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aggreko

ANNUAL REPORT AND ACCOUNTS 1999

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The power to change your world

Board of Directors

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

David Yorke †
(53) 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 PLC and served on the Group's Management Board from 1991 to the demerger when he was appointed Managing Director of Aggreko plc.

Stuart Paterson
(42) 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.

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

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

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

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

Derek Shepherd
(57) Managing Director of Rest of the World
Derek Shepherd, a Chartered Engineer, left his position as Managing Director of Taylor Woodrow Nigeria to become International Managing Director of Gammon (HK) in Hong Kong and joined Aggreko in 1988 as Managing Director of the UK business. He was appointed Director of Aggreko Europe in 1991 and became Managing Director the following year. He joined the Board on demerger in September 1997. In March 1999 he relinquished his position as Managing Director Europe in order to take responsibility for major international power generation projects along with our activities in the Middle East and the Asia Pacific region and is now based in Dubai.

Marie-Bernard Trannoy § †
(54) Non-executive Director
Marie-Bernard Trannoy, a French national, joined the Board in May 1999. He is currently President of Cadbury Schweppes' confectionery business in Europe and has an extensive background in international marketing. Prior to joining Cadbury Schweppes PLC in 1996, he was Vice President and General Manager with Proctor & Gamble, Europe. Mr. Trannoy is a Chevalier of the Légion d'Honneur.

Company Secretary
Paul Allen (51)
Paul Allen, a Chartered Accountant, was Divisional Accountant of Christian Salvesen's Industrial Services division at the time of the Aggreko acquisition. In 1986, following the acquisition of the North American business he became Financial Controller of Aggreko Inc. He returned to the UK in 1993 and became Head of Finance for Aggreko in 1994. He was appointed Company Secretary on demerger in September 1997.

Board Committees Membership
* Audit
§ Remuneration
† Nomination

Chairman's Statement

1999 has been an outstanding year for Aggreko. In our *second full year as an independently quoted plc, pre-tax* profits at £51.3 million are 30.5% ahead of 1998, earnings per share have increased by 30.1% to 12.33 pence and we have invested £78.2 million in the future development of the business.

Given the international nature of the Group's activities, with business in over 50 countries around the globe, trading results expressed in constant currency are undoubtedly a better measure of overall performance. Compared to the previous year, operating profit in the year ended 31 December 1999, in constant currency, has increased by 24.2% to £57.1 million while turnover of £226.0 million on the same basis is 24.8% ahead. *In all our principal operating regions throughout the* world, overall margins have been maintained and the Group's return on average net operating assets has increased from 26.6% to 27.7%.

Throughout the year Aggreko has achieved consistent levels of equipment utilisation through a combination of global positioning and added value services. During the last quarter of the year, however, the aftermath of Hurricane Floyd in the United States, together with increased temporary power requirements around the world resulting from the Millennium, allowed the Group to *achieve exceptional levels of equipment utilisation.* This resulted in an additional contribution to operating profits of some £3 million above that normally expected at this time of the year. Even allowing for these favourable factors, Group operating profit in constant currency is still 20.9% ahead. This is an excellent result and is once again a great tribute to the hard work and commitment of the over 1550 Aggreko people now working from the Group's 108 permanent locations in 24 countries.

Continuous and consistent growth remain the cornerstones of our Corporate strategy which is based on a combination of geographic expansion, product development, market creation and global marketing. Over the last twelve months we have increased our geographic presence opening five new depots in Europe, North America and the Middle East. In addition we have replaced established agents with our own dedicated depots in Aberdeen, Scotland, in the Republic of Ireland and in Baltimore, USA. On the Aggreko International Power Projects front, we have expanded our Jebel Ali facility in the United Arab Emirates and opened international sales offices in our Paris, London, Houston and Singapore locations.

In terms of product development we have successfully introduced temperature control equipment into Australia and the Middle East. Following the acquisition of the Tower Tech Inc. rental fleet in December 1998, our industrial cooling towers business has had an extremely successful year and plans are now in place to increase the fleet in the United States, while at the same time examining the possibility of introducing the product into Europe.

The oil free compressed air rental market continues to grow strongly and we have now extended the range of equipment on offer with the introduction of 800 cfm diesel and electrically powered compressors.

Market creation and global marketing continue to be important elements of our growth strategy. Over the last twelve months we have significantly increased our involvement in both the power utility business in the United States and the mobile telecommunications industry in the UK as well as Continental Europe. We have also continued to expand our power business with global companies such as Brown and Root, BP Amoco and Foster Wheeler working in locations as diverse as Egypt and the Philippines.

Looking to the year ahead, we see no shortage of profitable investment opportunities to continue to grow the business and our present plans envisage capital investment in excess of £90 million over the next twelve months. With this in mind the Board is recommending a final dividend of 2.70 pence which, when added to the interim dividend of 1.80 pence, gives a total for the year of 4.50 pence per ordinary share representing a 9.2% increase over the 1998 payment. Subject to approval by shareholders, the final dividend will be paid on 26 May 2000 to ordinary shareholders on the register as at 2 May 2000 with an ex-dividend date of 25 April 2000.

The new financial year has started well, there are a number of exciting opportunities on the horizon and we continue to look to the future with confidence.

Dr Christopher Masters
Chairman
23 February 2000

Operating Review

The performance of Aggreko in 1999 has been one of the best in the Group's history. When compared with the previous year, operating profit – in constant currency terms – was 24.2% ahead at £57.1 million on revenues which, on the same basis, increased by 24.8% to £226.0 million. Whilst margins varied very slightly from region to region, the overall operating margin has been maintained in excess of 25%.

During the course of the year we concentrated heavily on the profitable development of those investments made in late 1998. I am happy to report that all new depot locations are now operating at an acceptable profit level and that the acquisition of the fleet of cooling towers from Tower Tech Inc. has exceeded our expectations. Throughout the year, we have continued to invest in our ongoing business and in particular into Aggreko International Power Projects (AIPP) which has had an excellent year.

The increase in the size of Aggreko's business is reflected in the number of people we employ, which now totals over 1550 world-wide. I would like to record my personal thanks for the outstanding effort they made during 1999; they have undoubtedly been the key factor in making 1999 such a successful year.

North America

The performance of our North American business in 1999 can again only be described as outstanding. Whilst we have seen exceptional contributions from both the hurricane season and the uncertainty surrounding the Millennium, we have also seen good underlying growth throughout the business in almost every location and business sector. North America was once again our largest business region. In constant currency, year on year operating profit has grown by 22.6% to $44.7 million on revenue that has increased 25.8% to $175.6 million, resulting in a slight decrease in operating margin to 25.4%.

Of the ten new depots opened in late 1998 – all of which are now profitable – two are especially worthy of mention: Richmond where a new Energy Alliance contract – involving the supply of specialist temporary power, temperature control and oil free compressed air services – has been signed with Allied Signal; and Hollywood where we have consolidated our position as market leader in the motion picture industry. The fleet of cooling towers acquired at the end 1998 were in high demand from core industrial customers, with utilisation reaching extremely high levels during the second half of the year.

We have continued to grow the power business aggressively, both geographically through the new depots, and by making further inroads into the industrial, utility and shipping markets. Whilst still relatively small in overall terms, our dehumidification business increased revenues substantially and offers future growth potential. The temperature control business also continued to grow, despite relatively flat revenues in the industrial chiller market.

Our oil free air business in this region had another very successful year. Revenues from our high quality oil free compressors and associated dryers increased by almost 40%, reflecting increases in both our customer base and our market share.

Europe

During 1999 our consolidated European business also recorded exceptional growth. Operating profit in constant currency has increased by 22.4% to £16.6 million on revenues which, on the same basis, were 22.8% higher at £79.5 million. The operating margin, consequently, has remained constant at 20.9%. This is an excellent performance, demonstrating the depth, quality and potential of our European business.

Power revenue has increased by 28.9%, reflecting increased activity both in the power utilities and telecoms markets in the UK, Benelux and France. In other sectors, we saw increased activity in manufacturing together with a slight upturn in construction-related business during the second half, particularly in the UK and Holland.

Whilst we saw no overall increase in our business in the North Sea oil and gas sector, the Company did successfully complete its largest ever load test: 45 MW for the Amerada Hess Triton project. Concerns surrounding the Millennium made a contribution to power revenue in December, although this was significantly less than in North America.

In 1999 the European temperature control business again grew revenue strongly, particularly as a result of increased sales effort in the UK and Germany, and higher asset utilisation, resulting from the European fleet consolidation. During the year we increased our activity in the food and beverage, chemical, petrochemical and pharmaceutical sectors. Continuing to provide services for high profile customers that include Mars, Exxon and Astra Zeneca has firmly established us as market leader in these industries. In the build-up to the festive season, our European business was involved in the supply of chilling equipment and associated generators to provide town and city centres with temporary ice rinks at almost 100 mainland European locations.

