 shares allotted) to participants in the Long-term Incentive Plan. These shares represent 2.2% of issued share capital as at 31 December 2010 (2009: 1.6%).

These shares were acquired by the Trust in the open market using funds provided by Aggreko plc to meet obligations under the Long-term Incentive Arrangements. The costs of funding and administering the scheme are charged to the income statement of the Company in the period to which they relate. The market value of the shares at 31 December 2010 was £90.2 million (31 December 2009: £41.1 million).

23 Capital commitments

	2010 £ million	2009 £ million
Contracted but not provided for (property, plant and equipment)	33.9	8.3

24 Operating lease commitments – minimum lease payments

	2010		2009	
	Land and buildings £ million	Plant, equipment and vehicles £ million	Land and buildings £ million	Plant, equipment and vehicles £ million
Commitments under operating leases expiring:				
Within 1 year	9.1	9.0	8.9	7.8
Later than 1 year and less than 5 years	17.8	10.8	15.4	10.0
After 5 years	9.0	–	7.3	–
Total	35.9	19.8	31.6	17.8

25 Pension commitments

Overseas

Pension arrangements for overseas employees vary, and schemes reflect best practice and regulation in each particular country. The charge against profit is the amount of contributions payable to the defined contribution pension schemes in respect of the accounting period. The pension cost attributable to overseas employees for 2010 was £4.3 million (2009: £4.2 million).

United Kingdom

The Group operates pension schemes for UK employees. The Aggreko plc Pension Scheme ('the Scheme') is a funded, contributory, defined benefit scheme. Assets are held separately from those of the Group under the control of the Directors of Aggreko Pension Scheme Trustee Limited. The Scheme is subject to valuations at intervals of not more than three years by independent actuaries.

A valuation of the Scheme was carried out as at 31 December 2008 using the Attained Age method to determine the level of contributions to be made by the Group. The actuaries adopted a valuation basis linked to market conditions at the valuation date. Assets were taken at market value. The major actuarial assumptions used were:

Return on investments	4.8%
Rate of increase in salaries	4.6%
Increase in pensions	3.1%

At the valuation date, the market value of the Scheme's assets (excluding AVCs) was £32.6 million which was sufficient to cover 67% of the benefits that had accrued to members, after making allowances for future increases in earnings.

As part of the valuation at 31 December 2008, the Company and the trustees agreed upon a Schedule of Contributions and a Recovery Plan. From 1 January 2010 to 31 March 2010 the company paid contributions for benefits building up in future at a rate of 25.4% of pensionable earnings and from 1 April 2010 the company paid 28.0% of pensionable earnings plus administration costs. To address the Scheme deficit the Group made additional contributions of £3.5 million in December 2010. The company plans to make further additional contributions of £2.5 million in 2011 and £0.6 million in subsequent years until December 2018. Employee contributions are 6% of pensionable earnings.

25 Pension commitments continued

The Scheme closed to all new employees joining the Group after 1 April 2002. New employees are given the option to join a defined contribution scheme. Contributions of £0.8 million were paid to the scheme during the year (2009: £0.7 million). There are no outstanding or prepaid balances at the year end.

An update of the Scheme was carried out by a qualified independent actuary using the latest available information for the purposes of this statement. The major assumptions used in this update by the actuary were:

	31 Dec 2010	31 Dec 2009
Rate of increase in salaries	5.2%	5.4%
Rate of increase in pensions in payment	3.5%	3.7%
Rate of increase in deferred pensions	3.7%	3.9%
Discount rate	5.3%	5.7%
Inflation assumption	3.7%	3.9%
Expected return on Scheme assets	5.4%	5.2%
Longevity at age 65 for current pensioners (years)		
Men	23.5	23.5
Women	26.4	26.4
Longevity at age 65 for future pensioners (years)		
Men	25.3	25.3
Women	28.1	28.1

The expected return on Scheme assets is based on market expectations at the beginning of the period for returns over the entire life of the benefit obligation.

The assets in the Scheme and the expected rate of return were:

	Long term rate of return expected at 31 Dec 2010	Value at 31 Dec 2010 £ million	Long term rate of return expected at 31 Dec 2009	Value at 31 Dec 2009 £ million	Long term rate of return expected at 31 Dec 2008	Value at 31 Dec 2008 £ million
Equities	6.6%	24.5	6.9%	21.4	6.4%	17.2
Property	6.6%	5.0	n/a	n/a	n/a	n/a
Gilts	3.6%	11.1	3.9%	5.1	3.4%	5.4
Bonds	4.8%	10.3	5.2%	11.0	6.4%	7.7
Cash	0.0%	2.1	0.0%	5.3	1.5%	2.3
Total		53.0		42.8		32.6

The expected rate of return on assets is stated net of expenses.

