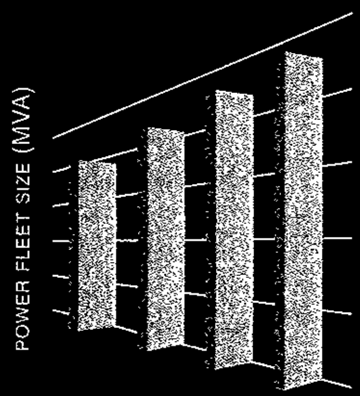
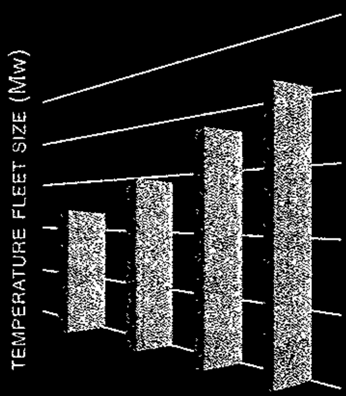
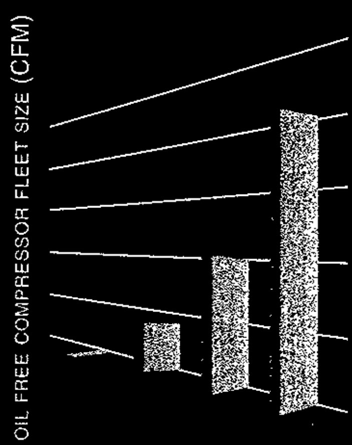
Aggreko is a world leader in the rental of temporary power, air conditioning, temperature control and oil free compressed air. Using equipment assembled to our own unique designs, we provide customers with innovative solutions for a wide range of applications.




The Directors believe that Aggreko can achieve strong growth and build long-term shareholder value by: introducing existing products into all regions continuing to develop new applications for its products expanding and enhancing the product range through continued investment in focused, innovative products expanding its international presence to respond to current and potential customer demands building on its established expertise and strong presence in its key markets continuing to develop strong relationships with existing and new customers; and continuously improving the quality and range of services it offers.

## Aggreko's Turnover (based on 1997 pro forma information)

### Other Services

19%

Along with Aggreko's rental activities other services are provided to the customer, such as fuel, servicing, freight and consumables

### Power Rental

59%

Diesel generators and ancillary distribution equipment are used to provide electricity in a wide range of industrial applications and commercial activities

### Temperature Control Rental

19%

Fluid chillers, air conditioners, heaters and desiccant dryers are used in industrial processes as well as in climate control for commercial and entertainment purposes

### Oil Free Compressor Rental

3%

Oil Free Air Compressors are used for high purity clean air, for example in the food, chemical, pharmaceutical, nuclear and textile industries

## Aggreko's Locations

Regional Headquarters and
major repair facility at

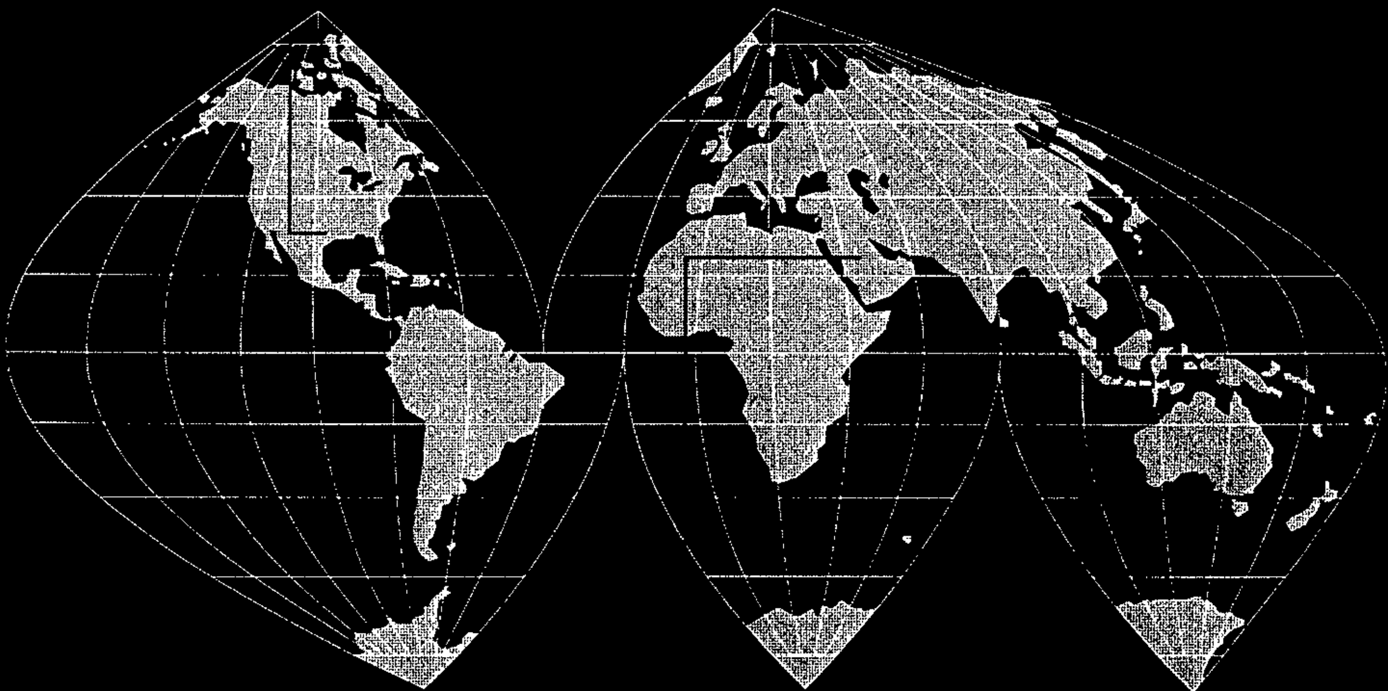
33 DEPOTS AND
25 AGENT OUTLETS IN
**USA, CANADA AND MEXICO**

Regional Headquarters together with design
and assembly facilities at

12 DEPOTS AND 2 AGENT OUTLETS
IN **UNITED KINGDOM**
**AND IRELAND**

Regional Headquarters and temperature
control assembly at

16 DEPOTS AND 2 AGENT OUTLETS
IN **NETHERLANDS, GERMANY,**
**FRANCE, BELGIUM, NORWAY**
**AND AUSTRIA**



5 AGENT OUTLETS IN **SAUDI ARABIA,**
**THE UNITED ARAB EMIRATES,**
**OMAN AND QATAR**

Regional Headquarters
at
10 DEPOTS AND 3 AGENT OUTLETS
IN **AUSTRALIA, SINGAPORE,**
**MALAYSIA, INDONESIA**
**AND PAPUA NEW GUINEA**

# Board of Directors

Dr Christopher Masters †
*(50) Executive Chairman*
Prior to the demerger of Aggreko, Dr Masters had been Group Chief Executive of Christian Salvesen since October 1989 and a director of that company since 1987. In 1984 he led the negotiations which resulted in the acquisition of Aggreko and the following year he was appointed managing director of Salvesen's Industrial Services Division incorporating Aggreko, Salvesen Brick and the Group's oil related activities. Prior to joining Christian Salvesen in 1979 he worked for Shell Research N.V. in the Netherlands. He is also a non-executive director of Scottish Widows' Fund and Life Assurance Society and the British Assets Trust plc.

Philip Rogerson * § †
*(53) Non-executive Deputy Chairman*
Philip Rogerson was until recently deputy chairman of BG plc (formerly British Gas plc) having been a director since 1992. Prior to joining BG plc he spent 14 years with ICI, latterly as General Manager – Finance with responsibility for world-wide financing, taxation and accounting. He is chairman of Pipeline Integrity International Group Ltd, deputy chairman of Shandwick International plc and a non-executive director of Halifax plc and LIMIT plc.

David Yorke †
*(51) 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 world-wide activities. From 1985 until 1989 he was on the board of the Industrial Services Division of Christian Salvesen and from 1991 to the demerger served on the Group's management board.

Stuart Paterson
*(40) 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.

Alfred J Delhomme II
*(47) Former President of Aggreko North America*
Al Delhomme worked in a number of positions in his family's power equipment and electrical contracting business after leaving university. He managed Electric Rental Systems Inc. when it was acquired by Aggreko in 1986, and ran Aggreko's North American Region between 1988 and January of this year.

Derek Shepherd
*(55) 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 Aggreko in the UK. He was appointed Director of Aggreko Europe in 1991 and became managing director the following year.

Richard Bird
*(51) 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.

Andrew Salvesen * § †
*(50) Non-executive Director*
Andrew Salvesen was a Christian Salvesen non-executive director between 1989 and the demerger. 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 chairman of Robertson Research Holdings Limited.

Sir Ronald Miller CBE* § †
*(60) Non-executive Director*
Sir Ronald Miller was a non-executive director of Christian Salvesen between 1987 and the demerger. 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.

Philip Harrower
*(41) President of Aggreko North America*
Phil Harrower joined the Board on 28 January 1998, having been in the specialist rental business for almost 25 years, starting as an apprentice in the pump 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. He succeeded Al Delhomme as President of Aggreko Inc. in January of this year.

**Company Secretary**
Paul Allen *(49)*
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 was appointed head of finance for Aggreko in 1994.

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

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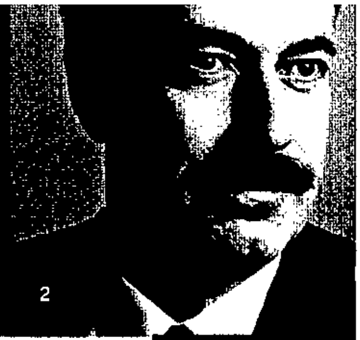

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1 Chris Masters
2 Phil Harrower
3 Richard Bird
4 Ronald Miller
5 David Yorke
6 Stuart Paterson
7 Philip Rogerson
8 Andrew Salvesen
9 Al Delhomme
10 Derek Shepherd

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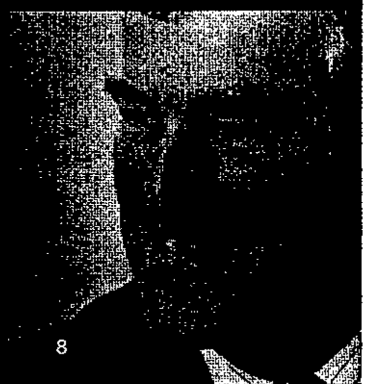

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## Chairman's Statement

The last year has been an exciting and historic time for Aggreko. On 29 September 1997, following the successful demerger from the Christian Salvesen Group, Aggreko plc became a truly independent company in its own right, quoted on the London Stock Exchange, with an initial market capitalisation of over £400 million.

Despite all the extra work involved in preparing for and implementing the demerger, 1997 was also an extremely successful trading year for the Company. Compared to the previous twelve months–which included a major contribution from the Atlanta Olympic Games–1997 pro forma operating profits of £38.7 million, in constant currency terms, are 8.3% ahead.

Aggreko plc was incorporated on 23 July 1997 and consequently, although pro forma 12 months' figures are included for clarity, the reported results cover the five months to 31 December 1997. Over this period, before exceptional costs associated with the demerger, your Company achieved pre-tax profits of £16.2 million on a turnover of £70.5 million, equating to earnings per share of 3.81 pence. The proposed dividend relates to the final three months of the accounting period, since the previous two month period has already been taken into account in Christian Salvesen PLC's interim dividend payment. In respect of the three months to 31 December 1997, the Board is recommending a final dividend of 0.94 pence.

Aggreko's growth strategy is based on continually improving the quality, scope, geographic spread and profitability of its operations. Looking to the future, your Board remains confident that the Company can achieve strong growth and build long-term shareholder value by:

■ introducing existing products into all regions ■ continuing to develop new applications for our products ■ expanding and enhancing the product range through continued investment in focused innovative products ■ expanding our international presence to respond to current and potential customer demands ■ building on our established expertise and strong presence in our key markets ■ continuing to develop strong relationships with existing and new customers; and ■ continuously improving the quality and range of services we offer.

In the short time since demerger, good progress has been made in implementing these plans. As detailed in the Managing Director's Operating Review, a new outlet has been opened in Saudi Arabia and we have continued to expand our international customer base. Two new oil free compressor models are currently being introduced into North America and plans are well advanced to launch Aggreko Oil Free Air into Europe, and Temperature Control equipment into Australia during the current financial year. As stated in the Financial Review, we have continued to invest strongly in the business, while at the same time improving the return on net assets.

As a Company, Aggreko plc is financially strong with pro forma interest cover in excess of 7 times. In pursuit of our growth strategy, we see no lack of profitable investment opportunities and in the current year we expect overall capital expenditure to approach £50 million.

I am sorry to have to report that Alfred Delhomme – who has headed up our North American operation for the last ten years – has had to resign for health reasons. I would like to thank Al for all he has done for the Company and wish him well in the future. He was succeeded as President of Aggreko Inc and a Director of Aggreko plc on 28 January 1998 by Philip Harrower. Phil, who joined Aggreko UK in 1983, moved to the United States in 1986 since which time he has been intimately involved in the development of our American business having been appointed Executive Vice President in 1988. My colleagues and I are delighted to welcome Phil to the Board and are convinced that the American business will continue to go from strength to strength under his leadership.

Throughout Aggreko we are extremely fortunate to have a strong, dedicated and technically competent team of over eleven hundred people throughout the world. These people represent one of our key competitive advantages and without their commitment and hard work, none of what we have achieved would have been possible. Personally, and on behalf of my colleagues on the Board, I would like to express our sincere gratitude.

Overall, the new financial year has started well and we look to the future with confidence.

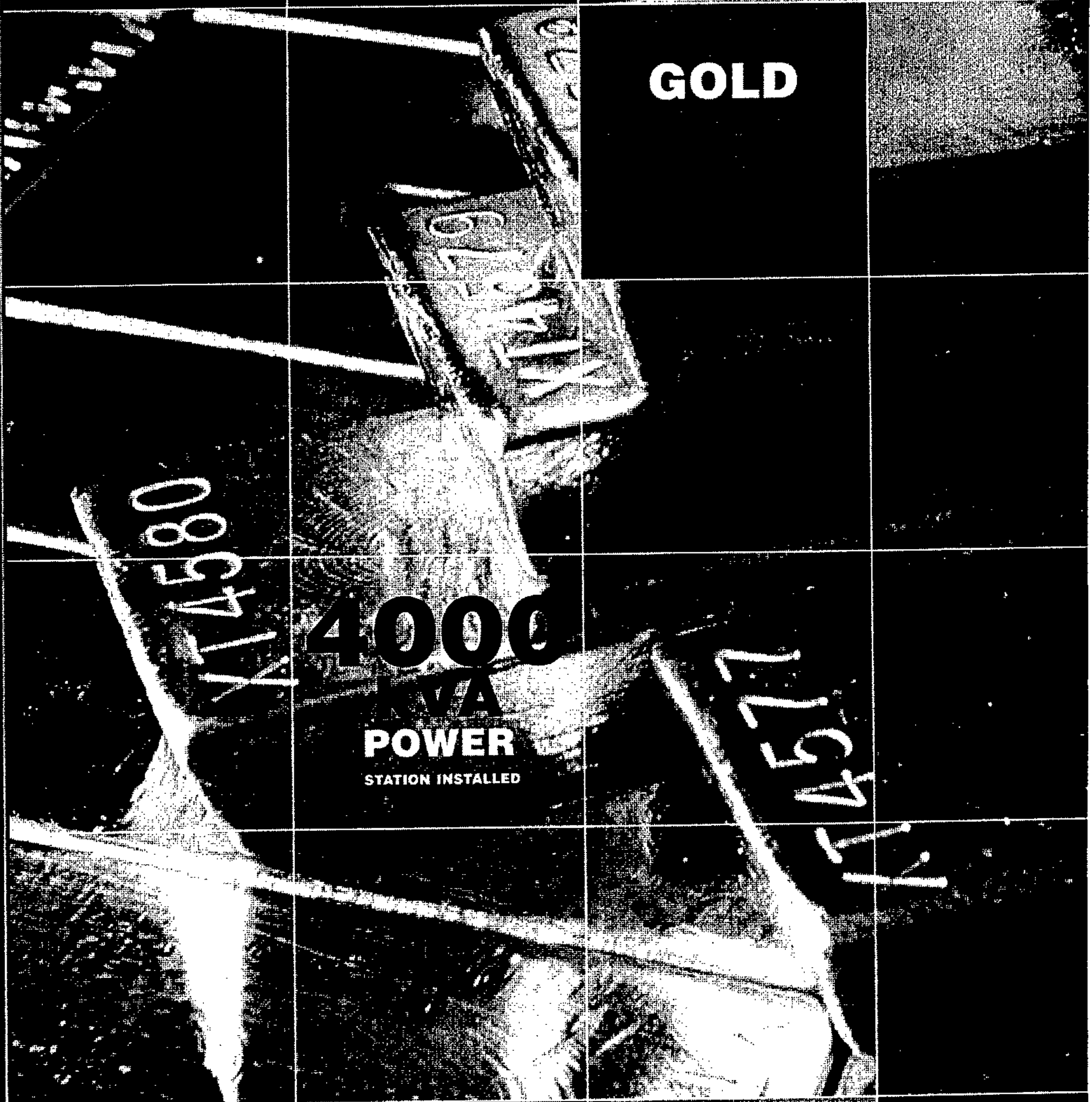
**Dr Christopher Masters** *Chairman*

PROBLEM

Mt Kasi – Pacific Islands – Fiji
To provide a power station to enable gold mining production in difficult logistical conditions.

SOLUTION

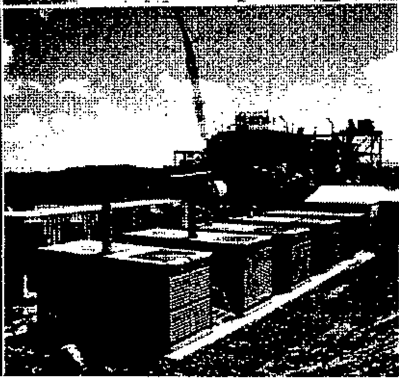
# GOLD



## 4000 kVA POWER

STATION INSTALLED

*Right:* Aggreko power station consisting of containerised generators, transformers and control room



## GENERATORS

SPECIFICALLY DESIGNED FOR THE

## RENTAL MARKET

# Problem solved

With a fleet of more than 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 customers generally require reliability and flexibility. 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 Super Hush Power 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 power requirements of rapidly developing cities the size of Shanghai or Beijing.

Providing international power solutions is a key part of Aggreko's business; from the frozen wastelands of Alaska, to the deserts of Saudi Arabia; from a movie set in Mexico, to a gold mine half way up a mountain in Fiji.

The Mount Kasi project in Fiji represents just one example of Aggreko's ability to supply reliable power for specialist applications in remote locations. Aggreko recently installed a 4000kVA power station for Pacific Islands Gold on the island of Vanua Levu, part of the Fiji group, on top of a mountain called Mount Kasi.

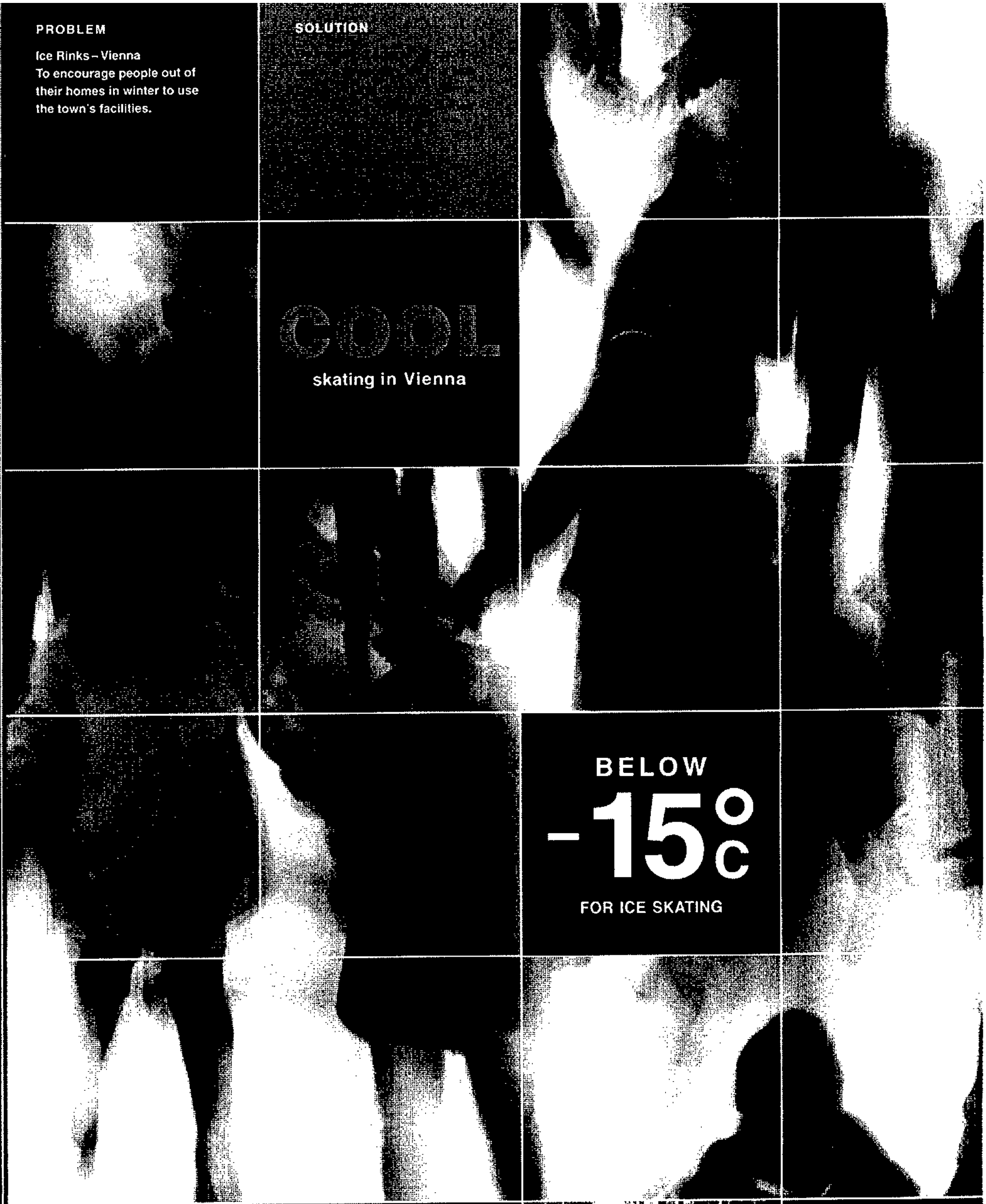
Staffed by two qualified Aggreko technicians, the power station consists of four 1000kVA silenced containerized diesel generators together with step up transformers and a specially adapted 40 foot control room incorporating isolators and circuit breakers.