Our oil free compressor business throughout Europe has also continued to make solid progress, revenues growing substantially during the second half of the year.

Rest of the World

Aggreko's operations in the Rest of the World have also recorded a superb result during 1999. In constant currency, operating profit is up 40.3% to £9.5 million on revenues which, on the same basis, have increased by 26.4% to £38.0 million, resulting in an improved operating margin of 25.2%.

AIPP has completed an extremely successful first full year of operation, fully justifying the investment we have made in people, rental fleet and the new facilities at Jebel Ali in the United Arab Emirates. As well as securing substantial new contracts in locations stretching from Southern Europe to the Far East in sectors as diverse as oil and gas, defence, utility and petrochemical, throughout the year we have continued to provide over 30MW of power to the Ministry of Mines and Energy in Ghana. During the year we also established an AIPP sales presence in our Paris, London, Dubai, Singapore and Houston locations in order to further develop the business.

In Australia, although the fall in base metal prices – particularly gold – has severely affected the mining industry, we have nevertheless seen a slight upturn towards the year end which culminated in the winning of a contract to initially supply 10MW of power to the Nifty mining project in North West Australia. In the second half of the year we introduced temperature control into Australia. This has gone well, and we have been successful in securing contracts in the chemical, pharmaceutical, entertainment and food industries.

Our business in Singapore, on the other hand, has contracted slightly due, principally to a reduction in ship repair work; and elsewhere, in both Indonesia and Malaysia, we have been unable to secure contracts with an acceptable level of risk. Consequently, year on year revenues in the Asia Pacific region have fallen by 11%.

In the Middle East, 1999 has been a year of structured expansion; revenues – although severely affected by the dramatic fall in oil prices earlier in the year – recovered in the second half. During the year new locations have been opened in Jeddah and Bahrain bringing the number of depots in the Middle East to eight. For the first time, summer peak shaving contracts in excess of 40 MW were carried out for the Utility companies in Saudi Arabia and Oman. There was increased demand for load testing services in the oil and gas sector where we completed contracts for customers in Al Khobar, Baku and Dubai. Market surveys have identified an opportunity for temperature control in the region and at the year end we began introducing this product to the local markets.

Our Employees

In the year under review we spent £0.6 million ensuring that all employees were properly equipped, through thorough training, to again maximise their contribution. Included in our training programme, all employees were made aware of the Group's commitment to health and safety, and our constant drive to reduce work related accidents.

David Yorke
Managing Director
23 February 2000

Financial Review

Introduction

As described in both the Chairman's Statement and the Operating Review, 1999 has been a strong year in terms of trading for Aggreko and this performance has resulted in a set of accounts which show significant growth.

In 1999 the Group benefited significantly from two events which had a particular impact on the results for the year. One of these was the demand for backup power over the Millennium and the other an extremely busy hurricane season in North America. Although the hurricane season did not generate as much additional business as the record hurricane season in 1998, it is significant enough to highlight in an effort to demonstrate the underlying growth in the business. Millennium related activities will also benefit the first half of 2000.

Revenues

Total revenues growth was 26.3% in sterling over 1998. When measured in local currencies the growth was 24.8%. The second half of 1999 was particularly strong, as both the hurricane season and Millennium demand fell into this period, resulting in growth of 27.8% and 26.3% over second half 1998 in sterling and local currencies respectively. The benefits derived in the second half from the hurricane season and Millennium were £1.5 million (1998 – £3.6 million) and £9.6 million respectively. Adjusted for this, the growth for the year would still have been 22.6% and 21.0% in sterling and local currencies respectively.

Operating Profit

Growth in profits at the operating level was 25.8% and the underlying growth in operating profit in local currencies was 24.2%. This includes the contribution from both the hurricanes and the Millennium related activities at £0.4 million and £2.6 million respectively. Adjusted for these factors, the growth over 1998 was 22.5% in sterling and 20.9% in local currencies. The positive impact of a weaker sterling relative to 1998 on the translation of our foreign currency profits was £0.6 million. Currency transaction gains and losses were however minimal, as our revenues and costs in each region are mainly denominated in the same currencies and, in the rare occasions that this is not the case, the revenues are sold forward to ensure no currency risks are carried.

Operating margins were maintained at 25% in the year, with the increased contribution from our Rest of the World businesses off-setting the lower rate of growth in gain on sale of fixed assets. The impact of both the Millennium and the hurricane season, referred to earlier, also helped maintain margins at the 1998 levels. Even allowing for these events, which Aggreko is uniquely placed to respond to, the underlying margins in the business were maintained. With the growth in operating profits, stable margins and an increased asset base, the return on average net operating assets was 27.7% in comparison with 26.6% in 1998.

Interest

The interest charge for the year was £5.8 million, a decrease of 4.9% on 1998. The decrease was due mainly to lower world-wide interest rates and, in particular, the benefit of lower interest rates on the euro debt that we took out in 1999 to match our asset base. These lower rates more than offset the impact of the increased net debt required to fund the continued business growth. The interest rate exposure is managed through swaps and forward rate agreements which are authorised by the Board. Our sterling, dollar and euro currency debt is covered in this way through to December 2000 (ref. Note 17 (ii)).

Taxation

The Group's tax charge of £18.6 million in the accounts comprises tax payable on the Group's profit on ordinary activities and, as in previous years, includes a full charge for deferred taxation. The Group's effective tax rate of 36.3% was higher than the UK Corporation tax rate due to the higher tax rates in North America and Continental Europe. This rate is considered to be maintainable and should not be affected by the introduction of the proposed deferred taxation accounting standard.

Earnings per Share

The calculated earnings per share for the year was 12.33 pence an increase of 30.1% over the 1998 figure of 9.48 pence. Due to the significant increase in the share price during last year there is now a slight dilution reflecting the share options and Sharesave schemes the Company operates with the diluted earnings per share for the year being 12.27 pence.

Dividends

The proposed dividend for the year is 4.50 pence, a 9.2% increase over the 1998 figure of 4.12 pence. The interim dividend declared in August 1999 was 1.80 pence so the final dividend, subject to approval of the recommendation, will be 2.70 pence.

Balance Sheet

Shareholders' funds at 31 December 1999 were £103.6 million represented by the net assets of the business, before net debt, of £198.4 million and the net debt of £94.8 million. The net debt has increased from £83.1 million at 31 December 1998 to fund the higher level of capital expenditure and the higher levels of working capital at the year end associated with the Millennium related work.

Capital expenditure was principally on expanding our rental fleet, including that of Aggreko International Power Projects, along with the expansion of our depot network. The level of capital expenditure, along with a weakening of sterling against the dollar resulted in an increase in fixed assets of £39.1 million. The other significant movements on the balance sheet over last year were mainly in relation to working capital principally as a result of the Millennium related activities.

Treasury

The Group's treasury function is charged with three key responsibilities, which have not changed in the last year, namely to ensure that cost effective funding is available to adequately support the operating activities of the Group, and to manage both the exchange rate and interest rate exposures within the business. In order to continue to do this effectively and benefit from reduced interest rates, the net debt in the business is proactively managed through a combination of sterling, dollar and euro denominated net debt, which is representative of the net assets of the business. This has ensured that we have enjoyed the benefit afforded by the reduced interest rates available in those currencies during 1999. The Group's treasury function is not permitted to enter into any transactions of a speculative nature.

The bank facilities negotiated at the demerger are based on a five year committed borrowing, covering the core debt and an additional one year facility to cover any additional working capital requirement. The amortisation of these facilities commences in September 2000 (ref. Note 17 (iv)) and the Group is currently reviewing the longer term financing arrangements for implementation in the first half of 2000.

Cash Flow and Funding

The Group continues to be strongly cash generative and EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation) for the year amounted to £94.8 million up 22.5% on 1998. Net cash inflow from operating activities during the year totalled £92.9 million. These earnings contributed significantly to the funding of the increased levels of capital expenditure which, at £78.2 million, were up £12.6 million on 1998 and £40.6 million in excess of our depreciation charge.

The level of debt in the business is supported by the interest cover in the year of 9.8 times, and the gearing at the year end was 92%.

Year 2000

The Group conducted a comprehensive review of all software and hardware potentially impacted by the year 2000. Prior to the year end, all of the actions identified by this review were implemented and at the time of preparing this statement we are not aware of any adverse impact of the year 2000 on the Group's operations. The costs of the action plans identified were not significant and were fully absorbed within the normal operating activities of the Group.

European Monetary Union

Aggreko has encouraged adoption of the euro. We are in a position to deal with all suppliers and customers in euros if that is the currency of their choice. All of our Continental Europe operating activities were reported internally in euros in 1999 and this will continue in the future.

