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aggreko

USES EQUIPMENT ASSEMBLED TO ITS OWN UNIQUE DESIGNS, TO PROVIDE CUSTOMERS WITH INNOVATIVE SOLUTIONS FOR A WIDE RANGE OF APPLICATIONS.

aggreko

BELIEVES THAT STRONG GROWTH WILL BUILD LONG-TERM SHAREHOLDER VALUE. THIS CAN BE ACHIEVED BY EXPANDING AND ENHANCING THE PRODUCT RANGE THROUGH CONTINUED INVESTMENT IN FOCUSED, INNOVATIVE PRODUCTS.

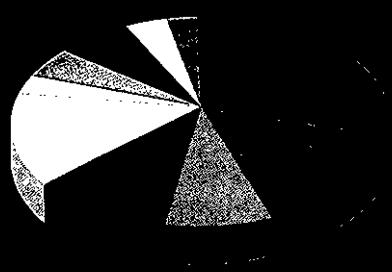
aggreko

HAS BROADENED ITS PRODUCT AND CUSTOMER BASE OVER 35 YEARS TO DELIVER SHAREHOLDER VALUE

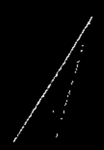
COMPANY HISTORY

[illegible]	BUSINESS FOUNDED IN NETHERLANDS
[illegible]	UK BUSINESS ESTABLISHED IN SCOTLAND
[illegible]	AGGREKO ACQUIRED BY CHRISTIAN SALVESEN
[illegible]	ELECTRIC RENTAL SYSTEMS INC. ACQUIRED TO GAIN A FOOTHOLD INTO THE NORTH AMERICAN GENERATOR MARKET
[illegible]	ENTRY INTO THE AIR CONDITIONING AND TEMPERATURE CONTROL RENTAL BUSINESS WITH THE ACQUISITION OF MOBILAIR AND PIERCE INDUSTRIAL AIR IN THE USA
[illegible]	ENTRY INTO THE ASIA PACIFIC REGION WITH THE ACQUISITION OF YEOW KONG ELECTRICAL COMPANY IN SINGAPORE
[illegible]	ACQUISITION OF GENERATOR RENTALS PTY IN AUSTRALIA
[illegible]	TEMPERATURE CONTROL BUSINESS INTRODUCED INTO EUROPE
[illegible]	DEMERGED FROM CHRISTIAN SALVESEN TO BECOME A SEPARATELY QUOTED PLC ON THE LONDON STOCK EXCHANGE
[illegible]	OIL FREE AIR COMPRESSORS LAUNCHED IN THE UK AND CONTINENTAL EUROPE

SERVING DIFFERENT SECTORS

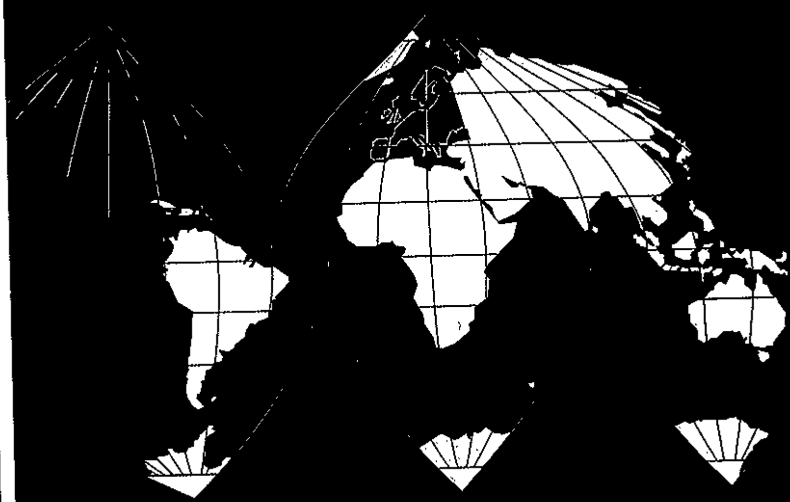


MANUFACTURING	30%	MINING	3%
UTILITIES	15%	REHIRE	5%
ENTERTAINMENT	8%	OTHER	7%
OIL & GAS	11%	SHIPPING	4%
CONSTRUCTION	14%	SERVICES SECTOR	3%



POWER	56%
TEMPERATURE CONTROL	20%
OIL FREE COMPRESSED AIR	4%
OTHER	20%

ACROSS THE WORLD



NORTH AMERICA	47%
EUROPE	36%
REST OF THE WORLD	17%

BOARD OF DIRECTORS

[illegible]

David Yorke

Stuart Paterson

[illegible]

Philip Rogerson

Derek Shepherd

Andrew Salvesen

Ronald Miller

Phil Harrower

Dr Christopher Masters †
(51) Executive Chairman
Dr Masters was Group Chief Executive of Christian Salvesen PLC from October 1989 until the demerger of Aggreko in September 1997 when he was appointed Executive Chairman of Aggreko plc. He had been a director of Christian Salvesen since 1987 and in 1984 he led the negotiations which resulted in the acquisition of Aggreko. Prior to joining Christian Salvesen in 1979 he worked for Shell Research N.V. in the Netherlands and Shell Chemicals in London. Currently, he is also a non-executive director of Scottish Widows' Fund and Life Assurance Society and the British Assets Trust plc as well as Chairman of the Scottish Higher Education Funding Council.

Philip Rogerson * § †
(54) Non-executive Deputy Chairman
Philip Rogerson is Chairman of Viridian Group plc. He was deputy chairman of BG plc (formerly British Gas plc) until February 1998 having been a director since 1992. Prior to joining BG plc he spent 14 years with ICI, latterly as General Manager – Finance. He is also non-executive chairman of Pipeline Integrity International Group Ltd and Bertram Group Ltd, a non-executive director of LIMIT plc, Wates City of London Properties plc, and KBC Advanced Technologies plc. He joined the Board of Aggreko plc prior to demerger in September 1997.

David Yorke †
(52) Managing Director
David Yorke joined Aggreko on its formation in the UK in 1973. He became Managing Director in 1986 and in 1988 moved to the Netherlands as Managing Director of Aggreko's European operations. In June 1992 he assumed responsibility for Aggreko's worldwide activities. From 1985 until 1989 he was on the board of the Industrial Services Division of Christian Salvesen PLC and served on the Group's management board from 1991 to the demerger when he was appointed Managing Director of Aggreko plc.

Stuart Paterson
(41) Finance Director
Stuart Paterson, a chartered accountant, joined Aggreko in July 1997 as Finance Director. He was previously European manufacturing controller of a division of Motorola having joined that company in 1990. Prior to that he worked with Hewlett Packard as Financial Controller of their Computer Peripherals division and has also worked with Price Waterhouse in Scotland and Australia.

Derek Shepherd
(56) Managing Director of Aggreko Europe
Derek Shepherd, a chartered engineer, left his position as managing director of Taylor Woodrow Nigeria to become international Managing Director of Gammon (HK) in Hong Kong and joined Aggreko in 1988 as Managing Director of the UK business. He was appointed Director of Aggreko Europe in 1991 and became Managing Director the following year. He joined the Board on demerger in September 1997. On 1 March 1999 he relinquished his position as Managing Director Europe in order to take responsibility for major international power generation projects along with the Group's activities in the Middle East and the Asia Pacific region.

Richard Bird
(52) Managing Director of Aggreko UK
Richard Bird joined Salvesen Food Services from Rank Hovis MacDougall as a Regional Director in 1985. He moved to Aggreko in 1991 as UK General Manager, becoming Managing Director of the UK business in 1992. He joined the Board on demerger in September 1997.

Philip Harrower
(42) President of Aggreko North America
Phil Harrower joined the Board on 28 January 1998, having been in the specialist rental industry for almost 25 years, starting as an apprentice in the pump rental business in 1974. He joined Aggreko in 1983 as the Scottish Rental Manager. In 1986 he moved to the USA as Vice President of Aggreko Inc. and was promoted to Executive Vice President in 1988.

Andrew Salvesen * § †
(51) Non-executive Director
Andrew Salvesen was a non-executive director of Christian Salvesen PLC between 1989 and the demerger in September 1997, when he was appointed to the Board of Aggreko plc. He has had 27 years' experience with Christian Salvesen, including being Managing Director of Christian Salvesen's former Oilfield Technology operations. He is a non-executive director of Smedvig ASA and Stirling Shipping Ltd as well as being Chairman of Robertson Research Holdings Limited and Canvas Holidays Limited. He is a member of the Court of the University of Aberdeen and a member of the council of the National Trust for Scotland.

Sir Ronald Miller CBE * § †
(61) Non-executive Director
Sir Ronald Miller was a non-executive director of Christian Salvesen PLC between 1987 and the demerger in September 1997, when he was appointed to the Board of Aggreko plc. He was formerly Chairman of Dawson International PLC from 1982 to 1995. He is a director of Securities Trust of Scotland PLC and a number of other companies and is Chairman of the Court of Napier University.

Company Secretary
Paul Allen (50)
Paul Allen, a chartered accountant, was divisional accountant of Christian Salvesen's Industrial Services division at the time of the Aggreko acquisition. In 1986, following the acquisition of the North American business he became Financial Controller of Aggreko Inc. He returned to the UK in 1993 and became Head of Finance for Aggreko in 1994. He was appointed Company Secretary on demerger in September 1997.

Board Committees Membership
*Audit, §Remuneration, †Nomination.

[illegible]

WE REMAIN TOTALLY COMMITTED TO GROWING THE BUSINESS BY PURSUING A STRATEGY BASED ON GEOGRAPHIC EXPANSION, PRODUCT DEVELOPMENT, MARKET CREATION AND GLOBAL MARKETING.

In our first full year as an independently quoted plc, Aggreko has grown pre-tax profits by 18.4% to £39.3 million and earnings per share by 16.3% to 9.48 pence.

Given the international nature of the Group's business, trading results expressed in constant currency are a better measure of overall performance. Compared to the previous year's pro forma results, operating profit in the year ended 31 December 1998 is, in constant currency, 21.9% up at £45.4 million on a turnover of £178.9 million, which is 13.6% ahead on the same basis.

The number and severity of the hurricanes in the southern states of the USA and the Caribbean during the latter half of the year resulted in our North American business experiencing abnormally high levels of generator utilisation. This produced an additional contribution to operating profit of some £1.3 million. However, even correcting for the favourable impact of the hurricanes, Group operating profit in constant currency is still 18.4% ahead. This is an excellent result and a great tribute to the hard work and commitment of our 1,400 people working around the globe from the Group's 110 locations in twenty countries.

We remain totally committed to growing the business by pursuing a strategy based on geographic expansion, product development, market creation and global marketing. In line with this strategy capital investment in the twelve months totalled £65.6 million; more than twice the annual depreciation charge and £25.3 million ahead of 1997. In addition to our normal rental fleet replacement and modernisation programme, we have invested almost £13.7 million in growing our oil free air compressor fleet and introducing this exciting new product into Europe.

During the course of the year, we have also made a significant commitment to further developing our large capacity power rental business in those countries around the world in which we have no permanent presence. International Power Projects has been established as a separate operating unit within the Group, with its own dedicated international sales force. Over £10 million has been invested in expanding our containerised generator fleet, and establishing a maintenance and shipping base in the free port of Jebel Ali in the United Arab Emirates.

Finally, on 4 December 1998 we completed the acquisition of Tower Tech Inc's entire rental fleet of modular state-of-the-art cooling towers for US$13.5 million and reached agreement to apply their patented technology to the rental market on a global basis. Not only does this represent an important extension to our temperature control business in the USA, but it also offers us the opportunity to rapidly introduce this product throughout the Group.

Looking to the year ahead we see no shortage of profitable investment opportunities to continue to grow the business. With this in mind the Board is recommending a final dividend of 2.47 pence which, when added to the interim dividend of 1.65 pence, gives a total for the year of 4.12 pence per ordinary share representing a 9.3% increase over the pro forma 1997 payment. Subject to approval by Shareholders, the final dividend will be paid on 28 May 1999 to ordinary Shareholders on the register as at 30 April 1999 with an ex-dividend date of 26 April 1999.

Although we have based our future investment plans on continuing strong growth in the demand for Aggreko's services around the world, our assembly operations are designed for maximum flexibility and, with relatively short lead times for key components, we can adjust our capital expenditure plans quickly to cope with changing market conditions. This flexibility, coupled with the fact that Aggreko is neither totally dependent on any single economy nor on any one sector within an economy, gives the Group great resilience in the current economic conditions.

The new financial year has started well and we continue to look to the future with confidence.