Thanks to Aggreko a thirty year old gold mine in the Pacific has resumed production.

**PROBLEM**

Ice Rinks – Vienna
To encourage people out of their homes in winter to use the town's facilities.

**SOLUTION**



# COOL

skating in Vienna

**BELOW**

**-15°C**

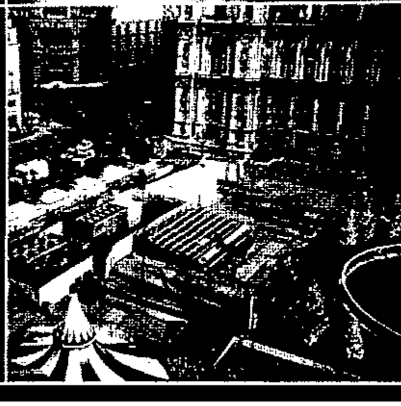
**FOR ICE SKATING**

**FLEET CAPACITY UP BY**

[illegible]%

**IN FIVE YEARS**

***Right:*** *Aggreko chillers on site in Vienna*



# Innovative solutions

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 and can be connected in parallel to provide larger cooling facilities. Chilled liquids 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 –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. Aggreko's desiccant dryers range in size from 340CFM to 10000CFM.

As with the Company's generators, flexibility, adaptability and mobility are the hallmarks of Aggreko's temperature control fleet. New applications are continually being developed: from providing process cooling to increasing production in a chemical plant, to chilling concrete during the construction of the Great Belt Bridge in Denmark to freezing water for temporary ice rinks in city-centres, Aggreko's engineers and technicians found the solution ...

In the centre of Vienna, Europe's music capital, the town council decided to install a temporary ice rink to attract shoppers over the Christmas period. Using large capacity low temperature chilling units and associated pumps, coolant at –15 degrees centigrade was used to create an ice rink in the heart of the city which, in its first week of operation, attracted over 230,000 spectators and skaters.

Thanks to Aggreko thousands of people enjoyed the festive season and became fitter in the process.

PROBLEM

A hi-tech manufacturer needed contamination free compressed air during a planned shutdown.

SOLUTION

Aggreko installed oil free compressors to provide air of the required quality and production continued unaffected.

aggreko's

OIL FREE COMPRESSORS USE

TECHNOLOGY

# OIL FREE


*Left:* an Aggreko oil free air compressor

# Winning performance

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 snowmaking in Denver and hi-tech manufacturing in Texas.

Contamination free compressed air is required to operate critical instrumentation or controls which direct the manufacturing process in an increasing number of industrial operations by starting, stopping, triggering, modulating or otherwise directing machines and processes. When Texas Instruments, the American hi-tech giant, needed temporary oil free compressed air for a planned shutdown, they were quick to get in touch with Aggreko.

The shutdown meant that the entire manufacturing plant would need a high quality supply of 100% oil free compressed air, to allow it to stay in production. Oil has a devastating effect on sensitive products such as semiconductors. This coupled with the risk of contaminating their air system and fouling critical instrumentation was reason enough to request 100% oil free air.

Aggreko provided several 1500 CFM oil free compressors to support production during the shutdown. The plant's output stayed constant and there was never a chance of product or system contamination.

Thanks to Aggreko a hi-tech plant stayed in production.

# Overall the year was successful both in terms of operating profit and sales margin

Overall the year was successful both in terms of operating profit and sales margin. Compared to 1996, operating profit was 2.1% ahead at £38.7 million, and underlying growth would have been some 8.3% ahead but for the strength of sterling. Margins over the period increased from 22.6% to 23.7%.

In sterling terms turnover reduced 2.9% from £168.1 million to £163.3 million, however in local currency it grew by 6.3%. Year on year turnover and operating profit were both influenced by the non-repeat of the significant contributions gained from the Atlanta Olympics in 1996.

Our equipment is all specifically designed and built to operate anywhere in the world and equally adept whether being used at a Summer Fair in Germany, a mine site in Western Australia or at the construction site of an offshore oil platform in Nova Scotia. Our customers receive the same high standard of service whether they be a small local enterprise or a large multinational company. Most importantly all our employees carry out their business day in, day out with an integrity, vigour and professionalism of which we can all be proud.

In addition to the twenty countries in which Aggreko has permanent representation, during 1997 we carried out contracts in ten other countries as diverse as Kazakhstan, Pakistan and the Philippines.

## North America

Our American business performed well in 1997 in that, despite an unseasonably cool spring and an early autumn which affected the performance of Temperature Control operations, both dollar revenue and operating profits increased by 12.4% and 9.5% over 1996 when adjusted for the Atlanta Olympics.

With operating profit of US$ 30.8 million, North America represents Aggreko's largest single market. It is only in this region that Aggreko delivers its full product range, offering solutions in power, temperature control and oil free air across a broad range of market segments. In the eleven years that Aggreko has been in the United States, the business has grown from one location in South Louisiana to 35 locations across the Continent, from Mexico City in the south to Toronto in the north, from Jacksonville in the east to San Francisco in the west.

Throughout the year we maintained a strong presence with our power generation and associated equipment in the core industrial, oil, petrochemical and paper sectors whilst making further inroads into the motion picture industry where we supplied equipment to assist in the making of, amongst others, 'Titanic', 'Blackwood' and 'Meet Joe Black' (to be released this summer starring Brad Pitt and Anthony Hopkins). For the first time in the United States, we carried out significant amounts of summer peak shaving for a number of electrical utilities including the Southern Company of Georgia and Madison Gas and Electric of Wisconsin. During the year, we made a further significant investment in GreenPower with equipment being added to the generator fleet, to replace older equipment. GreenPower has continued to find wide acceptance with the majority of our customers and is particularly popular with those customers who operate a strict environmental policy.

Although the unusually mild summer affected small tonnage air conditioning work, along with the related power rental, our major industrial non-ambient market was largely unaffected. We have continued to develop new markets for example in the computer industry with customers such as Microsoft.

With the introduction of high quality, innovative oil free air compressors in late 1995, North America became our first operation to extend its activities beyond power generation and temperature control. During the year we have again invested heavily in this growing market. We will soon be launching a smaller diesel-powered machine, and later in the year we will complement our range further by the introduction of an electrically powered version. The demand for oil free air has come both from our existing customer base and from new and exciting markets in the automotive and food industries. Additionally we have further grown the business by developing new applications such as snowmaking at ski resorts during the winter months. Revenues from oil free air, whilst still modest in terms of our overall business, have doubled during the period and we believe that we can establish a significant market position in the period ahead.

### Europe

Overall profits in Europe including the UK have increased from £14.4 million to £15.1 million. Whilst compared to 1996 the business in the UK has grown by 11.9% with profits reaching £9.4 million, a combination of weak economic conditions, opportunities further afield and the translational effect of strong sterling combined to reduce profits by £0.3 million in Mainland Europe to £5.7 million.

The weak market conditions for power in Germany and France, and the low expectation of an early recovery, led to a decision to re-deploy equipment from these markets and take advantage of a major project in Sri Lanka. This restricted the amount of winter peak shaving work which could be undertaken, particularly in France, but, despite this, contracts were secured to supply backup power to the EU conference in Luxemburg and a utility contract involving more than 50 generators supplying power to new telecommunication transmission towers was successfully carried out in France.

Elsewhere in Europe, the Netherlands and Norway were both active in oil-related projects and shipping with an 8MW specialist package being supplied to a Dutch dredging company for use in the Hibernia oil field offshore Canada.

Demand for power in the UK was strong particularly from the utilities and telecommunications companies. The ability to switch power instantaneously between the grid supply and our generators has been in great demand in the utility sector where a number of Regional Electricity Companies are currently carrying out overhead line replacement programmes. In the telecommunications sector, where mobile communication networks are still to be completed, the ease with which our generators can be transported to remote locations has been a great plus point.

In the UK Temperature Control business, revenues and profits were increased without any additions to the fleet as work was gained in sectors which do not depend solely on the ambient air temperature. Although temperature control did not fully meet our expectations in the UK, we believe that by refocusing our sales and marketing efforts in this area improvements in performance can be made. Conversely, in Mainland Europe significant investment was made in the Temperature Control fleet, increasing it in size by almost 30%. The business was grown aggressively as projects in the food processing, refining, chemical and electronics industries were gained from blue chip customers including Shell, DuPont and Mercedes Benz.

### Rest of the World

Aided by the contract with the Ceylon Electricity Board in Sri Lanka, the growth of our business in the Middle East and the elimination of underperforming contracts in Indonesia, operating profits in this area have increased by 78.4% to £4.7 million.

Aggreko first supplied power to the Ceylon Electricity Board in March

1996 after a prolonged series of dry monsoon seasons had left the country's hydroelectric schemes with very low water levels. Over the next fifteen months the power provided grew from 20MW to over 90MW. In optimising our global resources, equipment for this contract was supplied largely from Mainland Europe but also from the UK, Indonesia and the Middle East. Having peaked at some 90MW, the Sri Lankan contract was progressively run down from June and by the year end all the equipment was off hire. The generators are once again dispersed throughout our world-wide operations and at the time of writing are actively deployed.

In the Middle East, the power fleet was grown rapidly in Oman to meet the demand from the desert oil fields and for the construction of a new LNG plant. Elsewhere the Sharjah depot has been busy with shipping and offshore work and has experienced increases in both the entertainment and industrial business as the UAE economy grows. Prior to the year end Aggreko entered the Kingdom of Saudi Arabia by opening our first depot in Al Khobar. Although initially we will concentrate on delivering power solutions to a wide range of industrial customers, in the longer term we believe that there is considerable scope to introduce our other products into this market.

In Australia, demand for power in the mining and shipping sectors remained high throughout the year, although the industrial sector experienced some downturn towards the year end. From Queensland to Western Australia we have supplied both temporary and permanent power to mines extracting numerous base metals such as gold, zinc and copper.

An active shipping and shipbuilding market in Singapore ensured our operations there continued to experience high levels of fleet utilisation. Our exposure to the economic downturn in South East Asia was limited by both the relatively small scale of operations in Malaysia and Indonesia and by our ability to relocate fleet to regions where demand was high.

## Summary

Overall 1997 was a year of change. In the midst of this we continued to develop all core markets and selectively extend our product range through the development of oil free air compressors. The resulting growth is satisfying, given the strength of sterling, and could not have been achieved but for the dedication of all our employees throughout the world.

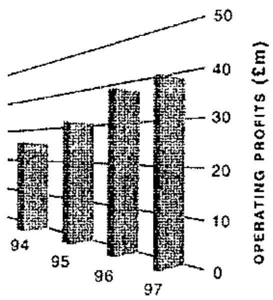
It is the policy of the Aggreko Group at all times to be aware of the implications of our activities on the surrounding environment and on the communities within which we operate. Wherever practical, action will be taken not just to comply with all statutory requirements but to work towards the best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

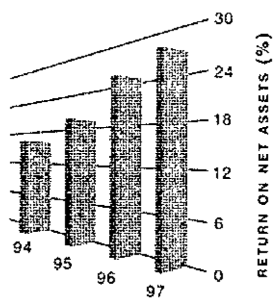
Significant progress is also being made by our world class design and manufacturing teams who are continually introducing new equipment that incorporate 'Best Technology' in exhaust emission control and protection against accidental pollution through fluid spillage. These design improvements are seen as giving our equipment a competitive advantage when compared with those of other suppliers in the industry.

Last year we spent £0.5 million, equivalent to 1.7% of our total annualised 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 Company's commitment to health and safety and our constant drive to reduce work related accidents. Without question, the 1100 plus people that Aggreko employs world-wide are the Company's biggest asset and most formidable competitive edge.

**David Yorke** *Managing Director*

# The Group continues to be strongly cash generative ...




Demerger

Aggreko Holdings Limited was demerged from Christian Salvesen PLC on 29 September 1997 with the ownership of its shares being transferred to Aggreko plc which then issued its share capital to the shareholders of Christian Salvesen PLC at that date.

The accounts have been prepared on the basis of merger accounting with the effect being that the results of all the Group companies are reported as though they had been part of the Aggreko Group for the period since Aggreko's incorporation on 23 July 1997, notwithstanding the actual date of demerger. Accordingly, statutory accounts are presented for the five month period ended 31 December 1997.

As a result, four significant transactions relating to the reorganisation prior to demerger are reflected in the statutory accounts. None of these transactions (which are detailed in Note 8 to the accounts) reflect the ongoing trading position of Aggreko and are therefore excluded from the pro forma Financial Statements.

Year-end

On demerger Aggreko plc adopted a 31 December year end. Historically, approximately 60% of profits have been earned in the period from April to September. The adoption of this year end will allow the summer season to be reported on a more timely basis and improve the Group's ability to report current trading trends.

Pro Formas

In order to provide shareholders with information that helps them assess business performance and recognising that the five month period to 31 December 1997 does not represent a full business cycle, we have provided pro forma information for the main financial trading statements. These financial statements do not form part of the statutory accounts. For the Group Profit and Loss Account and Balance Sheet we have provided information for the years ending 31 December 1997 and 1996. For the Cash Flow Statement we have provided information for the year ending 31 December 1997.

Operating Profit

Underlying growth in operating profit in local currencies was 8.3%, however correcting for last year's contribution of just over US$4 million from the Atlanta Olympics growth was 16.3% on a like for like basis. The adverse impact of the strong pound on the translation of our foreign currency profits was £2.2 million but currency transaction gains and losses were minimal as our revenues and costs in each region are denominated in the same currencies. The relatively small size of our operations in SE Asia results in there being no significant direct exposure, to Aggreko, from the problems in these economies.

Operating Margins improved in the year from 22.6% to 23.7% mainly as a result of increased gains on disposal of fixed assets, the replacement of low quality revenues in the rest of the world by the Sri Lanka project and growth in the Middle East. With these margins and careful management of the asset base the return on average net assets has improved from 24.9% in 1996 to 26.9% in 1997.

Interest

The interest charge in the period is reflective of the net debt at the date of demerger and is therefore only in respect of a three month period. The pro forma interest has been calculated with reference to the net debt at date of demerger and adjusting for the actual cash flows for the preceding nine months. The interest rate exposure is being managed through swaps which are authorised by the Board. Interest cover had the net debt been in place for the whole of the pro forma period would have been 7.0 times.

### Taxation

The Group's tax charge of £6.1 million in the statutory accounts comprises tax payable on the Group's ordinary activities before taxation along with a charge for deferred taxation. The total effective tax rate was 37.6% on business performance for the statutory period. This was below our weighted average rate of 38%, based on the jurisdictions where we earn our profits, due to the utilisation of tax losses brought forward in Germany. The effective tax rate in the pro forma results was 35% again reflecting the utilisation of the majority of the German tax losses in the earlier part of the year.

### Earnings per Share

Earnings per share for the 5 month period before reorganisation transactions were 3.81p (nil after such transactions). In the pro forma period the calculated earnings per share were 8.15p

### Dividends

The recommended dividend of 0.94p per share is in respect of the period from October to December as the interim dividend paid by Christian Salvesen PLC covered the trading period of Aggreko prior to October. Relative to the pro forma dividend disclosed in the listing particulars of 3.5p per share for the period to 31 March 1997 this represents a 10% increase. The other dividends in the period were part of the reorganisation transactions within the Christian Salvesen Group prior to demerger.

### 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 do this effectively the sterling debt drawn down at the date of demerger has been rolled over into a combination of sterling and dollars more representative of the net assets in the business. The Group's treasury function does not enter into any transactions of a speculative nature.

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

### Balance Sheet

Shareholders funds at 31 December 1997 are £68.5 million represented by the operating assets of the business of £143.6 million and the net debt of £75.1 million. The value of net assets has been impacted by the strength of sterling and the impact between July 1997 and December 1997 due to currency translation was a reduction of £7.8 million, with £8.7 million arising between the date of demerger and the period end.

### Cash Flow and Funding

Aggreko plc was demerged with a net indebtedness of £81 million which by 31 December 1997 had been reduced to £75.1 million.

The Group continues to be strongly cash generative, providing internal funding of capital expenditure. This gave rise to a net cash inflow from operating activities during the pro forma period of £70.5 million. The level of debt in the business is supported by the strong current level of interest cover. The gearing at the period end is 110% (adjusted for the impact of the translation reserve the gearing is 98%). Capital expenditure in the pro forma period was £40.3 million.

### 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.

### Going Concern

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

**Stuart R. Paterson** *Finance Director*
25 March 1998

The Committee confirms that in its constitution and operation it complies with Section A of the best practice provisions of the Stock Exchange Listing Rules. It equally confirms that full consideration has been given to Section B of the best practice provisions of the Listing Rules in determining the Company's policy on remuneration for its Executive Directors, including service contracts and compensation. The Auditors have confirmed that they have examined the information specified for their review by the London Stock Exchange concerning the disclosures required for individual Director's remuneration and share options. Details of each individual Director's remuneration are set out on page 21. Information on Directors' share and share option interests may be found on page 22.

## Remuneration Committee: Composition, Responsibilities and Operation

The membership of the Remuneration Committee is entirely non-executive and the names are listed on page 4. 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 responsibility for running individual businesses. The Committee's principal function is to determine the Company's policy on remuneration for its most senior executives and to approve the specific remuneration of the Chairman, the Executive Directors and the Secretary, including their service contracts.

Its 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 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. When setting salary levels, account is taken of the impact of salary on other elements of remuneration, particularly pensions. 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**

  Prior to 31 December 1997 those Executive Directors with regional responsibilities participated in their regional bonus schemes which allowed them to earn cash bonuses based upon the achievement of profit growth targets. These schemes had a maximum entitlement of 30% of annual salary which was restricted pro-rata to the nine month period since the last bonus payment. Executive Directors with Group-wide responsibilities participated in a similar scheme based upon the profit growth of Aggreko in total. In future years, as a consequence of the increasingly global nature of the Group's business and the need to optimise fleet utilisation and maximise profitability on a world-wide basis, all Executive Directors will participate in the same Group-wide scheme. This scheme, which also has a maximum entitlement of 30% of annual salary, is based on growth in earnings per share before exceptional items.

- **Share Option Schemes**

  The Company believes that employee share schemes encourage the matching of interests between employees and shareholders. It is intended to launch a SAYE Share Option Scheme in the UK and a similar plan in France, Belgium, Netherlands, Germany and North America in March 1998. One year's service is required for eligibility to participate. Senior executives have also been able to participate since demerger 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 ranking given to 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 confirming 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 granted on 3 October 1997 were 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 condition 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.

**Grant of Executive Share Options following demerger**

The Committee granted options to a number of senior executives on 3 October 1997 on a basis which exceeded the multiples normally granted to new entrants to the scheme. In exceeding the multiples normally granted to new entrants to the scheme, the Committee accepted that it would be inequitable not to grant options to former members of the Christian Salvesen Executive Share Option Schemes based upon the full multiple of their salaries, since the majority had already held such options under those schemes which as a consequence of the demerger they had been required to surrender or exercise by 26 September 1997. In addition the Committee agreed that three new entrants to the scheme should receive their full entitlement of options at that date rather than on a phased basis over a number of years. One of the new entrants to the scheme was Mr S R Paterson, who received his full entitlement following his appointment as Finance Director but prior to completion of 12 months' service. The Committee accepted that it would be demotivating to restrict the grants to these employees at a time when other members of the management team would receive their full entitlement.

**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 because they have been 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.

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

| | Increase in Accrued Pension £ | Accrued Pension at 31 Dec 1997 £ | Transfer Value of Increase in Accrued Pension £ | Notional Cost of Death in Service Benefits £ |
|---|---|---|---|---|
| Dr C Masters* | 1,330 | 95,980 | 18,000 | 790 |
| D J Yorke† | 4,780 | 80,230 | 74,700 | 890 |
| S R Paterson† | 855 | 1,010 | 5,000 | 680 |
| R W Bird† | 2,800 | 21,920 | 45,100 | 920 |
| F A B Shepherd† | 2,870 | 18,130 | 40,700 | 1,620 |

*The relevant period used to calculate the increase in accrued pension commenced at demerger on 29 September 1997.
†The relevant period used to calculate the increase in accrued pension commenced at date of appointment on 28 August 1997.

Mr A J Delhomme is entitled to participate in the Employee's Savings, Investment Retirement plan and the Supplemental Executive Retirement plan of Aggreko Inc. At 31 December 1997 the Group's contributions and the accumulated earnings in the funds held for Mr Delhomme were £231,153.

**Directors' emoluments excluding pension contributions**

| | Salary £ | Fees £ | Taxable Benefits £ | Annual Bonus £ | Other Pay £ | 1997 Total £ |
|---|---|---|---|---|---|---|
| Executive Chairman | | | | | | |
| Dr C Masters* | 52,500 | | 2,450 | 7,922 | | 62,872 |
| Executives: | | | | | | |
| D J Yorke† | 52,500 | | 4,377 | 7,922 | | 64,799 |
| S R Paterson† | 38,333 | | 3,280 | 5,784 | 2,637 | 50,034 |
| R W Bird† | 32,083 | | 2,953 | 3,378 | | 38,414 |
| A J Delhomme II† | 61,349 | | 860 | 15,951 | | 78,160 |
| F A B Shepherd† | 30,962 | | 19,140 | 5,418 | | 55,520 |
| Non-Executives: | | | | | | |
| P G Rogerson* | | 7,000 | | | | 7,000 |
| Sir Ronald Miller* | | 5,000 | | | | 5,000 |
| A C Salvesen* | | 5,000 | | | | 5,000 |
| | 267,727 | 17,000 | 33,060 | 46,375 | 2,637 | 366,799 |

*Remuneration commenced at demerger on 29 September 1997.
†Remuneration commenced at date of appointment on 28 August 1997.

The annual bonus is receivable by the Directors at 31 December 1997.

Mr A J Delhomme II was the highest paid director. His pension entitlements and details of his potential receipt of shares under the Executive Share Options are disclosed separately.

Mr A J Delhomme II resigned as a Director on 28 January 1998 for health reasons.

Mr B W Minto, Mr R L Bruce, Mr G W Horne and Mr J M O Waddell briefly served as Directors following the formation of the Company in July/August 1997; they were paid no remuneration by the Company or any of its subsidiaries.

**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.

The Remuneration Committee considers that notice periods of two years are reasonable and in the interests of both the Company and the individual. 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.

### 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 period in the share capital of the Company were as follows:

### Share options

| Executive | At date of Appoint. | Granted during period | Exercised during period | 31.12.97 | 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 |
| A J Delhomme II | – | 290,503 | – | 290,503 | 179p | 25.3.1998 | 28.1.1999 |
| F A B Shepherd | – | 245,810 | – | 245,810 | 179p | 4.10.2000 | 4.10.2007 |

The options under the Executive Share Option Schemes are normally only exercisable once three years have elapsed from date of grant and lapse after ten years.

Mr P J Harrower held options over 150,754 shares at the time of his appointment on 28 January 1998. These options were granted at an option price of 179p, and will normally be exercisable between 4 October 2000 and 4 October 2007.

The market price of the shares at 31 December 1997 was 157p and the range during the period was 144p to 179p.