Going Concern

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

Stuart R. Paterson
Finance Director
23 February 2000

Remuneration Report

The Directors confirm that the Company complies with Principle B2 and the underlying specific Provisions of the Principles of Good Governance and Code of Best Practice (the 'Code') appended by the London Stock Exchange to its Listing Rules in June 1998. The Directors also confirm that the Company has complied with Principle B1 and the underlying specific Provisions of the Code in determining the policy on remuneration for its Executive Directors, including service contracts and compensation. Details of each individual Director's remuneration are set out on page 20. Information on Directors' share and share option interests may be found on pages 21 and 22.

Remuneration Committee: Composition, Responsibilities and Operation

The membership of the Remuneration Committee is entirely non-executive and the names are listed on pages 2 and 3. They have no personal financial interest other than as shareholders in the matters to be decided, no potential conflicts of interest arising from cross-directorships and no day-to-day operational responsibility within the Group.

The Committee's principal function is to determine the policy on remuneration for the most senior executives and to approve the specific remuneration of the Chairman, the Executive Directors and the Secretary, including their service contracts.

The Committee's remit therefore includes, but is not restricted to, basic salary, benefits in kind, performance related awards, share options and share awards, long-term incentive schemes, pension rights and any compensation or termination payments. In exercising its responsibilities the Committee has access to professional advice, both inside and outside the Company, and consults with the Executive Chairman and the Managing Director about its proposals.

Remuneration Policy

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

- Salary

  In arriving at the basic salary element reference is made to a number of well established salary surveys covering similar jobs of the same size in a large sample of over 400 companies in the manufacturing and service sectors in the UK. The same consistent approach is taken for expatriate and overseas salaries where reference is made to the appropriate surveys for the geographical location.

- Annual Cash Bonuses

  Executive Directors participate in a scheme which allows them to earn cash bonuses based upon corporate performance. Currently the bonus relating to corporate performance is payable on a graduated scale related to growth in earnings per share before exceptional items. The performance criteria are designed to enhance the business, a maximum bonus of 50% of basic salary being payable in respect of a 30% improvement in earnings per share. In North America a maximum bonus of 75% of basic salary is available. The Remuneration Committee does, however, have discretion to reward outstanding individual achievement.

- Share Option Schemes

  The Company believes that employee share schemes encourage the matching of interests between employees and shareholders. The Aggreko Savings-Related Share Option Scheme (Sharesave) is offered annually to all employees who have at least six months' service.

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

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

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

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

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

At the time when the individual wishes to exercise the option (which can only normally occur after three years have elapsed since grant), the Company's TSR since the date of grant of the option is compared to that of the FTSE Mid 250 Index (excluding investment trusts). If the Company's TSR matches or exceeds that index, and the Company's annual EPS growth matches or exceeds the growth in the Retail Prices Index plus 3% per annum, over three consecutive years, the option is capable of exercise.

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

☐ Pensions

UK Executive Directors and those on overseas secondment are eligible for membership of the Aggreko plc pension scheme which is a funded, final salary scheme approved by the Inland Revenue. The key elements of their benefits 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 of final pensionable salary;
- *an employee contribution rate of 5% of basic salary;*
- a lump sum death in service benefit of four times salary;
- spouse's pension on death; and
- early retirement pension based on a 3% simple reduction factor.

The pensions of Dr C Masters and Mr D J Yorke have been enhanced to allow early retirement without the application of actuarial reduction factors between the age of 55 and 60. Prior to 1 January 1995, the Senior Staff Pension Scheme included the average bonus over the last three years in final pensionable salary. Since that date all elements, other than basic salary, have been removed for new entrants. Those who were already members at that date were given the choice of retaining the bonus element and continuing to pay 6%, or accepting a fixed supplement representing the level of taxable benefits in kind with a lower contribution rate of 5%. It has been decided not to change this arrangement for existing scheme members, as they have made and will continue to make higher contributions in recognition of this enhancement.

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

☐ Pensions (continued)

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

	Increase in Accrued *Pension* during 1999 £	Accrued Pension *at 31 Dec* 1999 £	Transfer value of Increase in Accrued *Pension at* 31 Dec 1999 £	Notional Cost of Death in Service *Benefits* during 1999 £
Dr C Masters	17,790	128,160	381,700	4,400
D J Yorke	11,580	112,240	207,300	3,380
S R Paterson	3,030	7,130	29,200	2,020
R W Bird*	1,650	32,060	24,000	1,110
F A B Shepherd	6,470	34,080	115,100	5,300

*Pension accrual and death benefit ceased at the date of resignation of 17 May 1999.

Mr P J Harrower is entitled to participate in the Employees' Savings Investment Retirement plan and the Supplemental Executive Retirement plan of Aggreko Inc. At 31 December 1999 the Group's total contributions and the accumulated earnings in the funds held for Mr P J Harrower were £195,451.

Directors' Emoluments (excluding pension contributions)

	Salary £	Fees £	Taxable Benefits £	Annual Bonus £	Other Pay £	1999 Total £	1998 Total £
Executive Chairman:							
Dr C Masters	232,500		9,983	120,000		362,483	278,175
Executives:							
D J Yorke	178,750		13,171	92,500		284,421	216,519
S R Paterson	134,166		9,451	75,000	12,684	231,301	168,003
R W Bird*	43,518		3,493			47,011	134,368
A J Delhomme II						–	16,665‡
F A B Shepherd	129,639		101,591	67,500		298,730	211,160
P J Harrower	189,368		2,931	150,640		342,939	200,510§
Non-executives:							
P G Rogerson		30,500				30,500	28,750
Sir Ronald Miller		21,750				21,750	20,500
A C Salvesen		21,750				21,750	20,500
M-B Trannoy†		14,750				14,750	–
1999 Total	907,941	88,750	140,620	505,640	12,684	1,655,635	
1998 Total	881,160	69,750	104,145	230,813	9,282		1,295,150

* To date of resignation on 17 May 1999
† From date of appointment on 20 May 1999
‡ 1998 Emoluments are to date of resignation on 28 January 1998
§ 1998 Emoluments are from date of appointment on 28 January 1998

The annual bonus is the amount receivable by the Directors in respect of the year ended 31 December 1999; this bonus will be paid after the final audit clearance of the accounts.

Other pay represents the amount paid to Directors in order to fund pension benefits beyond the Inland Revenue earnings cap.

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

Mr RW Bird resigned as a Director on 17 May 1999. £159,000 was paid into the Aggreko plc Pension Scheme for the sole benefit of Mr Bird and he received £15,000 in compensation for loss of office and as compensation for the loss of his rights under the Executive Share Option Scheme.

Service Contracts and Notice Periods

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

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

External Appointments

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

Share Interests

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

	31.12.98	Granted during year	Exercised during year	31.12.99	Option Price	Date from which exercisable	Expiry Date
Executive Share Options:							
Dr C Masters	469,274	–	–	469,274	179p	4.10.2000	4.10.2007
Dr C Masters	–	40,816	–	40,816	294p	17.9.2002	17.9.2009
D J Yorke	357,542	–	–	357,542	179p	4.10.2000	4.10.2007
D J Yorke	–	34,014	–	34,014	294p	17.9.2002	17.9.2009
S R Paterson	256,983	–	–	256,983	179p	4.10.2000	4.10.2007
S R Paterson	–	34,014	–	34,014	294p	17.9.2002	17.9.2009
F A B Shepherd	245,810	–	–	245,810	179p	4.10.2000	4.10.2007
F A B Shepherd	–	34,014	–	34,014	294p	17.9.2002	17.9.2009
P J Harrower	150,754	–	–	150,754	179p	4.10.2000	4.10.2007
P J Harrower	*161,387*	–	–	*161,387*	*155p*	*10.9.2001*	*10.9.2008*
Savings-Related Share Options:							
Dr C Masters	6,372	–	–	6,372	153p	23.5.2001	23.11.2001
D J Yorke	6,372	–	–	6,372	153p	23.5.2001	23.11.2001
F A B Shepherd	6,372	–	–	6,372	153p	23.5.2001	23.11.2001
P J Harrower	6,568	–	–	6,568	153p	23.5.2001	23.11.2001
S R Paterson	–	*5,732*	–	*5,732*	*169p*	*8.5.2002*	*8.11.2002*

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

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

The market price of the shares at 31 December 1999 was 366 pence and the range during the year was 180 pence to 369 pence.

Mr RW Bird held Executive Share Options over 223,464 shares at the date of his resignation on 17 May 1999 at an option price of 179 pence; all rights to exercise these options lapsed following his resignation.

In addition Mr RW Bird held Savings-Related Share Options over 6,372 shares at 153 pence. These options lapsed under the rules of the scheme.