Dr Christopher Masters
Chairman
1 March 1999


OVER 5,000 GENERATORS IN 50 COUNTRIES AROUND THE GLOBE

POWER

SOLUTIONS AROUND THE WORLD, AROUND THE CLOCK

With a fleet of well over 5,000 diesel-powered generators specifically designed for the rental market, Aggreko provides electric power for temporary, emergency and standby applications, whenever and wherever required. The vast majority of the generating sets are contained within acoustic enclosures which are designed to minimise noise levels. The equipment is multi-functional to meet a wide range of customer demands and is specifically designed to be easily transported, both nationally and internationally. Single units range in size from 5kVA to over 1750kVA, but all can be readily operated in parallel to meet larger power requirements.

Aggreko's power customers – who span almost every sector within the global economy – require reliability and flexibility. In many countries, there is also an increasing demand for equipment that meets high environmental standards. Recent Aggreko developments include GreenPower generators, which meet the latest standards in the USA and Europe for emission and pollutant control, and SuperHush generators, which have been specifically designed to be used where exceptionally low noise levels are required.

Flexibility, adaptability and mobility are the hallmarks of the Aggreko fleet which, over the last five years, has grown by more than 50% to nearly 1500MVA – more than enough to supply the total peak power requirements of a city the size of Glasgow.

As well as generators, Aggreko's power fleet includes cable, transformers, switchgear, distribution panels, fuel tanks – everything required to provide electrical power anywhere, anytime, to any customer, no matter what the size or the complexity of the requirement.

The net result is that Aggreko's power rental business is not solely dependent on any one economy or on any one sector within an economy, thus giving resilience and quality to the Group's earnings.

QUALITY EARNINGS ENHANCING SHAREHOLDER VALUE

INNOVATIVE SOLUTIONS FOR A DIVERSE INTERNATIONAL CUSTOMER BASE

TEMPERATURE CONTROL

FROM PROCESS COOLING TO AIR CONDITIONING

Temperature control equipment consists of water chillers, air conditioners, heaters and desiccant dryers. Aggreko has significantly expanded its temperature control business, increasing total fleet capacity by over 200% to 400MW in the last five years.

Aggreko water chillers range in capacity from 30kW to 3000kW in single units which can be connected in parallel to provide larger cooling requirements. Modular, state-of-the-art cooling towers complement the chillers and can be used either in combination or separately, to provide chilled fluids which are used for cooling in a variety of industrial processes, including the petrochemical, pharmaceutical and micro-electronics industries.

Aggreko designs and assembles units which can be used to achieve temperatures as low as minus 40 degrees centigrade. The fleet also includes air conditioning units with capacities ranging from 30kW to 250kW which are used in offices, hospitals, temporary buildings and by the entertainment industry.

Aggreko's electric and fume-free, indirect, oil-fired heaters are used for heating buildings, tents and vessels and for maintaining correct temperatures for drying paints and coatings. They can be used in combination with other drying and heating equipment. New applications are constantly being developed: from maximising production in temperature dependable process industries, to air conditioning a computer centre or freezing water for temporary ice rinks in city centres throughout Europe.

Aggreko's engineers, technicians and sales team are continually creating new markets for the Group's products.

MARKET CREATION ENHANCING SHAREHOLDER VALUE

STATE-OF-THE-ART TECHNOLOGY SERVING RAPIDLY GROWING MARKETS

OIL FREE COMPRESSED AIR

SETTING A NEW INTERNATIONAL STANDARD

Using state-of-the-art technology, Aggreko's engineers have designed the latest addition to its specialist rental fleet – a diesel powered compressor capable of delivering 900 to 1500 CFM of 100% oil free air at pressures up to 135psi. As with all Aggreko equipment, the units have been designed for maximum flexibility, adaptability and mobility. They meet the highest environmental standards in terms of exhaust emissions and incorporate 'save all' bases which, in the event of an internal rupture or leak, can contain all the operating fluids, thus minimising the chance of ground contamination.

Oil free compressed air is increasingly used in activities which require the total elimination of oil based contaminants, such as in the food, chemical, pharmaceutical and hi-tech industries.

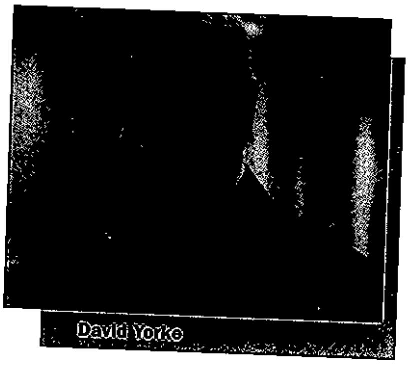
Over 70% of Aggreko's existing customer base uses oil free air in applications as diverse as spray painting in the American automotive industry and automated production in Scottish hi-tech manufacturing.

Contamination free compressed air is required to operate critical instrumentation or controls which direct the manufacturing process in an increasing number of operations by starting, stopping, triggering, modulating or otherwise directing machines and processes.

It is widely used in the micro-electronics industry and 'clean room' environments as well as in the food and pharmaceutical industries to move delicate or sensitive products through the manufacturing process.

Aggreko oil free compressors incorporate a number of innovative design features, including the lowest discharge air temperature available from a rental machine, which give the Group a significant competitive edge in the international rental market.

PRODUCT INNOVATION ENHANCING SHAREHOLDER VALUE



David Yorke

1998 Operating Review

In 1998, the first full year as an independent company, Aggreko has produced an excellent result. When compared with the previous year, operating profit was 17.2% ahead at £45.4 million and margins in the period increased from 23.7% to 25.4%. Revenues in sterling terms increased by 9.5% to £178.9 million.

During the course of 1998, we increased our infrastructure to 110 depot and agent locations in twenty countries; opening ten new depots in North America, two in Australia and two in Europe. The success of Aggreko International Power Projects contributed to winning contracts in over thirty countries where we have no permanent establishment. This expansion of our operations has seen employee numbers rise by 300, reaching almost 1,400 at the year end.

I would like to record my personal thanks to all our employees, many of whom have made exceptional contributions to the business in the pursuit of customer satisfaction.

North America

The performance of our North American business in 1998 can be best described in one word – outstanding. Whilst the year may well be remembered for the North Eastern ice storms in the first quarter and hurricanes at the end of the third, the business overall delivered substantial growth from every product and from almost every market segment. In constant currency year on year revenues have grown by 23.7% and operating profit by 27.1% resulting in an increase in operating margin to 26.1%.

Contributing $36.4 million operating profit, North America was again our single largest market. During the year, we opened ten new depots. It is worth noting that, whilst most of these locations will not reach profitability until 1999, all the costs associated with their set-up have been absorbed during the year.

In our core industrial market we maintained a strong presence, supplying customers such as International Paper and Union Carbide. We also supplied equipment to a number of utilities including a 20MW installation for Commonwealth Eddison and again provided power for the transmission of many televised sporting events.

This work and our increased exposure to newer sectors has maintained satisfactory levels of fleet utilisation. In addition abnormally high levels of generator utilisation were experienced during the second half, principally as a result of hurricane 'Georges', which contributed $2.1 million to operating profit.

Our temperature control business also enjoyed a very successful year. In the industrial sector we carried out our largest ever installation, supplying a 7200 ton chiller package to Northeast Utilities. We supplied smaller packages for a similar application at two BP chemical plants as well as significantly increasing our presence in newer sectors, particularly food and beverage production.

In December we expanded our temperature control business by acquiring Tower Tech Inc's entire rental fleet of modular cooling towers. This equipment is complementary to our existing fleet and will allow us to expand the size and range of applications we can offer to our customers.

During the year we made enormous strides with our high quality oil free air compressors and associated drying equipment, growing revenues in excess of 70% to $11.6 million. By being close to our customer base and offering inventive solutions, we have been able to both broaden applications for this product and substantially increase our market share.

Europe

As a result of using a significant proportion of the large European power fleet in servicing long term contracts in West Africa, revenues only increased by 2.2% to £65.2 million, resulting in operating profit of £13.6 million. Operating margins were slightly reduced from 21.9% to 20.9%, principally as a result of the costs associated with the launch of oil free air compressors and the opening of new purpose built locations in Leipzig and Frankfurt, as well as new depots in Nantes and Aberdeen.

Despite the constraints on large capacity generators, the European power business has performed well with less dependence on winter peak shaving. In France we supplied power to the football World Cup and are currently supplying a 4MW package during the eight month refurbishment of the Eiffel Tower. Although the North Sea oil and gas sector declined during 1998, we increased our market share in the industrial, construction and utility sectors. In Germany, we have seen a slight decrease in the construction sector and a modest increase in industrial business.

Our temperature rental business has continued to grow strongly throughout Europe: revenues have grown by 15.3% driven by a significant increase in fleet and the further recruitment of specialist sales engineers. We have carried out industrial chilling applications for high profile customers including Zeneca, Daimler Benz, Birds Eye Walls and Degussa and completed contracts for temporary ice rinks in cities such as Brussels, Paris, Vienna and Berlin.

During the summer, we launched our 1500 CFM diesel oil free air compressors and associated accessories across Europe. They have been well received by the market particularly in the pharmaceutical, food manufacturing and automotive sectors. In the last few months we have completed contracts for both existing and new blue chip customers that include Shell, Mars, Volkswagen, Honda, and Roche.

Rest of the World

Aggreko's business in the Rest of the World has also had an extremely successful year. Operating profits have grown by 59.4% from £4.5 million to £6.7 million on revenues of £29.4 million, and operating margin has increased from 15.0% to 22.9%.

In Australia, the Asian crisis and the fall in base metal prices had a serious impact on the domestic market. Despite this, however, two new depots at Karratha and Kalgoorlie were opened in Western Australia and were profitable by the year end. We continued to be active in the shipping business and in New Zealand the contract gained with the electrical utility in Auckland ran on until October at which time the normal power supply was restored.

The business in Singapore performed extremely well principally as a result of vastly increased work from ship repair yards, and in Indonesia we traded profitably despite the political upheaval. Similarly in Malaysia, although volumes were significantly reduced, we traded profitably benefiting from a power contract at the Commonwealth Games.

Our business in the Middle East experienced another year of dynamic growth, fuelled by the first full year of operation in Saudi Arabia. Work was carried out on the Shaiba oil field; at a steel works in Jubail; and at a new cement works at Tabuk. Our Qatar business continued to grow boosted by a 5MW high voltage contract with Mearsk. In Oman, projects were carried out on the site of a new gas plant, and at the new port of Salalah. In Dubai and Abu Dhabi, continued demand for power in shipping, defence as well as oil and gas, was supplemented by increased demand for loadbanks.

Aggreko International Power Projects has been established with the clear objective of securing power contracts in countries where Aggreko has no permanent presence. During the year, we have successfully commissioned projects in Egypt, Bosnia, Benin and Ghana; the largest being a 30MW utility contract in Ghana which is expected to run until December 1999. In order to be more proactive in meeting future demand and reduce fleet constraints on existing operations, we have established an international sales force and a dedicated rental fleet. To service this fleet we are currently constructing a base in the free port of Jebel Ali in the United Arab Emirates.

Year 2000

Aggreko's objective is to ensure, so far as practical, that its rental products will not be adversely affected by the 'millennium bug'. A comprehensive review has been conducted of all components used in the manufacture of our rental products since March 1988. Questionnaires have been sent to all suppliers of components requesting a statement of compliance for all components which have or may have embedded systems or which process date information. We have received compliance statements for all such components and no areas of concern have been highlighted by suppliers.

We believe that the millennium does offer business opportunities for the Aggreko power fleet, particularly in the entertainment sector. This will not be at the expense of our core customers, and consequently our involvement will be limited to fleet not normally hired at that time of year.

The Environment

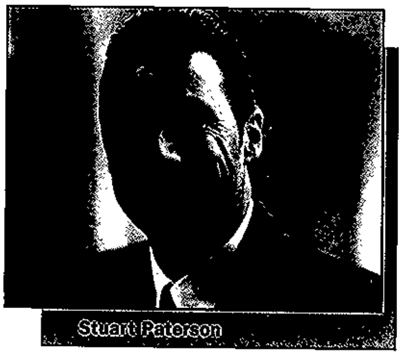
It is the policy of Aggreko at all times to be aware of the implications of our activities on the surrounding environment, and on the communities within which we operate. Wherever practical, action will be taken not just to comply with all statutory requirements but to work towards the best relevant practice.

Our Employees

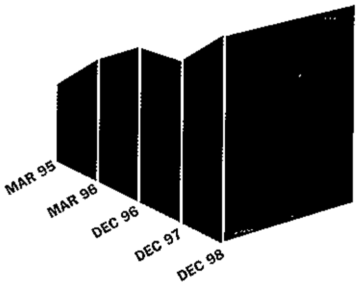
In 1998 we spent £0.8 million – equivalent to 2% of our total wage bill – ensuring that all employees were properly equipped, through thorough training, to maximise their contribution. Included in our training programme, all employees were made aware of the Group's commitment to health and safety, and our constant drive to reduce work-related accidents. Without question, the 1,400 people that Aggreko employs world-wide are the Group's biggest asset and most formidable competitive edge.