The amounts included in the balance sheet arising from the Group's obligations in respect of the Scheme are as follows:

	2010 £ million	2009 £ million	2008 £ million
Fair value of assets	53.0	42.8	32.6
Present value of funded obligations	(56.2)	(48.6)	(40.6)
Liability recognised in the Balance Sheet	(3.2)	(5.8)	(8.0)

An alternative method of valuation is the estimated cost of buying out benefits at 31 December 2010 with a suitable insurer. This amount represents the amount that would be required to settle the Scheme liabilities at 31 December 2010 rather than the Company continuing to fund the ongoing liabilities of the Scheme. The Company estimates the amount required to settle the Scheme's liabilities at 31 December 2010 is around £75 million which gives a Scheme shortfall on a buyout basis of approximately £22 million.

The amounts recognised in the income statement are as follows:

	2010 £ million	2009 £ million
Current service costs	1.7	1.2
Interest cost	2.8	2.2
Expected return on Scheme assets	(2.3)	(1.9)
	2.2	1.5

25 Pension commitments continued

Of the total charge of £2.2 million, £0.6 million (2009: £0.4 million) and £1.6 million (2009: £1.1 million) were included, respectively in cost of sales and administrative expenses.

Changes in the present value of the defined benefit obligation are as follows:

	2010 £ million	2009 £ million
Present value of obligation at 1 January	48.6	40.6
Service cost	1.7	1.2
Interest cost	2.8	2.2
Contributions from Scheme members	0.4	0.4
Benefits paid	(0.5)	(0.7)
Actuarial losses	3.2	4.9
Present value of obligation at 31 December	56.2	48.6

Present value of Scheme assets are as follows:

	2010 £ million	2009 £ million
Fair value of Scheme assets at 1 January	42.8	32.6
Expected return on Scheme assets	2.3	1.9
Employer contributions	5.4	5.8
Contributions from Scheme members	0.4	0.4
Benefits paid	(0.5)	(0.7)
Actuarial gains	2.6	2.8
Fair value of Scheme assets at 31 December	53.0	42.8

Analysis of the movement in the balance sheet

	2010 £ million	2009 £ million
At 1 January	(5.8)	(8.0)
Total expense as above	(2.2)	(1.5)
Contributions	5.4	5.8
Net actuarial losses	(0.6)	(2.1)
At 31 December	(3.2)	(5.8)

Cumulative actuarial gains and losses recognised in equity

	2010 £ million	2009 £ million
At 1 January	22.5	20.4
Actuarial losses recognised in the year	0.6	2.1
At 31 December	23.1	22.5

The actual return on Scheme assets was a gain of £4.9 million (2009: gain of £4.7 million).

History of experience gains and losses

	2010	2009	2008	2007	2006
Experience adjustments arising on Scheme assets:					
Amount (£m)	2.6	2.8	(7.9)	(0.3)	–
Percentage of Scheme assets	4.9%	6.5%	(24.2%)	(1.0%)	0.0%
Experience adjustments arising on Scheme liabilities:					
Amount (£m)	–	1.1	–	–	(0.5)
Percentage of present value Scheme liabilities	0.0%	2.3%	0.0%	0.0%	(1.0%)
Present value of Scheme liabilities (£m)	56.2	48.6	40.6	40.7	37.4
Fair value of Scheme assets (£m)	53.0	42.8	32.6	32.6	24.3
Deficit (£m)	3.2	5.8	8.0	8.1	13.1

The contributions expected to be paid during the financial year ending 31 December 2011 amount to £4.2 million.

26 Significant investments

The principal subsidiary undertakings of Aggreko plc at the year end, and the main countries in which they operate, are shown below. All companies are wholly owned and, unless otherwise stated, incorporated in UK or in the principal country of operation and are involved in the supply of temporary power, temperature control and related services.

All shareholdings are of ordinary shares or other equity capital.