Share Interests (continued)
Shares:

	31 December 1999 Ordinary Shares of 20p each		31 December 1998 Ordinary Shares of 20p each	
	Beneficial	Non Beneficial	Beneficial	Non Beneficial
Dr C Masters	111,446	–	111,446	–
P G Rogerson	3,782	–	3,782	–
D J Yorke	236,460	–	236,460	–
S R Paterson	3,000	–	3,000	–
R W Bird	26,819*	–*	26,819	–
P J Harrower	8,386	–	8,386	–
F A B Shepherd	10,334	1,000	10,334	–
Sir Ronald Miller	4,444	–	4,444	–
A C Salvesen	4,700,000	–	4,700,000	–
A C Salvesen (as trustee)	4,200,000	350,000	4,200,000	350,000
M-B Trannoy	–	–	–†	–†

*At date of resignation
†At date of appointment

There have been no changes in Directors' interests in shares between the end of the financial year and the date of this report. No Director was interested in any shares of subsidiary undertakings at any time during the year.

Corporate Governance

Introduction
The Board remains committed to high standards of corporate governance and supports the Principles of Good Governance and Code of Best Practice (the 'Code') appended by the London Stock Exchange to its Listing Rules in June 1998. This statement describes how the principles of the Code are applied and reports on the Group's compliance with the Code Provisions.

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

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

Independent Directors
The Board currently comprises five Executive Directors and four Non-executive Directors and their details are set out on pages 2 and 3. The Non-executive Directors bring a wide range of experience to the Company and are considered by the Board to be independent. Mr AC Salvesen was formerly managing director of a subsidiary within the Christian Salvesen Group (as described on page 2), however, he has not been employed in an executive capacity by either Christian Salvesen or Aggreko since 1989. Although the Executive Directors include the Chairman and the Managing Director, the presence of a Non-executive Deputy Chairman (who is the senior independent director) together with three other Non-executive Directors provides a strong and independent element on the Board.

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

Standing Committees
The Board has standing Audit, Remuneration and Nomination committees, the membership of which is detailed on pages 2 and 3. Each committee reports to and has its terms of reference approved by the Board and the minutes of the committee meetings are circulated to and reviewed by the Board.

The Audit Committee consists of three Non-executive Directors and normally meets at least three times a year under the chairmanship of Sir Ronald Miller. Although they are not members, the Group Chairman, Finance Director, Head of Internal Audit and the external auditors 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 accounts are reviewed. The Committee also aims to ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, reflecting the determination of the Board to ensure that internal financial control procedures are of a high standard. Written and verbal reports from the Head of Internal Audit are received by the Committee on a regular basis.

The Remuneration Committee consists of three 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 any employee share or share option schemes are to be offered and the basis of invitations to participate. The fees payable to Non-executive Directors are established by the full Board.

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

Relations with Shareholders
The Notice of Annual General Meeting on pages 46 and 47 sets out the resolutions that will be proposed. The Board supports the use of the meeting as a means of communicating with private investors and encourages their participation. The Company is ready, where practicable, to enter into a dialogue with institutional shareholders and prospective investors. Senior executives seek to meet regularly with major shareholders to appraise them of the progress and objectives of the Company.

Review of Internal Control
The Board has followed the recommendations of the Turnbull Committee issued in September 1999 by establishing procedures to implement the guidance set out by the Committee such that it can fully comply during the year ending 31 December 2000.

A process has been established for identifying, evaluating and managing the significant risks the Group faces. The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate risk, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board's monitoring covers a wide range of controls, including financial, operational and compliance controls together with risk management. It is based principally on reviewing reports from management and considering whether significant risks are identified, evaluated, managed and controlled and ensuring that any significant weakness, thus identified is promptly remedied.

During 2000, the Directors will undertake a review of the internal control system in the light of the Code provision D.2.1 and will report on the results of this review next year. In the meantime, the Directors will continue to report on their review of internal financial control, as allowed by the London Stock Exchange.

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

- Management Structure
  Aggreko operates through a regional management structure and there is direct representation on the Board for the North American, European and the Rest of the World regions. The Board is responsible for reviewing and approving the Group strategy. This strategy is updated annually based upon an analysis of opportunities and risks and sets the overall shape of the business in terms of source of profits. The Board is also responsible for the review and approval of capital expenditure in accordance with this strategy.
- 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 upon the commercial and strategic logic for investment. The Board demands a high quality financial presentation of the business case and risk profile. As a matter of routine, projects are also subject to post investment appraisal after an appropriate period.
- Financial Reporting
  The Board ensures that it receives in a timely manner, information in a form and of a quality appropriate to enable it to discharge its duties. A detailed formal budgeting process for all Group businesses culminates in an annual Group budget which is reviewed and approved by the Board. The actual results of each business are reported monthly against this budget 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.
- Internal Audit
  Operation of the Group's control and monitoring procedures is reviewed and tested by the Group's Head of Internal Audit reporting directly to the Finance Director and the Audit Committee. Internal audit reports and recommendations on the Group's procedures are reviewed regularly by the Board and the Audit Committee. The external auditors also provide reports to the Audit Committee on the operation of the Group's internal financial control procedures.

- Financial Controls Assurance
  On an annual basis the Board undertakes a formal review, based on self assessment by operational management, which is designed to assess the application of principal financial controls operated by the Group. The review, which is carried out using a risk review and control questionnaire, is intended to complement the internal and external audit procedures and is based on an overall evaluation of financial and control risk.

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 Board is satisfied that the Group continues to have an effective system of internal financial control.

Risk Management

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

Health, Safety and the Environment

The Board has set policies for the Group to ensure that everything that is reasonably practicable is done to prevent personal injury or damage to health and each business unit is required to follow the best relevant industrial practice in its country of operation. 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.

It is the policy of the Group at all times to be aware of the implications of its activities on the surrounding environment and on the communities within which it operates. Wherever practical, action will be taken not just to comply with all statutory requirements but to work towards the best relevant practice. Quarterly reports are presented which allow the Board to monitor the level of the Group's performance.

Pensions

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

Compliance with the Code

The Directors consider that the Group complies and has complied throughout the year ended 31 December 1999 with all of the Provisions of the Code.

Directors' Report

Results and dividends
The profit for the financial year after taxation was £32.7 million (1998 – £25.1 million).

An interim dividend of 1.80 pence per ordinary share was paid on 26 November 1999 and the Directors now recommend a final dividend of 2.70 pence per ordinary share payable on 26 May 2000, making a total for the year of 4.50 pence per ordinary share (1998 – 4.12 pence). The total cost of these dividends amounts to £11.9 million (1998 – £10.9 million).

The balance of the retained profit for the financial year of £20.8 million (1998 – £14.2 million) has been transferred to reserves.

Share capital
Details of the changes in issued share capital during the year are shown in Note 20 to the accounts.

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 pages 4 and 5 and in the Operating Review on pages 14 and 15. Principal subsidiary undertakings are listed in Note 26 to the accounts.

Directors
The present Directors of the Company and their biographical details are set out on pages 2 and 3.

Mr. M-B Trannoy was appointed on 20 May 1999 and is obliged to retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Mr PG Rogerson and Mr SR Paterson retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Mr RW Bird resigned as a Director on 17 May 1999.

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; the Non-executive Directors have letters of appointment for an initial three year period. No other contract with the Company, or any subsidiary undertaking of the Company, in which any Director was materially interested subsisted during or at the end of the financial year other than as disclosed in Note 25 to the accounts.

A statement of Directors' interests in the share capital of the Company at the end of the financial year is given on pages 21 and 22.

Donations
During the year the Group contributed £26,945 (1998 – £29,310) in terms of cash, employees' time and other services to a range of charitable, community and arts organisations. Of this total £16,787 (1998 – £12,259) was donated to registered UK charities.

No political donations were made during the year (1998 – Nil).

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

The Aggreko Savings-Related Share Option Scheme (Sharesave) was launched in 1998 and more than 50% of employees with more than six months service are now participating in this scheme. A substantial number of employees have share holding interests built up through Sharesave and other schemes.

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

Supplier payment policy

As a holding company, the Company does not have any trade creditors and, as such, it would not be meaningful to disclose supplier payment policy at this level. It is the Group's policy to settle the terms and conditions of payment with suppliers when agreeing each transaction, to ensure that suppliers are made aware of these terms, and in practice, providing the supplier meets its contractual obligations, to abide by them. In overall terms, the Group had approximately 53 days credit outstanding as at the balance sheet date.

Annual General Meeting

The Company's Annual General Meeting will be held on Wednesday 26 April 2000 at the Hilton Hotel, 1 William Street, Glasgow and the notice of this meeting is set out on pages 46 and 47.