### Shares

| | 31 December 1997 Ordinary Shares of 20p Each | |
|---|---|---|
| | Beneficial | As Trustee |
| Dr C Masters | 112,334 | – |
| P G Rogerson | 3,782 | – |
| D J Yorke | 236,460 | – |
| S R Paterson | 3,000 | – |
| R W Bird | 26,819 | – |
| A J Delhomme II | 396 | – |
| F A B Shepherd | 10,334 | – |
| Sir Ronald Miller | 4,444 | – |
| A C Salvesen | 4,072,221 | 5,013,331 |

No Director was interested in any shares of subsidiary companies at any time during the year. The above Directors held no ordinary shares at the date of their appointment. Mr P J Harrower held 8,386 Ordinary shares at the time of his appointment on 28 January 1998. There have been no other changes in Directors' interests in shares between the end of the financial period and the date of this report.

**Philip G Rogerson**
*Chairman, Remuneration Committee*
25 March 1998

**Compliance**

The Company complies and has complied since the demerger on 29 September 1997 with all the provisions of the Cadbury Committee's Code of Best Practice. The main features are summarised below.

**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 pension schemes. The Board currently comprises three Non-Executive Directors and six Executive Directors. Although the Executive Directors include the Chairman and the Managing Director, the presence of a Non-Executive Deputy Chairman together with two other Non-Executive Directors provides a strong and independent element on the Board.

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.

**Retirement of Directors by Rotation**

One third of the members of the Board must retire by rotation each year and may offer themselves for re-election if eligible. A Director appointed by the Board holds office only until the next following Annual General Meeting and is not 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 4. Each committee has terms of reference approved by the Board as a whole and the minutes of the 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 Internal Audit Manager 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 control procedures are of a high standard. Written and verbal reports from the Group Internal Audit Manager 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 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.

### Internal Financial Control

The Directors are responsible for the Company's system of internal control. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Company's system is 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; the UK, North America and Continental European regions and are represented on the Board. The Asia Pacific region is represented on the Board 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**
  A detailed formal budgeting process for all Group business culminates in an annual Group budget which is 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 and demands a high quality financial presentation of the business case. As a matter of routine, projects are also subject to post investment appraisal after an appropriate period.

- **Financial Controls Assurance**
  Since demerger the Company has undertaken a formal review, based on self assessment, which is designed to evaluate and assess the 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 Internal Audit Manager reporting directly to the Finance Director. 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 control.

### Pensions

The assets of the UK pension fund are held by trustees 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.

## Directors' Report

### Results and Dividends

The result after taxation for the period from incorporation on 23 July 1997 to 31 December 1997 was neither a profit nor a loss.

As set out in Notes 8 and 11 to the accounts, exceptional and non-recurring dividends amounting to £21.9 million were made in the period between 23 July 1997 and the date of demerger. The Directors now recommend a final dividend of 0.94 pence per ordinary share payable on 29 May 1998. The total of this dividend amounts to £2.5 million.

The balance of the retained loss for the period of £24.4 million has been transferred from reserves.

**Share Capital**
Details of the changes in issued share capital during the period are given on page 42.

**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 7 and in the Managing Director's Operating Review on pages 14 to 16.

Principal subsidiary undertakings are listed on page 45.

**Directors**
The present Directors of the Company are listed on page 4. All of the Directors, with the exception of Mr P J Harrower, were appointed on 28 August 1997. Mr P J Harrower was appointed on 28 January 1998 to succeed Mr A J Delhomme II, who on the same date resigned from the Board for health reasons. All of the Directors, having been appointed since the Company's formation, are obliged to resign at the Annual General Meeting and, with the exception of Mr Delhomme, being eligible offer themselves for re-election.

Mr B W Minto and Mr R L Bruce, Directors on incorporation of the Company, resigned on 30 July 1997; Mr G W Horne and Mr J M O Waddell served as Directors following the formation of the Company from 30 July 1997 to 28 August 1997.

All of the Executive Directors have service agreements which require one year's notice from the Director and two year's notice from the Company. 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 period 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 period is given on page 22.

**Donations**
During the period the Group contributed £9,351 in terms of cash, employees' time and other services to a range of charitable, community and arts organisations. Of this total £1,275 was donated to registered UK charities.

No political donations were made during the period.

**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 had shareholding interests through SAYE and other schemes operated by Christian Salvesen PLC prior to demerger. It is intended to implement similar schemes for employees of the Aggreko Group.

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 employment with the Group or elsewhere.

In the area of health and safety each of our business units 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.

**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 44 days credit outstanding as at the balance sheet date.

**Special Business**
Resolution 13 proposes, as an ordinary resolution, to authorise the Directors to exercise the powers of the Company to allot relevant securities. This resolution is limited to £16,900,000 which is approximately 32% of the issued share capital. The authority under this resolution would expire on the earlier of 28 April 2003 and the date of the Annual General Meeting in that year.

Resolution 14 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 equal to 5% of the issued ordinary share capital, or a total of 13,250,000 ordinary shares.

**Special Business** (continued)
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 1999 or on 28 April 1999, whichever is the earlier. The Directors intend to seek renewal of this power at subsequent Annual General Meetings.

The third and final 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 15 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 15 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 5 March 1998 the Company had received notifications of the following shareholdings in excess of 3% of the issued ordinary share capital:

| Name of Shareholder | Number of Shares | % |
|---|---|---|
| A E H Salvesen* | 13,778,316 | 5.20 |
| A C Salvesen* | 9,085,552 | 3.43 |
| Morgan Stanley Asset Management** | 31,185,289 | 11.76 |

*including immediate family and trustee interests
**on behalf of discretionary managed accounts

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

**Auditors**
Price Waterhouse were appointed by the Directors as auditors of the Company to hold office until the conclusion of the first General Meeting at which accounts are laid. A resolution re-appointing Price Waterhouse as the Company's auditors will be proposed at the Annual General Meeting.

By order of the Board
**A Paul Allen** *Secretary*
25 March 1998

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## Directors' Reponsibilities

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 Directors of Aggreko plc on Corporate Governance Matters

In addition to our audit of the accounts, we have reviewed your statements on pages 23 and 24 concerning the Group's compliance with the paragraphs on the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and on page 18 concerning the adoption of the going concern basis in preparing the accounts. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43 (j) and 12.43 (v), if not otherwise disclosed.

**Basis of Opinion**

We carried out our review having regard to guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or corporate governance procedures nor on the ability of the Group to continue in operational existence.

**Opinion**

In our opinion, your statements on internal financial controls on page 24 (other than your opinion on effectiveness which is outside the scope of our report) and on going concern on page 18, have provided the disclosures required by the Listing Rules referred to above and are consistent with the information which came to our attention as a result of our audit work on the accounts. In our opinion, based on enquiry of certain Directors and Officers of the Company and examination of relevant documents, your statement on page 23 appropriately reflects the Group's compliance with the other paragraphs of the Code specified for our review by Listing Rule 12.43 (j).

Price Waterhouse

**Chartered Accountants**
*Glasgow*
25 March 1998

## Report by the Auditors to the Members of Aggreko plc

We have audited the accounts on pages 28 to 45 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 32 and 33. We have also examined the information on pages 21 and 22 specified for our review by The London Stock Exchange which is included in the Remuneration Committee Report.

**Respective responsibilities of Directors and auditors**

As described on page 26, the Company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

**Basis of 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 circumstances of the Company and of the Group, 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 of the Group as at 31 December 1997 and of the result and cash flows of the Group for the 5 month period then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

**Chartered Accountants and Registered Auditors**
*Glasgow*
25 March 1998

## Consolidated Profit and Loss Account
for the 5 months ended 31 December 1997

| | Note | 5 months ended 31 Dec 1997 Business performance £ million | Exceptional and non-recurring items (Note 8) £ million | Total £ million | Pro forma Year ended 31 Dec 1997 | Pro forma Year ended 31 Dec 1996 |
|---|---|---|---|---|---|---|
| **Turnover** | 3 | 70.5 | – | 70.5 | 163.3 | 168.1 |
| **Operating profit** | 3,4 | 17.2 | (2.9) | 14.3 | 38.7 | 37.9 |
| Amounts written off investments | 8,15 | – | (7.2) | (7.2) | – | |
| Net interest payable | 7 | (1.0) | – | (1.0) | (5.5) | |
| **Profit/(loss) on ordinary activities before taxation** | 5 | 16.2 | (10.1) | 6.1 | 33.2 | |
| Tax on profit on ordinary activities | 10 | (6.1) | – | (6.1) | (11.6) | |
| **Profit/(loss) for the financial period** | | 10.1 | (10.1) | – | 21.6 | |
| Dividends | 8,11 | (2.5) | (21.9) | (24.4) | (10.0) | |
| **Retained profit/(loss) for the financial period** | | 7.6 | (32.0) | (24.4) | 11.6 | |
| Dividend per share (pence) | 8,11 | 0.94 | 8.26 | 9.20 | 3.77 | |
| Earnings/(loss) per share (pence) | 8,12 | 3.81 | (3.81) | – | 8.15 | |

## Statement of Total Recognised Gains and Losses
for the 5 months ended 31 December 1997

| | Note | 5 months ended 31 Dec 1997 £ million |
|---|---|---|
| **Result for the financial period** | | – |
| Exchange translation effect on foreign currency net investments | 22 | (7.8) |
| **Total recognised gains and losses for the period** | | (7.8) |

The notes on pages 32 to 45 form part of these accounts.

The consolidated profit and loss account for the 5 months ended 31 December 1997 constitute the statutory 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.

## Balance Sheets
as at 31 December 1997

| | Note | Group 1997 £ million | Group Pro forma 1996 £ million | Company 1997 £ million |
|---|---|---|---|---|
| **Fixed assets** | | | | |
| Tangible assets | *14* | 136.9 | 136.0 | – |
| Investments | *15* | – | – | 53.0 |
| | | 136.9 | 136.0 | 53.0 |
| **Current assets** | | | | |
| Stocks | *16* | 12.8 | 11.1 | – |
| Debtors | *17* | 31.9 | 30.4 | 146.0 |
| Cash at bank and in hand | | 23.9 | 9.5 | 0.1 |
| | | 68.6 | 51.0 | 146.1 |
| **Creditors – amounts falling due within one year** | | | | |
| – borrowings | *18* | (2.4) | (0.6) | (0.2) |
| – other creditors | *19* | (32.1) | (27.4) | (48.0) |
| **Net current assets** | | 34.1 | 23.0 | 97.9 |
| **Total assets less current liabilities** | | 171.0 | 159.0 | 150.9 |
| **Creditors – amounts falling due after one year** | | | | |
| – borrowings | *18* | (96.6) | (96.0) | (96.6) |
| **Provisions for liabilities and charges** | *20* | (5.9) | (5.7) | – |
| **Net assets** | | 68.5 | 57.3 | 54.3 |
| **Capital and reserves** | | | | |
| Called up share capital | *21* | 53.0 | 53.0 | 53.0 |
| Profit and loss account | *22* | 23.3 | 4.3 | 0.5 |
| Other reserves (exchange) | *22* | (7.8) | – | 0.8 |
| **Shareholders' funds** | *23* | 68.5 | 57.3 | 54.3 |

Approved by the Board on 25 March 1998 and signed on its behalf by:

**Dr C Masters**
*Chairman*

**S R Paterson**
*Finance Director*

The notes on pages 32 to 45 form part of these accounts.

The Group and Company balance sheets at 31 December 1997 constitute the statutory accounts. Pro forma information for 31 December 1996 reflects the financial position of the Aggreko Group as if it had been in existence in its demerged form at that date and does not form part of the statutory accounts.

## Consolidated Cash Flow Statement

for the 5 months ended 31 December 1997

| | 5 months ended 31 Dec 1997 | | |
|---|---|---|---|
| | Business performance £ million | Exceptional and non-recurring items £ million | Total £ million |
| **Net cash inflow from operating activities** | 32.8 | (76.2) | (43.4) |
| **Returns on investments and servicing of finance** | | | |
| Interest received | 0.7 | – | 0.7 |
| Interest paid on bank loans and overdrafts | (0.7) | – | (0.7) |
| **Net cash outflow for returns on investments and servicing of finance** | – | – | – |
| **Taxation** | | | |
| UK corporation tax paid | (6.5) | – | (6.5) |
| Overseas tax paid | (6.5) | (5.9) | (12.4) |
| **Tax paid** | (13.0) | (5.9) | (18.9) |
| **Capital expenditure and financial investment** | | | |
| Purchase of tangible fixed assets | (17.5) | – | (17.5) |
| Proceeds from disposal of tangible fixed assets | 1.5 | – | 1.5 |
| **Net cash outflow for capital expenditure and financial investment** | (16.0) | – | (16.0) |
| **Dividends paid (see Note 8)** | – | (13.5) | (13.5) |
| **Cash inflow/(outflow) before use of liquid resources and financing** | 3.8 | (95.6) | (91.8) |
| **Management of liquid resources** | – | – | – |
| **Financing** | | | |
| Other cash transactions with Christian Salvesen PLC | – | (13.3) | (13.3) |
| Increase in debt due beyond one year | 97.4 | 84.4 | 181.8 |
| Cash repaid to Christian Salvesen PLC on demerger (see Note 9) | – | (84.4) | (84.4) |
| | 97.4 | – | 97.4 |
| **Net cash inflow/(outflow) from financing** | 97.4 | (13.3) | 84.1 |
| **Increase/(decrease) in cash in the period** | 101.2 | (108.9) | (7.7) |

| | |
|---|---|
| **Reconciliation of net cash flow to movement in net debt** | |
| Decrease in cash in the period | (7.7) |
| Cash inflow from increase in debt | (97.4) |
| Cash inflow/(outflow) from increase/(decrease) in liquid resources | – |
| Changes in net debt arising from cash flows | (105.1) |
| Translation difference | 1.1 |
| Movement in net debt in period | (104.0) |
| Net funds at beginning of period | 28.9 |
| **Net debt at end of period** | (75.1) |

The notes on pages 32 to 45 form part of these accounts.

**(i) The reconciliation of operating profit to net cash inflow from operating activities is as follows:**

| | 5 months ended 31 Dec 1997 Business performance £ million | Exceptional and non-recurring items £ million | Total £ million | Pro forma 1997 £ million |
|---|---|---|---|---|
| Operating profit | 17.2 | – | 17.2 | 38.7 |
| Depreciation charge | 13.5 | – | 13.5 | 32.5 |
| (Increase)/decrease in working capital: | | | | |
| Stocks | (0.5) | – | (0.5) | (2.1) |
| Debtors | 4.9 | 59.7 | 64.6 | (1.9) |
| Creditors | (1.1) | (133.0) | (134.1) | 5.3 |
| Other items not involving the movement of cash | (1.2) | (2.9) | (4.1) | (2.0) |
| **Net cash inflow from operating activities** | 32.8 | (76.2) | (43.4) | 70.5 |

The exceptional and non-recurring working capital movements relate to inter-company balances with Christian Salvesen PLC and the £2.9 million is detailed in Note 8.

**(ii) Analysis of movement in net debt**

| | Net funds at 23 July 1997 £ million | Cash flow £ million | Translation £ million | Net debt at 31 Dec 1997 £ million |
|---|---|---|---|---|
| **Cash** | | | | |
| Cash at bank and in hand | 24.8 | (5.3) | 0.3 | 19.8 |
| Overdrafts | – | (2.4) | – | (2.4) |
| | 24.8 | (7.7) | 0.3 | 17.4 |
| **Liquid resources** | | | | |
| Deposits maturing within one year | 4.1 | – | – | 4.1 |
| **Financing** | | | | |
| Debt due after one year | – | (97.4) | 0.8 | (96.6) |
| **Total** | 28.9 | (105.1) | 1.1 | (75.1) |

**(iii) Pro forma information for 1997**

During 1997, capital expenditure amounted to £40.3 million and proceeds from the disposal of tangible fixed assets amounted to £4.7 million, with a corresponding gain on sale of £2.6 million.

## 1 Pro forma information

The nature of Aggreko's business means that a higher proportion of its profits are earned in the summer months. In order to report the results of the summer season on a more timely basis, and to improve the Group's ability to report current trading trends, the Company has adopted an accounting reference date of 31 December. Consequently, the five month period ended 31 December 1997 is the Company's first accounting reference period.

Due to the significant changes which were made to the financial structure of the Group in order to effect the demerger, the actual interest and taxation charges incurred by the Group prior to 29 September 1997 are not representative of those incurred by the Group following the demerger. The pro forma profit and loss account for the year ended 31 December 1997 has been adjusted to reflect the financing and taxation structure of the Group following the demerger, as if this structure had been in place at 31 December 1996, and to incorporate trading of the Group for the whole of calendar year 1997.

In addition, the pro forma balance sheet prepared as at 31 December 1996 has been adjusted to reflect the financing structure of the Group on demerger as if it had been in place at 31 December 1996.

The financial information prepared on a pro forma basis reflects the following:

- adjustments to the actual finance charges incurred or finance income earned by the Group to reflect the impact of the capital structure of the Group following the demerger, as if that structure had been in place for the whole of the year ended 31 December 1997. The pro forma finance charges have been calculated by reference to average indebtedness that would have arisen from this revised capital structure at the average variable rate available on the market during the period on external borrowings;
- the pro forma charge for taxation, calculated to reflect the impact of adjusted finance charges and the capital structure of the Group following the demerger, without the benefits of the Christian Salvesen PLC Group's tax arrangements, as if that had been in place for the whole of the year ended 31 December 1997. In overall terms, an effective rate of taxation of 35% has been applied to the 1997 pro forma profit on ordinary activities;
- earnings per share, calculated on the basis of pro forma profit for the year, and 265.2 million ordinary shares, being the number of shares in issue throughout the period from demerger to 31 December 1997;
- dividends per share reflect the level of dividends that would have been payable for calendar year 1997, based on the pro forma result for the year, in line with the expected dividend policy, and has been apportioned between notional interim and final distributions in line, once again, with expected future dividend policy. As with earnings per share, the per share calculations have been based on the 265.2 million ordinary shares in issue throughout the period since date of demerger;
- the elimination/exclusion of non-operating transactions (including any associated taxation) which took place prior to the date of demerger, which related to the restructuring of the Christian Salvesen Group in order to effect the demerger.

For the purposes of comparison, turnover and operating profit information has also been presented for calendar year 1996.

The pro forma figures do not form part of the statutory accounts.

The notes below apply to both the results for the 5 month statutory period and pro forma information, except where otherwise indicated.

## 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

#### (a) Background

The Company was incorporated on 23 July 1997 with an authorised and issued share capital of £50,000 divided into two ordinary shares of 25p each and 199,998 redeemable preference shares of 25p each. By a special resolution passed on 27 August 1997, the Company's authorised share capital was increased to £50,001.50 and six further ordinary shares of 25p were issued. As part of a special resolution passed on 29 August 1997 every four ordinary shares of 25p each were sub-divided into five ordinary shares of 20p and the authorised share capital of the Company was increased from £50,001.50 to £70,000,001.50 by the creation of a further 349,750,000 ordinary shares of 20p each. Prior to the demerger becoming effective, an amount of £49,999.50 was contributed by Christian Salvesen PLC so as to enable the Company to redeem the redeemable preference shares.

On 29 September 1997, the demerger from Christian Salvesen PLC was completed and the net assets and undertaking of Aggreko's power and temperature control business were transferred to the Company. On that date the Company issued 265.2 million fully paid ordinary shares, which were admitted to the Official List of the London Stock Exchange.

**(b) Basis of preparation**
The consolidated accounts comprise the accounts of the Company and its subsidiaries for the period from incorporation to 31 December 1997. The consolidated accounts have been prepared using merger accounting principles as if the companies, businesses and assets comprising the Group had been part of the Group for all periods presented. Accordingly, although the Company was incorporated on 23 July 1997 and the demerger not effected until 29 September 1997, Group accounts are presented as if the merged businesses had always been part of the same Group from 23 July 1997.

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

**(iv) 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 |

**(v) 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.

**(vi) 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.

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

**(viii) 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.

**(ix) 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.

| | Turnover | | | Operating Profit | | |
|---|---|---|---|---|---|---|
| | Total 1997 £ million | Pro forma 1997 £ million | Pro forma 1996 £ million | Total 1997 £ million | Pro forma 1997 £ million | Pro forma 1996 £ million |
| United Kingdom | 15.6 | 33.9 | 32.0 | 3.9 | 9.4 | 8.4 |
| Continental Europe | 13.3 | 29.9 | 35.9 | 2.4 | 5.7 | 6.0 |
| North America | 31.9 | 69.4 | 72.8 | 6.9 | 18.9 | 20.9 |
| Rest of the World | 9.7 | 30.1 | 27.4 | 1.1 | 4.7 | 2.6 |
| | 70.5 | 163.3 | 168.1 | 14.3 | 38.7 | 37.9 |

Operating profit of £14.3 million for the 5 months ended 31 December 1997 is net of £2.9 million for North America relating to exceptional and non-recurring items (see Note 8).

| | 1997 Operating assets £ million | 1997 Average employees number | Pro forma 1996 Operating assets £ million |
|---|---|---|---|
| United Kingdom | 32.4 | 320 | 31.9 |
| Continental Europe | 25.5 | 239 | 36.0 |
| North America | 80.7 | 424 | 70.7 |
| Rest of the World | 16.3 | 126 | 17.1 |
| | 154.9 | 1,109 | 155.7 |

During 1996 and 1997 contracts were undertaken in the Rest of the World utilising rental fleet from Continental Europe and the UK.

**Reconciliation of operating assets to net assets**

| | 1997 £ million | Pro forma 1996 £ million |
|---|---|---|
| Operating assets | 154.9 | 155.7 |
| Net tax, dividends and interest payable/receivable | (11.3) | (11.3) |
| Capital employed | 143.6 | 144.4 |
| Net borrowings | (75.1) | (87.1) |
| **Net assets** | 68.5 | 57.3 |

### 4 Operating expenses

| | Business performance £million | Exceptional and non-recurring items (Note 8) £ million | Total 1997 £ million | Pro forma 1997 £ million |
|---|---|---|---|---|
| Cost of sales | 44.6 | – | 44.6 | 104.2 |
| Distribution costs | 5.1 | – | 5.1 | 11.8 |
| Administrative expenses | 4.7 | 2.9 | 7.6 | 10.9 |
| Net other operating income | (1.1) | – | (1.1) | (2.3) |
| | 53.3 | 2.9 | 56.2 | 124.6 |

## 5 Operating profit

Operating profit is stated after charging/(crediting):

| | 1997 £ million | Pro forma 1997 £ million |
|---|---|---|
| Depreciation of tangible fixed assets | 13.5 | 32.5 |
| Gain on sale of tangible fixed assets | (1.0) | (2.6) |
| Operating leases: | | |
| plant and machinery | 0.4 | 0.9 |
| land and buildings | 0.3 | 2.0 |
| Management charges from Christian Salvesen PLC | 0.8 | |
| Auditors' remuneration: | | |
| audit fees (inc. Company of £42,000) | 0.2 | |
| non audit fees | 0.1 | |

Fees and expenses invoiced by the auditors for non audit services include £3,900 paid in the UK.