Aggreko Argentina S.R.L	Argentina
Aggreko Generator Rentals Pty Limited	Australia
Aggreko Barbados Limited	Barbados
Aggreko Belgium NV	Belgium
Aggreko Energia Locacao de Geradores Ltda	Brazil
Aggreko Canada Inc	Canada
Aggreko Financial Holdings Limited +	Cayman Islands
Aggreko Chile Limitada	Chile
Aggreko (Shanghai) Energy Equipment Rental Company Limited	China
Aggreko Colombia SAS	Colombia
Aggreko Cote d'Ivoire S.A.R.L	Cote d'Ivoire
Aggreko (Middle East) Limited	Cyprus*
Aggreko DRC S.P.R.L.	Democratic Republic of the Congo
Aggreko Energy Ecuador CIA	Ecuador
Aggreko Finland Oy	Finland
Aggreko France SARL	France
Aggreko Deutschland GmbH	Germany
Aggreko Hong Kong Limited	Hong Kong
Aggreko Energy Rental India Private Limited +++	India
Aggreko Ireland Limited	Ireland
Aggreko Italia S.R.L	Italy
Aggreko Malaysia SDN BHD	Malaysia
Aggreko Energy Mexico SA de CV	Mexico
Aggreko Services Mexico SA de CV	Mexico
Aggreko SA de CV ++++	Mexico
Aggreko (NZ) Limited	New Zealand
Aggreko Projects Limited	Nigeria
Aggreko Gas Power Generation Limited ++++	Nigeria
Aggreko Norway AS	Norway
Aggreko Generator Rentals (PNG) Limited++++	Papua New Guinea
Aggreko Peru S.A.C.	Peru
Aggreko Trinidad Limited	Republic of Trinidad & Tobago
OOO Aggreko Eurasia	Russia
Aggreko (Singapore) PTE Limited	Singapore
Aggreko Energy Rental South Africa (Proprietary) Limited	South Africa
Aggreko Iberia SA	Spain
Aggreko Americas Holdings B.V.+	The Netherlands
Aggreko Euro Holdings B.V.+	The Netherlands
Aggreko Rest of the World Holdings B.V. +	The Netherlands
Aggreko (Investments) B.V. ++	The Netherlands
Aggreko Nederland B.V.	The Netherlands
Generatoren Koopmans B.V. ++++	The Netherlands
Aggreko Finance Limited +	UK
Aggreko Holdings Limited +	UK
Aggreko European Finance ++	UK
Aggreko International Projects Limited	UK**
Aggreko Pension Scheme Trustee Limited	UK
Aggreko UK Limited	UK
Aggreko US Limited	UK
Aggreko Generators Limited ++++	UK
Aggreko Luxembourg Holdings ++++	UK
Aggreko Quest Trustee Limited ++++	UK
CS1 Limited ++++	UK
Dunwilco (680) Limited ++++	UK
Rotor Wheel UK Limited ++++	UK
Aggreko Uruguay S.A.	Uruguay
Aggreko Holdings Inc +	USA
Aggreko USA LLC +	USA
Aggreko LLC	USA
Aggreko de Venezuela C.A.	Venezuela

* Registered in Cyprus ** Administered from Dubai and registered in the UK *** Registered in the Netherlands

\+ Intermediate Holding Company ++ Finance Company

+++ The financial year end of Aggreko Energy Rental India Private Limited is 31 March due to local taxation requirements

++++ Dormant Company

27 Acquisition of Northland Power Services

On 3 December 2010 the Group completed the acquisition of the business and assets of Northland Power Services. The purchase consideration, paid in cash, comprises a fixed element of $23.7 million (£15.4 million) and further payments up to a maximum of $2.0 million (£1.3 million) dependant on financial performance during 2011. The total £1.3 million has been accrued as this is considered the most likely outcome. The business acquired had revenue in 2010 of £7.7 million and operating profit of £0.8 million.

The acquisition method of accounting has been adopted and the goodwill arising on the purchase has been capitalised.

The details of the transaction and fair value of assets acquired are shown below:

	Initial book value £ million	Restatement to fair value £ million	Fair value £ million
Intangible assets	–	3.1	3.1
Property, plant and equipment	6.9	(1.3)	5.6
Inventories	0.2	–	0.2
Trade and other receivables	1.0	0.2	1.2
Trade and other payables	(0.6)	–	(0.6)
Net assets acquired	7.5	2.0	9.5
Goodwill			7.2
Consideration			16.7
Less contingent consideration			(1.3)
Net cash outflow			15.4

Intangible assets represent customer relationships and a non-compete agreement. Goodwill represents the value of synergies arising from the integration of the acquired business. Synergies include improved penetration into the oil and gas sector, increased knowledge of unconventional oil and gas applications as well as direct cost savings and the reduction of overheads.

28 Events occurring after the balance sheet date

On 7 March 2011 the Group entered into an agreement to acquire the business and assets of N.Z. Generator Hire Limited for a total cash consideration of £12.7 million. This business had revenue in 2010 of £6.0 million, operating profit of £1.1 million and net assets with a book value at 31 December 2010 of £10.4 million. The net assets were fleet assets and working capital. Given the timing of the transaction the fair value exercise will be completed during 2011.

Independent Auditors' Report to the Members of Aggreko plc

We have audited the parent company financial statements of Aggreko plc for the year ended 31 December 2010 which comprise the Company Balance Sheet, the Company Statement of Total Recognised Gains and Losses and the related notes to the Company financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement (set out on page 78), the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Aggreko plc for the year ended 31 December 2010.

