REPORT 2008

Aggreko plc Annual Report and Accounts 2008

SC177553

Directors' Report

Accounts

Shareholders

The directors' report of Aggreko plc for the year ended 31 December 2008 is set out on pages 4 to 68 and includes the section headed 'Our Performance' on page 2 and the sections of the Annual Report referred to in these pages. This Annual Report contains forward looking statements. These forward looking statements are not guarantees of future performance. Rather they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results to differ from any future results or developments expressed or implied from the forward looking statements. Each forward looking statement speaks only as of the date of the particular statement.

OUR PERFORMANCE

Financial highlights

	2008	2007	Movement As reported %	Movement Constant Currency %
Revenue £m	**946.6**	693.2	36.6	26.2
Trading profit £m	**200.6**	132.9	50.9	37.7
Profit before tax £m	**190.0**	124.2	52.9	
Diluted EPS pence	**45.56**	30.02	51.8	
Dividend per share pence[2]	**10.08**	8.06	25.0	

Revenue
£m

2008	946.6
2007	693.2
2006	540.7
2005	417.7
2004	323.6

Trading profit[1]
£m

2008	200.6
2007	132.9
2006	86.7
2005	59.6
2004	45.1

Profit before tax[1]
£m

2008	190.0
2007	124.2
2006	83.1
2005	56.4
2004	42.5

Diluted eps[1]
Pence

2008	45.56
2007	30.02
2006	19.87
2005	13.72
2004	10.79

Dividend per share
Pence

2008	10.08[2]
2007	8.06
2006	6.72
2005	6.11
2004	5.82

[1] 2004 and 2006 numbers are pre-exceptional items.
[2] The Board is recommending a final dividend of 6.28 pence per ordinary share, which, when added to the interim dividend of 3.80 pence, gives a total for the year of 10.08 pence per ordinary share.

Directors' Report

WHAT WE DO

Our business

Aggreko provides electrical power and temperature control to customers who need them either very quickly, or for a short or indeterminate length of time. We don't generally sell equipment; we hold it in our balance sheet for its useful life and make money by either renting it or using it to generate power which we then sell to customers.

We do this on a global basis, with 133 service centres and offices in 31 countries; in 2008 we served customers in more than 100 countries.

The solutions we provide range from the simple to the very complex, for example:

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

The distinguishing features of our business are:

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

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

WHERE WE DO IT

Our locations

Aggreko has global reach through an international network of service centres spanning Europe, North, Central & South America, as well as in the Middle East, Asia and Australasia. Our 133 service centres in 31 countries enable us to combine local knowledge, strong customer relationships and efficient logistics to provide excellent service and speed of response, while our commitment to managing the business and assets on a homogenous and global basis mean that each local service centre can draw on huge resources to support their customers.

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

Our service centres and offices are in:

Europe
Aachen
Aberdeen
Antwerp
Barcelona
Bedford
Belfast
Berlin
Bordeaux
Bristol
Cannock
Doncaster
Dorsten
Dumbarton
Edinburgh
Egersund
Fareham
Frankfurt
Glasgow
Gothenberg
Great Yarmouth
Hamburg
Helsinki
Inverness
Le Havre
Leipzig
Lille
London
Lyon
Madrid
Manchester
Marseilles
Milan
Moerdijk
Moscow
Mulhouse
Munich
Nantes
Nuneaton
Oslo
Padova
Paris
Plymouth
Port Talbot
Portlaoise
Valencia
Washington
Middle East
Abu Dhabi
Al Khobar
Aktau
Doha
Jebel Ali
Jeddah
Manama
Muscat
Safat
Sharjah
Yanbu
Asia
Beijing
Shanghai
Singapore
Africa
Johannesburg
Lagos
Australasia
Auckland
Brisbane
Darwin
Emerald
Kalgoorlie
Karratha
Melbourne
Newcastle
Perth
Sydney
Townsville
South America
Antofagasta
Campinas
Caracas
Macae
Manaus
Puerto Mont
Rio de Janeiro
Santiago
Central America
Mexico City
Panama
North America
Atlanta
Baltimore
Baton Rouge
Beaumont
Benicia
Boston
Bridgeport
Calvert City
Charleston
Chicago
Chickasha
Cincinnati
Cleveland
Columbia
Corpus Christi
Dallas
Decatur
Denver
Detroit
Edmonton
Fayetteville
Hollywood
Houston
Jacksonville
Kansas City
Lake Charles
Las Vegas
Linden
Los Angeles
McAllen
Memphis
Miami
Mobile
Montreal
Nashville
New Iberia
New Orleans
Oklahoma City
Pearland
Phoenix
Rancho Dominguez
Richmond
Rio Granda Valley
San Antonio
San Francisco
San Juan
Sarnia
St. Louis
Tampa
Toronto