## 6 Staff costs

| | 1997 £ million |
|---|---|
| Directors' and employees' costs: | |
| Wages and salaries | 11.9 |
| Social security costs | 1.2 |
| Other pension costs (see Note 25) | 0.6 |
| | 13.7 |

Full details of Directors' remuneration are set out on page 21.

## 7 Net interest payable

| | 1997 £ million | Pro forma 1997 £ million |
|---|---|---|
| Interest payable on: | | |
| Bank loans and overdrafts | (1.9) | (5.9) |
| Interest receivable on: | | |
| Bank balances and deposits | 0.7 | 0.4 |
| Other | 0.2 | – |
| **Net interest payable** | (1.0) | (5.5) |

The pro forma interest amounts for the year ended 31 December 1997 have been calculated on the basis set out in Note 1.

## 8 Exceptional and non-recurring items

As outlined in Note 2 (ii) (b), Basis of preparation, the Group accounts for the five months ended 31 December 1997 are presented as if the merged businesses had always been part of the same Group from 23 July 1997. In preparation for the demerger, a number of transactions took place which related to the restructuring of the Christian Salvesen Group in order to effect the demerger. Such transactions included the write-off and transfers out of the Aggreko Group of interests in Christian Salvesen Group companies, in addition to the payment of certain pre-demerger dividends (both cash and dividend in specie amounts). As explained in the Financial Review, the transactions were as follows:

(i) On 21 August 1997 Christian Salvesen Holdings Inc. (now called Aggreko Holdings Inc.) disbursed, as a dividend in specie, its interests in three non-Aggreko Group companies to Christian Salvesen PLC which was, at the time of the disbursement, the owner of the common stock of Christian Salvesen Holdings Inc. The carrying value of these investments at the date of disbursement was £8.4 million.

(ii) On 23 August 1997 Christian Salvesen Holdings Inc. paid a dividend, in cash, of £13.5 million to Christian Salvesen PLC. The dividend had been declared by Christian Salvesen Holdings Inc. on 21 August 1997.

(iii) In conjunction with item (i) above, Christian Salvesen Holdings Inc. wrote off, in full, amounts owed by each of the three non-Aggreko companies. The amount of these write-offs totalled £2.9 million.

(iv) During August 1997 Christian Salvesen (International) BV (now called Aggreko Finance BV) wrote off, in full, the carrying cost of its interests in various non-Aggreko group companies that were being transferred to the ownership of Christian Salvesen PLC. These write-offs amounted to a total of £7.2 million.

The total exceptional dividends made in the period were £21.9 million (Note 11).

In view of the nature of each of the above items, there is no associated taxation credit in relation to the charges made during the period.

## 9 Other significant non-cash transactions

In addition to the items set out in Note 8, there were a number of other non-cash transactions (not impacting the profit and loss account) which took place during the period as follows:

(i) On 22 August 1997 Aggreko Holdings Limited purchased all of the issued share capital of Christian Salvesen (International) BV from Christian Salvesen PLC for a consideration of £175 million which was financed by means of inter-company debt.

(ii) On 22 August 1997 Aggreko Holdings Limited purchased all of the issued commercial stock of Christian Salvesen Holdings Inc. from Christian Salvesen PLC the consideration for which was the issuance by Aggreko Holdings Limited of 675,000 new ordinary shares of £1 to Christian Salvesen PLC.

(iii) As at the date of demerger the Aggreko Group had cash balances and liquid resources amounting to £3.4 million and therefore the initial drawdown of debt by Aggreko Holdings Limited was £84.4 million, which was remitted to Christian Salvesen PLC in settlement of the Aggreko Group's inter-company indebtedness. Having received £84.4 million of cash, Christian Salvesen PLC capitalised £77.7 million (being the excess of Aggreko Group's indebtedness over the net debt amount) by means of subscribing for 77.7 million new ordinary shares of £1 each in Aggreko Holdings Limited.

**10 Tax on profit on ordinary activities**

Taxation on profit on ordinary activities is analysed as follows:

| | Business Performance and Total 1997 £ million |
|---|---|
| Tax on profit on ordinary activities: | |
| UK Corporation tax | 1.1 |
| Overseas taxation | 6.3 |
| | 7.4 |
| Deferred taxation: | |
| United Kingdom | (0.4) |
| Overseas | (0.8) |
| | 6.2 |
| Prior year adjustments: | |
| Current taxation | (0.1) |
| | 6.1 |

The pro forma tax charge for the year ended 31 December 1997 has been calculated on the basis set out in Note 1.

**11 Dividends**

| | 1997 £ million | 1997 per share (p) | Pro forma 1997 £ million | Pro forma 1997 per share (p) |
|---|---|---|---|---|
| Equity dividends (net): | | | | |
| Interim | – | – | 4.0 | 1.51 |
| Proposed final | 2.5 | 0.94 | 6.0 | 2.26 |
| | 2.5 | 0.94 | 10.0 | 3.77 |
| Exceptional items (see Note 8) | 21.9 | 8.26 | | |
| | 24.4 | 9.20 | | |

The 1997 pro forma dividends per share have been apportioned between notional interim and final dividends.

**12 Earnings per share**

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 to 31 December 1997.

There is no material difference between the basic and fully diluted earnings per share.

**13 Profit of the Company**

The result of the Group includes £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.

## 14 Tangible fixed assets

| Group: | Freehold properties £ million | Short leasehold properties £ million | Rental fleet £ million | Vehicles, plant and machinery £ million | Total £ million |
|---|---|---|---|---|---|
| Cost at 23 July 1997 | 14.2 | 2.4 | 253.1 | 17.6 | 287.3 |
| Exchange differences | (0.1) | – | (2.0) | (0.3) | (2.4) |
| Additions | – | 0.1 | 15.8 | 1.6 | 17.5 |
| Disposals | – | – | (4.8) | (0.2) | (5.0) |
| Transfers | – | – | (0.2) | 0.2 | – |
| **Cost at 31 December 1997** | 14.1 | 2.5 | 261.9 | 18.9 | 297.4 |
| Depreciation at 23 July 1997 | 2.9 | 0.6 | 138.0 | 11.6 | 153.1 |
| Exchange differences | – | – | (1.5) | (0.1) | (1.6) |
| Charge for period | 0.2 | – | 12.2 | 1.1 | 13.5 |
| Disposals | – | – | (4.2) | (0.3) | (4.5) |
| Transfers | – | – | (0.1) | 0.1 | – |
| **Depreciation at 31 December 1997** | 3.1 | 0.6 | 144.4 | 12.4 | 160.5 |
| **Net book values: 31 December 1997** | 11.0 | 1.9 | 117.5 | 6.5 | 136.9 |
| **23 July 1997** | 11.3 | 1.8 | 115.1 | 6.0 | 134.2 |
| **31 December 1996 (pro forma)** | 12.1 | 1.9 | 116.0 | 6.0 | 136.0 |

The Company had no tangible fixed assets as at 31 December 1997.

## 15 Fixed asset investments

| Cost | Group 1997 £ million | Company 1997 £ million |
|---|---|---|
| At 23 July 1997 | 15.1 | – |
| Exchange differences | 0.5 | – |
| Additions | – | 53.0 |
| Disposals – as distribution in specie (Note 8) | (8.4) | – |
| – written off in period (Note 8) | (7.2) | – |
| **At 31 December 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 Sections 131 and 135 of the Companies Act 1985.

## 16 Stocks

| | 1997 £ million | Group Pro forma 1996 £ million | Company 1997 £ million |
|---|---|---|---|
| Raw materials and consumables | 12.0 | 10.4 | – |
| Work in progress | 0.8 | 0.7 | – |
| | 12.8 | 11.1 | – |

## 17 Debtors

| | 1997 £ million | Group Pro forma 1996 £ million | Company 1997 £ million |
|---|---|---|---|
| Trade debtors | 28.0 | 27.2 | – |
| Other debtors | 1.6 | 1.1 | – |
| Prepayments and accrued income | 1.7 | 2.1 | 0.4 |
| ACT recoverable | 0.6 | – | 0.6 |
| Amounts due from subsidiary undertakings | – | – | 145.0 |
| | 31.9 | 30.4 | 146.0 |

ACT recoverable is receivable after more than one year

## 18 Borrowings

| | 1997 £ million | Group Pro forma 1996 £ million | Company 1997 £ million |
|---|---|---|---|
| **Net borrowings** | 75.1 | 87.1 | 96.7 |

Net borrowings as at 31 December 1997 are analysed as follows:

| | Group 1997 £ million | Company 1997 £ million |
|---|---|---|
| **Long-term borrowings:** | | |
| Loans | 96.6 | 96.6 |
| **Total long-term borrowings** | 96.6 | 96.6 |
| **Short-term borrowings:** | | |
| Loans and overdrafts | 2.4 | 0.2 |
| **Total short-term borrowings** | 2.4 | 0.2 |
| **Total borrowings** | 99.0 | 96.8 |
| **Liquid funds:** | | |
| Liquid resources | (4.1) | – |
| Cash at bank and in hand | (19.8) | (0.1) |
| **Net borrowings** | 75.1 | 96.7 |

As at 29 September 1997, the allocation of indebtedness was agreed such that, at that date, the Aggreko Group had net indebtedness of £81 million. The pro forma net borrowings amount disclosed as of 31 December 1996 is derived by using the indebtedness amount as at date of demerger, as adjusted by the cash flows of the Aggreko Group for the period between 31 December 1996 and the date of demerger.

Liquid resources comprise term deposits of less than one year.

## 18 Borrowings (continued)

### (i) Interest rate and currency of borrowings

After taking into account interest rate swaps, the currency and interest rate exposure of the gross borrowings of the Group as at 31 December 1997 was as follows:

| | Total £ million | Floating rate £ million | Fixed rate £ million |
|---|---|---|---|
| Sterling–borrowings | 60.7 | 40.7 | 20.0 |
| –overdraft | 2.4 | 2.4 | – |
| US Dollar–borrowings | 35.9 | – | 35.9 |
| Gross borrowings | 99.0 | 43.1 | 55.9 |

**Sterling borrowings and overdraft**
The floating rate borrowings bear interest at 7.8103% for the three months from 27 October 1997. £20 million of sterling borrowings have been fixed through an interest rate swap at a rate of 7.8% for one year commencing 28 October 1997. The overdraft, which is repayable on demand, bears interest at base plus 1%.

**US Dollar borrowings**
The total $60 million (£35.9 million) loan has been fixed through an interest rate swap at a rate of 6.5% for 18 months commencing 28 October 1997.

**Interest bearing assets**
The Group held no interest bearing assets at the period end other than reinvestment of surplus cash.

### (ii) Maturity of borrowings

| | 1997 £ million |
|---|---|
| The maturity of the Group's gross borrowings is as follows: | |
| Within one year | 2.4 |
| Between one and two years | – |
| Between two and five years | 96.6 |
| | 99.0 |

### (iii) Borrowing facilities

As at 31 December 1997, the Group had undrawn committed borrowing facilities available to it of £28.4 million which expire beyond one year.

### (iv) Fair values of financial instruments

Set out below is an analysis of the fair and book values of the Group's financial instruments as at 31 December 1997. Market values have been used to determine fair values.

| Assets/(liabilities) | Book Value £ million | Fair Value £ million |
|---|---|---|
| **Derivatives** | | |
| Interest rate swaps | – | (0.1) |
| Foreign exchange forward rate contracts: | | |
| –hedging future transactions | – | – |
| **Other liabilities** | | |
| Short-term borrowings | (2.4) | (2.4) |
| Long-term borrowings | (96.6) | (96.6) |
| Trade and other creditors | (11.9) | (11.9) |
| **Other assets** | | |
| Trade and other debtors | 29.6 | 29.6 |

**(v) Currency analysis of net assets**

The Group's net assets and borrowings by currency as at 31 December 1997 were as follows:

| | Net assets by currency of operations excluding gross borrowings £ million | Gross borrowings £ million | Net investment £ million |
|---|---|---|---|
| Sterling assets/(liabilities) | 28.1 | (63.1) | (35.0) |
| Matched US Dollar assets/(liabilities) | 35.9 | (35.9) | – |
| Total matched assets/(liabilities) | 64.0 | (99.0) | (35.0) |
| Unmatched assets/(liabilities) | 103.5 | – | 103.5 |
| | 167.5 | (99.0) | 68.5 |

The unmatched net foreign currency position included above is as follows:

| | Net Sterling £ million | Net US Dollar £ million | Net Other £ million | Total £ million |
|---|---|---|---|---|
| Functional currency of Group: | | | | |
| Sterling | – | 38.0 | 65.5 | 103.5 |

**(vi) Hedges of future transactions**

The total deferred recognised and unrecognised gains and losses comprise as follows:

| | Deferred recognised foreign exchange contracts £ million | Unrecognised interest rate swaps £ million | Total £ million |
|---|---|---|---|
| **Balance brought forward at 23 July 1997** | – | – | – |
| Profit and loss account | – | – | – |
| Revaluation | – | (0.1) | (0.1) |
| **Balance carried forward at 31 December 1997** | – | (0.1) | (0.1) |
| Expected to be recognised in the profit and loss account –next year | – | (0.1) | (0.1) |

**(vii) Financial instruments held for trading purposes**

The Group held no financial instruments for trading purposes during the period or at 31 December 1997.

## 19 Other creditors: amounts falling due within one year

| | Group 1997 £ million | Group Pro forma 1996 £ million | Company 1997 £ million |
|---|---|---|---|
| Trade creditors | 7.8 | 6.1 | – |
| Other taxation and social security payable | 1.9 | 1.4 | – |
| Other creditors | 4.1 | 2.1 | – |
| Accruals and deferred income | 13.3 | 12.1 | 1.5 |
| Corporation tax | 1.9 | 5.7 | – |
| ACT payable | 0.6 | – | 0.6 |
| Dividends payable | 2.5 | – | 2.5 |
| Amounts owed to subsidiary undertakings | – | – | 43.4 |
| | 32.1 | 27.4 | 48.0 |

## 20 Provisions for liabilities and charges

**Group**

| | 1997 £ million |
|---|---|
| Deferred taxation: | |
| Balance brought forward | 7.2 |
| Currency retranslation | (0.1) |
| Released to profit on ordinary activities | (1.2) |
| At 31 December 1997 | 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 was £6.8 million as at 31 December 1997 and 31 December 1996 and a provision of £5.7 million is included in the 31 December 1996 pro forma balance sheet.

**Company**

The Company had no deferred taxation liability at either 23 July 1997 or 31 December 1997.

## 21 Called up share capital

**Group and Company (as at 31 December 1997)**

| | 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 |

**Shares Issued**

**(i) for cash consideration**

The Company was incorporated on 23 July 1997 with an authorised and issued share capital of £50,000 divided into two ordinary shares of 25p each and 199,998 redeemable preference shares of 25p each. By a special resolution passed on 27 August 1997, the Company's authorised share capital was increased to £50,001.50 and six further ordinary shares of 25p were issued. As part of a special resolution passed on 29 August 1997 every four ordinary shares of 25p each were sub-divided into five ordinary shares of 20p and the authorised share capital of the Company was increased from £50,001.50 to £70,000,001.50 by the creation of a further 349,750,000 ordinary shares of 20p each. Prior to the demerger becoming effective, an amount of £49,999.50 was contributed by Christian Salvesen PLC so as to enable the Company to redeem the redeemable preference shares.

**(ii) for non-cash consideration**

On 29 September 1997 the demerger from Christian Salvesen PLC was completed and the net assets and undertaking of Aggreko's businesses were transferred to the Company. On that date the Company issued 265.2 million fully paid ordinary shares, which were admitted to the Official List of the London Stock Exchange. These shares were therefore issued at a premium but, in accordance with the merger relief provisions of Section 131 of the Companies Act 1985, the shares are recorded only at their nominal value.

Details of outstanding options to subscribe for the Company's Ordinary Shares are given in Note 28.

## 22 Profit and loss account, and Other reserves

| | Group | | Company | |
|---|---|---|---|---|
| | Exchange reserve £ million | Profit and loss reserve £ million | Exchange reserve £ million | Profit and loss reserve £ million |
| **At 23 July 1997** | – | 47.7 | – | – |
| Retained profit/(loss) for the period | – | (24.4) | – | 0.5 |
| Other recognised (losses)/gains | (7.8) | – | 0.8 | – |
| **At 31 December 1997** | (7.8) | 23.3 | 0.8 | 0.5 |

## 23 Reconciliation of movements in shareholders' funds

| | Called up share capital £ million | Exchange reserve £ million | Profit and loss reserve £ million | Capital and reserves £ million |
|---|---|---|---|---|
| **Group** | | | | |
| Profit/(loss) for the period | – | – | – | – |
| Dividends | – | – | (24.4) | (24.4) |
| Other recognised losses | – | (7.8) | – | (7.8) |
| Issue of share capital | 53.0 | – | – | 53.0 |
| Net addition to/(decrease in) shareholders' funds | 53.0 | (7.8) | (24.4) | 20.8 |
| Opening shareholders' funds | – | – | 47.7 | 47.7 |
| Closing shareholders' funds | 53.0 | (7.8) | 23.3 | 68.5 |
| **Company** | | | | |
| Profit for the period | – | – | 3.0 | 3.0 |
| Dividends | – | – | (2.5) | (2.5) |
| Other recognised gains | – | 0.8 | – | 0.8 |
| Issue of share capital | 53.0 | – | – | 53.0 |
| Net addition to shareholders' funds | 53.0 | 0.8 | 0.5 | 54.3 |
| Opening shareholders' funds | – | – | – | – |
| Closing shareholders' funds | 53.0 | 0.8 | 0.5 | 54.3 |

## 24 Financial commitments

| | 1997 £ million |
|---|---|
| Capital expenditure: contracted | 24.7 |
| Annual commitments under operating leases are analysed as follows: | |
| Land and buildings: | |
| Expiring in the first year | 0.9 |
| Expiring in the second to fifth years | 1.4 |
| Expiring after the fifth year | 0.8 |
| | 3.1 |
| Plant, equipment and vehicles: | |
| Expiring in the first year | 0.4 |
| Expiring in the second to fifth years | 0.9 |
| Expiring after the fifth year | – |
| | 1.3 |

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

## 25 Pension commitments

**United Kingdom**
In the period prior to demerger, Aggreko employees in the UK were members of the Christian Salvesen Pension Scheme and the Christian Salvesen PLC Senior Staff Pension Fund and Life Assurance Scheme ('the Christian Salvesen Schemes'). Both of the Christian Salvesen Schemes are defined benefit, with the assets held in separate trustee administered funds and they are subject to independent valuations by qualified actuaries at least every three years, usually using the projected unit method, during which pension costs are assessed.

Following the demerger becoming effective on 29 September 1997, those Aggreko Group employees who were current contributing members of the Christian Salvesen Schemes at the date of demerger transferred to a newly established Aggreko Group scheme ('The Aggreko scheme'). The Aggreko scheme is a funded, contributory, defined benefit scheme which provides identical benefit arrangements to the Christian Salvesen Schemes and whose assets are held separately from those of the Aggreko Group under the control of individual trustees.

Under the demerger arrangements, and within a twelve month period following the date of demerger, the liabilities and assets relating to benefits accrued by Aggreko Group employees in the Christian Salvesen Schemes prior to 29 September 1997 are to be transferred to the Aggreko scheme. This transfer will be on a share of fund basis such that the Aggreko scheme will receive a proportion of the surplus of the Christian Salvesen Schemes.

The latest independent actuarial valuation of the Christian Salvesen Schemes were at 1 January 1996 which showed that the market value of the assets was £96.8m. The actuarial value of those assets was sufficient to cover 127% of the benefits that had accrued to members, allowing for future increases in earnings. The surpluses are being amortised over the remaining service lives of members.

The main assumptions used in these valuations were as follows (all amounts are annual rates):

| | |
|---|---|
| Return on investments | 9.0% |
| Growth in average pay levels | 7.0% |
| Increase in pensions | 4.5% |

The pension cost attributable to Aggreko Group employees in the UK for the period ended 31 December 1997 was £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 normally the amount of contribution payable to the pension scheme in respect of the accounting period. The pension cost attributable to overseas employees for the period ended 31 December 1997 was £ 0.4 million.

### 26 Related party transactions

(i) Prior to demerger, Aggreko did not operate as a separate group, and consequently there were a number of related party transactions between it, its subsidiaries, Christian Salvesen PLC and other Christian Salvesen Group entities. These include transactions relating to treasury, taxation, information systems support and other central services supplied by Christian Salvesen PLC to Aggreko plc.

These transactions have not been identified individually as it is not practicable to do so, but since the demerger no such transactions or arrangements have persisted.

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

(iii) During the period ended 31 December 1997, a subsidiary undertaking purchased manufacturing supplies to the value of £289,000 from the J B D Holdings Ltd group, a group in which Mr D J Yorke holds a beneficial interest of 30%. The balance owed at the period end to the J B D Holdings Ltd group was £126,000.

### 27 Significant investments

The principal subsidiary undertakings of Aggreko plc at the period 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 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 International (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

### 28 Employee share options

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

**Notice is hereby given** that the first Annual General Meeting of Aggreko plc (the 'Company') will be held at the Hilton Hotel, 1 William Street, Glasgow on Wednesday 29 April 1998 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 period ended 31 December 1997.

**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 P G Rogerson.

**Resolution 5**
To re-elect Mr D J Yorke.

**Resolution 6**
To re-elect Mr S R Paterson.

**Resolution 7**
To re-elect Mr R W Bird.

**Resolution 8**
To re-elect Mr F A B Shepherd.

**Resolution 9**
To re-elect Mr P J Harrower.

**Resolution 10**
To re-elect Sir Ronald Miller CBE.

**Resolution 11**
To re-elect Mr A C Salvesen.

**Resolution 12**
To re-appoint Price Waterhouse as Auditors of the Company and to authorise the Directors to fix their remuneration.

**Special Business**
To consider the following as an ordinary resolution:

**Resolution 13**
The Board of Directors of the Company (the 'Directors') be and they are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985 (the 'Act') up to an aggregate nominal amount of £16,900,000, PROVIDED THAT this authority (unless previously revoked or renewed) shall expire on the earlier of 28 April 2003 and the conclusion of the Annual General Meeting of the company held in 2003 (save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired) and that this authority is in substitution for any and all authorities previously conferred upon the Directors for the purposes of Section 80 of the Act.

To consider the following as a special resolution:

**Resolution 14**
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 the resolution proposed as Resolution 13 in the Notice convening the meeting at which this resolution is proposed, 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 of 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 28 April 1999 and the conclusion of the Annual General Meeting of the Company held in 1999, 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 15**
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 20p 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 20p (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*
25 March 1998

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 Corporate Finance 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 Corporate Finance Low Cost Share Dealing Department on 0171 601 0101. Please note that for shareholders 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.