Michael Timar (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Glasgow
10 March 2011

Company Balance Sheet

As at 31 December 2010

	Notes	2010 £ million	2009 £ million
Fixed assets			
Tangible assets	32	5.4	6.3
Investments	33	117.7	108.7
Deferred tax assets	38	6.7	3.4
		129.8	118.4
Current assets			
Debtors	34	553.1	543.5
Cash and cash equivalents		7.0	0.9
Current tax assets		–	0.4
		560.1	544.8
Creditors – amounts falling due within one year			
Borrowings	35	(26.9)	–
Derivative financial instruments	36	(1.1)	–
Other creditors	37	(222.8)	(173.7)
Net current assets		309.3	371.1
Total assets less current liabilities		439.1	489.5
Creditors – amounts falling due after more than one year			
Borrowings	35	(101.2)	(180.0)
Derivative financial instruments	36	(8.4)	(6.7)
Retirement benefit obligation	39	(2.3)	(4.2)
Net assets		327.2	298.6
Shareholders' equity			
Share capital	40	54.9	54.7
Share premium	41	14.8	13.3
Treasury shares	41	(49.6)	(25.8)
Capital redemption reserve	41	0.1	0.1
Hedging reserve	41	(6.5)	(4.4)
Profit and loss account	41	313.5	260.7
Total shareholders' equity		327.2	298.6

Approved and authorised for issue by the Board on 10 March 2011 and signed on its behalf by:

P G Rogerson
Chairman

A G Cockburn
Finance Director

The notes on pages 123 to 130 form part of these Accounts.

Accounts

Company Statement of Total Recognised Gains and Losses

For the year ended 31 December 2010

	2010 £ million	2009 £ million
Profit for the financial year	77.6	193.5
Actuarial losses on retirement benefits	(0.6)	(2.1)
Movement in deferred tax on pension liability	0.2	0.6
Cashflow hedges (net of deferred tax)	(2.1)	10.0
Total recognised gains for the financial year	75.1	202.0

Notes to the Company Accounts

For the year ended 31 December 2010

29 Company accounting policies

Accounting convention

These financial statements have been prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain financial instruments in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. A summary of the more important Company accounting policies is set out below.

Tangible fixed assets

Tangible fixed assets are carried at cost less accumulated depreciation and impairment losses. Cost includes purchase price, and directly attributable costs of bringing the assets into the location and condition where it is capable for use. Borrowings costs are not capitalised.

Fixed assets are depreciated on a straight line basis at annual rates estimated to write off the cost of each asset over its useful life from the date it is available for use. The principal period of depreciation used is as follows:

Vehicles, plant and equipment	4 to 15 years.

Impairment of tangible fixed assets

Tangible fixed assets are depreciated and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is calculated using estimated cashflows. These are discounted using an appropriate long-term pre-tax interest rate. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (income-generating units).

Foreign currencies

At individual Company level, transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs. At the year end, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary assets are translated at the historical rate. In order to hedge its exposure to certain foreign exchange risks, the Company enters into forward foreign exchange contracts. The Company's financial statements are presented in Sterling, which is the Company's presentational currency.

Derivative financial instruments

The accounting policy is identical to that applied by the consolidated Group as set out on pages 90 to 91, however the UK GAAP standards are applied, specifically FRS 26 'Financial instruments: Measurement' and FRS 29 'Financial instruments: Disclosure'.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate.

Cash flow statement and related party disclosures

The Company is included in the Group Accounts of Aggreko plc, which are publicly available. Consequently, the Company is not required to produce a cash flow statement. The Company is also exempt under the terms of Financial Reporting Standard 8 'Related Party Disclosures' from disclosing related party transactions with entities that are part of the Group.

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Notes to the Company Accounts continued
For the year ended 31 December 2010

29 Company accounting policies continued
Pensions
The Company operates both a defined benefit pension scheme and a defined contribution pension scheme. The accounting policy is identical to that applied by the consolidated Group as set out on page 92.

Investments
Investments in subsidiary undertakings are stated in the balance sheet of the Company at cost, or nominal value of the shares issued as consideration where applicable, less provision for any impairment in value. Share-based payments recharged to subsidiary undertakings are treated as capital contributions and are added to investments.

Leases
Leases where substantially all of the risks and rewards of ownership are not transferred to the Company are classified as operating leases. Rentals under operating leases are charged against operating profit on a straight line basis over the term of the lease.

Grants
Capital grants in respect of additions to fixed assets are treated as deferred income and released to the income statement over the estimated operational lives of the related assets.

Share-based payments
The accounting policy is identical to that applied by the consolidated Group as set out on page 92 with the exception that shares issued by the Company to employees of its subsidiaries for which no consideration is received are treated as an increase in the Company's investment in those subsidiaries.

Dividend distribution
Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

30 Dividends
Refer to Note 10 of the Group Accounts.

31 Auditors' remuneration

	2010 £000	2009 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	130	124
Fees payable to the Company's auditor and its associates for other services:		
– Other services pursuant to legislation	28	27
– All other services	122	35

32 Tangible fixed assets

	Total £ million
Cost	
At 1 January 2010	18.9
Additions	1.4
Disposals	(0.2)
At 31 December 2010	**20.1**
Accumulated depreciation	
At 1 January 2010	12.6
Charge for the year	2.3
Disposals	(0.2)
At 31 December 2010	**14.7**
Net book values:	
At 31 December 2010	**5.4**
At 31 December 2009	6.3

The tangible fixed assets of the Company comprise vehicles, plant and equipment.