Special business

Resolution 7 proposes as a special resolution to disapply the statutory preemption rights of shareholders on allotment of equity securities for cash up to a limit of a total of shares with a nominal value of £2,650,000, being 5% of the current issued share capital.

The resolution also disapplies these rights to the extent necessary to facilitate rights issues. The authority under this resolution would expire on the date of the Annual General Meeting in 2001 or on 25 July 2001, whichever is the earlier. This resolution is on the same basis as approved last year and the Directors intend to seek renewal of this power at subsequent Annual General Meetings.

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

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

Notifiable interests

As at 31 January 2000 the Company had received notifications of the following share holdings in excess of 3% of the issued ordinary share capital:

Name of Shareholder	Number of Shares	%
Deutsche Bank AG†	27,953,201	10.53
A E H Salvesen*	14,955,051	5.64
FMR Corp. and Fidelity International Limited†	11,895,855	4.48
A C Salvesen*	9,250,000	3.49
Scudder Investments Holdings Limited‡	8,483,000	3.20

†Including subsidiaries. *Including immediate family and trustee interests. ‡On behalf of the Zurich Financial Services Group, Zurich Allied AG and Allied Zurich plc.

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

Auditors

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

By order of the Board

A Paul Allen APaul Allen
Secretary
23 February 2000

Directors' Responsibilities

Company law requires the Directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare accounts on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for the Group's system of internal financial control and for safeguarding its assets 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 of the Auditors to the members of Aggreko plc

We have audited the accounts on pages 30 to 45 which have been prepared under the historical cost convention and the accounting policies set out on pages 34 and 35. We have also examined the amounts disclosed in relation to the emoluments, share options and pension benefits of the Directors which form part of the Remuneration Report on pages 18 to 22.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 28, this includes responsibility for preparing the accounts, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

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

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

We review whether the statement on page 25 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 31 December 1999 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS
Chartered Accountants and Registered Auditors
Glasgow
23 February 2000

Consolidated Profit and Loss Account

For the year ended 31 December 1999

	Note	1999 £ million	1998 £ million
Turnover	2, 11	226.0	178.9
Operating profit	2,3,4,11	57.1	45.4
Net interest payable	6	(5.8)	(6.1)
Profit on ordinary activities before taxation		51.3	39.3
Tax on profit on ordinary activities	7	(18.6)	(14.2)
Profit for the financial year		32.7	25.1
Dividends	8	(11.9)	(10.9)
Retained profit for the financial year		20.8	14.2
Dividend per share (pence)	8	4.50	4.12
Earnings per share (pence) – basic	9	12.33	9.48
Earnings per share (pence) – diluted	9	12.27	9.48

Statement of Total Recognised Gains and Losses

For the year ended 31 December 1999

	Note	1999 £ million	1998 £ million
Profit for the financial year		32.7	25.1
Exchange translation differences (net of tax charge of £0.5 million)	21	1.8	(1.8)
Total recognised gains and losses for the financial year		34.5	23.3

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

Balance Sheets

As at 31 December 1999

	Note	Group 1999 £ million	Group 1998 £ million	Company 1999 £ million	Company 1998 £ million
Fixed assets					
Intangible assets	12	2.1	1.2	–	–
Tangible assets	13	206.9	167.8	0.2	0.2
Investments	14	–	–	53.0	53.0
		209.0	169.0	53.2	53.2
Current assets					
Stocks	15	14.9	14.8	–	–
Debtors	16	46.8	35.5	189.3	158.5
Cash at bank and in hand		20.5	20.1	4.3	–
		82.2	70.4	193.6	158.5
Creditors – amounts falling due within one year					
– borrowings	17	(35.3)	(5.4)	(33.5)	(5.3)
– other creditors	18	(61.8)	(48.8)	(78.8)	(54.6)
Net current (liabilities)/assets		(14.9)	16.2	81.3	98.6
Total assets less current liabilities		194.1	185.2	134.5	151.8
Creditors – amounts falling due after more than one year					
– borrowings	17	(80.0)	(97.8)	(80.0)	(97.8)
Provisions for liabilities and charges	19	(10.5)	(6.5)	0.1	–
Net assets		103.6	80.9	54.6	54.0
Capital and reserves					
Called up share capital	20	53.0	53.0	53.0	53.0
Share premium account	21	0.1	–	0.1	–
Profit and loss account	21	60.6	39.1	1.5	2.4
Other reserves (exchange)	21	(10.1)	(11.2)	–	(1.4)
Shareholders' funds	22	103.6	80.9	54.6	54.0

Approved by the Board on 23 February 2000 and signed on its behalf by:

Dr C Masters
Chairman

S R Paterson
Finance Director

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

Consolidated Cash Flow Statement

For the year ended 31 December 1999

	1999 £ million	1998 £ million
Net cash inflow from operating activities	92.9	72.2
Returns on investments and servicing of finance		
Interest received	1.1	1.0
Interest paid on bank loans and overdrafts	(6.3)	(6.5)
Net cash outflow for returns on investments and servicing of finance	(5.2)	(5.5)
Taxation		
UK Corporation tax paid	(3.7)	(3.6)
Overseas tax paid	(9.5)	(3.2)
Tax paid	(13.2)	(6.8)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(76.4)	(58.3)
Proceeds from disposal of tangible fixed assets	4.4	5.0
Net cash outflow for capital expenditure and financial investment	(72.0)	(53.3)
Acquisitions and disposals		
Purchase of rental businesses and assets (Note 11)	(1.8)	(7.3)
Overdraft acquired (Note 11)	(0.2)	–
Net cash outflow for acquisitions and disposals	(2.0)	(7.3)
Equity dividends paid	(11.3)	(6.9)
Cash outflow before use of liquid resources and financing	(10.8)	(7.6)
Management of liquid resources	(0.1)	(0.4)
Financing		
Issue of shares	(0.1)	–
Increase in debt due within one year	28.5	5.0
(Decrease)/increase in debt due beyond one year	(17.8)	0.2
Net cash inflow from financing	10.6	5.2
Decrease in cash in the period	(0.3)	(2.8)
Reconciliation of net cash flow to movement in net debt		
Decrease in cash in the period	(0.3)	(2.8)
Cash inflow from increase in debt	(10.7)	(5.2)
Cash outflow from increase in liquid resources	0.1	0.4
Changes in net debt arising from cash flows	(10.9)	(7.6)
Translation difference	(0.8)	(0.4)
Movement in net debt in period	(11.7)	(8.0)
Net debt at beginning of period	(83.1)	(75.1)
Net debt at end of period	(94.8)	(83.1)

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

Notes to the Consolidated Cash Flow Statement

For the year ended 31 December 1999

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

	1999 £ million	1998 £ million
Operating profit	57.1	45.4
Depreciation and amortisation	37.7	32.0
Decrease/(increase) in stocks	*0.4*	*(1.4)*
Increase in debtors	(10.9)	(3.4)
Increase in creditors	11.3	4.1
Other items not involving the movement of cash	(2.7)	(4.5)
	92.9	72.2
Included in Other items not involving the movement of cash:		
Gain on sale of tangible fixed assets	(3.4)	(3.1)

(ii) Analysis of movement in net debt

	Net debt at 31 Dec 1998 £ million	Cash flow £ million	Translation £ million	Net debt at 31 Dec 1999 £ million
Cash				
Cash at bank and in hand	15.5	1.1	(0.5)	16.1
Overdrafts	(0.4)	(1.4)	–	(1.8)
	15.1	(0.3)	(0.5)	14.3
Liquid resources				
Deposits maturing within one year	4.6	0.1	(0.3)	4.4
Financing				
Debt due within one year	(5.0)	(28.5)	–	(33.5)
Debt due after one year	(97.8)	17.8	–	(80.0)
	(83.1)	(10.9)	(0.8)	(94.8)

(iii) Major non-cash transactions

Part of the consideration for the purchase of rental businesses and assets that occurred during the year comprised of a note payable. Further details of the acquisition are set out in Note 11 to the accounts.

(iv) Cash flows in relation to acquisitions

With the exception of the cash consideration amounts disclosed, the purchase of rental businesses and assets did not have a material effect on reported cash flows.

Notes to the Accounts – 31 December 1999

1 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
The Group accounts consolidate the accounts of Aggreko plc and all its subsidiary undertakings for the year ended 31 December 1999. The consolidated profit and loss account includes the results of businesses purchased during 1999 from the effective date of acquisition.

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

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

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

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

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

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

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

On consolidation, assets and liabilities of subsidiary undertakings are translated into sterling at closing rates of exchange. Income and cash flow statements are translated at average rates of exchange for the period. Exchange differences resulting from the retranslation of net investments in subsidiary undertakings at closing rates, together with differences between income statements translated at average rates and closing rates, are dealt with in reserves.