### Allocation of Capital Gains Base Cost

For Christian Salvesen PLC shareholders at the time of the demerger, the base cost for UK Capital Gains Tax purposes should be allocated pro rata as follows (based upon the middle market quotation per the Official List at close of business on Monday, 29 September 1997):

| | |
|---|---|
| Christian Salvesen | 109p |
| Aggreko | 164½p |

# Shareholder Information
(continued)

### Classification of Ordinary Share Holdings

| By size | Number of accounts | % of issued shares |
|---|---|---|
| 1-1,000 shares | 8,341 | 1.5 |
| 1,001-15,000 shares | 3,454 | 3.9 |
| 15,001-100,000 shares | 392 | 6.6 |
| 100,001-500,000 shares | 210 | 18.1 |
| 500,001-2,000,000 shares | 93 | 33.4 |
| 2,000,001 shares and over | 22 | 36.5 |
| | 12,512 | 100.0 |

| By type of holder | Number of accounts | % of issued shares |
|---|---|---|
| Individuals | 11,158 | 47.1 |
| Banks and nominees | 897 | 7.1 |
| Insurance companies | 51 | 11.6 |
| Pension funds | 135 | 22.3 |
| Investment trusts and unit trusts | 54 | 9.7 |
| Other institutions and corporate bodies | 217 | 2.2 |
| | 12,512 | 100.0 |

# Officers and Advisers

**Secretary and Registered Office**
**A Paul Allen**
Ailsa Court
121 West Regent Street
GLASGOW G2 2SD

Tel 0141 225 5900
Fax 0141 225 5949

Company No. 177553

**Registrars and Transfer Office**
**IRG plc**
Balfour House
390/398 High Road
ILFORD
Essex
IG1 1NQ

Tel 0181 478 8241

**Stockbrokers**
**Cazenove & Co**–London
**Hoare Govett Limited**–London

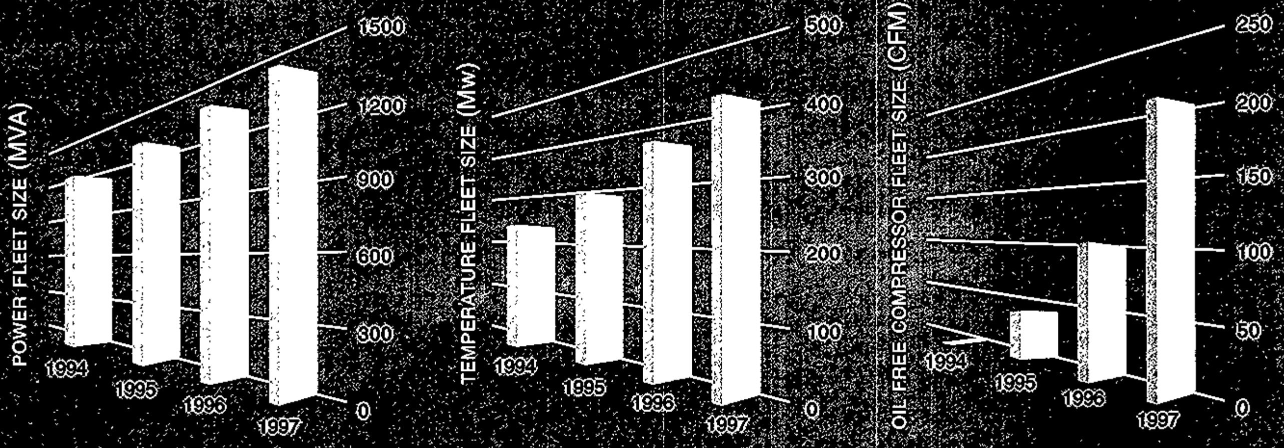
**Auditors**
**Price Waterhouse**
Chartered Accountants

# Financial Calendar

| | Period ended 31 December 1997 | 6 Months ending 30 June 1998 |
|---|---|---|
| Results announced | 25 March 1998 | Late August 1998 |
| Report posted | 31 March 1998 | Early September 1998 |
| Annual General Meeting | 29 April 1998 | |
| Ex-dividend date | 27 April 1998 | Late October 1998 |
| Dividend record date | 1 May 1998 | Late October 1998 |
| Dividend payment date | 29 May 1998 | Late November 1998 |

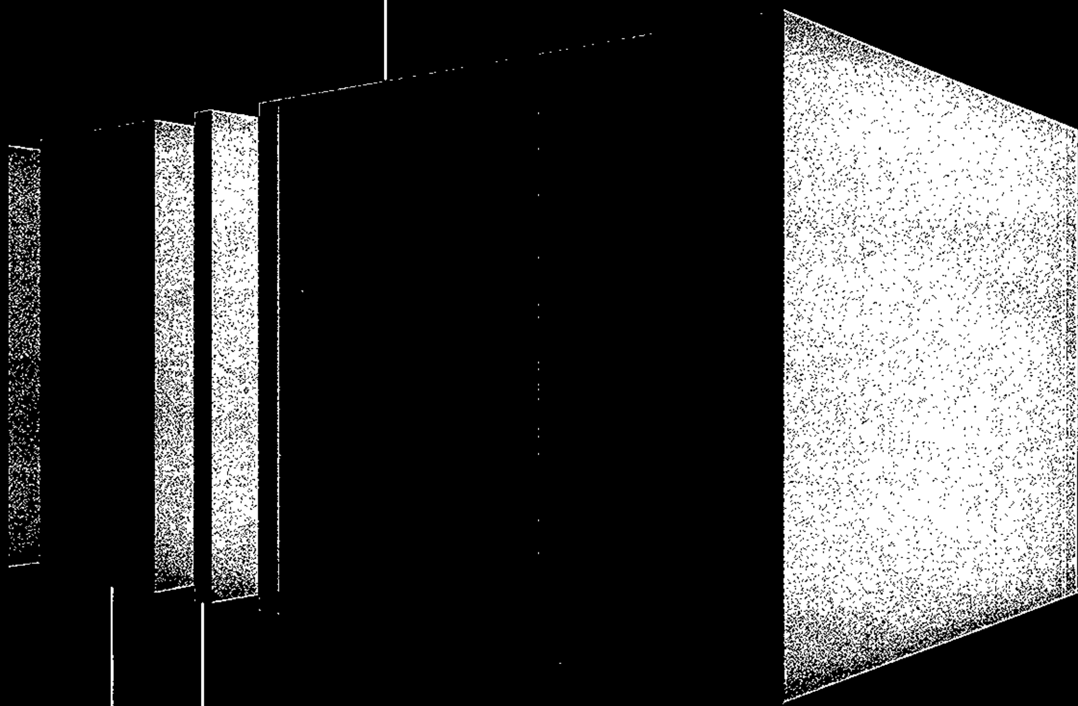
Aggreko is a world leader in the rental of temporary power, air conditioning, temperature control and oil free compressed air. Using equipment assembled to our own unique designs, we provide customers with innovative solutions for a wide range of applications.

## Continued Growth




The Directors believe that Aggreko can achieve strong growth and build long-term shareholder value by: ■ introducing existing products into all regions ■ continuing to develop new applications for its products ■ expanding and enhancing the product range through continued investment in focused, innovative products ■ expanding its international presence to respond to current and potential customer demands ■ building on its established expertise and strong presence in its key markets ■ continuing to develop strong relationships with existing and new customers; and ■ continuously improving the quality and range of services it offers.

## Aggreko's Turnover (based on 1997 pro forma information)



### Other Services

**19%**

Along with Aggreko's rental activities other services are provided to the customer, such as fuel, servicing, freight and consumables

### Power Rental

**59%**

Diesel generators and ancillary distribution equipment are used to provide electricity in a wide range of industrial applications and commercial activities

### Temperature Control Rental

**19%**

Fluid chillers, air conditioners, heaters and desiccant dryers are used in industrial processes as well as in climate control for commercial and entertainment purposes

### Oil Free Compressor Rental

**3%**

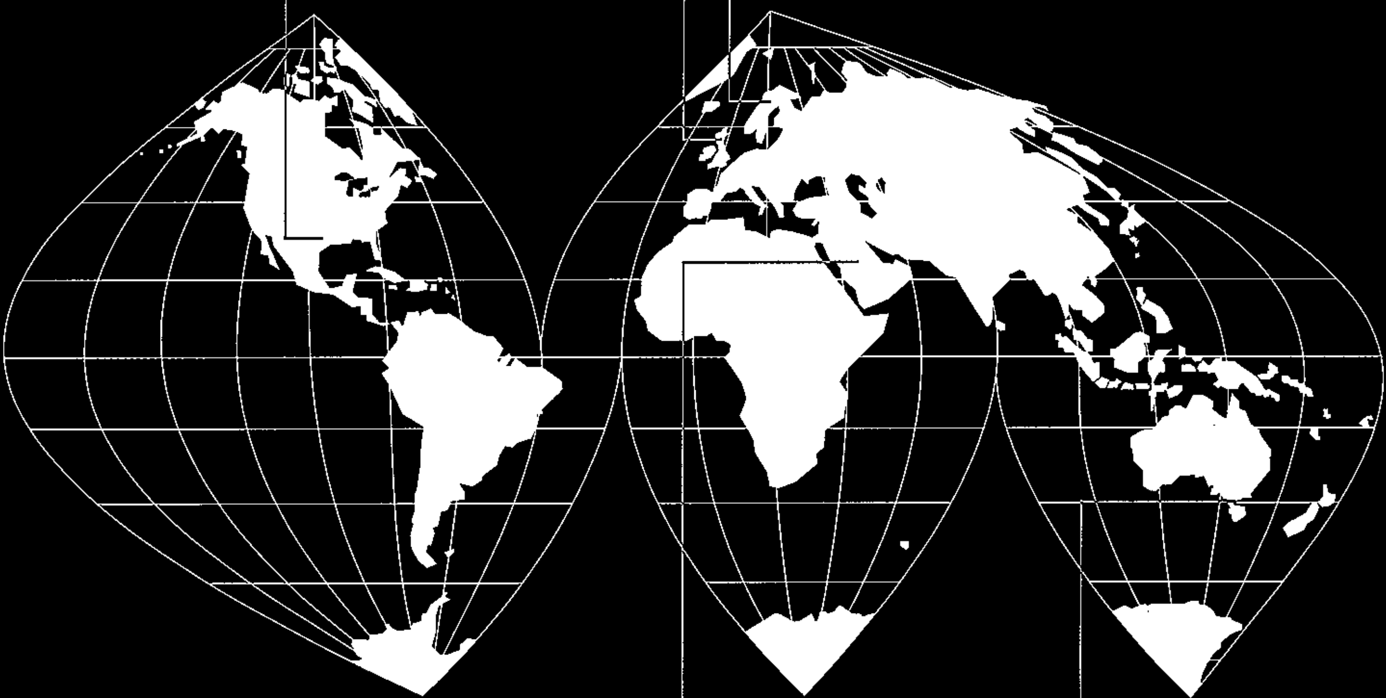
Oil Free Air Compressors are used for high purity clean air, for example in the food, chemical, pharmaceutical, nuclear and textile industries

## Aggreko's Locations

Regional Headquarters and major repair facility at New Iberia, Louisiana
33 DEPOTS AND 25 AGENT OUTLETS IN **USA, CANADA AND MEXICO**

Regional Headquarters together with design and assembly facilities at Dumbarton
12 DEPOTS AND 2 AGENT OUTLETS IN **UNITED KINGDOM AND IRELAND**

Regional Headquarters and temperature control assembly at Papendrecht
16 DEPOTS AND 2 AGENT OUTLETS IN **NETHERLANDS, GERMANY, FRANCE, BELGIUM, NORWAY AND AUSTRIA**



5 AGENT OUTLETS IN **SAUDI ARABIA, THE UNITED ARAB EMIRATES, OMAN AND QATAR**

Regional Headquarters at Melbourne, Victoria
10 DEPOTS AND 3 AGENT OUTLETS IN **AUSTRALIA, SINGAPORE, MALAYSIA, INDONESIA AND PAPUA NEW GUINEA**

## Board of Directors

Dr Christopher Masters †

*(50) Executive Chairman*

Prior to the demerger of Aggreko, Dr Masters had been Group Chief Executive of Christian Salvesen since October 1989 and a director of that company since 1987. In 1984 he led the negotiations which resulted in the acquisition of Aggreko and the following year he was appointed managing director of Salvesen's Industrial Services Division incorporating Aggreko, Salvesen Brick and the Group's oil related activities. Prior to joining Christian Salvesen in 1979 he worked for Shell Research N.V. in the Netherlands. He is also a non-executive director of Scottish Widows' Fund and Life Assurance Society and the British Assets Trust plc.

Philip Rogerson * § †

*(53) Non-executive Deputy Chairman*

Philip Rogerson was until recently deputy chairman of BG plc (formerly British Gas plc) having been a director since 1992. Prior to joining BG plc he spent 14 years with ICI, latterly as General Manager – Finance with responsibility for world-wide financing, taxation and accounting. He is chairman of Pipeline Integrity International Group Ltd, deputy chairman of Shandwick International plc and a non-executive director of Halifax plc and LIMIT plc.

David Yorke †

*(51) 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 world-wide activities. From 1985 until 1989 he was on the board of the Industrial Services Division of Christian Salvesen and from 1991 to the demerger served on the Group's management board.

Stuart Paterson

*(40) 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.

Alfred J Delhomme II

*(47) Former President of Aggreko North America*

Al Delhomme worked in a number of positions in his family's power equipment and electrical contracting business after leaving university. He managed Electric Rental Systems Inc. when it was acquired by Aggreko in 1986, and ran Aggreko's North American Region between 1988 and January of this year.

Derek Shepherd

*(55) 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 Aggreko in the UK. He was appointed Director of Aggreko Europe in 1991 and became managing director the following year.

Richard Bird

*(51) 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.

Andrew Salvesen * § †

*(50) Non-executive Director*

Andrew Salvesen was a Christian Salvesen non-executive director between 1989 and the demerger. 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 chairman of Robertson Research Holdings Limited.

Sir Ronald Miller CBE* § †

*(60) Non-executive Director*

Sir Ronald Miller was a non-executive director of Christian Salvesen between 1987 and the demerger. 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.

Philip Harrower

*(41) President of Aggreko North America*

Phil Harrower joined the Board on 28 January 1998, having been in the specialist rental business for almost 25 years, starting as an apprentice in the pump 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. He succeeded Al Delhomme as President of Aggreko Inc. in January of this year.

Company Secretary

Paul Allen *(49)*

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 was appointed head of finance for Aggreko in 1994.

Board Committees Membership

Audit*, Remuneration§, Nomination†.

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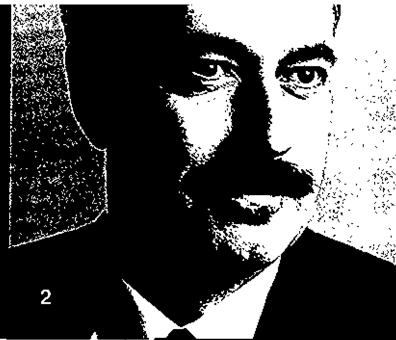

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1 Chris Masters
2 Phil Harrower
3 Richard Bird
4 Ronald Miller
5 David Yorke
6 Stuart Paterson
7 Philip Rogerson
8 Andrew Salvesen
9 Al Delhomme
10 Derek Shepherd

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Dr Christopher Masters

## Chairman's Statement

The last year has been an exciting and historic time for Aggreko. On 29 September 1997, following the successful demerger from the Christian Salvesen Group, Aggreko plc became a truly independent company in its own right, quoted on the London Stock Exchange, with an initial market capitalisation of over £400 million.

Despite all the extra work involved in preparing for and implementing the demerger, 1997 was also an extremely successful trading year for the Company. Compared to the previous twelve months–which included a major contribution from the Atlanta Olympic Games–1997 pro forma operating profits of £38.7 million, in constant currency terms, are 8.3% ahead.

Aggreko plc was incorporated on 23 July 1997 and consequently, although pro forma 12 months' figures are included for clarity, the reported results cover the five months to 31 December 1997. Over this period, before exceptional costs associated with the demerger, your Company achieved pre-tax profits of £16.2 million on a turnover of £70.5 million, equating to earnings per share of 3.81 pence. The proposed dividend relates to the final three months of the accounting period, since the previous two month period has already been taken into account in Christian Salvesen PLC's interim dividend payment. In respect of the three months to 31 December 1997, the Board is recommending a final dividend of 0.94 pence.

Aggreko's growth strategy is based on continually improving the quality, scope, geographic spread and profitability of its operations. Looking to the future, your Board remains confident that the Company can achieve strong growth and build long-term shareholder value by:

□ introducing existing products into all regions □ continuing to develop new applications for our products □ expanding and enhancing the product range through continued investment in focused innovative products □ expanding our international presence to respond to current and potential customer demands □ building on our established expertise and strong presence in our key markets □ continuing to develop strong relationships with existing and new customers; and □ continuously improving the quality and range of services we offer.

In the short time since demerger, good progress has been made in implementing these plans. As detailed in the Managing Director's Operating Review, a new outlet has been opened in Saudi Arabia and we have continued to expand our international customer base. Two new oil free compressor models are currently being introduced into North America and plans are well advanced to launch Aggreko Oil Free Air into Europe, and Temperature Control equipment into Australia during the current financial year. As stated in the Financial Review, we have continued to invest strongly in the business, while at the same time improving the return on net assets.

As a Company, Aggreko plc is financially strong with pro forma interest cover in excess of 7 times. In pursuit of our growth strategy, we see no lack of profitable investment opportunities and in the current year we expect overall capital expenditure to approach £50 million.

I am sorry to have to report that Alfred Delhomme–who has headed up our North American operation for the last ten years–has had to resign for health reasons. I would like to thank Al for all he has done for the Company and wish him well in the future. He was succeeded as President of Aggreko Inc and a Director of Aggreko plc on 28 January 1998 by Philip Harrower. Phil, who joined Aggreko UK in 1983, moved to the United States in 1986 since which time he has been intimately involved in the development of our American business having been appointed Executive Vice President in 1988. My colleagues and I are delighted to welcome Phil to the Board and are convinced that the American business will continue to go from strength to strength under his leadership.

Throughout Aggreko we are extremely fortunate to have a strong, dedicated and technically competent team of over eleven hundred people throughout the world. These people represent one of our key competitive advantages and without their commitment and hard work, none of what we have achieved would have been possible. Personally, and on behalf of my colleagues on the Board, I would like to express our sincere gratitude.

Overall, the new financial year has started well and we look to the future with confidence.

**Dr Christopher Masters** *Chairman*

**PROBLEM**

Mt Kasi – Pacific Islands – Fiji
To provide a power station to enable gold mining production in difficult logistical conditions.

**SOLUTION**

A fully automatic power station was constructed quickly and within budget.

# GOLD STRUCK

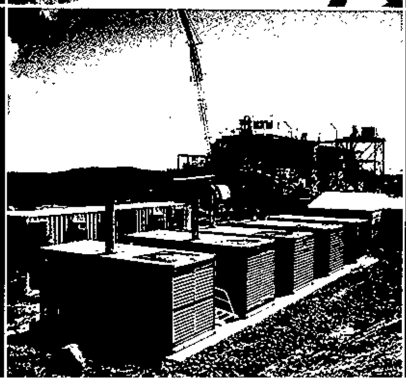
AGAIN ON

## Mt KASI, FIJI

# 4000 kVA POWER

STATION INSTALLED

*Right:* Aggreko power station consisting of containerised generators, transformers and control room



# 5,000

## GENERATORS

SPECIFICALLY DESIGNED FOR THE

## RENTAL MARKET

# Problem solved

With a fleet of more than 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 customers generally require reliability and flexibility. 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 Super Hush Power 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 power requirements of rapidly developing cities the size of Shanghai or Beijing.

Providing international power solutions is a key part of Aggreko's business; from the frozen wastelands of Alaska, to the deserts of Saudi Arabia; from a movie set in Mexico, to a gold mine half way up a mountain in Fiji.

The Mount Kasi project in Fiji represents just one example of Aggreko's ability to supply reliable power for specialist applications in remote locations. Aggreko recently installed a 4000kVA power station for Pacific Islands Gold on the island of Vanua Levu, part of the Fiji group, on top of a mountain called Mount Kasi.

Staffed by two qualified Aggreko technicians, the power station consists of four 1000kVA silenced containerized diesel generators together with step up transformers and a specially adapted 40 foot control room incorporating isolators and circuit breakers.

Thanks to Aggreko a thirty year old gold mine in the Pacific has resumed production.

**PROBLEM**

Ice Rinks – Vienna
To encourage people out of their homes in winter to use the town's facilities.

**SOLUTION**

By installing Aggreko's cooling units, a temporary ice rink was created in the centre of Vienna providing fun leisure activities for Christmas shoppers.

skating in Vienna

BELOW
–15°C
FOR ICE SKATING

Right: *Aggreko chillers on site in Vienna*

FLEET CAPACITY UP BY
200%
**IN FIVE YEARS**

# Innovative solutions

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 and can be connected in parallel to provide larger cooling facilities. Chilled liquids 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 –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. Aggreko's desiccant dryers range in size from 340CFM to 10000CFM.

As with the Company's generators, flexibility, adaptability and mobility are the hallmarks of Aggreko's temperature control fleet. New applications are continually being developed: from providing process cooling to increasing production in a chemical plant, to chilling concrete during the construction of the Great Belt Bridge in Denmark to freezing water for temporary ice rinks in city-centres, Aggreko's engineers and technicians found the solution ...

In the centre of Vienna, Europe's music capital, the town council decided to install a temporary ice rink to attract shoppers over the Christmas period. Using large capacity low temperature chilling units and associated pumps, coolant at –15 degrees centigrade was used to create an ice rink in the heart of the city which, in its first week of operation, attracted over 230,000 spectators and skaters.

Thanks to Aggreko thousands of people enjoyed the festive season and became fitter in the process.

## PROBLEM

A hi-tech manufacturer needed contamination free compressed air during a planned shutdown.

## SOLUTION

**Aggreko installed oil free compressors to provide air of the required quality and production continued unaffected.**

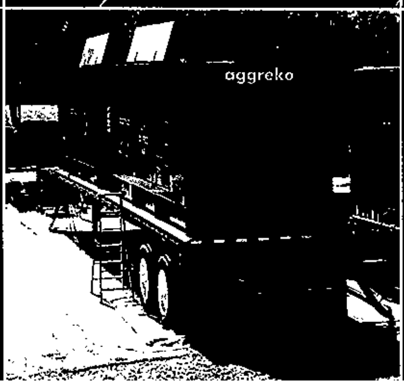
aggreko's

OIL FREE COMPRESSORS USE

RT

TECHNOLOGY

# OIL FREE




***Left:*** *an Aggreko oil free air compressor*

# Winning performance

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 snowmaking in Denver and hi-tech manufacturing in Texas.

Contamination free compressed air is required to operate critical instrumentation or controls which direct the manufacturing process in an increasing number of industrial operations by starting, stopping, triggering, modulating or otherwise directing machines and processes. When Texas Instruments, the American hi-tech giant, needed temporary oil free compressed air for a planned shutdown, they were quick to get in touch with Aggreko.