33 Investments

	£ million
Cost of investments in subsidiary undertakings:	
At 1 January 2010	108.7
Additions	5.1
Net impact of share-based payments	1.7
Exchange	2.2
At 31 December 2010	**117.7**

Details of the Company's principal subsidiary undertakings are set out in Note 26 to the Group Accounts.

34 Debtors

	2010 £ million	2009 £ million
Prepayments and accrued income	0.2	0.6
Other receivables	0.6	0.4
Amounts due from subsidiary undertakings	552.3	542.5
	553.1	543.5

35 Borrowings

	2010 £ million	2009 £ million
Non-current		
Bank borrowings	101.2	180.0
Current		
Bank overdrafts	3.7	–
Bank borrowings	23.2	–
	26.9	–
Total borrowings	128.1	180.0

The bank overdrafts and borrowings are all unsecured.

(i) Maturity of financial liabilities
The maturity profile of the borrowings was as follows:

	2010 £ million	2009 £ million
Within 1 year, or on demand	26.9	–
Between 1 and 2 years	–	151.1
Between 2 and 3 years	81.8	–
Between 3 and 4 years	–	28.9
Between 4 and 5 years	19.4	–
	128.1	180.0

(ii) Borrowing facilities
The Company has the following undrawn committed floating rate borrowing facilities available at 31 December 2010 in respect of which all conditions precedent had been met at that date:

	2010 £ million	2009 £ million
Expiring within 1 year	68.0	–
Expiring between 1 and 2 years	30.0	215.9
Expiring between 2 and 3 years	166.6	97.1
Expiring between 3 and 4 years	–	31.1
Expiring between 4 and 5 years	205.5	–
Expiring after 5 years	–	–
	470.1	344.1

Notes to the Company Accounts continued

For the year ended 31 December 2010

35 Borrowings continued

Towards the end of 2010, we refinanced £459 million of bank facilities, putting in place new facilities with maturities of 3 and 5 years. In addition, since the year end, we have for the first time raised funding in the US private placement market, securing US$275 million (£177 million), with maturities ranging between 7 and 10 years and with the same financial covenants as our banking facilities. Drawdown of these funds will take place in mid March 2011. A further £9.6 million of bank facilities, arranged prior to the year end, became available for drawdown on 3 February 2011.

(iii) Interest rate risk profile of financial liabilities

The interest rate profile of the Company's financial liabilities at 31 December 2010, after taking account of the interest rate swaps used to manage the interest profile, was:

				Fixed rate debt	
	Floating rate £ million	Fixed rate £ million	Total £ million	Weighted average interest rate %	Weighted average period for which rate is fixed Years
Currency:					
Sterling	1.9	–	1.9	–	–
US Dollar	15.3	93.6	108.9	4.6	5.8
Euro	–	17.3	17.3	5.0	2.6
At 31 December 2010	**17.2**	**110.9**	**128.1**		
Sterling	39.0	–	39.0	–	–
US Dollar	18.6	89.5	108.1	4.6	6.8
Euro	15.1	17.8	32.9	5.0	3.6
At 31 December 2009	72.7	107.3	180.0		

The floating rate financial liabilities principally comprise debt which carries interest based on different benchmark rates depending on the currency of the balance. The principal benchmark rates for floating rate financial liabilities are the relevant LIBOR (London Interbank Offered Rate) rates for Sterling, Dollars and Euros and liabilities are normally fixed in advance for periods between one and three months.

The effect of the Company's interest rate swaps is to classify £110.9 million (2009: £107.3 million) of borrowings in the above table as fixed rate.

The notional principal amount of the outstanding interest rate swap contracts at 31 December 2010 was £110.9 million (2009: £107.3 million).

(iv) Preference share capital

	2010 Number	2010 £000	2009 Number	2009 £000
Authorised:				
Redeemable preference shares of 25 pence each	**199,998**	**50**	199,998	50

No redeemable preference shares were allotted as at 31 December 2010 and 31 December 2009. The Board is authorised to determine the terms, conditions and manner of redemption of redeemable shares.

36 Financial instruments

(i) Fair values of financial assets and financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair values of the Company's financial assets and financial liabilities at 31 December 2010. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. Where available, market values have been used to determine fair values.

	2010		2009	
	Book value £ million	**Fair value £ million**	Book value £ million	Fair value £ million
Primary financial instruments held or issued to finance the Company's operations:				
Current bank borrowings and overdrafts	(26.9)	(26.9)	–	–
Amounts due to subsidiary undertakings	(205.3)	(205.3)	(158.4)	(158.4)
Non-current bank borrowings	(101.2)	(101.2)	(180.0)	(180.0)
Derivative financial instruments held:				
Interest rate swaps	(9.5)	(9.5)	(6.7)	(6.7)

(ii) Summary of methods and assumptions

Interest rate swaps and forward foreign currency contracts

Fair value is based on market price of these instruments at the balance sheet date.

Current borrowings and overdrafts/liquid resources

The fair value of liquid resources and current borrowings and overdrafts approximates to the carrying amount because of the short maturity of these instruments.