(viii) Financial instruments
Details of the accounting policies for financial instruments, including hedges, are given in Note 17 to the accounts.

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

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

1 Accounting policies (continued)

(xi) Pensions and other post retirement benefits

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

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

(xii) Leased assets

Rentals under operating leases are charged against operating profit on a straight line basis over the term of the lease.

2 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	
	1999 £ million	1998 £ million	1999 £ million	1998 £ million
Europe	79.5	65.2	16.6	13.6
North America	108.5	84.3	27.6	22.0
Rest of the World	38.0	29.4	9.5	6.7
	226.0	178.9	53.7	42.3
Gain on sale of tangible fixed assets			3.4	3.1
			57.1	45.4

Turnover to third parties by destination is not materially different from turnover to third parties by origin.

	Net operating assets		Average number of employees	
	1999 £ million	1998 £ million	1999 Number	1998 Number
Europe	67.3	71.4	668	609
North America	122.5	99.3	644	526
Rest of the World	36.6	15.7	172	136
	226.4	186.4	1,484	1,271

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

Reconciliation of net operating assets to net assets

	1999 *£ million*	1998 *£ million*
Net operating assets	226.4	186.4
Net tax, dividends and interest payable/receivable	(28.0)	(22.4)
	198.4	164.0
Net debt	(94.8)	(83.1)
Net assets	103.6	80.9

3 Operating expenses

	1999 £ million	1998 £ million
Cost of sales	86.2	69.6
Distribution costs	65.7	52.1
Administrative expenses	20.4	14.9
Other operating income	(3.4)	(3.1)
	168.9	133.5

The above disclosures have been re-defined to more accurately reflect our business and operations. The 1998 comparative amounts have been restated accordingly.

4 Operating profit

Operating profit is stated after charging/(crediting):

	1999 £ million	1998 £ million
Depreciation of tangible fixed assets	37.6	32.0
Amortisation of goodwill	0.1	–
Gain on sale of tangible fixed assets	(3.4)	(3.1)
Operating leases:		
plant and machinery	1.9	1.4
land and buildings	2.2	1.9
Auditors' remuneration:		
audit fees, including Company of £42,500 (1998 – £42,500)	0.2	0.2
non audit fees	0.6	0.5

Fees and expenses invoiced by the auditors for non audit services include £168,185 (1998 – £92,800) payable in the UK.

5 Staff costs

	1999 £ million	1998 £ million
Wages and salaries	40.1	32.8
Social security costs	4.3	3.2
Other pension costs (Note 24)	1.8	1.7
	46.2	37.7

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

6 Net interest payable

	1999 £ million	1998 £ million
Interest payable on:		
Bank loans and overdrafts	(6.9)	(7.1)
Interest receivable on:		
Bank balances and deposits	0.9	1.0
Other	0.2	–
	(5.8)	(6.1)

7 Tax on profit on ordinary activities

	1999 £ million	1998 £ million
Tax on profit on ordinary activities:		
UK Corporation tax	4.6	3.4
Overseas taxation	10.5	10.2
	15.1	13.6
Deferred taxation (Note 19):		
United Kingdom	0.4	0.1
Overseas	3.2	1.0
	18.7	14.7
Prior year adjustments:		
Current taxation	(0.1)	(0.5)
	18.6	14.2

8 Dividends

	1999 £ million	1999 per share (p)	1998 £ million	1998 per share (p)
Equity dividends (net):				
Interim	4.8	1.80	4.4	1.65
Proposed final	7.1	2.70	6.5	2.47
	11.9	4.50	10.9	4.12

9 Earnings per share

	1999 Earnings £ million	1999 Weighted average number of shares	1999 Per share amount (p)	1998 Earnings £ million	1998 Weighted average number of shares	1998 Per share amount (p)
Basic EPS:						
Earnings available to ordinary shareholders	32.7	265,195,487	12.33	25.1	265,182,341	9.48
Effect of dilutive securities:						
Executive options – October 1997	–	668,680		–	–	
Sharesave options – May 1998	–	393,617		–	102,577	
Executive options – September 1998	–	59,909		–	2,018	
Sharesave options – May 1999	–	116,281				
Executive options – September 1999	–	14,950				
Diluted EPS	32.7	266,448,924	12.27	25.1	265,286,936	9.48

10 Profit of the Company

The result of the Group includes £10.0 million (1998 – £12.6 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.

11 Acquisitions

(i) On 29 October 1999 Aggreko Inc acquired the rental business and assets of L&S Industries Inc, its former agent, for $1.9 million (£1.2 million). $1.5 million (£1.0 million) was paid in cash on that date, with the balance of $0.4 million (£0.2 million) payable in 2000.

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

	Book value at acquisition £ million	Accounting policies £ million	Fair value £ million
Tangible fixed assets	0.2	–	0.2
Stocks	0.4	–	0.4
Debtors	0.4	–	0.4
Creditors	(0.5)	–	(0.5)
Bank overdraft	(0.2)	–	(0.2)
	0.3	–	0.3
Goodwill on acquisition (Note 12)			0.9
Consideration			1.2
Cash consideration			1.0
Note payable (included in Other creditors, see Note 18)			0.2
			1.2

In view of the fact that the acquisition was only concluded during October 1999, the fair value adjustments set out above have been based on best estimates currently available.

Turnover and operating profit from these rental assets in the post acquisition period has been £1.1 million and £0.2 million respectively.

(ii) During 1999, a final instalment of $1.35 million (£0.8 million) was paid in relation to the acquisition concluded in 1998.

12 Intangible fixed assets

	Goodwill £ million
Cost:	
At 1 January 1999	1.2
Exchange differences	0.1
Arising from acquisitions (Note 11)	0.9
At 31 December 1999	2.2
Accumulated amortisation:	
At 1 January 1999	–
Exchange differences	–
Charge for the year	0.1
At 31 December 1999	0.1
Net book values:	
At 31 December 1999	2.1
At 31 December 1998	1.2

13 Tangible fixed assets

	Group					Company
	Freehold properties £ million	Short leasehold properties £ million	Rental fleet £ million	Vehicles plant and machinery £ million	Total £ million	Total £ million
Cost:						
At 1 January 1999	14.3	2.7	306.1	22.7	345.8	0.4
Reclassifications	–	–	(0.3)	0.3	–	–
Exchange differences	0.2	0.1	1.7	0.1	2.1	–
Additions	1.9	0.1	70.0	4.4	76.4	0.1
Arising from acquisitions (Note 11)	0.1	–	0.1	–	0.2	–
Disposals	(0.1)	–	(10.9)	(2.7)	(13.7)	–
At 31 December 1999	16.4	2.9	366.7	24.8	410.8	0.5
Accumulated depreciation:						
At 1 January 1999	3.5	0.7	159.8	14.0	178.0	0.2
Reclassifications	–	–	–	–	–	–
Exchange differences	–	–	1.0	–	1.0	–
Charge for the year	0.6	0.1	33.5	3.4	37.6	0.1
Disposals	–	–	(10.2)	(2.5)	(12.7)	–
At 31 December 1999	4.1	0.8	184.1	14.9	203.9	0.3
Net book values:						
At 31 December 1999	12.3	2.1	182.6	9.9	206.9	0.2
At 31 December 1998	10.8	2.0	146.3	8.7	167.8	0.2

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

14 Fixed asset investments

	Company £ million
Cost of investments in subsidiary undertakings:	
At 31 December 1999 and 1998	53.0

Details of the Company's principal subsidiary undertakings are set out in Note 26.

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.

15 Stocks

	Group 1999 £ million	1998 £ million
Raw materials and consumables	13.8	13.0
Work in progress	1.1	1.8
	14.9	14.8

16 Debtors

	Group		Company	
	1999 £ million	1998 £ million	1999 £ million	1998 £ million
Trade debtors	42.5	31.5	–	–
Other debtors	1.7	1.9	–	0.1
Prepayments and accrued income	2.6	2.1	0.1	0.3
Corporation tax	–	–	–	0.7
Amounts due from subsidiary undertakings	–	–	189.2	157.4
	46.8	35.5	189.3	158.5

17 Borrowings

	Group		Company	
	1999 £ million	1998 £ million	1999 £ million	1998 £ million
Net borrowings	94.8	83.1	109.2	103.1
Net borrowings are analysed as follows:				
Long term borrowings:				
Loans	80.0	97.8	80.0	97.8
Total long term borrowings	*80.0*	*97.8*	*80.0*	*97.8*
Short term borrowings:				
Loans and overdrafts	35.3	5.4	33.5	5.3
Total short term borrowings	35.3	5.4	33.5	5.3
Total borrowings	115.3	103.2	113.5	103.1
Liquid funds:				
Liquid resources	(4.4)	(4.6)	–	–
Cash at bank and in hand	(16.1)	(15.5)	(4.3)	–
Net borrowings	94.8	83.1	109.2	103.1

Liquid resources comprise term deposits of less than one year.