The shutdown meant that the entire manufacturing plant would need a high quality supply of 100% oil free compressed air, to allow it to stay in production. Oil has a devastating effect on sensitive products such as semiconductors. This coupled with the risk of contaminating their air system and fouling critical instrumentation was reason enough to request 100% oil free air.

Aggreko provided several 1500 CFM oil free compressors to support production during the shutdown. The plant's output stayed constant and there was never a chance of product or system contamination.

Thanks to Aggreko a hi-tech plant stayed in production.

# Overall the year was successful both in terms of operating profit and sales margin

Overall the year was successful both in terms of operating profit and sales margin. Compared to 1996, operating profit was 2.1% ahead at £38.7 million, and underlying growth would have been some 8.3% ahead but for the strength of sterling. Margins over the period increased from 22.6% to 23.7%.

In sterling terms turnover reduced 2.9% from £168.1 million to £163.3 million, however in local currency it grew by 6.3%. Year on year turnover and operating profit were both influenced by the non-repeat of the significant contributions gained from the Atlanta Olympics in 1996.

Our equipment is all specifically designed and built to operate anywhere in the world and equally adept whether being used at a Summer Fair in Germany, a mine site in Western Australia or at the construction site of an offshore oil platform in Nova Scotia. Our customers receive the same high standard of service whether they be a small local enterprise or a large multinational company. Most importantly all our employees carry out their business day in, day out with an integrity, vigour and professionalism of which we can all be proud.

In addition to the twenty countries in which Aggreko has permanent representation, during 1997 we carried out contracts in ten other countries as diverse as Kazakhstan, Pakistan and the Philippines.

## North America

Our American business performed well in 1997 in that, despite an unseasonably cool spring and an early autumn which affected the performance of Temperature Control operations, both dollar revenue and operating profits increased by 12.4% and 9.5% over 1996 when adjusted for the Atlanta Olympics.

With operating profit of US$ 30.8 million, North America represents Aggreko's largest single market. It is only in this region that Aggreko delivers its full product range, offering solutions in power, temperature control and oil free air across a broad range of market segments. In the eleven years that Aggreko has been in the United States, the business has grown from one location in South Louisiana to 35 locations across the Continent, from Mexico City in the south to Toronto in the north, from Jacksonville in the east to San Francisco in the west.

Throughout the year we maintained a strong presence with our power generation and associated equipment in the core industrial, oil, petrochemical and paper sectors whilst making further inroads into the motion picture industry where we supplied equipment to assist in the making of, amongst others, 'Titanic', 'Blackwood' and 'Meet Joe Black' (to be released this summer starring Brad Pitt and Anthony Hopkins). For the first time in the United States, we carried out significant amounts of summer peak shaving for a number of electrical utilities including the Southern Company of Georgia and Madison Gas and Electric of Wisconsin. During the year, we made a further significant investment in GreenPower with equipment being added to the generator fleet, to replace older equipment. GreenPower has continued to find wide acceptance with the majority of our customers and is particularly popular with those customers who operate a strict environmental policy.

Although the unusually mild summer affected small tonnage air conditioning work, along with the related power rental, our major industrial non-ambient market was largely unaffected. We have continued to develop new markets for example in the computer industry with customers such as Microsoft.

With the introduction of high quality, innovative oil free air compressors in late 1995, North America became our first operation to extend its activities beyond power generation and temperature control. During the year we have again invested heavily in this growing market. We will soon be launching a smaller diesel-powered machine, and later in the year we will complement our range further by the introduction of an electrically powered version. The demand for oil free air has come both from our existing customer base and from new and exciting markets in the automotive and food industries. Additionally we have further grown the business by developing new applications such as snowmaking at ski resorts during the winter months. Revenues from oil free air, whilst still modest in terms of our overall business, have doubled during the period and we believe that we can establish a significant market position in the period ahead.

### Europe

Overall profits in Europe including the UK have increased from £14.4 million to £15.1 million. Whilst compared to 1996 the business in the UK has grown by 11.9% with profits reaching £9.4 million, a combination of weak economic conditions, opportunities further afield and the translational effect of strong sterling combined to reduce profits by £0.3 million in Mainland Europe to £5.7 million.

The weak market conditions for power in Germany and France, and the low expectation of an early recovery, led to a decision to re-deploy equipment from these markets and take advantage of a major project in Sri Lanka. This restricted the amount of winter peak shaving work which could be undertaken, particularly in France, but, despite this, contracts were secured to supply backup power to the EU conference in Luxemburg and a utility contract involving more than 50 generators supplying power to new telecommunication transmission towers was successfully carried out in France.

Elsewhere in Europe, the Netherlands and Norway were both active in oil-related projects and shipping with an 8MW specialist package being supplied to a Dutch dredging company for use in the Hibernia oil field offshore Canada.

Demand for power in the UK was strong particularly from the utilities and telecommunications companies. The ability to switch power instantaneously between the grid supply and our generators has been in great demand in the utility sector where a number of Regional Electricity Companies are currently carrying out overhead line replacement programmes. In the telecommunications sector, where mobile communication networks are still to be completed, the ease with which our generators can be transported to remote locations has been a great plus point.

In the UK Temperature Control business, revenues and profits were increased without any additions to the fleet as work was gained in sectors which do not depend solely on the ambient air temperature. Although temperature control did not fully meet our expectations in the UK, we believe that by refocusing our sales and marketing efforts in this area improvements in performance can be made. Conversely, in Mainland Europe significant investment was made in the Temperature Control fleet, increasing it in size by almost 30%. The business was grown aggressively as projects in the food processing, refining, chemical and electronics industries were gained from blue chip customers including Shell, DuPont and Mercedes Benz.

### Rest of the World

Aided by the contract with the Ceylon Electricity Board in Sri Lanka, the growth of our business in the Middle East and the elimination of underperforming contracts in Indonesia, operating profits in this area have increased by 78.4% to £4.7 million.

Aggreko first supplied power to the Ceylon Electricity Board in March

## Managing Director's Operating Review
(continued)

1996 after a prolonged series of dry monsoon seasons had left the country's hydroelectric schemes with very low water levels. Over the next fifteen months the power provided grew from 20MW to over 90MW. In optimising our global resources, equipment for this contract was supplied largely from Mainland Europe but also from the UK, Indonesia and the Middle East. Having peaked at some 90MW, the Sri Lankan contract was progressively run down from June and by the year end all the equipment was off hire. The generators are once again dispersed throughout our world-wide operations and at the time of writing are actively deployed.

In the Middle East, the power fleet was grown rapidly in Oman to meet the demand from the desert oil fields and for the construction of a new LNG plant. Elsewhere the Sharjah depot has been busy with shipping and offshore work and has experienced increases in both the entertainment and industrial business as the UAE economy grows. Prior to the year end Aggreko entered the Kingdom of Saudi Arabia by opening our first depot in Al Khobar. Although initially we will concentrate on delivering power solutions to a wide range of industrial customers, in the longer term we believe that there is considerable scope to introduce our other products into this market.

In Australia, demand for power in the mining and shipping sectors remained high throughout the year, although the industrial sector experienced some downturn towards the year end. From Queensland to Western Australia we have supplied both temporary and permanent power to mines extracting numerous base metals such as gold, zinc and copper.

An active shipping and shipbuilding market in Singapore ensured our operations there continued to experience high levels of fleet utilisation. Our exposure to the economic downturn in South East Asia was limited by both the relatively small scale of operations in Malaysia and Indonesia and by our ability to relocate fleet to regions where demand was high.

### Summary

Overall 1997 was a year of change. In the midst of this we continued to develop all core markets and selectively extend our product range through the development of oil free air compressors. The resulting growth is satisfying, given the strength of sterling, and could not have been achieved but for the dedication of all our employees throughout the world.

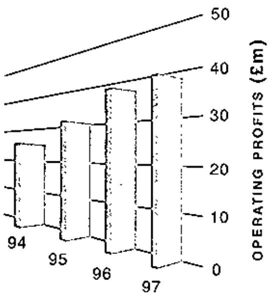
It is the policy of the Aggreko Group at all times to be aware of the implications of our activities on the surrounding environment and on the communities within which we operate. Wherever practical, action will be taken not just to comply with all statutory requirements but to work towards the best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

Significant progress is also being made by our world class design and manufacturing teams who are continually introducing new equipment that incorporate 'Best Technology' in exhaust emission control and protection against accidental pollution through fluid spillage. These design improvements are seen as giving our equipment a competitive advantage when compared with those of other suppliers in the industry.

Last year we spent £0.5 million, equivalent to 1.7% of our total annualised 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 Company's commitment to health and safety and our constant drive to reduce work related accidents. Without question, the 1100 plus people that Aggreko employs world-wide are the Company's biggest asset and most formidable competitive edge.

**David Yorke** *Managing Director*

# The Group continues to be strongly cash generative ...




### Demerger

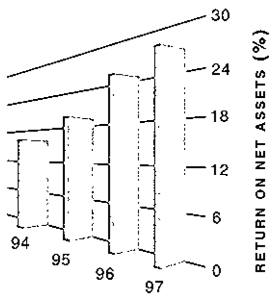
Aggreko Holdings Limited was demerged from Christian Salvesen PLC on 29 September 1997 with the ownership of its shares being transferred to Aggreko plc which then issued its share capital to the shareholders of Christian Salvesen PLC at that date.

The accounts have been prepared on the basis of merger accounting with the effect being that the results of all the Group companies are reported as though they had been part of the Aggreko Group for the period since Aggreko's incorporation on 23 July 1997, notwithstanding the actual date of demerger. Accordingly, statutory accounts are presented for the five month period ended 31 December 1997.

As a result, four significant transactions relating to the reorganisation prior to demerger are reflected in the statutory accounts. None of these transactions (which are detailed in Note 8 to the accounts) reflect the ongoing trading position of Aggreko and are therefore excluded from the pro forma Financial Statements.

### Year-end

On demerger Aggreko plc adopted a 31 December year end.




Historically, approximately 60% of profits have been earned in the period from April to September. The adoption of this year end will allow the summer season to be reported on a more timely basis and improve the Group's ability to report current trading trends.

### Pro Formas

In order to provide shareholders with information that helps them assess business performance and recognising that the five month period to 31 December 1997 does not represent a full business cycle, we have provided pro forma information for the main financial trading statements. These financial statements do not form part of the statutory accounts. For the Group Profit and Loss Account and Balance Sheet we have provided information for the years ending 31 December 1997 and 1996. For the Cash Flow Statement we have provided information for the year ending 31 December 1997.

### Operating Profit

Underlying growth in operating profit in local currencies was 8.3%, however correcting for last year's contribution of just over US$4 million from the Atlanta Olympics growth was 16.3% on a like for like basis. The adverse impact of the strong pound on the translation of our foreign currency profits was £2.2 million but currency transaction gains and losses were minimal as our revenues and costs in each region are denominated in the same currencies. The relatively small size of our operations in SE Asia results in there being no significant direct exposure, to Aggreko, from the problems in these economies.

Operating Margins improved in the year from 22.6% to 23.7% mainly as a result of increased gains on disposal of fixed assets, the replacement of low quality revenues in the rest of the world by the Sri Lanka project and growth in the Middle East. With these margins and careful management of the asset base the return on average net assets has improved from 24.9% in 1996 to 26.9% in 1997.

### Interest

The interest charge in the period is reflective of the net debt at the date of demerger and is therefore only in respect of a three month period. The pro forma interest has been calculated with reference to the net debt at date of demerger and adjusting for the actual cash flows for the preceding nine months. The interest rate exposure is being managed through swaps which are authorised by the Board. Interest cover had the net debt been in place for the whole of the pro forma period would have been 7.0 times.

## Taxation

The Group's tax charge of £6.1 million in the statutory accounts comprises tax payable on the Group's ordinary activities before taxation along with a charge for deferred taxation. The total effective tax rate was 37.6% on business performance for the statutory period. This was below our weighted average rate of 38%, based on the jurisdictions where we earn our profits, due to the utilisation of tax losses brought forward in Germany. The effective tax rate in the pro forma results was 35% again reflecting the utilisation of the majority of the German tax losses in the earlier part of the year.

## Earnings per Share

Earnings per share for the 5 month period before reorganisation transactions were 3.81p (nil after such transactions). In the pro forma period the calculated earnings per share were 8.15p

## Dividends

The recommended dividend of 0.94p per share is in respect of the period from October to December as the interim dividend paid by Christian Salvesen PLC covered the trading period of Aggreko prior to October. Relative to the pro forma dividend disclosed in the listing particulars of 3.5p per share for the period to 31 March 1997 this represents a 10% increase. The other dividends in the period were part of the reorganisation transactions within the Christian Salvesen Group prior to demerger.

## 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 do this effectively the sterling debt drawn down at the date of demerger has been rolled over into a combination of sterling and dollars more representative of the net assets in the business. The Group's treasury function does not enter into any transactions of a speculative nature.

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

## Balance Sheet

Shareholders funds at 31 December 1997 are £68.5 million represented by the operating assets of the business of £143.6 million and the net debt of £75.1 million. The value of net assets has been impacted by the strength of sterling and the impact between July 1997 and December 1997 due to currency translation was a reduction of £7.8 million, with £8.7 million arising between the date of demerger and the period end.

## Cash Flow and Funding

Aggreko plc was demerged with a net indebtedness of £81 million which by 31 December 1997 had been reduced to £75.1 million.

The Group continues to be strongly cash generative, providing internal funding of capital expenditure. This gave rise to a net cash inflow from operating activities during the pro forma period of £70.5 million. The level of debt in the business is supported by the strong current level of interest cover. The gearing at the period end is 110% (adjusted for the impact of the translation reserve the gearing is 98%). Capital expenditure in the pro forma period was £40.3 million.

## 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.

## Going Concern

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

**Stuart R. Paterson** *Finance Director*
25 March 1998

The Committee confirms that in its constitution and operation it complies with Section A of the best practice provisions of the Stock Exchange Listing Rules. It equally confirms that full consideration has been given to Section B of the best practice provisions of the Listing Rules in determining the Company's policy on remuneration for its Executive Directors, including service contracts and compensation. The Auditors have confirmed that they have examined the information specified for their review by the London Stock Exchange concerning the disclosures required for individual Director's remuneration and share options. Details of each individual Director's remuneration are set out on page 21. Information on Directors' share and share option interests may be found on page 22.

## Remuneration Committee: Composition, Responsibilities and Operation

The membership of the Remuneration Committee is entirely non-executive and the names are listed on page 4. 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 responsibility for running individual businesses. The Committee's principal function is to determine the Company's policy on remuneration for its most senior executives and to approve the specific remuneration of the Chairman, the Executive Directors and the Secretary, including their service contracts.

Its 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 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. When setting salary levels, account is taken of the impact of salary on other elements of remuneration, particularly pensions. 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**

  Prior to 31 December 1997 those Executive Directors with regional responsibilities participated in their regional bonus schemes which allowed them to earn cash bonuses based upon the achievement of profit growth targets. These schemes had a maximum entitlement of 30% of annual salary which was restricted pro-rata to the nine month period since the last bonus payment. Executive Directors with Group-wide responsibilities participated in a similar scheme based upon the profit growth of Aggreko in total. In future years, as a consequence of the increasingly global nature of the Group's business and the need to optimise fleet utilisation and maximise profitability on a world-wide basis, all Executive Directors will participate in the same Group-wide scheme. This scheme, which also has a maximum entitlement of 30% of annual salary, is based on growth in earnings per share before exceptional items.

- **Share Option Schemes**

  The Company believes that employee share schemes encourage the matching of interests between employees and shareholders. It is intended to launch a SAYE Share Option Scheme in the UK and a similar plan in France, Belgium, Netherlands, Germany and North America in March 1998. One year's service is required for eligibility to participate. Senior executives have also been able to participate since demerger 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 ranking given to 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 confirming 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 granted on 3 October 1997 were 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 condition 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.

### Grant of Executive Share Options following demerger

The Committee granted options to a number of senior executives on 3 October 1997 on a basis which exceeded the multiples normally granted to new entrants to the scheme. In exceeding the multiples normally granted to new entrants to the scheme, the Committee accepted that it would be inequitable not to grant options to former members of the Christian Salvesen Executive Share Option Schemes based upon the full multiple of their salaries, since the majority had already held such options under those schemes which as a consequence of the demerger they had been required to surrender or exercise by 26 September 1997. In addition the Committee agreed that three new entrants to the scheme should receive their full entitlement of options at that date rather than on a phased basis over a number of years. One of the new entrants to the scheme was Mr S R Paterson, who received his full entitlement following his appointment as Finance Director but prior to completion of 12 months' service. The Committee accepted that it would be demotivating to restrict the grants to these employees at a time when other members of the management team would receive their full entitlement.

### 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 because they have been 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.

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

| | Increase in Accrued Pension £ | Accrued Pension at 31 Dec 1997 £ | Transfer Value of Increase in Accrued Pension £ | Notional Cost of Death in Service Benefits £ |
|---|---|---|---|---|
| Dr C Masters* | 1,330 | 95,980 | 18,000 | 790 |
| D J Yorke† | 4,780 | 80,230 | 74,700 | 890 |
| S R Paterson† | 855 | 1,010 | 5,000 | 680 |
| R W Bird† | 2,800 | 21,920 | 45,100 | 920 |
| F A B Shepherd† | 2,870 | 18,130 | 40,700 | 1,620 |

*The relevant period used to calculate the increase in accrued pension commenced at demerger on 29 September 1997.

†The relevant period used to calculate the increase in accrued pension commenced at date of appointment on 28 August 1997.

Mr A J Delhomme is entitled to participate in the Employee's Savings, Investment Retirement plan and the Supplemental Executive Retirement plan of Aggreko Inc. At 31 December 1997 the Group's contributions and the accumulated earnings in the funds held for Mr Delhomme were £231,153.

### Directors' emoluments excluding pension contributions

| | Salary £ | Fees £ | Taxable Benefits £ | Annual Bonus £ | Other Pay £ | 1997 Total £ |
|---|---|---|---|---|---|---|
| Executive Chairman | | | | | | |
| Dr C Masters* | 52,500 | | 2,450 | 7,922 | | 62,872 |
| Executives: | | | | | | |
| D J Yorke† | 52,500 | | 4,377 | 7,922 | | 64,799 |
| S R Paterson† | 38,333 | | 3,280 | 5,784 | 2,637 | 50,034 |
| R W Bird† | 32,083 | | 2,953 | 3,378 | | 38,414 |
| A J Delhomme II† | 61,349 | | 860 | 15,951 | | 78,160 |
| F A B Shepherd† | 30,962 | | 19,140 | 5,418 | | 55,520 |
| Non-Executives: | | | | | | |
| P G Rogerson* | | 7,000 | | | | 7,000 |
| Sir Ronald Miller* | | 5,000 | | | | 5,000 |
| A C Salvesen* | | 5,000 | | | | 5,000 |
| | 267,727 | 17,000 | 33,060 | 46,375 | 2,637 | 366,799 |

*Remuneration commenced at demerger on 29 September 1997.

†Remuneration commenced at date of appointment on 28 August 1997.

The annual bonus is receivable by the Directors at 31 December 1997.

Mr A J Delhomme II was the highest paid director. His pension entitlements and details of his potential receipt of shares under the Executive Share Options are disclosed separately.

Mr A J Delhomme II resigned as a Director on 28 January 1998 for health reasons.

Mr B W Minto, Mr R L Bruce, Mr G W Horne and Mr J M O Waddell briefly served as Directors following the formation of the Company in July/August 1997; they were paid no remuneration by the Company or any of its subsidiaries.

### 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.

The Remuneration Committee considers that notice periods of two years are reasonable and in the interests of both the Company and the individual. 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.

### 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 period in the share capital of the Company were as follows:

#### Share options

| Executive | At date of Appoint. | Granted during period | Exercised during period | 31.12.97 | 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 |
| A J Delhomme II | – | 290,503 | – | 290,503 | 179p | 25.3.1998 | 28.1.1999 |
| F A B Shepherd | – | 245,810 | – | 245,810 | 179p | 4.10.2000 | 4.10.2007 |

The options under the Executive Share Option Schemes are normally only exercisable once three years have elapsed from date of grant and lapse after ten years.

Mr P J Harrower held options over 150,754 shares at the time of his appointment on 28 January 1998. These options were granted at an option price of 179p, and will normally be exercisable between 4 October 2000 and 4 October 2007.

The market price of the shares at 31 December 1997 was 157p and the range during the period was 144p to 179p.

#### Shares

| | 31 December 1997 Ordinary Shares of 20p Each | |
|---|---|---|
| | Beneficial | As Trustee |
| Dr C Masters | 112,334 | – |
| P G Rogerson | 3,782 | – |
| D J Yorke | 236,460 | – |
| S R Paterson | 3,000 | – |
| R W Bird | 26,819 | – |
| A J Delhomme II | 396 | – |
| F A B Shepherd | 10,334 | – |
| Sir Ronald Miller | 4,444 | – |
| A C Salvesen | 4,072,221 | 5,013,331 |

No Director was interested in any shares of subsidiary companies at any time during the year. The above Directors held no ordinary shares at the date of their appointment. Mr P J Harrower held 8,386 Ordinary shares at the time of his appointment on 28 January 1998. There have been no other changes in Directors' interests in shares between the end of the financial period and the date of this report.

**Philip G Rogerson**
*Chairman, Remuneration Committee*
25 March 1998

## Compliance

The Company complies and has complied since the demerger on 29 September 1997 with all the provisions of the Cadbury Committee's Code of Best Practice. The main features are summarised below.

## 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 pension schemes. The Board currently comprises three Non-Executive Directors and six Executive Directors. Although the Executive Directors include the Chairman and the Managing Director, the presence of a Non-Executive Deputy Chairman together with two other Non-Executive Directors provides a strong and independent element on the Board.

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.

## Retirement of Directors by Rotation

One third of the members of the Board must retire by rotation each year and may offer themselves for re-election if eligible. A Director appointed by the Board holds office only until the next following Annual General Meeting and is not 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 4. Each committee has terms of reference approved by the Board as a whole and the minutes of the 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 Internal Audit Manager 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 control procedures are of a high standard. Written and verbal reports from the Group Internal Audit Manager 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 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.

### Internal Financial Control

The Directors are responsible for the Company's system of internal control. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Company's system is 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; the UK, North America and Continental European regions and are represented on the Board. The Asia Pacific region is represented on the Board 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**
  A detailed formal budgeting process for all Group business culminates in an annual Group budget which is 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 and demands a high quality financial presentation of the business case. As a matter of routine, projects are also subject to post investment appraisal after an appropriate period.

- **Financial Controls Assurance**
  Since demerger the Company has undertaken a formal review, based on self assessment, which is designed to evaluate and assess the 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 Internal Audit Manager reporting directly to the Finance Director. 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 control.

### Pensions

The assets of the UK pension fund are held by trustees 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.