Non-current borrowings

In the case of bank loans and other loans, the fair value approximates to the carrying value reported in the balance sheet as the majority are floating rate where payments are reset to market rates at intervals of less than one year.

(iii) Financial instruments

Numerical financial instruments disclosures are set out below. Additional disclosures are set out in the financial review and accounting policies relating to risk management.

	2010		2009	
	Assets £ million	**Liabilities £ million**	Assets £ million	Liabilities £ million
Less than one year:				
Interest rate swaps – cash flow hedge	–	(1.1)	–	–
Forward foreign currency contracts – cash flow hedge	–	–	–	–
More than one year:				
Interest rate swaps – cash flow hedge	–	(8.4)	–	(6.7)
	–	(9.5)	–	(6.7)

Net fair values of derivative financial instruments

The net fair value of derivative financial instruments and designated for cash flow hedges at the balance sheet date were:

	2010 £ million	2009 £ million
Contracts with positive fair values:		
Forward foreign currency contracts	–	–
Contracts with negative fair values:		
Interest rate swaps	(9.5)	(6.7)
Forward foreign currency contracts	–	–
	(9.5)	(6.7)

The net fair value losses at 31 December 2010 on open interest rate swaps that hedge interest risk are £9.5 million (2009: losses of £6.7 million). These will be debited to the income statement interest charge over the remaining life of each interest rate swap.

Notes to the Company Accounts continued

For the year ended 31 December 2010

36 Financial instruments continued

(iv) The exposure of the Company to interest rate changes when borrowings reprice is as follows:

As at 31 December 2010

	<1 year £ million	1-5 years £ million	>5 years £ million	Total £ million
Total borrowings	26.9	81.8	19.4	128.1
Effect of interest rate swaps	(29.0)	(17.3)	(64.6)	(110.9)
	(2.1)	64.5	(45.2)	17.2

As at 31 December 2009

	<1 year £ million	1-5 years £ million	>5 years £ million	Total £ million
Total borrowings	–	180.0	–	180.0
Effect of interest rate swaps	–	(45.6)	(61.7)	(107.3)
	–	134.4	(61.7)	72.7

As at 31 December 2010 and 31 December 2009 all of the Company's debt was exposed to repricing within 3 months of the balance sheet date.

The effective interest rates at the balance sheet date were as follows:

	2010	2009
Bank overdraft	1.9%	–%
Bank borrowings	0.9%	0.8%

37 Other creditors: amounts falling due within one year

	2010 £ million	2009 £ million
Accruals and deferred income	17.5	15.3
Amounts owed to subsidiary undertakings	205.3	158.4
	222.8	173.7

38 Deferred tax

	2010 £ million	2009 £ million
At 1 January	3.4	5.8
Credit to the income statement	2.6	1.4
Credit/(charge) to equity	0.7	(3.8)
At 31 December	6.7	3.4
Deferred tax provided in the Accounts is as follows:		
Accelerated capital allowances	(0.2)	(0.5)
Other timing differences	6.9	3.9
	6.7	3.4
Deferred tax asset relating to pension deficit:		
At 1 January	1.6	2.2
Deferred tax charge to income statement	(0.9)	(1.2)
Deferred tax credited to Statement of Total Recognised Gains and Losses	0.2	0.6
	0.9	1.6

39 Pension commitments

	2010 £ million	2009 £ million
FRS 17 Deficit in the scheme (Refer to Note 25 of the Group Accounts)	(3.2)	(5.8)
Related deferred tax asset	0.9	1.6
	(2.3)	(4.2)

40 Share capital

	2010 Number	2010 £000	2009 Number	2009 £000
Allotted, called up and fully paid:				
Ordinary shares of 20p each	274,318,271	54,864	273,473,338	54,695

During the year 631,527 Ordinary shares of 20 pence each have been issued at prices ranging from £1.17 to £7.11 (US$10.64) to satisfy the exercise of options under the Savings-Related Share Option Schemes ('Sharesave') and Executive Share Option Schemes by eligible employees. In addition 213,406 shares were allotted to US participants in the Long-term Incentive Plan by the allotment of new shares at 20 pence per share. Net proceeds from the issue of Ordinary shares were £1.7 million (2009: £3.4 million).

41 Reconciliation of movements in shareholders' funds

	Called up share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Hedging reserve £ million	Profit and loss account £ million	Capital and reserves £ million
1 January 2010	54.7	13.3	(25.8)	0.1	(4.4)	260.7	298.6
Profit for the financial year	–	–	–	–	–	77.6	77.6
Dividends	–	–	–	–	–	(39.7)	(39.7)
Fair value losses on interest rate swaps	–	–	–	–	(2.8)	–	(2.8)
Credit in respect of employee share awards	–	–	–	–	–	18.7	18.7
Issue of ordinary shares to employees under share option schemes	–	–	3.4	–	–	(3.4)	–
Actuarial losses on retirement benefits	–	–	–	–	–	(0.6)	(0.6)
Deferred tax on items taken to equity	–	–	–	–	0.7	0.2	0.9
New share capital subscribed	0.2	1.5	–	–	–	–	1.7
Purchase of treasury shares	–	–	(27.2)	–	–	–	(27.2)
31 December 2010	54.9	14.8	(49.6)	0.1	(6.5)	313.5	327.2