(i) Short-term debtors and creditors

With the exception of the currency exposures at (viii), short-term debtors and creditors have been excluded from all of the following disclosures.

17 Borrowings (continued)

(ii) Interest rate risk profile of financial liabilities

The interest rate risk profile of the Group's financial liabilities at 31 December 1999, after taking account of the interest rate swaps and forward rate agreements used to manage the interest profile, was:

Currency:	Floating rate £ million	Fixed rate £ million	Total £ million	Weighted average interest rate %	Weighted average period for which rate is fixed Years
Sterling	6.8	35.0	41.8	6.7	1.0
US Dollars	–	49.5	49.5	6.3	1.0
EU currencies (excluding Sterling)	–	24.0	24.0	4.1	1.0
At 31 December 1999	6.8	108.5	115.3		
Sterling	40.4	–	40.4	6.4	–
US Dollars	–	35.9	35.9	6.5	0.3
EU currencies (excluding Sterling)	26.9	–	26.9	3.8	–
At 31 December 1998	67.3	35.9	103.2		

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

The effect of the Group's interest rate swaps and forward rate agreements is to classify £108.5 million (1998 – £35.9 million) of borrowings in the above table as fixed rate.

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

(iii) Interest rate risk of financial assets

Currency:	Cash at bank and in hand £ million	Short-term deposits £ million	Total £ million
Sterling	–	–	–
US Dollars	6.5	0.3	6.8
EU currencies (excluding Sterling)	6.5	2.6	9.1
Other currencies	3.1	1.5	4.6
At 31 December 1999	16.1	4.4	20.5
Sterling	2.8	–	2.8
US Dollars	5.7	–	5.7
EU currencies (excluding Sterling)	4.8	2.9	7.7
Other currencies	2.2	1.7	3.9
At 31 December 1998	15.5	4.6	20.1

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

(iv) Maturity of financial liabilities

The maturity profile of the carrying amount of the Group's financial liabilities, other than short-term creditors such as trade creditors and accruals, at 31 December 1999 was as follows:

	1999 £ million	1998 £ million
Within 1 year, or on demand	35.3	5.4
Between 1 and 2 years	20.0	17.8
Between 2 and 5 years	60.0	80.0
Over 5 years	–	–
	115.3	103.2

17 Borrowings (continued)

(v) Borrowing facilities

The Group has the following undrawn committed floating rate borrowing facilities available at 31 December 1999 in respect of which all conditions precedent had been met at that date:

	1999 £ million	1998 £ million
Expiring within 1 year	8.5	25.0
Expiring between 1 and 2 years	–	2.2
	8.5	27.2

The facilities expiring within one year are annual facilities subject to review at various dates during 2000. All facilities incur commitment fees at market rates.

(vi) Fair values of financial assets and financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair values of the Group's financial assets and financial liabilities at 31 December 1999. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. Where available, market values have been used to determine fair values.

	1999		1998	
	Book value £ million	Fair value £ million	Book value £ million	Fair value £ million
Primary financial instruments held or issued to finance the Group's operations:				
Short-term borrowings	(35.3)	(35.3)	(5.4)	(5.4)
Long-term borrowings	(80.0)	(80.0)	(97.8)	(97.8)
Short-term deposits	4.4	4.4	4.6	4.6
Cash at bank and in hand	16.1	16.1	15.5	15.5
Derivative financial instruments held to manage the interest rate profile:				
Interest rate swaps	–	0.3	–	(0.2)
Forward rate agreements	–	0.1	–	–
Derivative financial instruments held or issued to hedge the currency exposure on contracted future sales:				
Forward foreign currency contracts	–	–	–	–

(vii) Summary of methods and assumptions

Interest rate swaps, forward rate agreements and forward foreign currency contracts

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

Short-term deposits and borrowings

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

Long-term borrowings

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

(viii) Currency exposures

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

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

17 Borrowings (continued)

Net foreign currency monetary assets/(liabilities)

	Sterling £ million	US dollars £ million	EU currencies £ million	Other currencies £ million	1999 Total £ million
Functional currency of group operation:					
Sterling	–	4.9	(0.2)	–	4.7
US Dollars	–	–	–	1.5	1.5
EU currencies (excluding Sterling)	(1.2)	2.8	(1.8)	2.1	1.9
Other currencies	(0.5)	(1.3)	0.1	(0.4)	(2.1)
	(1.7)	6.4	(1.9)	3.2	6.0

	Sterling £ million	US dollars £ million	EU currencies £ million	Other currencies £ million	1998 Total £ million
EU currencies (excluding Sterling)	2.7	2.7	–	–	5.4

(ix) Hedges

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

Interest rate risk – using interest rate swaps and forward rate agreements.

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

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

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

	1999 Total gains/(losses) £ million	1998 Total gains/(losses) £ million
Unrecognised gains/(losses) on hedges at 1 January 1999	(0.2)	(0.1)
Arising in previous years recognised in 1999 income	0.2	0.1
Gains/(losses) arising before 1 January 1999 that were not recognised in 1999	–	–
Gains/(losses) arising in 1999 that were not recognised in 1999	0.4	(0.2)
Unrecognised gains/(losses) on hedges at 31 December 1999	0.4	(0.2)

The above unrecognised gains are expected to be included in 2000 income.

(x) Financial instruments held for trading purposes

The Group does not trade in financial instruments.

18 Other creditors: amounts falling due within one year

	Group		Company	
	1999 £ million	1998 £ million	1999 £ million	1998 £ million
Trade creditors	12.9	13.3	–	–
Other taxation and social security payable	2.5	1.2	–	–
Other creditors	5.8	6.0	–	–
Accruals and deferred income	23.7	12.9	1.4	1.2
Corporation tax	9.8	8.9	1.6	–
Dividends payable	7.1	6.5	7.2	6.5
Amounts owed to subsidiary undertakings	–	–	68.6	46.9
	61.8	48.8	78.8	54.6

19 Provisions for liabilities and charges

	Group 1999 £ million	Group 1998 £ million	Company 1999 £ million	Company 1998 £ million
Deferred taxation:				
Balance bought forward	6.5	5.9	–	–
Currency retranslation	0.4	(0.5)	–	–
Profit and loss account (Note 7)	3.6	1.1	(0.1)	–
	10.5	6.5	(0.1)	–

Deferred taxation is provided entirely in respect of fixed asset timing differences. Other timing differences are not significant. The potential amount not provided in respect of fixed asset timing differences at 31 December 1999 was £8.1 million (1998 – £8.1 million).

20 Called up share capital

	1999 Number	1999 £000	1998 Number	1998 £000
Authorised:				
Ordinary shares of 20p each	349,750,010	69,950	349,750,010	69,950
Redeemable preference shares of 25p each	199,998	50	199,998	50
		70,000		70,000
Allotted, called up and fully paid:				
Ordinary shares of 20p each	265,261,369	53,052	265,182,341	53,036
Redeemable preference shares of 25p each	–	–	–	–
		53,052		53,036

During the year 79,028 Ordinary shares of 20p each have been issued at prices ranging from £1.53 to £1.79 to satisfy the exercise of options under the Executive Share Option Scheme and Sharesave scheme by eligible employees leaving the Group's employment.

Details of outstanding options to subscribe for the Company's Ordinary shares are set out in Note 27.

21 Reserves

	Group Share premium £ million	Group Exchange reserve £ million	Group Profit and loss account £ million	Company Share premium £ million	Company Exchange reserve £ million	Company Profit and loss account £ million
At 1 January 1999	–	(11.2)	39.1	–	(1.4)	2.4
Premium on issue of shares	0.1	–	–	0.1	–	–
Retained profit/(loss) for the financial year	–	–	20.8	–	–	(1.9)
Other recognised gains/(losses) – net of tax	–	1.8	–	–	2.4	–
Transfer of realised exchange gains	–	(0.7)	0.7	–	(1.0)	1.0
At 31 December 1999	0.1	(10.1)	60.6	0.1	–	1.5