## Directors' Report

### Results and Dividends

The result after taxation for the period from incorporation on 23 July 1997 to 31 December 1997 was neither a profit nor a loss.

As set out in Notes 8 and 11 to the accounts, exceptional and non-recurring dividends amounting to £21.9 million were made in the period between 23 July 1997 and the date of demerger. The Directors now recommend a final dividend of 0.94 pence per ordinary share payable on 29 May 1998. The total of this dividend amounts to £2.5 million.

The balance of the retained loss for the period of £24.4 million has been transferred from reserves.

### Share Capital
Details of the changes in issued share capital during the period are given on page 42.

### 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 7 and in the Managing Director's Operating Review on pages 14 to 16.

Principal subsidiary undertakings are listed on page 45.

### Directors
The present Directors of the Company are listed on page 4. All of the Directors, with the exception of Mr P J Harrower, were appointed on 28 August 1997. Mr P J Harrower was appointed on 28 January 1998 to succeed Mr A J Delhomme II, who on the same date resigned from the Board for health reasons. All of the Directors, having been appointed since the Company's formation, are obliged to resign at the Annual General Meeting and, with the exception of Mr Delhomme, being eligible offer themselves for re-election.

Mr B W Minto and Mr R L Bruce, Directors on incorporation of the Company, resigned on 30 July 1997; Mr G W Horne and Mr J M O Waddell served as Directors following the formation of the Company from 30 July 1997 to 28 August 1997.

All of the Executive Directors have service agreements which require one year's notice from the Director and two year's notice from the Company. 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 period 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 period is given on page 22.

### Donations
During the period the Group contributed £9,351 in terms of cash, employees' time and other services to a range of charitable, community and arts organisations. Of this total £1,275 was donated to registered UK charities.

No political donations were made during the period.

### 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 had shareholding interests through SAYE and other schemes operated by Christian Salvesen PLC prior to demerger. It is intended to implement similar schemes for employees of the Aggreko Group.

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 employment with the Group or elsewhere.

In the area of health and safety each of our business units 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.

### 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 44 days credit outstanding as at the balance sheet date.

### Special Business
Resolution 13 proposes, as an ordinary resolution, to authorise the Directors to exercise the powers of the Company to allot relevant securities. This resolution is limited to £16,900,000 which is approximately 32% of the issued share capital. The authority under this resolution would expire on the earlier of 28 April 2003 and the date of the Annual General Meeting in that year.

Resolution 14 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 equal to 5% of the issued ordinary share capital, or a total of 13,250,000 ordinary shares.

## Directors' Report
(continued)

**Special Business** (continued)

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 1999 or on 28 April 1999, whichever is the earlier. The Directors intend to seek renewal of this power at subsequent Annual General Meetings.

The third and final 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 15 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 15 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 5 March 1998 the Company had received notifications of the following shareholdings in excess of 3% of the issued ordinary share capital:

| Name of Shareholder | Number of Shares | % |
|---|---|---|
| A E H Salvesen* | 13,778,316 | 5.20 |
| A C Salvesen* | 9,085,552 | 3.43 |
| Morgan Stanley Asset Management** | 31,185,289 | 11.76 |

*including immediate family and trustee interests

**on behalf of discretionary managed accounts

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

**Auditors**

Price Waterhouse were appointed by the Directors as auditors of the Company to hold office until the conclusion of the first General Meeting at which accounts are laid. A resolution re-appointing Price Waterhouse as the Company's auditors will be proposed at the Annual General Meeting.

By order of the Board
**A Paul Allen** *Secretary*
25 March 1998

## Directors' Reponsibilities

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 Directors of Aggreko plc on Corporate Governance Matters

In addition to our audit of the accounts, we have reviewed your statements on pages 23 and 24 concerning the Group's compliance with the paragraphs on the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and on page 18 concerning the adoption of the going concern basis in preparing the accounts. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43 (j) and 12.43 (v), if not otherwise disclosed.

### Basis of Opinion

We carried out our review having regard to guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or corporate governance procedures nor on the ability of the Group to continue in operational existence.

### Opinion

In our opinion, your statements on internal financial controls on page 24 (other than your opinion on effectiveness which is outside the scope of our report) and on going concern on page 18, have provided the disclosures required by the Listing Rules referred to above and are consistent with the information which came to our attention as a result of our audit work on the accounts. In our opinion, based on enquiry of certain Directors and Officers of the Company and examination of relevant documents, your statement on page 23 appropriately reflects the Group's compliance with the other paragraphs of the Code specified for our review by Listing Rule 12.43 (j).

Price Waterhouse

**Chartered Accountants**
*Glasgow*
25 March 1998

## Report by the Auditors to the Members of Aggreko plc

We have audited the accounts on pages 28 to 45 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 32 and 33. We have also examined the information on pages 21 and 22 specified for our review by The London Stock Exchange which is included in the Remuneration Committee Report.

### Respective responsibilities of Directors and auditors

As described on page 26, the Company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

### Basis of 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 circumstances of the Company and of the Group, 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 of the Group as at 31 December 1997 and of the result and cash flows of the Group for the 5 month period then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

**Chartered Accountants and Registered Auditors**
*Glasgow*
25 March 1998

## Consolidated Profit and Loss Account

for the 5 months ended 31 December 1997

| | | 5 months ended 31 Dec 1997 | | | | |
|---|---|---|---|---|---|---|
| | Note | Business performance £ million | Exceptional and non-recurring items (Note 8) £ million | Total £ million | Pro forma Year ended 31 Dec 1997 | Pro forma Year ended 31 Dec 1996 |
| **Turnover** | *3* | 70.5 | – | 70.5 | 163.3 | 168.1 |
| **Operating profit** | *3,4* | 17.2 | (2.9) | 14.3 | 38.7 | 37.9 |
| Amounts written off investments | *8,15* | – | (7.2) | (7.2) | – | |
| Net interest payable | *7* | (1.0) | – | (1.0) | (5.5) | |
| **Profit/(loss) on ordinary activities before taxation** | *5* | 16.2 | (10.1) | 6.1 | 33.2 | |
| Tax on profit on ordinary activities | *10* | (6.1) | – | (6.1) | (11.6) | |
| **Profit/(loss) for the financial period** | | 10.1 | (10.1) | – | 21.6 | |
| Dividends | *8,11* | (2.5) | (21.9) | (24.4) | (10.0) | |
| **Retained profit/(loss) for the financial period** | | 7.6 | (32.0) | (24.4) | 11.6 | |
| Dividend per share (pence) | *8,11* | 0.94 | 8.26 | 9.20 | 3.77 | |
| Earnings/(loss) per share (pence) | *8,12* | 3.81 | (3.81) | – | 8.15 | |

## Statement of Total Recognised Gains and Losses

for the 5 months ended 31 December 1997

| | Note | 5 months ended 31 Dec 1997 £ million |
|---|---|---|
| **Result for the financial period** | | – |
| Exchange translation effect on foreign currency net investments | *22* | (7.8) |
| **Total recognised gains and losses for the period** | | (7.8) |

The notes on pages 32 to 45 form part of these accounts.

The consolidated profit and loss account for the 5 months ended 31 December 1997 constitute the statutory 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.

# Balance Sheets
as at 31 December 1997

| | Note | Group 1997 £ million | Group Pro forma 1996 £ million | Company 1997 £ million |
|---|---|---|---|---|
| **Fixed assets** | | | | |
| Tangible assets | *14* | **136.9** | 136.0 | **–** |
| Investments | *15* | **–** | – | **53.0** |
| | | **136.9** | 136.0 | **53.0** |
| **Current assets** | | | | |
| Stocks | *16* | **12.8** | 11.1 | **–** |
| Debtors | *17* | **31.9** | 30.4 | **146.0** |
| Cash at bank and in hand | | **23.9** | 9.5 | **0.1** |
| | | **68.6** | 51.0 | **146.1** |
| **Creditors – amounts falling due within one year** | | | | |
| – borrowings | *18* | **(2.4)** | (0.6) | **(0.2)** |
| – other creditors | *19* | **(32.1)** | (27.4) | **(48.0)** |
| **Net current assets** | | **34.1** | 23.0 | **97.9** |
| **Total assets less current liabilities** | | **171.0** | 159.0 | **150.9** |
| **Creditors – amounts falling due after one year** | | | | |
| – borrowings | *18* | **(96.6)** | (96.0) | **(96.6)** |
| **Provisions for liabilities and charges** | *20* | **(5.9)** | (5.7) | **–** |
| **Net assets** | | **68.5** | 57.3 | **54.3** |
| **Capital and reserves** | | | | |
| Called up share capital | *21* | **53.0** | 53.0 | **53.0** |
| Profit and loss account | *22* | **23.3** | 4.3 | **0.5** |
| Other reserves (exchange) | *22* | **(7.8)** | – | **0.8** |
| **Shareholders' funds** | *23* | **68.5** | 57.3 | **54.3** |

Approved by the Board on 25 March 1998 and signed on its behalf by:

**Dr C Masters**
*Chairman*

**S R Paterson**
*Finance Director*

The notes on pages 32 to 45 form part of these accounts.

The Group and Company balance sheets at 31 December 1997 constitute the statutory accounts. Pro forma information for 31 December 1996 reflects the financial position of the Aggreko Group as if it had been in existence in its demerged form at that date and does not form part of the statutory accounts.

## Consolidated Cash Flow Statement
for the 5 months ended 31 December 1997

| | 5 months ended 31 Dec 1997 Business performance £ million | Exceptional and non-recurring items £ million | Total £ million |
|---|---|---|---|
| **Net cash inflow from operating activities** | 32.8 | (76.2) | (43.4) |
| **Returns on investments and servicing of finance** | | | |
| Interest received | 0.7 | – | 0.7 |
| Interest paid on bank loans and overdrafts | (0.7) | – | (0.7) |
| **Net cash outflow for returns on investments and servicing of finance** | – | – | – |
| **Taxation** | | | |
| UK corporation tax paid | (6.5) | – | (6.5) |
| Overseas tax paid | (6.5) | (5.9) | (12.4) |
| **Tax paid** | (13.0) | (5.9) | (18.9) |
| **Capital expenditure and financial investment** | | | |
| Purchase of tangible fixed assets | (17.5) | – | (17.5) |
| Proceeds from disposal of tangible fixed assets | 1.5 | – | 1.5 |
| **Net cash outflow for capital expenditure and financial investment** | (16.0) | – | (16.0) |
| **Dividends paid (see Note 8)** | – | (13.5) | (13.5) |
| **Cash inflow/(outflow) before use of liquid resources and financing** | 3.8 | (95.6) | (91.8) |
| **Management of liquid resources** | – | – | – |
| **Financing** | | | |
| Other cash transactions with Christian Salvesen PLC | – | (13.3) | (13.3) |
| Increase in debt due beyond one year | 97.4 | 84.4 | 181.8 |
| Cash repaid to Christian Salvesen PLC on demerger (see Note 9) | – | (84.4) | (84.4) |
| | 97.4 | – | 97.4 |
| **Net cash inflow/(outflow) from financing** | 97.4 | (13.3) | 84.1 |
| **Increase/(decrease) in cash in the period** | 101.2 | (108.9) | (7.7) |

| **Reconciliation of net cash flow to movement in net debt** | |
|---|---|
| Decrease in cash in the period | (7.7) |
| Cash inflow from increase in debt | (97.4) |
| Cash inflow/(outflow) from increase/(decrease) in liquid resources | – |
| Changes in net debt arising from cash flows | (105.1) |
| Translation difference | 1.1 |
| Movement in net debt in period | (104.0) |
| Net funds at beginning of period | 28.9 |
| **Net debt at end of period** | (75.1) |

The notes on pages 32 to 45 form part of these accounts.

**(i) The reconciliation of operating profit to net cash inflow from operating activities is as follows:**

| | 5 months ended 31 Dec 1997 Business performance £ million | Exceptional and non-recurring items £ million | Total £ million | Pro forma 1997 £ million |
|---|---|---|---|---|
| Operating profit | 17.2 | – | 17.2 | 38.7 |
| Depreciation charge | 13.5 | – | 13.5 | 32.5 |
| (Increase)/decrease in working capital: | | | | |
| Stocks | (0.5) | – | (0.5) | (2.1) |
| Debtors | 4.9 | 59.7 | 64.6 | (1.9) |
| Creditors | (1.1) | (133.0) | (134.1) | 5.3 |
| Other items not involving the movement of cash | (1.2) | (2.9) | (4.1) | (2.0) |
| **Net cash inflow from operating activities** | 32.8 | (76.2) | (43.4) | 70.5 |

The exceptional and non-recurring working capital movements relate to inter-company balances with Christian Salvesen PLC and the £2.9 million is detailed in Note 8.

**(ii) Analysis of movement in net debt**

| | Net funds at 23 July 1997 £ million | Cash flow £ million | Translation £ million | Net debt at 31 Dec 1997 £ million |
|---|---|---|---|---|
| **Cash** | | | | |
| Cash at bank and in hand | 24.8 | (5.3) | 0.3 | 19.8 |
| Overdrafts | – | (2.4) | – | (2.4) |
| | 24.8 | (7.7) | 0.3 | 17.4 |
| **Liquid resources** | | | | |
| Deposits maturing within one year | 4.1 | – | – | 4.1 |
| **Financing** | | | | |
| Debt due after one year | – | (97.4) | 0.8 | (96.6) |
| **Total** | 28.9 | (105.1) | 1.1 | (75.1) |

**(iii) Pro forma information for 1997**

During 1997, capital expenditure amounted to £40.3 million and proceeds from the disposal of tangible fixed assets amounted to £4.7 million, with a corresponding gain on sale of £2.6 million.

## 1 Pro forma information

The nature of Aggreko's business means that a higher proportion of its profits are earned in the summer months. In order to report the results of the summer season on a more timely basis, and to improve the Group's ability to report current trading trends, the Company has adopted an accounting reference date of 31 December. Consequently, the five month period ended 31 December 1997 is the Company's first accounting reference period.

Due to the significant changes which were made to the financial structure of the Group in order to effect the demerger, the actual interest and taxation charges incurred by the Group prior to 29 September 1997 are not representative of those incurred by the Group following the demerger. The pro forma profit and loss account for the year ended 31 December 1997 has been adjusted to reflect the financing and taxation structure of the Group following the demerger, as if this structure had been in place at 31 December 1996, and to incorporate trading of the Group for the whole of calendar year 1997.

In addition, the pro forma balance sheet prepared as at 31 December 1996 has been adjusted to reflect the financing structure of the Group on demerger as if it had been in place at 31 December 1996.

The financial information prepared on a pro forma basis reflects the following:

- adjustments to the actual finance charges incurred or finance income earned by the Group to reflect the impact of the capital structure of the Group following the demerger, as if that structure had been in place for the whole of the year ended 31 December 1997. The pro forma finance charges have been calculated by reference to average indebtedness that would have arisen from this revised capital structure at the average variable rate available on the market during the period on external borrowings;
- the pro forma charge for taxation, calculated to reflect the impact of adjusted finance charges and the capital structure of the Group following the demerger, without the benefits of the Christian Salvesen PLC Group's tax arrangements, as if that had been in place for the whole of the year ended 31 December 1997. In overall terms, an effective rate of taxation of 35% has been applied to the 1997 pro forma profit on ordinary activities;
- earnings per share, calculated on the basis of pro forma profit for the year, and 265.2 million ordinary shares, being the number of shares in issue throughout the period from demerger to 31 December 1997;
- dividends per share reflect the level of dividends that would have been payable for calendar year 1997, based on the pro forma result for the year, in line with the expected dividend policy, and has been apportioned between notional interim and final distributions in line, once again, with expected future dividend policy. As with earnings per share, the per share calculations have been based on the 265.2 million ordinary shares in issue throughout the period since date of demerger;
- the elimination/exclusion of non-operating transactions (including any associated taxation) which took place prior to the date of demerger, which related to the restructuring of the Christian Salvesen Group in order to effect the demerger.

For the purposes of comparison, turnover and operating profit information has also been presented for calendar year 1996.

The pro forma figures do not form part of the statutory accounts.

The notes below apply to both the results for the 5 month statutory period and pro forma information, except where otherwise indicated.

## 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**

**(a) Background**
The Company was incorporated on 23 July 1997 with an authorised and issued share capital of £50,000 divided into two ordinary shares of 25p each and 199,998 redeemable preference shares of 25p each. By a special resolution passed on 27 August 1997, the Company's authorised share capital was increased to £50,001.50 and six further ordinary shares of 25p were issued. As part of a special resolution passed on 29 August 1997 every four ordinary shares of 25p each were sub-divided into five ordinary shares of 20p and the authorised share capital of the Company was increased from £50,001.50 to £70,000,001.50 by the creation of a further 349,750,000 ordinary shares of 20p each. Prior to the demerger becoming effective, an amount of £49,999.50 was contributed by Christian Salvesen PLC so as to enable the Company to redeem the redeemable preference shares.

On 29 September 1997, the demerger from Christian Salvesen PLC was completed and the net assets and undertaking of Aggreko's power and temperature control business were transferred to the Company. On that date the Company issued 265.2 million fully paid ordinary shares, which were admitted to the Official List of the London Stock Exchange.

**(b) Basis of preparation**

The consolidated accounts comprise the accounts of the Company and its subsidiaries for the period from incorporation to 31 December 1997. The consolidated accounts have been prepared using merger accounting principles as if the companies, businesses and assets comprising the Group had been part of the Group for all periods presented. Accordingly, although the Company was incorporated on 23 July 1997 and the demerger not effected until 29 September 1997, Group accounts are presented as if the merged businesses had always been part of the same Group from 23 July 1997.

**(iii) Turnover**

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

**(iv) 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 |

**(v) 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.

**(vi) 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.

**(vii) Stocks**

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

**(viii) 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.

**(ix) 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.

| | Turnover | | | Operating Profit | | |
|---|---|---|---|---|---|---|
| | Total 1997 £ million | Pro forma 1997 £ million | Pro forma 1996 £ million | Total 1997 £ million | Pro forma 1997 £ million | Pro forma 1996 £ million |
| United Kingdom | 15.6 | 33.9 | 32.0 | 3.9 | 9.4 | 8.4 |
| Continental Europe | 13.3 | 29.9 | 35.9 | 2.4 | 5.7 | 6.0 |
| North America | 31.9 | 69.4 | 72.8 | 6.9 | 18.9 | 20.9 |
| Rest of the World | 9.7 | 30.1 | 27.4 | 1.1 | 4.7 | 2.6 |
| | 70.5 | 163.3 | 168.1 | 14.3 | 38.7 | 37.9 |

Operating profit of £14.3 million for the 5 months ended 31 December 1997 is net of £2.9 million for North America relating to exceptional and non-recurring items (see Note 8).

| | 1997 Operating assets £ million | 1997 Average employees number | Pro forma 1996 Operating assets £ million |
|---|---|---|---|
| United Kingdom | 32.4 | 320 | 31.9 |
| Continental Europe | 25.5 | 239 | 36.0 |
| North America | 80.7 | 424 | 70.7 |
| Rest of the World | 16.3 | 126 | 17.1 |
| | 154.9 | 1,109 | 155.7 |

During 1996 and 1997 contracts were undertaken in the Rest of the World utilising rental fleet from Continental Europe and the UK.

**Reconciliation of operating assets to net assets**

| | 1997 £ million | Pro forma 1996 £ million |
|---|---|---|
| Operating assets | 154.9 | 155.7 |
| Net tax, dividends and interest payable/receivable | (11.3) | (11.3) |
| Capital employed | 143.6 | 144.4 |
| Net borrowings | (75.1) | (87.1) |
| **Net assets** | 68.5 | 57.3 |

4 Operating expenses

| | Business performance £million | Exceptional and non-recurring items (Note 8) £ million | Total 1997 £ million | Pro forma 1997 £ million |
|---|---|---|---|---|
| Cost of sales | 44.6 | – | 44.6 | 104.2 |
| Distribution costs | 5.1 | – | 5.1 | 11.8 |
| Administrative expenses | 4.7 | 2.9 | 7.6 | 10.9 |
| Net other operating income | (1.1) | – | (1.1) | (2.3) |
| | 53.3 | 2.9 | 56.2 | 124.6 |

## 5 Operating profit

Operating profit is stated after charging/(crediting):

| | 1997 £ million | Pro forma 1997 £ million |
|---|---|---|
| Depreciation of tangible fixed assets | **13.5** | 32.5 |
| Gain on sale of tangible fixed assets | **(1.0)** | (2.6) |
| Operating leases: | | |
| plant and machinery | **0.4** | 0.9 |
| land and buildings | **0.3** | 2.0 |
| Management charges from Christian Salvesen PLC | **0.8** | |
| Auditors' remuneration: | | |
| audit fees (inc. Company of £42,000) | **0.2** | |
| non audit fees | **0.1** | |

Fees and expenses invoiced by the auditors for non audit services include £3,900 paid in the UK.

## 6 Staff costs

| | 1997 £ million |
|---|---|
| Directors' and employees' costs: | |
| Wages and salaries | **11.9** |
| Social security costs | **1.2** |
| Other pension costs (see Note 25) | **0.6** |
| | **13.7** |

Full details of Directors' remuneration are set out on page 21.

## 7 Net interest payable

| | 1997 £ million | Pro forma 1997 £ million |
|---|---|---|
| Interest payable on: | | |
| Bank loans and overdrafts | **(1.9)** | (5.9) |
| Interest receivable on: | | |
| Bank balances and deposits | **0.7** | 0.4 |
| Other | **0.2** | – |
| **Net interest payable** | **(1.0)** | (5.5) |

The pro forma interest amounts for the year ended 31 December 1997 have been calculated on the basis set out in Note 1.

## 8 Exceptional and non-recurring items

As outlined in Note 2 (ii) (b), Basis of preparation, the Group accounts for the five months ended 31 December 1997 are presented as if the merged businesses had always been part of the same Group from 23 July 1997. In preparation for the demerger, a number of transactions took place which related to the restructuring of the Christian Salvesen Group in order to effect the demerger. Such transactions included the write-off and transfers out of the Aggreko Group of interests in Christian Salvesen Group companies, in addition to the payment of certain pre-demerger dividends (both cash and dividend in specie amounts). As explained in the Financial Review, the transactions were as follows:

(i) On 21 August 1997 Christian Salvesen Holdings Inc. (now called Aggreko Holdings Inc.) disbursed, as a dividend in specie, its interests in three non-Aggreko Group companies to Christian Salvesen PLC which was, at the time of the disbursement, the owner of the common stock of Christian Salvesen Holdings Inc. The carrying value of these investments at the date of disbursement was £8.4 million.

(ii) On 23 August 1997 Christian Salvesen Holdings Inc. paid a dividend, in cash, of £13.5 million to Christian Salvesen PLC. The dividend had been declared by Christian Salvesen Holdings Inc. on 21 August 1997.

(iii) In conjunction with item (i) above, Christian Salvesen Holdings Inc. wrote off, in full, amounts owed by each of the three non-Aggreko companies. The amount of these write-offs totalled £2.9 million.