	Called up share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Hedging reserve £ million	Profit and loss account £ million	Capital and reserves £ million
1 January 2009	54.4	10.2	(20.5)	0.1	(14.4)	91.3	121.1
Profit for the financial year	–	–	–	–	–	193.5	193.5
Dividends	–	–	–	–	–	(28.6)	(28.6)
Fair value gains on interest rate swaps	–	–	–	–	10.6	–	10.6
Transfer from hedging reserve to net finance charge on early termination of interest rate swaps	–	–	–	–	3.1	–	3.1
Transfer from hedging reserve to net finance charge	–	–	–	–	0.1	–	0.1
Credit in respect of employee share awards	–	–	–	–	–	9.2	9.2
Issue of ordinary shares to employees under share option schemes	–	–	3.1	–	–	(3.1)	–
Actuarial losses on retirement benefits	–	–	–	–	–	(2.1)	(2.1)
Deferred tax on items taken to equity	–	–	–	–	(3.8)	0.5	(3.3)
New share capital subscribed	0.3	3.1	–	–	–	–	3.4
Purchase of treasury shares	–	–	(8.4)	–	–	–	(8.4)
31 December 2009	54.7	13.3	(25.8)	0.1	(4.4)	260.7	298.6

Notes to the Company Accounts continued
For the year ended 31 December 2010

42 Operating lease commitments – minimum lease payments

	2010 Land and buildings £ million	2009 Land and buildings £ million
Commitments under operating leases expiring:		
Within 1 year	–	–
Later than 1 year and less than 5 years	0.2	0.2
After 5 years	0.2	0.2
Total	0.4	0.4

43 Profit and loss account
As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The profit for the financial year of the Company was £77.6 million (2009: £193.5 million).

Directors' Report

Accounts

Shareholders

Shareholders

Shareholder Information

Payment of dividends by BACS

Many Shareholders have already arranged for dividends to be paid by mandate directly to their bank or building society account. The Company mandates dividends through the BACS (Bankers' Automated Clearing Services) system. The benefit to Shareholders of the BACS payment method is that the Registrar posts the tax vouchers directly to them, whilst the dividend is credited on the payment date to the Shareholder's bank or building society account. Shareholders who have not yet arranged for their dividends to be paid directly to their bank or building society account and wish to benefit from this service should request the Company's Registrar to send them a Dividend/Interest mandate form or alternatively complete the mandate form accompanying their dividend warrant and tax voucher in May 2011.

Overseas dividend payments

Capita Registrars has partnered with Travelex, the world's largest specialist provider of commercial international payment services, to provide you with a service that will convert your Sterling dividends into your local currency. Your dividend will then be conveniently paid directly into your local bank account. For further information about the International Payment Service from Capita Registrars, including details of how to apply, please visit www.capitaregistrars.com/international or call 0871 664 0385 (calls costs 10p per minute plus network extras) or +44 (0)20 8639 3405 (outside of UK) between 9.00 a.m. to 5.30 p.m. GMT. Alternatively you may wish to email your enquiry to IPS@capitaregistrars.com.

Online shareholder services and share dealing

Shareholders may wish to take advantage of the 'Online' enquiry service offered by the Registrar. This service allows a Shareholder to access his/her own account to verify address details and the number of shares held. The service can be obtained on http://shares.aggreko.com. The Registrar also offers a share dealing service to existing Shareholders.

Sharegift

We value all our Shareholders, no matter how many shares they own, but we do realise that some Shareholders hold on to small quantities of shares because they believe that the cost of selling them would make the transaction uneconomic. A free service is available to enable Shareholders with small holdings, should they so wish, to donate their shares to charity, and gain the benefit of tax relief on this donation. This scheme has been successfully adopted by several large quoted companies, and further details are available from the Secretary.

Officers and Advisers

Secretary and Registered Office

Peter Kennerley
8th Floor
120 Bothwell Street
Glasgow G2 7JS
United Kingdom
Tel 0141 225 5900
Fax 0141 225 5949
E-mail investors@aggreko.com
Company No. SC 177553

Registrars and Transfer Office

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom
Tel 0871 664 0300
(From outside the UK:
+44 (0)20 8639 3399)
Calls cost 10p per minute plus
network extras
Website www.capitaregistrars.com
E-mail ssd@capitaregistrars.com

Stockbrokers

UBS – London
Citigroup Global Markets – London

Auditors

PricewaterhouseCoopers – Glasgow
Chartered Accountants

Financial calendar

	Year ended 31 December 2010	6 months ending 30 June 2011
Results announced	10 March 2011	Late August 2011
Report posted	24 March 2011	Mid September 2011
Annual General Meeting	27 April 2011	
Ex-dividend date	13 April 2011	Late October 2011
Dividend record date	15 April 2011	Late October 2011
Dividend payment date	19 May 2011	Late November 2011

Boiler room scams

Over the last few years many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the Financial Services Authority (FSA) has reported that the average amount lost by investors is around £20,000.