Overall, when measured in terms of growth, 1998 was a successful year. We continued to develop our business both geographically, by opening more locations, and by product, in offering the complete equipment range through more of our depot network. All of this would have been impossible to achieve, without the dedication of all our employees throughout the world.

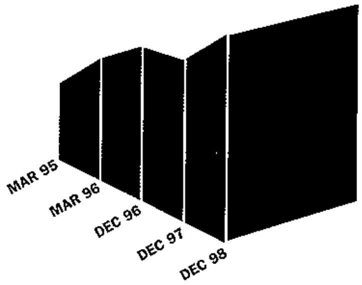
David Yorke
Managing Director
1 March 1999


Stuart Paterson

OPERATING PROFIT £m



RETURN ON AVERAGE NET OPERATING ASSETS %



Introduction

This was the first full financial year of Aggreko plc as a separately quoted company. Prior year comparatives have been provided both for the year ended 31 December 1997 on a pro forma basis and for the period since incorporation of Aggreko plc.

We have made two changes to the presentation of our 1998 results:

- our segmental analysis combines UK and Continental Europe, consistent with our operating strategy;
- operating profit has been shown before gain on sale of fixed assets to better demonstrate the underlying trading performance of each region.

Revenues

Total revenues growth was 9.5% in sterling over pro forma 1997. When measured in constant currencies the growth was 13.6%. The growth in the second half of 1998 was particularly strong as the first half investments in fleet and infrastructure made their contribution with growths of 18.3% and 22.2% over second half 1997 in sterling and constant currencies respectively. The second half also benefited from an unusually busy hurricane season in North America which generated additional revenues of £3.6 million. Adjusted for this, the growth in the year would have been 7.3% and 11.3% in sterling and constant currencies respectively.

Operating Profit

Growth in profit at the operating level was 17.2%, however the underlying growth in operating profit in constant currencies was 21.9%. This includes the contribution from the hurricanes at £1.3 million. Adjusted for that, the growth over 1997 would have been 13.9% in sterling and 18.4% in constant currencies. The adverse impact of the strong pound on the translation of our foreign currency profits was £1.5 million. Currency transaction gains and losses were however minimal as our revenues and costs in each region are mainly denominated in the same currencies and, in the rare occasions that this is not the case, the revenues are sold forward to ensure no currency risks are carried.

Operating margins improved in the year from 23.7% to 25.4% principally as a result of the actions taken in the first half to improve the margins in our Continental Europe and Rest of the World businesses. In the second half these improvements were maintained and together with continued focus on quality revenue, strong financial management and the ability to respond to the exceptional requirements of the North American hurricane season resulted in an additional margin improvement of 0.7% over that achieved in the same period last year. With these margins and the increased asset base, the return on average net operating assets for the full year was 26.6% in comparison with 24.9% in pro forma 1997.

The acquisition of the rental fleet of Tower Tech Inc. on 4 December 1998 had no impact on the reported results for the year.

Interest

The interest charge for the year was £6.1 million, an increase of 10.9% on pro forma 1997. The increase was due mainly to higher interest rates on the increased level of debt required to fund the continued business growth. The interest rate exposure is managed through swaps which are authorised by the Board. Our Dollar and European currency debt is covered by swaps through to May 1999 and December 1999 respectively. Interest cover for 1998 was 7.4 times.

Taxation

The Group's tax charge of £14.2 million in the accounts comprises tax payable on the Group's profit on ordinary activities, and includes a charge for deferred taxation. The Group's effective tax rate was 36.0% which was below our weighted average rate of 38.0%, based on the jurisdictions where we earned our profits. This improvement is considered maintainable.

Earnings per Share
The calculated earnings per share for the year was 9.48 pence, an increase of 16.3% over the 1997 pro forma figure of 8.15 pence. There was no dilution to earnings per share in 1997 or 1998.

Dividends
The proposed dividend for the year is 4.12 pence. This is a 9.3% increase over the pro forma 1997 figure of 3.77 pence. The interim dividend declared in August 1998 was 1.65 pence so the final dividend, subject to approval of the recommendation, will be 2.47 pence.

Balance Sheet
Shareholders' funds at 31 December 1998 were £80.9 million, represented by the net assets of the business of £164.0 million before the net debt of £83.1 million. The net debt has increased from £75.1 million at 31 December 1997 because of the requirement to fund the higher level of capital investment which in the year totalled £65.6 million and which included the initial £7.3 million payment in respect of the purchase of the rental assets of Tower Tech Inc.

This level of capital investment resulted in an increase in fixed assets of £30.9 million in the year. The increase in fixed assets and the value of other net assets in the business has been impacted by the value of sterling on translation for reporting purposes. The increase in the exchange translation reserve in the year was £3.4 million.

Treasury
The Group's treasury function is charged with two key responsibilities, namely to ensure that cost effective funding is available to adequately support the operating activities of the Group, and to manage both the exchange rate and interest rate exposures within the business. In order to continue to do this effectively and benefit from reduced interest rates, the Sterling and Dollar debt at 31 December 1997 has been rolled over into a combination of Sterling, Dollars and Guilders which is representative of the net assets in the business. This Guilder debt has been replaced with Euro debt subsequent to the year end.

The Group's treasury function is not permitted to enter into any transactions of a speculative nature.

The bank facilities negotiated at the demerger are based on a five year committed borrowing, covering the core debt and an additional one year facility to cover any additional working capital requirement.

Cash Flow and Funding
The Group continues to be strongly cash generative. Net cash inflow from operating activities during the year totalled £72.2 million.

The level of debt in the business was supported by the strong level of interest cover. The gearing at the period end was 103%.

Year 2000
The Group has conducted a comprehensive review of all software and hardware potentially impacted by the year 2000. For those applications not currently compliant, action plans have been put in place. In addition to computer systems this review has included all of our rental assets and appropriate enquiries of our principal trading partners and suppliers. The costs of the actions already taken and the plans identified are not significant and are being absorbed within the normal operating activities of the Group.

European Monetary Union
Aggreko has encouraged early adoption of the Euro. We are in a position to deal with all suppliers and customers in Euros if that is the currency of their choice. All of our Continental Europe operating budgets have been prepared in Euros and internal reporting for 1999 will be in that currency. The costs incurred by the Group for the implementation of the Euro are not significant.

Going Concern
The Directors, having made all the relevant enquiries, consider that the Group and the Company have the 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.

Stuart R. Paterson
Finance Director
1 March 1999

The Directors confirm that the Company complies with Principle B2 and the underlying specific Provisions of the Combined Code. The Directors also confirm that full consideration has been given to Principle B1 and the underlying specific Provisions of the Combined Code in determining the Company's policy on remuneration for its Executive Directors, including service contracts and compensation. The Auditors have confirmed that they have audited the information specified for their review by the London Stock Exchange concerning the disclosures required for individual Directors' remuneration and share options. Details of each individual Director's remuneration are set out on page 20. Information on Directors' share and share option interests may be found on pages 21 and 22.

Remuneration Committee: Composition, Responsibilities and Operation

The membership of the Remuneration Committee is entirely non-executive and the names are listed on page 5. They have no personal financial interest other than as shareholders in the matters to be decided, no potential conflicts of interest arising from cross-directorships and no day-to-day operational responsibility within the Group. The Committee's principal function is to determine the policy on remuneration for the most senior executives and to approve the specific remuneration of the Chairman, the Executive Directors and the Secretary, including their service contracts.

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. In exercising its responsibilities the Committee has access to professional advice, both inside and outside the Company, and consults with the Executive Chairman and the Managing Director about its proposals.

Remuneration Policy

The Company's policy is to attract, retain and motivate high quality senior management with a competitive package of incentives and rewards linked to performance and the interests of shareholders. Market rates will determine the range of remuneration levels for a particular job and an individual's position in that range will reflect the overall contribution to business performance. The principal components of the remuneration packages are:

- Salary

  In arriving at the basic salary element the evaluation of an executive's responsibilities is based on a well established external assessment system which takes into account the know-how required to do the job, the problem-solving and decision-making involved and the overall impact on the business. This assessment enables comparison to be made with the salary levels in over 400 companies in the Industrial and Service sector in the UK. The salary levels suggested by this primary data source are also checked against a number of specialist functional and industry sector surveys. The same external assessment system is used to provide comparative salary data as a basis for evaluating both expatriate and overseas positions. This is supplemented by further international survey information from recognised sources.

- Annual Cash Bonuses

  Executive Directors participate in a scheme which allows them to earn cash bonuses based upon corporate and individual performance. Currently the bonus relating to corporate performance is payable on a graduated scale related to growth in earnings per share before exceptional items. The performance criteria are designed to enhance the business, a maximum bonus of 30% of basic salary being payable in respect of a 20% improvement in earnings per share. The Remuneration Committee does, however, have discretion to reward outstanding individual achievement.

- Share Option Schemes

  The Company believes that employee share schemes encourage the matching of interests between employees and shareholders. Six month's service is required for eligibility to participate. In April 1998 SAYE share option schemes were successfully launched in Europe and North America and it is intended to extend these schemes to Australia, Malaysia and Singapore in April 1999.

Senior executives are able to participate in an Executive Share Option Scheme at the discretion of the Remuneration Committee.

Normally Executive Share Options are granted on a phased basis over a number of years, with new participants not receiving options until they have been employed for at least twelve months.

New participants in the Executive Share Option Scheme normally receive options with a market value of 1.5 times basic salary at the first grant. Thereafter the frequency of grants is limited to no more than once every two years unless an individual has had a significant increase in job size. The allocation of executive share options is based on salary multiples dependent upon the seniority and job size of the individual's appointment, with the maximum multiple of four times salary being available to Executive Directors.

UK participants in the Executive Share Option Scheme receive part of their entitlement under a scheme which has received approval under the Taxes Act conferring certain tax relief on participants. The Treasury limit for outstanding options under the approved scheme is currently £30,000 for each participant, with the balance of the participant's entitlement being held under an unapproved scheme.

The executive options that have been granted are subject to performance conditions based on both total shareholder return ('TSR') and growth in normalised earnings per share ('EPS'). TSR is calculated by reference to the increase in the Company's share price plus dividends paid.

At the time when the individual wishes to exercise the option (which can only normally occur after three years have elapsed since grant), 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 EPS growth matches or exceeds the growth in the Retail Prices Index plus 9%, over three consecutive years, the option is capable of exercise.

The Remuneration Committee will regularly review the suitability of the performance condition for future grants of options, and the conditions imposed from time to time at the date of grant of options will be disclosed to Shareholders each year in the Company's Annual Report and Accounts.

Pensions

UK Executive Directors and those on overseas secondment are eligible for membership of the Aggreko plc pension scheme which is a funded, final salary scheme approved by the Inland Revenue. The key elements of the scheme are:

- a normal retirement age of 60;
- a benefits accrual rate of 1/30th for each year's service up to a maximum of two thirds;
- an employee contribution rate of 5% of basic salary;
- a lump sum death in service benefit of four times salary;
- spouse's pension on death; and
- early retirement pension based on a 3% simple reduction factor.

The pensions of Dr C Masters and Mr D J Yorke have been enhanced to allow early retirement without the application of actuarial reduction factors between the age of 55 and 60.

Prior to 1 January 1995, the Senior Staff Pension Scheme included the average bonus over the last three years in final pensionable salary. Since that date all elements, other than basic salary, have been removed for new entrants. Those who were already members at that date were given the choice of retaining the bonus element and continuing to pay 6%, or accepting a fixed supplement representing the level of taxable benefits in kind with a lower contribution rate of 5%. It has been decided not to change this arrangement for existing scheme members, as they have made and will continue to make higher contributions in recognition of this enhancement.

Where members are subject to the Inland Revenue cap, the Company has paid such members the equivalent of the amount that it would have cost the Company to fund the pension benefits beyond the cap.

❑ Pensions (continued)

Executive Directors who are members of the Aggreko plc Pension Scheme are as follows:

	Increase in Accrued Pension £	Transfer Accrued Pension at 31 Dec 1998 £	Notional value of Increase in Accrued Pension £	Cost of Death in Service Benefits £
Dr C Masters	**6,140**	**106,950**	**100,700**	**3,280**
D J Yorke	**14,420**	**97,540**	**257,300**	**2,800**
S R Paterson	**2,930**	**3,970**	**18,700**	**1,610**
R W Bird	**7,710**	**30,420**	**99,600**	**2,980**
F A B Shepherd	**7,970**	**26,760**	**115,800**	**5,170**

Mr P J Harrower is entitled to participate in the Employee's Savings Investment Retirement plan and the Supplemental Executive Retirement plan of Aggreko Inc. At 31 December 1998 the Group's contribution and the accumulated earnings in the funds held for Mr P J Harrower were £130,573. The Group's contributions and the accumulated earnings in the funds held for Mr A J Delhomme II in the plan were £234,233 at the date of his resignation.