22 Reconciliation of movements in shareholders' funds

	Called up share capital £ million	Share premium £ million	Exchange reserve £ million	Profit and loss account £ million	Capital and reserves £ million
Group:					
Profit for the financial year	–	–	–	32.7	32.7
Dividends	–	–	–	(11.9)	(11.9)
Other recognised gains/(losses) – net of tax	–	–	1.8	–	1.8
Transfer of realised exchange gains	–	–	(0.7)	0.7	–
New share capital subscribed	–	0.1	–	–	0.1
Net addition to shareholders' funds	–	0.1	1.1	21.5	22.7
Opening shareholders' funds	53.0	–	(11.2)	39.1	80.9
Closing shareholders' funds	53.0	0.1	(10.1)	60.6	103.6
Company:					
Profit for the financial year	–	–	–	10.0	10.0
Dividends	–	–	–	(11.9)	(11.9)
Other recognised gains/(losses) – net of tax	–	–	2.4	–	2.4
Transfer of realised exchange gains	–	–	(1.0)	1.0	–
New share capital subscribed	–	0.1	–	–	0.1
Net addition to shareholders' funds	–	0.1	1.4	(0.9)	0.6
Opening shareholders' funds	53.0	–	(1.4)	2.4	54.0
Closing shareholders' funds	53.0	0.1	–	1.5	54.6

23 Financial commitments

	Group 1999 £ million	Group 1998 £ million
Capital expenditure: contracted but not provided for	36.2	12.8
Annual commitments under operating leases are analysed as follows:		
Land and buildings:		
Expiring in the first year	0.2	0.2
Expiring in the second to fifth years	1.3	2.2
Expiring after the fifth year	0.7	1.3
	2.2	3.7
Plant, equipment and vehicles:		
Expiring in the first year	0.2	0.4
Expiring in the second to fifth years	1.5	0.8
Expiring after the fifth year	–	–
	1.7	1.2

Financial instruments

Details of commitments in respect of financial instruments are disclosed in Note 17.

24 Pension commitments

United Kingdom

The Group operates a pension scheme for UK employees. The Aggreko plc Pension Scheme ('the Scheme') is a funded, contributory, defined benefit scheme. Assets are held separately from those of the Aggreko Group under the control of individual Trustees. The Scheme is subject to valuations at intervals of not more than three years by independent actuaries.

A valuation of the Scheme was carried out as at 1 January 1998 using the projected unit method to determine the level of contributions to be made by the Group. The principal actuarial assumptions used were:

Return on investments	7.75%
Growth in average pay levels	5.50%
Increase in pensions	3.50%

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

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

The pension cost attributable to Aggreko Group employees in the UK for 1999 was £0.7 million (1998 – £0.5 million).

24 Pension commitments (continued)

Overseas

Pension arrangements for overseas employees vary, and schemes reflect best practice and regulation in each particular country. The charge against profit is the amount of contribution payable to the pension scheme in respect of the accounting period. The pension cost attributable to overseas employees for 1999 was £1.1 million (1998 – £1.2 million).

25 Related party transactions

During 1999 a subsidiary undertaking purchased manufacturing supplies to the value of £516,163 (1998 – £709,000) from the JBD Holdings Ltd group, a group in which Mr D J Yorke holds a beneficial interest of 30%. The balance owed to the JBD Holdings Ltd group as at 31 December 1999 was £33,165 (1998 – £104,265).

26 Significant investments

The principal subsidiary undertakings of Aggreko plc at the year end, and the main countries in which they operate, are shown below. All companies are wholly owned and, unless otherwise stated, incorporated in Great Britain or in the principal country of operation and are involved in the rental of specialist power, temperature control, oil free air compressors and related equipment.

All shareholdings are of ordinary shares or other equity capital.

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

* *Registered in Cyprus*

† Intermediate holding companies

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

27 Employee share options

Options outstanding over Ordinary shares as at 31 December 1999 (including those of the Executive Directors), together with the exercise prices and dates of exercise, are as follows:

	Price per share (£)	Exercise date	1999 Number	1998 Number
Executive Share Option Scheme – October 1997	1.79	October 2000	2,441,720	3,256,805
Sharesave – May 1998	1.53	May 2001	382,724	486,159
	1.53	May 2003	654,942	738,206
Executive Share Option Scheme – September 1998	1.55	September 2001	161,387	161,387
Sharesave – May 1999	1.69	May 2002	220,701	–
	1.69	May 2004	254,836	–
Executive Share Option Scheme – September 1999	2.94	September 2002	680,399	–
			4,796,709	4,642,557

Notice of Annual General Meeting

Notice is hereby given that the third Annual General Meeting of Aggreko plc (the 'Company') will be held at the Hilton Hotel, 1 William Street, Glasgow on Wednesday 26 April 2000 at 11a.m.

Agenda
Routine Business

Resolution 1
To receive the reports of the Directors and Auditors and to adopt the Company's accounts for the year ended 31 December 1999.

Resolution 2
To declare a final dividend on the ordinary shares.

Resolution 3
To re-elect Mr PG Rogerson.

Resolution 4
To re-elect Mr SR Paterson.

Resolution 5
To re-elect Mr. M-B Trannoy.

Resolution 6
To re-appoint PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.

Special Business
To consider the following as a special resolution:

Resolution 7
The Board of Directors of the Company (the 'Directors') be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 (the 'Act') to allot equity securities (as defined in Section 94(2) of the Act) for cash, pursuant to the authority conferred by Resolution 13 passed at the Annual General Meeting of the Company held on 29 April 1998, as if Section 89(1) of the Act did not apply to such allotment, PROVIDED THAT this power shall be limited to:

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

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

shall expire on the earlier of 25 July 2001 and the conclusion of the Annual General Meeting of the Company held in 2001, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

To consider the following as a special resolution:

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

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

(ii) 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

(iii) 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
23 February 2000

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 a.m. until the conclusion of the meeting.

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

Shareholder Information

Low-Cost Share Dealing Service

Hoare Govett Limited provide a low-cost share dealing service in Aggreko plc shares which enables investors to buy or sell for a brokerage fee of 1% (plus 0.5% stamp duty on purchases) with a minimum charge of £10. Details may be obtained by telephoning Hoare Govett Limited Service Helplines 020 7661 6617 (sales) and 020 7661 6616 (purchases). Please note that this service is only available for dealing by post.

Payment of Dividends by BACS

Many shareholders have already arranged for dividends to be paid by mandate directly to their Bank or Building Society account. The Company mandates dividends through the BACS (Bankers' Automated Clearing Services) system. The benefit to shareholders of the BACS payment method is that the Registrar posts the tax vouchers directly to them, whilst the dividend is credited on the payment date to the shareholder's Bank or Building Society account. Shareholders who have not yet arranged for their dividends to be paid direct to their Bank or Building Society account and wish to benefit from this service should request the Company's Registrar to send them a Dividend/Interest mandate form or alternatively complete the mandate form accompanying their dividend warrant and tax voucher in May.

Shareholder Information continued

Classification of Ordinary Share Holdings

By size	1999 Number of accounts	1999 Percentage of issued shares	1998 Number of accounts	1998 Percentage of Issued shares
1-1,000 shares	7,580	1.3	7,827	1.4
1,001-15,000 shares	2,971	3.6	3,069	3.5
15,001-100,000 shares	310	4.9	356	5.8
100,001-500,000 shares	189	17.0	184	16.5
500,001-2,000,000 shares	82	30.8	91	33.4
2,000,001 shares and over	21	42.4	22	39.4
	11,153	100.0	11,549	100.0

By type of holder	1999 Number of accounts	1999 Percentage of issued shares	1998 Number of accounts	1998 Percentage of Issued shares
Individuals	10,004	43.0	10,402	44.5
Banks and nominees	764	9.2	758	8.7
Insurance companies	41	9.8	45	10.1
Pension funds	101	22.4	108	23.9
Investment trusts and unit trusts	78	12.6	65	10.5
Other institutions and corporate bodies	165	3.0	171	2.3
	11,153	100.0	11,549	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 020 8639 2000

Stockbrokers
Cazenove & Co – London
Hoare Govett Limited – London

Auditors
PricewaterhouseCoopers
Chartered Accountants

Financial Calendar

	Year ended 31 December 1999	6 Months ending 30 June 2000
Results announced	23 February 2000	Late August 2000
Report posted	16 March 2000	Early September 2000
Annual General Meeting	26 April 2000	
Ex-dividend date	25 April 2000	Late October 2000
Dividend record date	2 May 2000	Late October 2000
Dividend payment date	26 May 2000	Late November 2000

Financial Summary

YEAR ENDED	DEC 97	DEC 98	DEC 99
TURNOVER £ million	163.3	178.9	226.0
OPERATING PROFIT £ million	38.7	45.4	57.1
OPERATING MARGIN %	23.7	25.4	25.3
INTEREST £ million	(5.5)	(6.1)	(5.8)
PROFIT BEFORE TAX £ million	33.2	39.3	51.3
EARNINGS PER SHARE pence	8.15	9.48	12.33
NET OPERATING ASSETS £ million	154.9	186.4	226.4
NET DEBT £ million	(75.1)	(83.1)	(94.8)
SHAREHOLDER FUNDS £ million	68.5	80.9	103.6
RETURN ON AVERAGE NET OPERATING ASSETS %	24.9	26.6	27.7

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