It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation.
- Check that they are properly authorised by the FSA before getting involved. You can check at www.fsa.gov.uk/register/.
- Report the matter to the FSA either by calling 0845 606 1234 or visiting www.moneymadeclear.fsa.gov.uk.
- If the calls persist, hang up.

If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml.

Details of any sharedealing facilities that the company endorses will be included in company mailings.

More detailed information on this or similar activity can be found on the FSA website www.fsa.gov.uk/consumer/.

Financial Summary

Revenue £m

2010	1,229.9
2009	1,023.9
2008	946.6
2007	693.2
2006	540.7

Trading profit £m

2010	311.8
2009	252.5
2008	200.6
2007	132.9
2006	86.7

Trading margin %

2010	25.4
2009	24.7
2008	21.2
2007	19.2
2006	16.0

Dividend per share Pence

2010	18.90[3]
2009	12.60
2008	10.08
2007	8.06
2006	6.72

Profit before tax £m

2010	304.4
2009	244.0
2008	190.0
2007	124.2
2006	83.1

Diluted eps Pence

2010	78.98
2009	62.42
2008	45.56
2007	30.02
2006	19.87

Average number of employees

2010	3,714
2009	3,620
2008	3,223
2007	2,707
2006	2,229

Net operating assets £m

2010	1,065.8
2009	883.8
2008	951.8
2007	554.0
2006	470.2

Return on average capital employed %

2010	32.4
2009	29.0
2008	28.5
2007	26.7
2006	22.1

Capital expenditure £m

2010	268.8
2009	160.9
2008	265.2
2007	180.6
2006	128.0

Net debt £m

2010	132.2
2009	175.5
2008	364.0
2007	202.6
2006	205.2

Shareholders' funds £m

2010	814.4
2009	603.1
2008	464.8
2007	293.3
2006	226.2

1 2006 numbers are pre-exceptional items.
2 Trading profit represents operating profit before gain on sale of property, plant and equipment.
3 The Board is recommending a final dividend of 12.35 pence per ordinary share, which, when added to the interim dividend of 6.55 pence, gives a total for the year of 18.90 pence per ordinary share.

Glossary

Black Belt
Aggreko Black Belts undertake a year of intensive training in continuous improvement, spanning a blend of operations improvement, project management, change management and lean/six sigma tools and techniques. The Black Belts' focus is on the delivery of major, and often, group wide improvement projects and also in the training of our Orange Belts.

Names that are in bold and coloured black on the inside of the front and back cover indicate Aggreko Black Belts.

CO_2
Carbon dioxide.

Diluted earnings per share
Profit after tax divided by the diluted weighted average number of ordinary shares ranking for dividend during the relevant period, i.e. including the impact of share options.

EBITDA
Earnings before interest, tax, depreciation and intangible asset amortisation.

ERP system
A software package which is designed to manage all the operational and accounting functions of our business.

g/kWh
Emissions in grams per kilowatt hour.

Hub
A large service centre where large items of equipment are stored and serviced.

International Power Projects business
The part of our business which handles very large power contracts. Customers are mainly in developing countries but power projects can arise anywhere in the world.

kVA
A thousand volt amperes.

Local business
The part of our business that looks after customers local to our service centres in North, Central and South America, Europe, the Middle East, Africa, Asia and Australasia.

LWA
Sound power level at source.

MW
Megawatt – a million watts of electricity.

NOx
Oxides of nitrogen.

Orange Belt
The Orange Belts are trained for two weeks in improvement techniques and continue to work in their business area making localised improvements in service, sales and administration, ultimately aiming to make Aggreko more efficient and provide ongoing improvement for our customers.

Names that are in bold and coloured orange on the inside of the front and back cover indicate Aggreko Orange Belts.

Operating profit (Also known as EBIT)
Profit from operations after gain on sale of property, plant and equipment but before interest and tax.

Particulate
In general this term relates to visible smoke.

pp
Percentage points.

Profit after tax
Profit attributable to equity shareholders.

Returns on average capital employed
Calculated by dividing operating profit for a period by the average of the net operating assets as at 1 January, 30 June and 31 December.

Spoke
A small service centre which provides a logistics point from where equipment can be prepared and sent out quickly to customers.

Tier 1, Tier 2, Tier 3, Tier 4
US Federal Government target emission reduction levels.

Trading profit
Operating profit before gain on sale of property, plant and equipment.

Designed and produced by Tayburn Corporate

Head office
Aggregko plc
8th Floor
120 Bothwell Street
Glasgow G2 7JS
United Kingdom
Telephone 0141 225 5900
Fax 0141 225 5949
www.aggreko.com