Directors' Emoluments (excluding pension contributions)

	Salary £	Fees £	Taxable Benefits £	Annual Bonus £	Other Pay £	1998 Total £	1997 Total £
Executive Chairman:							
Dr C Masters	**217,500**		**9,735**	**50,940**		**278,175**	62,872‡
Executives:							
D J Yorke	**166,250**		**11,215**	**39,054**		**216,519**	64,799§
S R Paterson	**120,000**		**10,421**	**28,300**	**9,282**	**168,003**	50,034§
R W Bird	**102,000**		**8,822**	**23,546**		**134,368**	38,414§
A J Delhomme II*	**11,730**		**560**	**4,375**		**16,665**	78,160§
F A B Shepherd	**121,699**		**61,220**	**28,241**		**211,160**	55,520§
P J Harrower†	**141,981**		**2,172**	**56,357**		**200,510**	–
Non-Executives:							
P G Rogerson		**28,750**				**28,750**	7,000‡
Sir Ronald Miller		**20,500**				**20,500**	5,000‡
A C Salvesen		**20,500**				**20,500**	5,000‡
1998 Total	**881,160**	**69,750**	**104,145**	**230,813**	**9,282**	**1,295,150**	
1997 Total	267,727	17,000	33,060	46,375	2,637		366,799

* To date of resignation on 28 January 1998

† From date of appointment on 28 January 1998

‡ 1997 remuneration is for the period commencing on 29 September 1997

§ 1997 remuneration is for the period commencing on 28 August 1997

The annual bonus is the amount receivable by the Directors in respect of the year ended 31 December 1998; this bonus will be paid after the final audit clearance of the accounts. Mr A J Delhomme II received the amount of bonus due under the terms of his Service Agreement at the date of his resignation.

Dr C Masters was the highest paid director. His pension entitlements and details of his potential receipt of shares under the Executive Share Option Scheme are disclosed separately.

Mr A J Delhomme II resigned as a Director on 28 January 1998 for health reasons. He received £212,024 in lieu of the notice period under the terms of his contract.

Service Contracts and Notice Periods
The Executive Directors have service agreements which require one year's notice from the individual and two years' notice from the Company. In the event of early termination, the Remuneration Committee will consider carefully what compensation should be paid taking into account the circumstances for the particular case and the individual's responsibility to mitigate his losses.

The Remuneration Committee do not believe that it would be reasonable to reduce the notice period that has been specified in the service agreements of existing Executive Directors. However, the notice period from the Company offered to new Executive Directors will be restricted to one year in the light of the Best Practice Provisions of the Combined Code.

External Appointments
The Company encourages its Executive Directors to become non-executive directors of other leading companies as it believes that the exposure to other companies and the wider knowledge and experience gained benefits the Company. Subject to there being no conflict of interest and to the time spent being reasonable, Executive Directors are permitted with Board agreement to take up two such appointments. The fees for one such appointment may, at the discretion of the Board, be retained by the Director.

Share Interests
The interests of persons who were Directors at the end of the year in the share capital of the Company were as follows:

Executive Share Options	**31.12.97**	**Granted during year**	**Exercised during year**	**31.12.98**	**Option Price**	**Date from which exercisable**	**Expiry Date**
Dr C Masters	469,274	–	–	469,274	179p	4.10.2000	4.10.2007
D J Yorke	357,542	–	–	357,542	179p	4.10.2000	4.10.2007
S R Paterson	256,983	–	–	256,983	179p	4.10.2000	4.10.2007
R W Bird	223,464	–	–	223,464	179p	4.10.2000	4.10.2007
F A B Shepherd	245,810	–	–	245,810	179p	4.10.2000	4.10.2007
P J Harrower	150,754*	–	–	150,754	179p	4.10.2000	4.10.2007
P J Harrower	–	161,387	–	161,387	155p	10.9.2001	10.9.2008

*At date of appointment

Savings-Related Share Options							
Dr C Masters	–	6,372	–	6,372	153p	23.5.2001	23.11.2001
D J Yorke	–	6,372	–	6,372	153p	23.5.2001	23.11.2001
R W Bird	–	6,372	–	6,372	153p	23.5.2001	23.11.2001
F A B Shepherd	–	6,372	–	6,372	153p	23.5.2001	23.11.2001
P J Harrower	–	6,568	–	6,568	153p	23.5.2001	23.11.2001

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.

Mr A J Delhomme held Executive Share Options over 290,503 shares at the date of his resignation. These options lapsed on 28 January 1999.

The options under the Savings-Related Share Option Schemes have been granted at a discount of 20%, mature after three years and are normally exercisable in the six months following the maturity date

The market price of the shares at 31 December 1998 was 180½ pence and the range during the year was 136 pence to 226½ pence.

Share Interests (continued)

Shares	31 December 1998 Ordinary Shares of 20p Each		31 December 1997 Ordinary Shares of 20p Each	
	Beneficial	Non Beneficial	Beneficial	Non Beneficial
Dr C Masters	**111,446**	-	112,334	-
P G Rogerson	**3,782**	-	3,782	-
D J Yorke	**236,460**	-	236,460	-
S R Paterson	**3,000**	-	3,000	-
R W Bird	**26,819**	-	26,819	-
P J Harrower	**8,386**	-	8,386*	-
F A B Shepherd	**10,334**	-	10,334	-
Sir Ronald Miller	**4,444**	-	4,444	-
A C Salvesen	**4,700,000**	-	4,072,221	-
A C Salvesen (as trustee)	**4,200,000**	**350,000**	4,666,665	346,666

*At date of appointment

Mr AJ Delhomme II held 396 Ordinary shares at the time of his resignation on 28 January 1998. There have been no changes in Directors' 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.

Philip G Rogerson
Chairman, Remuneration Committee
1 March 1999

Corporate Governance Statement
The London Stock Exchange has introduced a requirement for listed companies to make a disclosure statement in two parts. In the first part, the company is required to report on how it applies the principles of the Combined Code and in the second part it is required either to confirm that it complies with the Code Provisions or, where it does not, provide an explanation.

Part 1: Application of the Principles of the Combined Code

Board Meetings and Responsibilities
Corporate governance is the responsibility of all Directors. In addition to meeting regularly, at least ten times a year, separate strategic discussions take place. Amongst the matters reserved for decision by the full Board are strategic policy, acquisitions and disposals, capital projects over a defined limit, annual budgets, new Group borrowing facilities and significant changes to employee benefit schemes.

The Chairman and the Managing Director have distinct and defined responsibilities. In addition to being ultimately responsible for the effective working of the Board, the Chairman has primary responsibility for working with the executive team to develop the overall strategy of the business while maintaining close links with major shareholders and financial institutions. The Managing Director is primarily responsible for the operational management of the business and for the implementation of the strategy agreed by the Board.

Independent Directors
The Board currently comprises six Executive Directors and three Non-Executive Directors and their details are set out on page 5. The Non-Executive Directors, bring a wide range of experience to the Company and are considered by the Board to be independent. Mr AC Salvesen was formerly managing director of a subsidiary within the Christian Salvesen Group (as described on page 5), however, he has not been employed in an executive capacity by either Christian Salvesen or Aggreko since 1989. Although the Executive Directors include the Chairman and the Managing Director, the presence of a Non-Executive Deputy Chairman (who is the senior independent director) together with two other Non-Executive Directors provides a strong and independent element on the Board.

Re-election of Directors
One third of the members of the Board must retire by rotation each year and may offer themselves for re-election if eligible. The Board has also resolved that all of its members must submit themselves for re-election at regular intervals of at least every three years. Any Director appointed by the Board will be subject to election by shareholders at the first opportunity after his or her appointment and will not be taken into account in determining the Directors who are to retire by rotation at that meeting.

Standing Committees
The Board has standing Audit, Remuneration and Nomination committees, the membership of which is detailed on page 5. 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 Audit Committee consists of Non-Executive Directors and normally meets four times a year under the chairmanship of Sir Ronald Miller. Although they are not members, the Group Finance Director, the Group Head of Internal Audit and the external auditors will normally attend these meetings. Both the internal and external auditors have direct access to the Committee chairman at all times. The nature and scope of the audit are discussed with the external auditors in advance and any matters arising from their work and the financial statements are reviewed. The Committee also aims to ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, reflecting the determination of the Board to ensure that internal financial control procedures are of a high standard. Written and verbal reports from the Group Head of Internal Audit are received by the Committee on a regular basis.

The Remuneration Committee also consists of Non-Executive Directors and meets at least twice a year under the chairmanship of Mr P G Rogerson. Its primary function is to determine the Company's policy on Board remuneration and to approve the specific terms and conditions of employment of the Executive Directors and senior managers including the basis on which performance related awards are calculated. The Remuneration Report on pages 18 to 22 contains particulars of Directors' remuneration along with details of remuneration policy. The Committee also determines the terms on which employee share and share option schemes and invitations to participate are to be offered. The fees payable to Non-Executive Directors are established by the full Board.

The Nomination Committee consists of three Non-Executive Directors and the Managing Director under the chairmanship of Dr C Masters. Its responsibilities are to assist the full Board with succession planning and with the selection process for the appointment of a new Director or Chairman.

Relations with Shareholders

The Notice of Annual General Meeting on pages 46 and 47 sets out the resolutions that will be proposed. The Board supports the use of the meeting as a means of communicating with private investors and encourages their participation. The Company is ready, where practicable to enter into a dialogue with institutional shareholders based on the mutual understanding of objectives.

Internal Financial Control

The Directors are responsible for the establishment of a system of internal control. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the Directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The key elements of the Group's system of internal financial control are as follows:

- *Management Structure*
  Aggreko operates through a regional management structure; during 1998 the UK, North America, Continental European and Middle East regions were directly represented on the Board, while the Asia Pacific region was represented by the Managing Director. The Board is responsible for approving the Group Strategy and the review and approval of capital expenditure in line with this strategy.
- *Financial Reporting*
  The Board ensures that it receives in a timely manner, information in a form and of a quality appropriate to enable it to discharge its duties. A detailed formal budgeting process for all Group business culminates in an annual Group budget which is discussed and approved by the Board. Actual results of each business are reported monthly against these budgets together with updated half and full year forecasts. As part of the ongoing process, business activity, performance and control are monitored and assessed by the Board.
- *Investment Appraisal*
  The Group has a clearly defined framework for controlling capital expenditure, including appropriate authorisation levels beyond which expenditure requires the approval of the Board. There is a prescribed format for capital expenditure applications which places emphasis on the commercial and strategic logic for investment. The Board demands a high quality financial presentation of the business case and risk profile. As a matter of routine, projects are also subject to post investment appraisal after an appropriate period.
- *Financial Controls Assurance*
  On an annual basis the Company undertakes a formal review, based on self assessment by operational management, which is designed to assess the application of principal financial controls operated by the Group. The review, which is carried out using a risk review and control questionnaire, is intended to complement the existing internal and external audit procedures and is based on an overall evaluation of financial and control risk.
- *Internal Audit*
  Operation of the Group's control and monitoring procedures is reviewed and tested by the Group's Head of Internal Audit reporting directly to the Finance Director and the Audit Committee. Internal audit reports and recommendations on the Group's procedures are reviewed regularly by the Board and the Audit Committee. The External Auditors also provide reports to the Audit Committee on the operation of the Group's internal financial control procedures.

The Audit Committee has reviewed the effectiveness of the system of internal financial control during the period covered by this report and has reported to the Directors on the result of this review. Accordingly, the Directors are satisfied that the Group continues to have an effective system of internal financial control. During 1999, the Directors will undertake a review of the internal control system in the light of the Combined Code provision D.2.1 and will report on the results of this review next year, after guidance from the Turnbull Committee has been issued. In the meantime, the Directors will report on their review of internal financial control, as allowed by the London Stock Exchange.

Risk management
The Board approves all self insured exposures and regularly reviews the operation of risk management.

Health, Safety and the Environment
The Board has set policies for the Group to ensure that everything that is reasonably practicable is done to prevent personal injury or damage to health or the environment. Quarterly reports are presented which allow the Board to monitor the performance of the business in these matters.

In the area of health and safety each business unit is required to follow the best relevant industrial practice. The Group policy statement approved by the Directors provides a framework setting out the objectives for management. Individual businesses monitor their procedures and safety records regularly and submit reports to the Board on a quarterly basis.