(iv) During August 1997 Christian Salvesen (International) BV (now called Aggreko Finance BV) wrote off, in full, the carrying cost of its interests in various non-Aggreko group companies that were being transferred to the ownership of Christian Salvesen PLC. These write-offs amounted to a total of £7.2 million.

The total exceptional dividends made in the period were £21.9 million (Note 11).

In view of the nature of each of the above items, there is no associated taxation credit in relation to the charges made during the period.

## 9 Other significant non-cash transactions

In addition to the items set out in Note 8, there were a number of other non-cash transactions (not impacting the profit and loss account) which took place during the period as follows:

(i) On 22 August 1997 Aggreko Holdings Limited purchased all of the issued share capital of Christian Salvesen (International) BV from Christian Salvesen PLC for a consideration of £175 million which was financed by means of inter-company debt.

(ii) On 22 August 1997 Aggreko Holdings Limited purchased all of the issued commercial stock of Christian Salvesen Holdings Inc. from Christian Salvesen PLC the consideration for which was the issuance by Aggreko Holdings Limited of 675,000 new ordinary shares of £1 to Christian Salvesen PLC.

(iii) As at the date of demerger the Aggreko Group had cash balances and liquid resources amounting to £3.4 million and therefore the initial drawdown of debt by Aggreko Holdings Limited was £84.4 million, which was remitted to Christian Salvesen PLC in settlement of the Aggreko Group's inter-company indebtedness. Having received £84.4 million of cash, Christian Salvesen PLC capitalised £77.7 million (being the excess of Aggreko Group's indebtedness over the net debt amount) by means of subscribing for 77.7 million new ordinary shares of £1 each in Aggreko Holdings Limited.

## 10 Tax on profit on ordinary activities

Taxation on profit on ordinary activities is analysed as follows:

| | Business Performance and Total 1997 £ million |
|---|---|
| **Tax on profit on ordinary activities:** | |
| UK Corporation tax | 1.1 |
| Overseas taxation | 6.3 |
| | 7.4 |
| **Deferred taxation:** | |
| United Kingdom | (0.4) |
| Overseas | (0.8) |
| | 6.2 |
| **Prior year adjustments:** | |
| Current taxation | (0.1) |
| | 6.1 |

The pro forma tax charge for the year ended 31 December 1997 has been calculated on the basis set out in Note 1.

## 11 Dividends

| | 1997 £ million | 1997 per share (p) | Pro forma 1997 £ million | Pro forma 1997 per share (p) |
|---|---|---|---|---|
| Equity dividends (net): | | | | |
| Interim | – | – | 4.0 | 1.51 |
| Proposed final | 2.5 | 0.94 | 6.0 | 2.26 |
| | 2.5 | 0.94 | 10.0 | 3.77 |
| Exceptional items (see Note 8) | 21.9 | 8.26 | | |
| | 24.4 | 9.20 | | |

The 1997 pro forma dividends per share have been apportioned between notional interim and final dividends.

## 12 Earnings per share

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 to 31 December 1997.

There is no material difference between the basic and fully diluted earnings per share.

## 13 Profit of the Company

The result of the Group includes £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.

## 14 Tangible fixed assets

| Group: | Freehold properties £ million | Short leasehold properties £ million | Rental fleet £ million | Vehicles, plant and machinery £ million | Total £ million |
|---|---|---|---|---|---|
| Cost at 23 July 1997 | 14.2 | 2.4 | 253.1 | 17.6 | 287.3 |
| Exchange differences | (0.1) | – | (2.0) | (0.3) | (2.4) |
| Additions | – | 0.1 | 15.8 | 1.6 | 17.5 |
| Disposals | – | – | (4.8) | (0.2) | (5.0) |
| Transfers | – | – | (0.2) | 0.2 | – |
| **Cost at 31 December 1997** | 14.1 | 2.5 | 261.9 | 18.9 | 297.4 |
| Depreciation at 23 July 1997 | 2.9 | 0.6 | 138.0 | 11.6 | 153.1 |
| Exchange differences | – | – | (1.5) | (0.1) | (1.6) |
| Charge for period | 0.2 | – | 12.2 | 1.1 | 13.5 |
| Disposals | – | – | (4.2) | (0.3) | (4.5) |
| Transfers | – | – | (0.1) | 0.1 | – |
| **Depreciation at 31 December 1997** | 3.1 | 0.6 | 144.4 | 12.4 | 160.5 |
| **Net book values: 31 December 1997** | 11.0 | 1.9 | 117.5 | 6.5 | 136.9 |
| **23 July 1997** | 11.3 | 1.8 | 115.1 | 6.0 | 134.2 |
| **31 December 1996 (pro forma)** | 12.1 | 1.9 | 116.0 | 6.0 | 136.0 |

The Company had no tangible fixed assets as at 31 December 1997.

## 15 Fixed asset investments

| Cost | Group 1997 £ million | Company 1997 £ million |
|---|---|---|
| At 23 July 1997 | 15.1 | – |
| Exchange differences | 0.5 | – |
| Additions | – | 53.0 |
| Disposals – as distribution in specie (Note 8) | (8.4) | – |
| – written off in period (Note 8) | (7.2) | – |
| **At 31 December 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 Sections 131 and 135 of the Companies Act 1985.

## 16 Stocks

| | Group 1997 £ million | Group Pro forma 1996 £ million | Company 1997 £ million |
|---|---|---|---|
| Raw materials and consumables | **12.0** | 10.4 | – |
| Work in progress | **0.8** | 0.7 | – |
| | **12.8** | 11.1 | – |

## 17 Debtors

| | Group 1997 £ million | Group Pro forma 1996 £ million | Company 1997 £ million |
|---|---|---|---|
| Trade debtors | **28.0** | 27.2 | – |
| Other debtors | **1.6** | 1.1 | – |
| Prepayments and accrued income | **1.7** | 2.1 | **0.4** |
| ACT recoverable | **0.6** | – | **0.6** |
| Amounts due from subsidiary undertakings | – | – | **145.0** |
| | **31.9** | 30.4 | **146.0** |

ACT recoverable is receivable after more than one year

## 18 Borrowings

| | Group 1997 £ million | Group Pro forma 1996 £ million | Company 1997 £ million |
|---|---|---|---|
| **Net borrowings** | **75.1** | 87.1 | **96.7** |

Net borrowings as at 31 December 1997 are analysed as follows:

| | Group 1997 £ million | Company 1997 £ million |
|---|---|---|
| **Long-term borrowings:** | | |
| Loans | **96.6** | **96.6** |
| **Total long-term borrowings** | **96.6** | **96.6** |
| **Short-term borrowings:** | | |
| Loans and overdrafts | **2.4** | **0.2** |
| **Total short-term borrowings** | **2.4** | **0.2** |
| **Total borrowings** | **99.0** | **96.8** |
| **Liquid funds:** | | |
| Liquid resources | **(4.1)** | **–** |
| Cash at bank and in hand | **(19.8)** | **(0.1)** |
| **Net borrowings** | **75.1** | **96.7** |

As at 29 September 1997, the allocation of indebtedness was agreed such that, at that date, the Aggreko Group had net indebtedness of £81 million. The pro forma net borrowings amount disclosed as of 31 December 1996 is derived by using the indebtedness amount as at date of demerger, as adjusted by the cash flows of the Aggreko Group for the period between 31 December 1996 and the date of demerger.

Liquid resources comprise term deposits of less than one year.

## 18 Borrowings (continued)

### (i) Interest rate and currency of borrowings

After taking into account interest rate swaps, the currency and interest rate exposure of the gross borrowings of the Group as at 31 December 1997 was as follows:

| | Total £ million | Floating rate £ million | Fixed rate £ million |
|---|---|---|---|
| Sterling–borrowings | 60.7 | 40.7 | 20.0 |
| –overdraft | 2.4 | 2.4 | – |
| US Dollar–borrowings | 35.9 | – | 35.9 |
| Gross borrowings | 99.0 | 43.1 | 55.9 |

**Sterling borrowings and overdraft**
The floating rate borrowings bear interest at 7.8103% for the three months from 27 October 1997. £20 million of sterling borrowings have been fixed through an interest rate swap at a rate of 7.8% for one year commencing 28 October 1997. The overdraft, which is repayable on demand, bears interest at base plus 1%.

**US Dollar borrowings**
The total $60 million (£35.9 million) loan has been fixed through an interest rate swap at a rate of 6.5% for 18 months commencing 28 October 1997.

**Interest bearing assets**
The Group held no interest bearing assets at the period end other than reinvestment of surplus cash.

### (ii) Maturity of borrowings

| | 1997 £ million |
|---|---|
| The maturity of the Group's gross borrowings is as follows: | |
| Within one year | 2.4 |
| Between one and two years | – |
| Between two and five years | 96.6 |
| | 99.0 |

### (iii) Borrowing facilities

As at 31 December 1997, the Group had undrawn committed borrowing facilities available to it of £28.4 million which expire beyond one year.

### (iv) Fair values of financial instruments

Set out below is an analysis of the fair and book values of the Group's financial instruments as at 31 December 1997. Market values have been used to determine fair values.

| Assets/(liabilities) | Book Value £ million | Fair Value £ million |
|---|---|---|
| **Derivatives** | | |
| Interest rate swaps | – | (0.1) |
| Foreign exchange forward rate contracts: | | |
| –hedging future transactions | – | – |
| **Other liabilities** | | |
| Short-term borrowings | (2.4) | (2.4) |
| Long-term borrowings | (96.6) | (96.6) |
| Trade and other creditors | (11.9) | (11.9) |
| **Other assets** | | |
| Trade and other debtors | 29.6 | 29.6 |

(v) Currency analysis of net assets

The Group's net assets and borrowings by currency as at 31 December 1997 were as follows:

| | Net assets by currency of operations excluding gross borrowings £ million | Gross borrowings £ million | Net investment £ million |
|---|---|---|---|
| Sterling assets/(liabilities) | 28.1 | (63.1) | (35.0) |
| Matched US Dollar assets/(liabilities) | 35.9 | (35.9) | – |
| Total matched assets/(liabilities) | 64.0 | (99.0) | (35.0) |
| Unmatched assets/(liabilities) | 103.5 | – | 103.5 |
| | 167.5 | (99.0) | 68.5 |

The unmatched net foreign currency position included above is as follows:

| Functional currency of Group: | Net Sterling £ million | Net US Dollar £ million | Net Other £ million | Total £ million |
|---|---|---|---|---|
| Sterling | – | 38.0 | 65.5 | 103.5 |

(vi) Hedges of future transactions

The total deferred recognised and unrecognised gains and losses comprise as follows:

| | Deferred recognised foreign exchange contracts £ million | Unrecognised interest rate swaps £ million | Total £ million |
|---|---|---|---|
| **Balance brought forward at 23 July 1997** | – | – | – |
| Profit and loss account | – | – | – |
| Revaluation | – | (0.1) | (0.1) |
| **Balance carried forward at 31 December 1997** | – | (0.1) | (0.1) |
| Expected to be recognised in the profit and loss account –next year | – | (0.1) | (0.1) |

(vii) Financial instruments held for trading purposes

The Group held no financial instruments for trading purposes during the period or at 31 December 1997.

## 19 Other creditors: amounts falling due within one year

| | Group 1997 £ million | Group Pro forma 1996 £ million | Company 1997 £ million |
|---|---|---|---|
| Trade creditors | **7.8** | 6.1 | – |
| Other taxation and social security payable | **1.9** | 1.4 | – |
| Other creditors | **4.1** | 2.1 | – |
| Accruals and deferred income | **13.3** | 12.1 | **1.5** |
| Corporation tax | **1.9** | 5.7 | – |
| ACT payable | **0.6** | – | **0.6** |
| Dividends payable | **2.5** | – | **2.5** |
| Amounts owed to subsidiary undertakings | – | – | **43.4** |
| | **32.1** | 27.4 | **48.0** |

## 20 Provisions for liabilities and charges

| **Group** | 1997 £ million |
|---|---|
| Deferred taxation: | |
| Balance brought forward | **7.2** |
| Currency retranslation | **(0.1)** |
| Released to profit on ordinary activities | **(1.2)** |
| At 31 December 1997 | **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 was £6.8 million as at 31 December 1997 and 31 December 1996 and a provision of £5.7 million is included in the 31 December 1996 pro forma balance sheet.

**Company**

The Company had no deferred taxation liability at either 23 July 1997 or 31 December 1997.

## 21 Called up share capital

**Group and Company (as at 31 December 1997)**

| | 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 |

**Shares issued**

**(i) for cash consideration**

The Company was incorporated on 23 July 1997 with an authorised and issued share capital of £50,000 divided into two ordinary shares of 25p each and 199,998 redeemable preference shares of 25p each. By a special resolution passed on 27 August 1997, the Company's authorised share capital was increased to £50,001.50 and six further ordinary shares of 25p were issued. As part of a special resolution passed on 29 August 1997 every four ordinary shares of 25p each were sub-divided into five ordinary shares of 20p and the authorised share capital of the Company was increased from £50,001.50 to £70,000,001.50 by the creation of a further 349,750,000 ordinary shares of 20p each. Prior to the demerger becoming effective, an amount of £49,999.50 was contributed by Christian Salvesen PLC so as to enable the Company to redeem the redeemable preference shares.

**(ii) for non-cash consideration**

On 29 September 1997 the demerger from Christian Salvesen PLC was completed and the net assets and undertaking of Aggreko's businesses were transferred to the Company. On that date the Company issued 265.2 million fully paid ordinary shares, which were admitted to the Official List of the London Stock Exchange. These shares were therefore issued at a premium but, in accordance with the merger relief provisions of Section 131 of the Companies Act 1985, the shares are recorded only at their nominal value.

Details of outstanding options to subscribe for the Company's Ordinary Shares are given in Note 28.

## 22 Profit and loss account, and Other reserves

| | Group | | Company | |
|---|---|---|---|---|
| | Exchange reserve £ million | Profit and loss reserve £ million | Exchange reserve £ million | Profit and loss reserve £ million |
| **At 23 July 1997** | – | 47.7 | – | – |
| Retained profit/(loss) for the period | – | (24.4) | – | 0.5 |
| Other recognised (losses)/gains | (7.8) | – | 0.8 | – |
| **At 31 December 1997** | (7.8) | 23.3 | 0.8 | 0.5 |

## 23 Reconciliation of movements in shareholders' funds

| | Called up share capital £ million | Exchange reserve £ million | Profit and loss reserve £ million | Capital and reserves £ million |
|---|---|---|---|---|
| **Group** | | | | |
| Profit/(loss) for the period | – | – | – | – |
| Dividends | – | – | (24.4) | (24.4) |
| Other recognised losses | – | (7.8) | – | (7.8) |
| Issue of share capital | 53.0 | – | – | 53.0 |
| Net addition to/(decrease in) shareholders' funds | 53.0 | (7.8) | (24.4) | 20.8 |
| Opening shareholders' funds | – | – | 47.7 | 47.7 |
| Closing shareholders' funds | 53.0 | (7.8) | 23.3 | 68.5 |
| **Company** | | | | |
| Profit for the period | – | – | 3.0 | 3.0 |
| Dividends | – | – | (2.5) | (2.5) |
| Other recognised gains | – | 0.8 | – | 0.8 |
| Issue of share capital | 53.0 | – | – | 53.0 |
| Net addition to shareholders' funds | 53.0 | 0.8 | 0.5 | 54.3 |
| Opening shareholders' funds | – | – | – | – |
| Closing shareholders' funds | 53.0 | 0.8 | 0.5 | 54.3 |

## 24 Financial commitments

| | 1997 £ million |
|---|---|
| Capital expenditure: contracted | 24.7 |
| Annual commitments under operating leases are analysed as follows: | |
| Land and buildings: | |
| Expiring in the first year | 0.9 |
| Expiring in the second to fifth years | 1.4 |
| Expiring after the fifth year | 0.8 |
| | 3.1 |
| Plant, equipment and vehicles: | |
| Expiring in the first year | 0.4 |
| Expiring in the second to fifth years | 0.9 |
| Expiring after the fifth year | – |
| | 1.3 |

**Financial instruments**

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

## 25 Pension commitments

**United Kingdom**

In the period prior to demerger, Aggreko employees in the UK were members of the Christian Salvesen Pension Scheme and the Christian Salvesen PLC Senior Staff Pension Fund and Life Assurance Scheme ('the Christian Salvesen Schemes'). Both of the Christian Salvesen Schemes are defined benefit, with the assets held in separate trustee administered funds and they are subject to independent valuations by qualified actuaries at least every three years, usually using the projected unit method, during which pension costs are assessed.

Following the demerger becoming effective on 29 September 1997, those Aggreko Group employees who were current contributing members of the Christian Salvesen Schemes at the date of demerger transferred to a newly established Aggreko Group scheme ('The Aggreko scheme'). The Aggreko scheme is a funded, contributory, defined benefit scheme which provides identical benefit arrangements to the Christian Salvesen Schemes and whose assets are held separately from those of the Aggreko Group under the control of individual trustees.

Under the demerger arrangements, and within a twelve month period following the date of demerger, the liabilities and assets relating to benefits accrued by Aggreko Group employees in the Christian Salvesen Schemes prior to 29 September 1997 are to be transferred to the Aggreko scheme. This transfer will be on a share of fund basis such that the Aggreko scheme will receive a proportion of the surplus of the Christian Salvesen Schemes.

The latest independent actuarial valuation of the Christian Salvesen Schemes were at 1 January 1996 which showed that the market value of the assets was £96.8m. The actuarial value of those assets was sufficient to cover 127% of the benefits that had accrued to members, allowing for future increases in earnings. The surpluses are being amortised over the remaining service lives of members.

The main assumptions used in these valuations were as follows (all amounts are annual rates):

| | |
|---|---|
| Return on investments | 9.0% |
| Growth in average pay levels | 7.0% |
| Increase in pensions | 4.5% |

The pension cost attributable to Aggreko Group employees in the UK for the period ended 31 December 1997 was £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 normally the amount of contribution payable to the pension scheme in respect of the accounting period. The pension cost attributable to overseas employees for the period ended 31 December 1997 was £ 0.4 million.

## 26 Related party transactions

(i) Prior to demerger, Aggreko did not operate as a separate group, and consequently there were a number of related party transactions between it, its subsidiaries, Christian Salvesen PLC and other Christian Salvesen Group entities. These include transactions relating to treasury, taxation, information systems support and other central services supplied by Christian Salvesen PLC to Aggreko plc.

These transactions have not been identified individually as it is not practicable to do so, but since the demerger no such transactions or arrangements have persisted.

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

(iii) During the period ended 31 December 1997, a subsidiary undertaking purchased manufacturing supplies to the value of £289,000 from the J B D Holdings Ltd group, a group in which Mr D J Yorke holds a beneficial interest of 30%. The balance owed at the period end to the J B D Holdings Ltd group was £126,000.

## 27 Significant investments

The principal subsidiary undertakings of Aggreko plc at the period 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 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 International (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

## 28 Employee share options

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

**Notice is hereby given** that the first Annual General Meeting of Aggreko plc (the 'Company') will be held at the Hilton Hotel, 1 William Street, Glasgow on Wednesday 29 April 1998 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 period ended 31 December 1997.

**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 P G Rogerson.

**Resolution 5**
To re-elect Mr D J Yorke.

**Resolution 6**
To re-elect Mr S R Paterson.

**Resolution 7**
To re-elect Mr R W Bird.

**Resolution 8**
To re-elect Mr F A B Shepherd.

**Resolution 9**
To re-elect Mr P J Harrower.

**Resolution 10**
To re-elect Sir Ronald Miller CBE.

**Resolution 11**
To re-elect Mr A C Salvesen.

**Resolution 12**
To re-appoint Price Waterhouse as Auditors of the Company and to authorise the Directors to fix their remuneration.

**Special Business**
To consider the following as an ordinary resolution:

**Resolution 13**
The Board of Directors of the Company (the 'Directors') be and they are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985 (the 'Act') up to an aggregate nominal amount of £16,900,000, PROVIDED THAT this authority (unless previously revoked or renewed) shall expire on the earlier of 28 April 2003 and the conclusion of the Annual General Meeting of the company held in 2003 (save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired) and that this authority is in substitution for any and all authorities previously conferred upon the Directors for the purposes of Section 80 of the Act.

To consider the following as a special resolution:

**Resolution 14**
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 the resolution proposed as Resolution 13 in the Notice convening the meeting at which this resolution is proposed, 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 of 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 28 April 1999 and the conclusion of the Annual General Meeting of the Company held in 1999, 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 15**
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 20p 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 20p (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*
25 March 1998

A Paul Allen

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 Corporate Finance 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 Corporate Finance Low Cost Share Dealing Department on 0171 601 0101. Please note that for shareholders 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.

### Allocation of Capital Gains Base Cost

For Christian Salvesen PLC shareholders at the time of the demerger, the base cost for UK Capital Gains Tax purposes should be allocated pro rata as follows (based upon the middle market quotation per the Official List at close of business on Monday, 29 September 1997):

| | |
|---|---|
| Christian Salvesen | 109p |
| Aggreko | 164½p |

### Classification of Ordinary Share Holdings

| **By size** | Number of accounts | % of issued shares |
|---|---|---|
| 1-1,000 shares | 8,341 | 1.5 |
| 1,001-15,000 shares | 3,454 | 3.9 |
| 15,001-100,000 shares | 392 | 6.6 |
| 100,001-500,000 shares | 210 | 18.1 |
| 500,001-2,000,000 shares | 93 | 33.4 |
| 2,000,001 shares and over | 22 | 36.5 |
| | 12,512 | 100.0 |

| **By type of holder** | Number of accounts | % of issued shares |
|---|---|---|
| Individuals | 11,158 | 47.1 |
| Banks and nominees | 897 | 7.1 |
| Insurance companies | 51 | 11.6 |
| Pension funds | 135 | 22.3 |
| Investment trusts and unit trusts | 54 | 9.7 |
| Other institutions and corporate bodies | 217 | 2.2 |
| | 12,512 | 100.0 |

## Officers and Advisers

Secretary and Registered Office
**A Paul Allen**
Ailsa Court
121 West Regent Street
GLASGOW G2 2SD

Tel 0141 225 5900
Fax 0141 225 5949

Company No. 177553

Registrars and Transfer Office
**IRG plc**
Balfour House
390/398 High Road
ILFORD
Essex
IG1 1NQ

Tel 0181 478 8241

Stockbrokers
**Cazenove & Co** – London
**Hoare Govett Limited** – London

Auditors
**Price Waterhouse**
Chartered Accountants

## Financial Calendar

| | Period ended 31 December 1997 | 6 Months ending 30 June 1998 |
|---|---|---|
| Results announced | 25 March 1998 | Late August 1998 |
| Report posted | 31 March 1998 | Early September 1998 |
| Annual General Meeting | 29 April 1998 | |
| Ex-dividend date | 27 April 1998 | Late October 1998 |
| Dividend record date | 1 May 1998 | Late October 1998 |
| Dividend payment date | 29 May 1998 | Late November 1998 |