Pensions
The assets of the UK pension fund are controlled by trustees; they are held separately from the assets of the Company and invested by independent fund managers. The segregated funds cannot be invested directly in the Company. Four trustees have been appointed by the Company and, in addition, two member nominated trustees were appointed in February 1998.

Part 2: Compliance with the Combined Code
The Combined Code came into effect for the first time in 1998 and, as it was only published in the summer of 1998, it was not possible for the Company to comply with certain of its Provisions in respect of the earlier part of the year. The Directors have resolved to adopt all aspects of the Combined Code and the exceptions which arose in early 1998 will be dealt with as follows:

In future at all Annual General Meetings the level of proxies lodged on each resolution, and the balance for and against the resolution will be announced after it has been dealt with on a show of hands. The Notice of the Annual General Meeting and related papers will be sent to shareholders at least 20 working days before the meeting.

Executive Directors appointed to the Board prior to the publication of the Combined Code have service agreements which require one year's notice from the individual and two years' notice from the Company. It is intended that in future the notice period from the Company offered to new Executive Directors will be restricted to one year.

With the exception of these items, the Company complies and has complied throughout the year ended 31 December 1998 with all the Provisions of the Combined Code of Best Practice.

Results and dividends

The profit for the financial year after taxation was £25.1 million (1997 – neither a profit nor a loss).

An interim dividend of 1.65 pence per Ordinary share was paid on 27 November 1998 and the Directors now recommend a final dividend of 2.47 pence per Ordinary share payable on 28 May 1999, making a total for the year of 4.12 pence per Ordinary share (1997 – 9.20 pence, which included 8.26 pence of exceptional items). The total cost of these dividends amounts to £10.9 million (1997 – £24.4 million, including £21.9 million of exceptional items).

The balance of the retained profit for the financial year of £14.2 million has been transferred to reserves (1997 – retained loss of £24.4 million transferred from reserves).

Share capital

There were no changes in issued share capital during the year.

Principal activities

The principal activities of the Group, significant changes in those activities and an indication of likely future developments are described in the Chairman's Statement on page 6 and in the Managing Director's Operating Review on pages 14 and 15. Principal subsidiary undertakings are listed on page 45.

Directors

The present Directors of the Company and their biographical details are set out on page 4. Dr C Masters, Mr F A B Shepherd and Sir Ronald Miller CBE retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

All of the Executive Directors have service agreements which require one year's notice from the Director and two years' notice from the Company; the Non-executive Directors have letters of appointment for an initial three year period. 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 other than as disclosed in Note 26 to the accounts.

A statement of Directors' interests in the share capital of the Company at the end of the financial year, including options to subscribe for Ordinary shares, is given on pages 21 and 22.

Donations

During the year the Group contributed £29,310 (1997 – £9,351) in terms of cash, employees' time and other services to a range of charitable, community and arts organisations. Of this total £12,259 (1997 – £1,275) was donated to registered UK charities.

No political donations were made during the year (1997 – Nil).

Employees

We continue to operate team briefings throughout our business to keep employees informed of developments and plans, both in their own operations and in the Group as a whole. The Group news magazine is published biannually and we publicise the annual and interim results extensively throughout the business.

A substantial number of employees have share holding interests built up through SAYE and other schemes. An Aggreko SAYE Share Option Scheme was launched during the year and 56% of the eligible employees are now participating in this scheme.

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.

Supplier payment policy

As a holding company, the Company does not have any trade creditors and, as such, it would not be meaningful to disclose supplier payment policy at this level. It is the Group'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, providing the supplier meets its contractual obligations, to abide by them. In overall terms, the Group had approximately 49 days credit outstanding as at the balance sheet date.

Annual General Meeting

The Company's Annual General Meeting will be held on Wednesday 28 April 1999 at the Hilton Hotel, 1 William Street, Glasgow and the notice of this meeting is set out on pages 46 and 47.

Special business

Resolution 7 proposes as a special resolution 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 £2,650,000, being 5% of the current issued share capital.

The resolution also disapplies these rights to the extent necessary to facilitate rights issues. The authority under this resolution would expire on the date of the Annual General Meeting in 2000 or on 27 July 2000, whichever is the earlier. This resolution is on the same basis as approved last year and the Directors intend to seek renewal of this power at subsequent Annual General Meetings.

The second item of special business is the Directors' recommendation that shareholders renew the authority of the Company to purchase its own ordinary shares as permitted under Article 7 of its Articles of Association. Accordingly, Resolution 8 will be proposed as a special resolution seeking authority to make such purchases in the market. The Directors have no immediate intention of using such authority and would do so only when they consider it to be in the best interests of shareholders generally and an improvement in earnings per share would result. Any ordinary shares purchased under this authority will be cancelled and the number of ordinary shares in issue will be reduced accordingly.

Resolution 8 specifies the maximum number of ordinary shares which may be purchased (representing approximately 10% of the Company's existing issued ordinary share capital) and the minimum and maximum prices at which they may be bought, reflecting the requirements of the Companies Act 1985 and the London Stock Exchange. The Directors intend to seek renewal of this power at subsequent Annual General Meetings.

Notifiable interests

As at 23 February 1999 the Company had received notifications of the following share holdings in excess of 3% of the issued ordinary share capital:

Name of Shareholder	Number of Shares	%
Deutsche Bank AG and its subsidiary undertakings	32,071,669	12.09
A E H Salvesen*	13,355,051	5.04
A C Salvesen*	9,250,000	3.49

*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.

Auditors

Following the merger of Price Waterhouse and Coopers & Lybrand on 1 July 1998, Price Waterhouse resigned as auditors and the Directors appointed the new firm, PricewaterhouseCoopers, to fill the casual vacancy created by the resignation. Special notice has been given that a resolution re-appointing PricewaterhouseCoopers as the Company's auditors will be proposed at the Annual General Meeting.

By order of the Board

A Paul Allen
Secretary
1 March 1999

DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that period. In preparing those accounts, 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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare accounts on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

The Directors confirm that these accounts comply with the foregoing requirements.

REPORT BY THE AUDITORS TO THE MEMBERS OF AGGREKO PLC

We have audited the accounts on pages 30 to 45 and the Directors' Remuneration disclosures on page 20.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report including, as described on page 28, the accounts. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

We review whether the statement on page 25 reflects the Company's compliance with those Provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or internal controls.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 31 December 1998 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Pricewaterhouse Coopers.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

Chartered Accountants and Registered Auditors

Glasgow

1 March 1999

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1998

	Note	**Year ended 31 Dec 1998 £million**	Pro forma Year ended 31 Dec 1997 £million	5 months ended 31 Dec 1997 £million
Turnover	3,12	**178.9**	163.3	70.5
Operating profit	3,4,12	**45.4**	38.7	14.3
Amounts written off investments		–	–	(7.2)
Net interest payable	7	**(6.1)**	(5.5)	(1.0)
Profit on ordinary activities before taxation	5	**39.3**	33.2	6.1
Tax on profit on ordinary activities	8	**(14.2)**	(11.6)	(6.1)
Profit for the financial year		**25.1**	21.6	–
Dividends	9	**(10.9)**	(10.0)	(24.4)
Retained profit/(loss) for the financial year		**14.2**	11.6	(24.4)
Dividend per share (pence)	9	**4.12**	3.77	9.20
Earnings per share (pence) – basic	10	**9.48**	8.15	–
Earnings per share (pence) – diluted	10	**9.48**	8.15	–

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 1998

	Note	**Year ended 31 Dec 1998 £million**	5 months ended 31 Dec 1997 £million
Profit for the financial year		**25.1**	–
Exchange translation differences (net of tax charge of £0.9 million)	22	**(1.8)**	(7.8)
Total recognised gains and losses for the financial year		**23.3**	(7.8)

The notes on pages 34 to 45 form part of these accounts.

Pro forma information for the year ended 31 December 1997 reflects the financing structure of the Aggreko Group following the demerger as if it had been in existence for the full year and does not form part of the statutory accounts *(Note 1)*.

BALANCE SHEETS

AS AT 31 DECEMBER 1998

		Group		Company	
	Note	**31 Dec 1998 £million**	31 Dec 1997 £million	**31 Dec 1998 £million**	31 Dec 1997 £million
Fixed assets					
Intangible assets	*13*	**1.2**	–	–	–
Tangible assets	*14*	**167.8**	136.9	**0.2**	–
Investments	*15*	**–**	–	**53.0**	53.0
		169.0	136.9	**53.2**	53.0
Current assets					
Stocks	*16*	**14.8**	12.8	–	–
Debtors	*17*	**35.5**	31.9	**158.5**	146.0
Cash at bank and in hand		**20.1**	23.9	**–**	0.1
		70.4	68.6	**158.5**	146.1
Creditors – amounts falling due within one year					
– borrowings	*18*	**(5.4)**	(2.4)	**(5.3)**	(0.2)
– other creditors	*19*	**(48.8)**	(32.1)	**(54.6)**	(48.0)
Net current assets		**16.2**	34.1	**98.6**	97.9
Total assets less current liabilities		**185.2**	171.0	**151.8**	150.9
Creditors – amounts falling due after more than one year					
– borrowings	*18*	**(97.8)**	(96.6)	**(97.8)**	(96.6)
Provisions for liabilities and charges	*20*	**(6.5)**	(5.9)	**–**	–
Net assets		**80.9**	68.5	**54.0**	54.3
Capital and reserves					
Called up share capital	*21*	**53.0**	53.0	**53.0**	53.0
Profit and loss account	*22*	**39.1**	23.3	**2.4**	0.5
Other reserves (exchange)	*22*	**(11.2)**	(7.8)	**(1.4)**	0.8
Shareholders' funds	*23*	**80.9**	68.5	**54.0**	54.3

Approved by the Board on 1 March 1999 and signed on its behalf by:

Dr C Masters
Chairman

S R Paterson
Finance Director

The notes on pages 34 to 45 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1998

	Year ended 31 Dec 1998 £million	5 months ended 31 Dec 1997 £million
Net cash inflow/(outflow) from operating activities	**72.2**	(43.4)
Returns from investments and servicing of finance		
Interest received	**1.0**	0.7
Interest paid on bank loans and overdrafts	**(6.5)**	(0.7)
Net cash outflow for returns from investments and servicing of finance	**(5.5)**	–
Taxation		
UK corporation tax paid	**(3.6)**	(6.5)
Overseas tax paid	**(3.2)**	(12.4)
Tax paid	**(6.8)**	(18.9)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(58.3)**	(17.5)
Proceeds from disposal of tangible fixed assets	**5.0**	1.5
Net cash outflow for capital expenditure and financial investment	**(53.3)**	(16.0)
Acquisitions and disposals		
Purchase of Tower Tech rental business and assets *(Note 12)*	**(7.3)**	–
Net cash outflow for acquisitions and disposals	**(7.3)**	–
Equity dividends paid	**(6.9)**	(13.5)
Cash outflow before use of liquid resources and financing	**(7.6)**	(91.8)
Management of liquid resources	**(0.4)**	–
Financing		
Increase in debt due within one year	**5.0**	–
Increase in debt due beyond one year	**0.2**	181.8
Cash repaid to Christian Salvesen PLC on demerger	**–**	(84.4)
Other cash transactions with Christian Salvesen PLC	**–**	(13.3)
Net cash inflow from financing	**5.2**	84.1
Decrease in cash in the period	**(2.8)**	(7.7)
Reconciliation of net cash flow to movement in net debt		
Decrease in cash in the period	**(2.8)**	(7.7)
Cash inflow from increase in debt	**(5.2)**	(97.4)
Cash outflow from increase in liquid resources	**0.4**	–
Changes in net debt arising from cash flows	**(7.6)**	(105.1)
Translation difference	**(0.4)**	1.1
Movement in net debt in period	**(8.0)**	(104.0)
Net debt at beginning of period	**(75.1)**	28.9
Net debt at end of period	**(83.1)**	(75.1)

The notes on pages 34 to 45 form part of these accounts.

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1998

(i) Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 31 Dec 1998 £million	Pro forma Year ended 31 Dec 1997 £million	5 months ended 31 Dec 1997 £million
Operating profit	**45.4**	38.7	17.2
Depreciation charge	**32.0**	32.5	13.5
(Increase)/decrease in working capital:			
Stocks	**(1.4)**	(2.1)	(0.5)
Debtors	**(3.4)**	(1.9)	64.6
Creditors	**4.1**	5.3	(134.1)
Other items not involving the movement of cash	**(4.5)**	(2.0)	(4.1)
	72.2	70.5	(43.4)
Included in Other items not involving the movement of cash:			
Gain on sale of tangible fixed assets	**(3.1)**	(2.6)	(1.0)

(ii) Capital expenditure and financial investment

	Year ended 31 Dec 1998 £million	Pro forma Year ended 31 Dec 1997 £million	5 months ended 31 Dec 1997 £million
Purchase of tangible fixed assets	**(58.3)**	(40.3)	(17.5)
Proceeds from disposal of tangible fixed assets	**5.0**	4.7	1.5
	(53.3)	(35.6)	(16.0)

(iii) Analysis of movement in net debt

	Net debt at 31 Dec 1997 £million	Cash flow £million	Translation £million	Net debt at 31 Dec 1998 £million
Cash				
Cash at bank and in hand	19.8	(4.7)	0.4	15.5
Overdrafts	(2.4)	1.9	0.1	(0.4)
	17.4	(2.8)	0.5	15.1
Liquid resources				
Deposits maturing within one year	4.1	0.4	0.1	4.6
Financing				
Debt due within one year	–	(5.0)	–	(5.0)
Debt due after one year	(96.6)	(0.2)	(1.0)	(97.8)
	(75.1)	(7.6)	(0.4)	(83.1)

1 Pro forma information for 1997

Due to the significant changes which were made to the Group in order to effect the demerger, the actual interest and taxation charges incurred by the Group prior to 29 September 1997 were not necessarily representative of those incurred by the Group following the demerger. Therefore, and as explained in Note 1 to the 1997 Annual Report and Accounts, the pro forma profit and loss account for the year ended 31 December 1997 was adjusted to reflect the financing and taxation structure of the Group following the demerger, as if the structure had been in place at the beginning of 1997 and to incorporate the trading of the Group for the whole of calendar year 1997. In overall terms, an effective rate of taxation of 35% was applied to the 1997 pro forma profit on ordinary activities.

2 Accounting policies

(i) Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

(ii) Basis of consolidation

Under the terms of its demerger, Aggreko plc acquired the net assets and undertaking of Aggreko's worldwide power and temperature control business. The 1997 consolidated accounts were prepared using merger accounting principles as if the companies, businesses and assets comprising the Group had been part of the Group for all periods.

The Group accounts consolidate the accounts for Aggreko plc and all of its subsidiary undertakings for the year ended 31 December 1998. The consolidated profit and loss account includes the results of businesses purchased during 1998 from the effective date of acquisition.

(iii) Turnover

Turnover for the Group comprises the amounts receivable from external customers for services provided and goods sold, excluding value added tax.

(iv) Royalties

Royalties are accounted for in the period they become payable or receivable.

(v) Intangible assets

Purchased goodwill (representing the excess of the fair value of the consideration paid over the fair value of the separable net assets acquired) is capitalised as an intangible asset and is amortised over a period of 20 years.

(vi) Depreciation

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 fixed assets are depreciated on a straight line basis at annual rates, estimated to write off the cost of each asset less its estimated residual value over its useful life from the date it is put into use. The principal periods of depreciation used are as follows:

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

(vii) Foreign currencies

At individual company level, transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs or at the contracted rate if the transaction is covered by a forward exchange contract. Assets and liabilities denominated in foreign currency are translated at the exchange rate ruling at the balance sheet date or, if appropriate, at a forward contract rate. Forward foreign currency contracts used to hedge intercompany purchases of tangible fixed assets are taken out at the commitment stage.

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. Exchange differences resulting from the retranslation of net investments in subsidiary undertakings at closing rates, together with differences between income statements translated at average rates and closing rates, are dealt with in reserves.

(viii) Financial instruments

Details of the accounting policies for financial instruments, including hedges, are given in Note 18 to the accounts.

2 Accounting policies (continued)

(ix) Deferred taxation
Deferred taxation is provided in respect of significant timing differences to the extent that such taxation is expected to become payable in the foreseeable future.

(x) Stocks
Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes an appropriate allocation of overheads.

(xi) Pensions and other post retirement benefits
Contributions to defined benefit pension schemes are assessed by qualified actuaries and are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives. The capital cost of *ex gratia* and supplementary pensions is charged to the profit and loss account, to the extent that the arrangements are not covered by the surplus in schemes, in the accounting period in which they are granted.

Contributions to defined contribution pension schemes are charged to the profit and loss account in the period in which they became chargeable.

(xii) Leased assets
Rentals under operating leases are charged against operating profit on a straight line basis over the term of the lease.

3 Segmental analysis by geographical area

In the opinion of the Directors, the provision of equipment and related services under rental agreements constitutes one class of business. The geographical segmentation has been refined to reflect more accurately the manner in which the Group operates and is managed, with the United Kingdom and Continental Europe now reported as one segment. The prior year disclosures have been revised accordingly.

	Turnover			Operating profit		
	Year ended 31 Dec 1998 £million	Pro forma Year ended 31 Dec 1997 £million	5 months ended 31 Dec 1997 £million	**Year ended 31 Dec 1998 £million**	Pro forma Year ended 31 Dec 1997 £million	5 months ended 31 Dec 1997 £million
Europe	**65.2**	63.8	28.9	**13.6**	14.0	5.4
North America	**84.3**	69.4	31.9	**22.0**	17.6	6.8
Rest of the World	**29.4**	30.1	9.7	**6.7**	4.5	1.1
	178.9	163.3	70.5	**42.3**	36.1	13.3
Gain on sale of tangible fixed assets	–	–	–	**3.1**	2.6	1.0
	178.9	163.3	70.5	**45.4**	38.7	14.3

	Operating assets		Avge no of employees	
	31 Dec 1998 £million	31 Dec 1997 £million	**Year ended 31 Dec 1998 Number**	5 months ended 31 Dec 1997 Number
Europe	**71.4**	57.9	**609**	559
North America	**99.3**	80.7	**526**	424
Rest of the World	**15.7**	16.3	**136**	126
	186.4	154.9	**1,271**	1,109

During 1998 and 1997 contracts were undertaken in the Rest of the World utilising rental fleet from Europe.

Reconciliation of operating assets to net assets

	31 Dec 1998 £million	31 Dec 1997 £million
Net operating assets	**186.4**	154.9
Net tax, dividends and interest payable/receivable	**(22.4)**	(11.3)
	164.0	143.6
Net debt	**(83.1)**	(75.1)
Net assets	**80.9**	68.5

4 Operating expenses

	Year ended 31 Dec 1998 £million	Pro forma Year ended 31 Dec 1997 £million	5 months ended 31 Dec 1997 £million
Cost of sales	**112.4**	104.2	44.6
Distribution costs	**12.0**	11.8	5.1
Administrative expenses	**11.5**	10.9	7.6
Net other operating income	**(2.4)**	(2.3)	(1.1)
	133.5	124.6	56.2

5 Operating profit

Operating profit is stated after charging/(crediting):

	Year ended 31 Dec 1998 £million	Pro forma Year ended 31 Dec 1997 £million	5 months ended 31 Dec 1997 £million
Depreciation of tangible fixed assets	**32.0**	32.5	13.5
Gain on sale of tangible fixed assets	**(3.1)**	(2.6)	(1.0)
Operating leases:			
plant and machinery	**1.4**	0.9	0.4
land and buildings	**1.9**	2.0	0.3
Auditors' remuneration:			
audit fees, including Company of £42,500 (1997 – £42,000)	**0.2**		0.2
non audit fees	**0.5**		0.1

Fees and expenses invoiced by the auditors for non audit services include £92,800 (1997 – £3,900) payable in the UK.

In addition, management charges of £750,000 were payable to Christian Salvesen PLC in 1997.

6 Staff costs

	Year ended 31 Dec 1998 £million	5 months ended 31 Dec 1997 £million
Wages and salaries	**32.8**	11.9
Social security costs	**3.2**	1.2
Other pension costs (Note 25)	**1.7**	0.6
	37.7	13.7

Full details of Directors' remuneration are set out in the Remuneration Report on page 20.

7 Net interest payable

	Year ended 31 Dec 1998 £million	Pro forma Year ended 31 Dec 1997 £million	5 months ended 31 Dec 1997 £million
Interest payable on:			
Bank loans and overdrafts	**(7.1)**	(5.9)	(1.9)
Interest receivable on:			
Bank balances and deposits	**1.0**	0.4	0.7
Other	**–**	–	0.2
	(6.1)	(5.5)	(1.0)

8 Tax on profit on ordinary activities

	Year ended 31 Dec 1998 £million	5 months ended 31 Dec 1997 £million
Tax on profit on ordinary activities:		
UK Corporation tax	**3.4**	1.1
Overseas taxation	**10.2**	6.3
	13.6	7.4
Deferred taxation:		
United Kingdom	**0.1**	(0.4)
Overseas	**1.0**	(0.8)
	14.7	6.2
Prior year adjustments:		
Current taxation	**(0.5)**	(0.1)
	14.2	6.1

9 Dividends

	Year ended 31 Dec 1998 £million	Year ended 31 Dec 1998 per share (p)	Pro forma Year ended 31 Dec 1997 £million	Pro forma Year ended 31 Dec 1997 per share (p)	5 months ended 31 Dec 1997 £million	5 months ended 31 Dec 1997 per share (p)
Equity dividends (net):						
Interim	**4.4**	**1.65**	4.0	1.51	–	–
Proposed final	**6.5**	**2.47**	6.0	2.26	2.5	0.94
	10.9	**4.12**	10.0	3.77	2.5	0.94
Exceptional items in 1997					21.9	8.26
					24.4	9.20

The exceptional dividends for the 1997 statutory period represented both cash and dividend in specie amounts arising out of the restructuring of the Group in order to effect the demerger.

10 Earnings per share

Basic earnings per share (both actual and pro forma) have been calculated using a weighted average number of shares of 265.2 million, being the number of shares issued on admission to the Official List of the London Stock Exchange on 29 September 1997 and in issue throughout the period subsequent to that date.

Diluted earnings per share for the year ended 31 December 1998 have been calculated using a weighted average number of shares of 265.3 million which takes into account the dilutive effect of a) the executive share options issued in October 1997 and September 1998 and b) the introduction of a group wide sharesave scheme in May 1998. Under FRS 14 the shares under both schemes are "potential ordinary shares", but do not have a dilutive effect.

11 Profit of the Company

The result of the Group includes £12.6 million (1997 – £3.0 million) attributable to the Company. As permitted under Section 230 of the Companies Act 1985 the Company has not published a separate profit and loss account.

12 Acquisition

On 4 December 1998 Aggreko Inc acquired the rental business and assets of the industrial modular cooling tower rental division of Tower Tech Inc for $13.5 million (£8.1 million). $12.15 million (£7.3 million) was paid in cash on that date, with the balance of $1.35 million (£0.8 million) payable in December 1999 under a promissory note issued.

The fair values attributed to the net tangible assets acquired were as follows:

	Book value at acquisition £million	Accounting policies £million	Fair value £million
Tangible assets			
Rental assets	3.3	3.1	6.4
Stocks	0.5	–	0.5
	3.8	3.1	6.9
Goodwill on acquisition (Note 13)			1.2
Consideration			8.1
Cash consideration			7.3
Note payable (included in Other creditors, see Note 19)			0.8
			8.1

In view of the fact that the acquisition was only concluded during December 1998, the fair value adjustments set out above have been based on best estimates currently available.

Turnover and operating profit from these rental assets in the period from acquisition to 31 December 1998 has been negligible.

13 Intangible fixed assets

	Goodwill £million
At 1 January 1998	–
Arising on acquisitions made during the year (Note 12)	1.2
At 31 December 1998	1.2

The above goodwill is being amortised over a 20 year period.

14 Tangible fixed assets

	Group					Company
	Freehold properties £million	Short leasehold properties £million	Rental fleet £million	Vehicles plant & machinery £million	Total £million	Total £million
Cost:						
At 1 January 1998	14.1	2.5	261.9	18.9	297.4	–
Reclassifications	–	–	(0.2)	0.2	–	–
Exchange differences	(0.1)	–	0.5	(0.1)	0.3	–
Additions	0.8	0.2	52.4	4.9	58.3	0.4
Arising from acquisitions (Note 12)	–	–	6.4	–	6.4	–
Disposals	(0.5)	–	(14.9)	(1.2)	(16.6)	–
At 31 December 1998	14.3	2.7	306.1	22.7	345.8	0.4

14 Tangible fixed assets (continued)

	Group					Company
	Freehold properties £million	Short leasehold properties £million	Rental fleet £million	Vehicles plant & machinery £million	Total £million	Total £million
Accumulated depreciation:						
At 1 January 1998	3.1	0.6	144.4	12.4	160.5	–
Reclassifications	–	–	(0.1)	0.1	–	–
Exchange differences	–	–	0.2	–	0.2	–
Charge for the year	0.5	0.1	28.8	2.6	32.0	0.2
Disposals	(0.1)	–	(13.5)	(1.1)	(14.7)	–
At 31 December 1998	3.5	0.7	159.8	14.0	178.0	0.2
Net book values:						
At 31 December 1998	10.8	2.0	146.3	8.7	167.8	0.2
At 31 December 1997	11.0	1.9	117.5	6.5	136.9	–

The tangible fixed assets of the Company comprise vehicles and office furniture & fittings.

15 Fixed asset investments

	Company £million
Cost of investments in subsidiary undertakings:	
At 31 December 1998 and 1997	53.0

Details of the Company's principal subsidiary undertakings are set out in Note 27.

The investment in subsidiaries is included at the nominal value of the shares allotted in accordance with Section 131 and 135 of the Companies Act 1985.

16 Stocks

	Group	
	31 Dec 1998 £million	31 Dec 1997 £million
Raw materials and consumables	13.0	12.0
Work in progress	1.8	0.8
	14.8	12.8

17 Debtors

	Group		Company	
	31 Dec 1998 £million	31 Dec 1997 £million	31 Dec 1998 £million	31 Dec 1997 £million
Trade debtors	31.5	28.0	–	–
Other debtors	1.9	1.6	0.1	–
Prepayments and accrued income	2.1	1.7	0.3	0.4
Corporation tax	–	–	0.7	–
ACT recoverable	–	0.6	–	0.6
Amounts due from subsidiary undertakings	–	–	157.4	145.0
	35.5	31.9	158.5	146.0

18 Borrowings

	Group 31 Dec 1998 £million	Group 31 Dec 1997 £million	Company 31 Dec 1998 £million	Company 31 Dec 1997 £million
Net borrowings	**83.1**	75.1	**103.1**	96.7

Net borrowings are analysed as follows:

	Group 31 Dec 1998 £million	Group 31 Dec 1997 £million	Company 31 Dec 1998 £million	Company 31 Dec 1997 £million
Long term borrowings:				
Loans	**97.8**	96.6	**97.8**	96.6
Total long term borrowings	**97.8**	96.6	**97.8**	96.6
Short term borrowings:				
Loans and overdrafts	**5.4**	2.4	**5.3**	0.2
Total short term borrowings	**5.4**	2.4	**5.3**	0.2
Total borrowings	**103.2**	99.0	**103.1**	96.8
Liquid funds:				
Liquid resources	**(4.6)**	(4.1)	**–**	–
Cash at bank and in hand	**(15.5)**	(19.8)	**–**	(0.1)
Net borrowings	**83.1**	75.1	**103.1**	96.7

Liquid resources comprise term deposits of less than one year.

(i) Short-term debtors and creditors

Short-term debtors and creditors have been excluded from all the following disclosures.

(ii) Interest rate risk profile of financial liabilities

The interest rate risk profile of the Group's financial liabilities at 31 December 1998, after taking account of the interest rate swaps used to manage the interest profile, was:

Currency:	Floating rate £million	Fixed rate £million	Total £million	Weighted avge interest rate %	Weighted avge period for which rate is fixed Years
Sterling	40.4	–	40.4	6.4	–
US Dollars	–	35.9	35.9	6.5	0.3
EU currencies (excluding Sterling)	26.9	–	26.9	3.8	–
At 31 December 1998	**67.3**	**35.9**	**103.2**		**0.1**

All the Group's creditors falling due within one year (other than bank and other borrowings) are excluded from the above tables either due to the exclusion of short-term items or because they do not meet the definition of a financial liability, such as tax balances.

The effect of the Group's interest rate swap is to classify £35.9 million of US Dollar denominated borrowings in the above table as fixed rate.

Floating rate financial liabilities bear interest at rates, based on relevant national LIBOR equivalents, which are fixed in advance for periods of between one and three months.

(iii) Interest rate risk of financial assets

Currency:	Cash at bank and in hand £million	Short-term deposits £million	Total £million
Sterling	2.8	–	2.8
US Dollars	5.7	–	5.7
EU currencies (excluding Sterling)	4.8	2.9	7.7
Other currencies	2.2	1.7	3.9
At 31 December 1998	**15.5**	**4.6**	**20.1**

All of the above cash and short-term deposits are floating rate and earn interest based on relevant national LIBID equivalents or government bond rates.

18 Borrowings (continued)

(iv) Maturity of financial liabilities
The maturity profile of the carrying amount of the Group's financial liabilities, other than short-term creditors such as trade creditors and accruals, at 31 December 1998 was as follows:

	Total £million
Within 1 year, or on demand	5.4
Between 1 and 2 years	17.8
Between 2 and 5 years	80.0
Over 5 years	–
	103.2

(v) Borrowing facilities
The Group has the following undrawn committed floating rate borrowing facilities available at 31 December 1998 in respect of which all conditions precedent had been met at that date:

	Total £million
Expiring within 1 year	25.0
Expiring between 1 and 2 years	2.2
	27.2

The facilities expiring within one year are annual facilities subject to review at various dates during 1999. All facilities incur commitment fees at market rates.

(vi) 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 1998. 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.

	Book value £million	Fair value £million
Primary financial instruments held or issued to finance the Group's operations:		
Short-term borrowings	(5.4)	(5.4)
Long-term borrowings	(97.8)	(97.8)
Short-term deposits	4.6	4.6
Cash at bank and in hand	15.5	15.5
Derivative financial instruments held to manage the interest rate profile:		
Interest rate swaps	–	(0.2)
Derivative financial instruments held or issued to hedge the currency exposure on contracted future sales:		
Forward foreign currency contracts	–	–

(vii) Summary of methods and assumptions

Interest rate swaps, and forward foreign currency contracts	Fair value is based on market price of comparable instruments at the balance sheet date.
Short-term deposits and borrowings	The fair value of short-term deposits, loans and overdrafts approximates to the carrying amount because of the short maturity of these instruments.
Long-term borrowings	In the case of bank loans and other loans, the fair value approximates to the 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.

18 Borrowings (continued)

(viii) Currency exposures

As explained in the financial review on pages 16 and 17, to mitigate the effect of the currency exposures arising from its net investments overseas the Group borrows in the local currencies of its main operating units. Gains and losses arising on net investments overseas and the financial instruments used to hedge the currency exposures are recognised in the statement of total recognised gains and losses.

The table below shows the extent to which group companies have net monetary assets in currencies other than their local currency. Foreign exchange differences on retranslation of these assets are taken to the profit and loss account of the group companies and the Group.

	Net foreign currency monetary assets		
	Sterling £million	US dollars £million	Total £million
Functional currency of group operation:			
EU currencies (excluding Sterling)	**2.7**	**2.7**	**5.4**

(ix) Hedges

As explained in the financial review on pages 16 and 17, the Group's policy is to hedge the following exposures:

Interest rate risk – using interest rate swaps.

Currency risk – using forward foreign currency contracts for foreign currency debtors and creditors. Forward foreign currency contracts are also used for currency exposures on contracted sales and committed purchases.

The table below shows the extent to which the Group has off-balance sheet (unrecognised) gains and losses in respect of financial instruments used as hedges at the beginning and end of the year. It also shows the amount of such gains and losses which have been included in the profit and loss account for the year and those gains and losses which are expected to be included in next year's or later profit and loss accounts.

All the gains and losses on maturity of the hedging instruments are expected to be matched by losses and gains on the hedged transactions or positions.

	Total gains/ (losses) £million
Gains/(losses) on hedges at 1 January 1998	**(0.1)**
Arising in previous years recognised in 1998 income	**0.1**
Gains/(losses) arising before 1 January 1998 that were not recognised in 1998	**–**
Gains/(losses) arising in 1998 that were not recognised in 1998	**(0.2)**
Gains/(losses) on hedges at 31 December 1998	**(0.2)**

The above losses are expected to be included in 1999 income.

(x) Financial instruments held for trading purposes

The Group does not trade in financial instruments.

19 Other creditors: amounts falling due within one year

	Group		Company	
	31 Dec 1998 £million	31 Dec 1997 £million	**31 Dec 1998 £million**	31 Dec 1997 £million
Trade creditors	**13.3**	7.8	**–**	–
Other taxation and social security payable	**1.2**	1.9	**–**	–
Other creditors	**6.0**	4.1	**–**	–
Accruals and deferred income	**12.9**	13.3	**1.2**	1.5
Corporation tax	**8.9**	1.9	**–**	–
ACT payable	**–**	0.6	**–**	0.6
Dividends payable	**6.5**	2.5	**6.5**	2.5
Amounts owed to subsidiary undertakings	**–**	–	**46.9**	43.4
	48.8	32.1	**54.6**	48.0

20 Provisions for liabilities and charges

	Group	
	31 Dec 1998 £million	31 Dec 1997 £million
Deferred taxation:		
Balance brought forward	**5.9**	7.2
Currency retranslation	**(0.5)**	(0.1)
Profit and loss account (Note 8)	**1.1**	(1.2)
	6.5	5.9

Deferred taxation is provided entirely in respect of fixed asset timing differences. Other timing differences are not significant. The potential amount not provided in respect of fixed asset timing differences at 31 December 1998 was £8.1 million (1997 – £8.1 million). The amount not provided at 31 December 1997 was understated by £1.3 million and the comparative figure has been restated.

The Company had no deferred taxation liability at either 31 December 1998 or 1997.

21 Called up share capital

Group and Company (as at 31 December 1998):	Authorised Number	Authorised £000	Allotted, called up and fully paid Number	Allotted, called up and fully paid £000
Ordinary shares of 20p each	**349,750,010**	**69,950**	**265,182,341**	**53,036**
Redeemable preference shares of 25p each	**199,998**	**50**	–	–
		70,000		**53,036**

There were no changes in the issued share capital of the Company during 1998.

Details of outstanding options to subscribe for the Company's Ordinary shares are set out in Note 28.

22 Profit and loss account and Other reserves

	Group		Company	
	Exchange reserve £million	Profit and loss account £million	Exchange reserve £million	Profit and loss account £million
At 1 January 1998	**(7.8)**	**23.3**	**0.8**	**0.5**
Retained profit for the financial year	–	**14.2**	–	**1.7**
Other recognised losses (net of tax)	**(1.8)**	–	**(2.0)**	–
Transfer of realised exchange gains	**(1.6)**	**1.6**	**(0.2)**	**0.2**
At 31 December 1998	**(11.2)**	**39.1**	**(1.4)**	**2.4**

23 Reconciliation of movements in shareholders' funds

	Called up share capital £million	Exchange reserve £million	Profit and loss account £million	Capital and reserves £million
Group				
Profit for the financial year	–	–	**25.1**	**25.1**
Dividends	–	–	**(10.9)**	**(10.9)**
Other recognised losses (net of tax charge of £0.9 million)	–	**(1.8)**	–	**(1.8)**
Transfer of realised exchange gains	–	**(1.6)**	**1.6**	–
Net addition to shareholders' funds	–	**(3.4)**	**15.8**	**12.4**
Opening shareholders' funds	**53.0**	**(7.8)**	**23.3**	**68.5**
Closing shareholders' funds	**53.0**	**(11.2)**	**39.1**	**80.9**
Company				
Profit for the financial year	–	–	**12.6**	**12.6**
Dividends	–	–	**(10.9)**	**(10.9)**
Other recognised losses (net of tax credit of £0.1 million)	–	**(2.0)**	–	**(2.0)**
Transfer of realised exchange gains	–	**(0.2)**	**0.2**	–
Net reduction in shareholders' funds	–	**(2.2)**	**1.9**	**(0.3)**
Opening shareholders' funds	**53.0**	**0.8**	**0.5**	**54.3**
Closing shareholders' funds	**53.0**	**(1.4)**	**2.4**	**54.0**

24 Financial commitments

	Group 31 Dec 1998 £million	31 Dec 1997 £million
Capital expenditure: contracted	**12.8**	24.7
Annual commitments under operating leases are analysed as follows:		
Land and buildings:		
Expiring in the first year	**0.2**	0.9
Expiring in the second to fifth years	**2.2**	1.4
Expiring after the fifth year	**1.3**	0.8
	3.7	3.1
Plant, equipment and vehicles:		
Expiring in the first year	**0.4**	0.4
Expiring in the second to fifth years	**0.8**	0.9
Expiring after the fifth year	**–**	–
	1.2	1.3

Financial instruments

Details of commitments in respect of financial instruments are disclosed in Note 18.

25 Pension commitments

United Kingdom

The Group operates a pension scheme 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 Aggreko Group under the control of individual Trustees. The Scheme is subject to valuations at intervals of not more than three years by independent actuaries.

The transfer of assets in respect of employees who transferred from the Christian Salvesen Pension Scheme and the Christian Salvesen PLC Senior Staff Pension and Life Assurance Scheme ("the Salvesen Schemes") following the demerger was completed during April 1998.

A valuation of the Scheme was carried out as at 1 January 1998 using the projected unit method to determine the level of contributions to be made by the Group.

Following changes in financial conditions and the UK government's budget in July 1997, it was necessary to review the approach to be used for valuations. The actuaries have adopted a valuation basis linked to market conditions at the valuation date. Assets have been taken at a market-related value. Previous valuations of the Salvesen Schemes valued assets as the discounted value of expected future investment income.

The principal actuarial assumptions used were:

Return on investments	7.75%
Growth in average pay levels	5.5%
Increase in pensions	3.5%

At the valuation date, the market value of the Scheme assets was £9,064,752. The assessed value of these assets was sufficient to cover 119% of the benefits that had accrued to members, after making allowance for future increases in earnings.

The surplus of assets is being amortised over the average remaining service lifetime of the members.

The pension cost attributable to Aggreko Group employees in the UK for the year ended 31 December 1998 was £0.5 million (1997 – £0.2 million).

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 contribution payable to the pension scheme in respect of the accounting period. The pension cost attributable to overseas employees for the year ended 31 December 1998 was £1.2 million (1997 – £0.4 million).

26 Related party transactions

(i) During the year ended 31 December 1998 a subsidiary undertaking purchased spare parts and supplies totalling £81,060 (1997 – £63,151) from Delhomme Industries Inc., which is owned and operated by a relative of Mr A J Delhomme II. At 31 December 1998 an amount of £838 (1997 – £6,686) was owed to Delhomme Industries Inc.

(ii) During the year ended 31 December 1998 a subsidiary undertaking purchased manufacturing supplies to the value of £709,000 (1997 – £289,000) from the JBD Holdings Ltd group, a group in which Mr D J Yorke holds a beneficial interest of 30%. The balance owed to the JBD Holdings Ltd group as at 31 December 1998 was £104,265 (1997 – £126,000).

27 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 Great Britain or in the principal country of operation and are involved in the rental of specialist power, temperature control, oil free air compressors and related equipment.

All shareholdings are of ordinary shares or other equity capital.

Aggreko Holdings Limited†	UK
Aggreko UK Limited	UK
Aggreko Inc	USA
Aggreko Holdings Inc†	USA
Aggreko Finance BV†	Netherlands
Aggreko Investments BV†	Netherlands
Aggreko Nederland BV	Netherlands
Aggreko Belgium BVBA	Belgium
Aggreko Deutschland GmbH	Germany
Aggreko Leasing GmbH	Germany
Aggreko Holding (Deutschland) GmbH†	Germany
Aggreko France SARL	France
Aggreko Norway A/S	Norway
Aggreko (Singapore) PTE Limited	Singapore
Aggreko Generator Rentals Pty Limited	Australia
Aggreko (Malaysia) Sdn Bhd	Malaysia
Aggreko (Middle East) Limited	Middle East*
Aggreko Inc	Canada
Aggreko SA de CV	Mexico

*Registered in Cyprus
†Intermediate holding companies

Other subsidiary undertakings, whilst included in the consolidated accounts, are not material.

28 Employee share options

In addition to the options granted to the Executive Directors to subscribe for the Company's Ordinary shares, and which are set out in the Remuneration Committee Report on pages 18 to 22, options were granted on 3 October 1997 over 1,262,475 Ordinary shares to 16 executives and senior managers at a price of 179 pence. In normal circumstances, these options can be exercised between 4 October 2000 and 4 October 2007.

In May 1998 a group wide sharesave scheme was introduced at an exercise price of 153 pence per Ordinary share. Details of the sharesave options outstanding (including those of Executive Directors) as at 31 December 1998 and their dates of exercise are as follows:

Exercise date	Number of shares
2001	**486,159**
2003	**738,206**
	1,224,365

Notice is hereby given that the second Annual General Meeting of Aggreko plc (the 'Company') will be held at the Hilton Hotel, 1 William Street, Glasgow on Wednesday 28 April 1999 at 11 am.

Agenda

Routine Business

Resolution 1

To receive the reports of the Directors and Auditors and to adopt the Company's accounts for the year ended 31 December 1998.

Resolution 2

To declare a final dividend on the ordinary shares.

Resolution 3

To re-elect Dr C Masters.

Resolution 4

To re-elect Mr F A B Shepherd.

Resolution 5

To re-elect Sir Ronald Miller CBE.

Special Notice is given in accordance with Sections 379 and 388(3), Companies Act 1985 of the following ordinary resolution:

Resolution 6

To re-appoint PricewaterhouseCoopers as Auditors of the Company (having previously been appointed by the Board to fill the casual vacancy arising by reason of the resignation of Price Waterhouse) and to authorise the Directors to fix their remuneration.

Special Business

To consider the following as a special resolution:

Resolution 7

The Board of Directors of the Company (the 'Directors') be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 (the 'Act') to allot equity securities (as defined in Section 94(2) of the Act) for cash, pursuant to the authority conferred by Resolution 13 passed at the Annual General Meeting of the Company held on 29 April 1998, as if Section 89(1) of the Act did not apply to such allotment, PROVIDED THAT this power shall be limited to:

(i) The allotment of equity securities for cash in connection with or pursuant to a rights issue or any other offer in favour of the holders of equity securities and other persons entitled to participate therein in proportion (as nearly as may be practicable) to the respective numbers of equity securities then held by them (or, as appropriate, the number of such securities which such other persons are for those purposes deemed to hold), but subject to such exclusions or other arrangements as the Directors may consider necessary, expedient or appropriate to deal with any fractional entitlements or legal or practical difficulties which may arise under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or otherwise; and

(ii) The allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities for cash up to an aggregate nominal value of £2,650,000; and

shall expire on the earlier of 27 July 2000 and the conclusion of the Annual General Meeting of the Company held in 2000, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

To consider the following as a special resolution:

Resolution 8
The Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 20 pence each in the Company ('Ordinary Shares') provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be acquired is 26,500,000;

(b) the maximum price which may be paid for any such Ordinary Share is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased and the minimum price which may be paid for any such share is 20 pence (in each case exclusive of associated expenses); and

(c) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or 18 months from the date of this resolution, whichever is the earlier; but a contract of purchase may be made before such expiry which will or may be completed wholly or partly thereafter, and a purchase of Ordinary Shares may be made in pursuance of any such contract.

By order of the Board
A Paul Allen
Secretary
1 March 1999

Any shareholder entitled to attend and vote at this meeting may appoint one or more proxies, who need not be shareholders of the Company, to attend and, on a poll, vote on his behalf. To be effective, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the office of the Company's Registrars not later than 48 hours before the time of the meeting. Appointment of a proxy will not prevent a member from attending the meeting and voting in person.

The following documents will be available for inspection at the registered office of the Company during business hours from the date of this notice until the date of the Annual General Meeting and on that day at the Hilton Hotel, 1 William Street, Glasgow from 10.45 am until the conclusion of the meeting.

1. The register of interests of Directors and of their families (where relevant) in the share capital of the Company during the year.
2. Copies of all contracts of service under which Directors are employed by the Company or any of its subsidiary undertakings.

SHAREHOLDER INFORMATION

Low-Cost Share Dealing Service
Hoare Govett Limited provide a low-cost share dealing service in Aggreko plc shares which enables investors to buy or sell for a brokerage fee of 1% (plus 0.5% stamp duty on purchases) with a minimum charge of £10. Details may be obtained by telephoning Hoare Govett Limited Low Cost Share Dealing Department on 0171 601 0101 or Service Helplines 0171 661 6617 (sales) and 0171 661 6616 (purchases). Please note that this service is only available for dealing by post.

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 direct 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.

SHAREHOLDER INFORMATION
(CONTINUED)

Classification of Ordinary Share Holdings

By size	1998 Number of accounts	1998 % of issued shares	1997 Number of accounts	1997 % of issued shares
1 - 1,000 shares	**7,827**	**1.4**	8,341	1.5
1,001 - 15,000 shares	**3,069**	**3.5**	3,454	3.9
15,001 - 100,000 shares	**356**	**5.8**	392	6.6
100,001 - 500,000 shares	**184**	**16.5**	210	18.1
500,001 - 2,000,000 shares	**91**	**33.4**	93	33.4
2,000,001 shares and over	**22**	**39.4**	22	36.5
	11,549	**100.0**	12,512	100.0

By type of holder	Number of accounts	% of issued shares	Number of accounts	% of issued shares
Individuals	**10,402**	**44.5**	11,158	47.1
Banks and nominees	**758**	**8.7**	897	7.1
Insurance companies	**45**	**10.1**	51	11.6
Pension funds	**108**	**23.9**	135	22.3
Investment trusts and unit trusts	**65**	**10.5**	54	9.7
Other institutions and corporate bodies	**171**	**2.3**	217	2.2
	11,549	**100.0**	12,512	100.0

OFFICERS AND ADVISERS

Secretary and Registered Office
A Paul Allen
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Fax 0141 225 5949
Company No. 177553

Registrars and Transfer Office
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Balfour House
390/398 High Road
ILFORD
Essex
IG1 1NQ
Tel 0181 639 2000

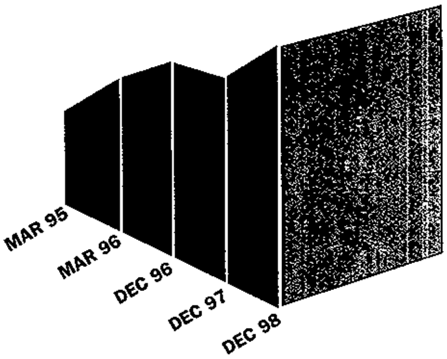
Stockbrokers
Cazenove & Co – London
Hoare Govett Limited – London

Auditors
PricewaterhouseCoopers
Chartered Accountants

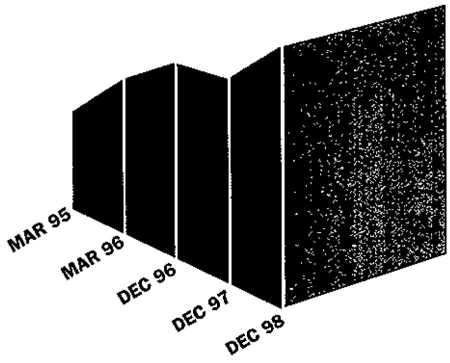
FINANCIAL CALENDAR

	Year ended 31 December 1998	6 Months ending 30 June 1999
Results announced	1 March 1999	Late August 1999
Report posted	18 March 1999	Early September 1999
Annual General Meeting	28 April 1999	
Ex-dividend date	26 April 1999	Late October 1999
Dividend record date	30 April 1999	Late October 1999
Dividend payment date	28 May 1999	Late November 1999

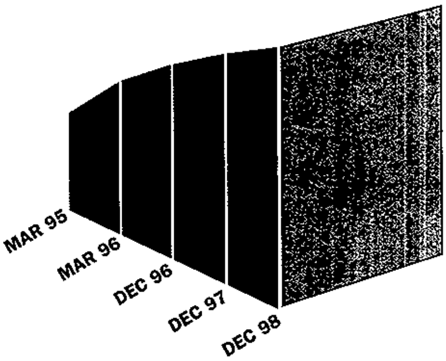
TURNOVER (£ million)



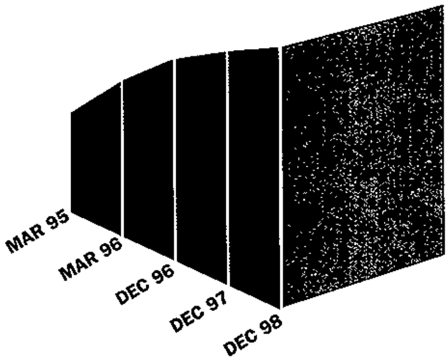
OPERATING PROFIT (£ million)



OPERATING MARGIN (%)



RETURN ON AVERAGE NET OPERATING ASSETS (%)



YEAR ENDED	MAR 95	MAR 96	DEC 96	DEC 97	DEC 98
TURNOVER £ million	128.1	146.7	168.1	163.3	178.9
OPERATING PROFIT £ million	25.4	30.7	37.9	38.7	45.4
OPERATING MARGIN %	19.8	20.9	22.5	23.7	25.4
INTEREST £ million				(5.5)	(6.1)
PROFIT BEFORE TAX £ million				33.2	39.3
EARNINGS PER SHARE pence				8.15	9.48
NET OPERATING ASSETS £ million	159.3	162.4	155.8	154.9	186.4
NET DEBT £ million			(87.1)	(75.1)	(83.1)
SHAREHOLDER FUNDS £ million			57.3	68.5	80.9
RETURN ON AVERAGE NET OPERATING ASSETS %	15.9	19.1	23.8	24.9	26.6

The Global Rental Specialist

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