OUR FLEET

Aggreko is unique amongst rental companies in that we design and build the majority of our fleet in our own manufacturing facility in Scotland.

We believe that this is an important competitive advantage, for a number of reasons:

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

Most rental businesses have a model of buying assets and then selling them on at a relatively early stage in their useful life. This minimizes service costs. Because we build longevity into our equipment, and failure rates in generators and chillers are more related to how well they are maintained rather than how old they are, we opt for a policy of rigorously maintaining our assets and running them for as long as possible. This also has the significant advantage that our business is not exposed to the vagaries of prices achievable in the used equipment market.

Our fleet is significantly larger than any of our competitors: at the end of 2008, it comprised 13,500 generators ranging in size from 10kW to 2MW, which in aggregate amount to over 5,600MW of generating capacity. To put this into perspective, that is the equivalent of about 9% of peak power demand on the UK national grid. We also have very large inventories of transformers, cable and distribution equipment. In aggregate, the net asset value of our power fleet is £574 million, and the original cost carried in our balance sheet is £1,067 million.

Our chiller fleet is also much larger than any of our competitors', with over 2,100 units having a capacity of 950MW. The net asset value of our chiller fleet is £37 million, and the original cost carried in our balance sheet is £98 million.

The rest of our fleet mainly comprises air-conditioners, oil-free air compressors, cooling towers and other ancillary equipment with an aggregate net asset value of £88 million, and the original cost carried in our balance sheet is £218 million.

OUR BUSINESS MODELS

Aggreko is organised around two different business models

Local business

Our Local business is a high transaction volume business, renting equipment to enable customers to respond quickly to requirements for power and temperature control; the average contract size is around £3,000, but the range is from £200 to over £1,000,000. Although most of this business has a lead-time of more than 12 hours, about 25% of its revenues come from responding to emergencies. It is therefore essential to have the capability to deploy equipment and people to the customer's site within a matter of hours. This business operates from 133 service centres in Europe, North, Central & South America, the Middle East, Asia and Australasia. These service centres look after customers who are normally within a radius of 150 miles and they offer the complete range of our products and services.

In 2008, the Local business had revenues of £580 million which is 67% of Aggreko's total revenue excluding pass-through fuel[1].

International Power Projects

The International Power Projects business sells power which we deliver using temporary power plants owned and operated by ourselves. Whereas in the Local business a contract with a customer is described in terms of renting specified items of equipment for a period of time, most of the contracts that International Power Projects perform are for providing a defined amount of electrical power. Under the terms of these contracts, Aggreko is responsible for installing and operating the equipment and the invoice to the customer is for power generation capacity not equipment rented. Most projects in this business are worth over £1 million and some can be worth over £10 million a year. 65% of revenues comes from power utilities in developing countries but we also serve governments, armed forces, international agencies as well as oil and mining companies. A typical contract in this business would be for the rental of 20-50MW for an initial period of 6-9 months, which will often be extended. We use standardised equipment: 1MW containerised units of our own design assembled in our own factory in Scotland. These generators use either diesel or gas and are designed specifically to be easily transportable, reliable and robust. Power projects can arise anywhere in the world and the required response time is generally weeks or months rather than the hours or days needed in the Local business. To support these projects we concentrate our fleet in a number of hubs – in South America, Europe, the Middle East and Asia. From each hub, large amounts of equipment can be shipped or flown rapidly to wherever it is needed.

In 2008, our International Power Projects business generated revenues of £281 million, or 33% of Aggreko's total revenue excluding pass-through fuel revenue[1].

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

OUR BUSINESS MODELS

Who are our customers?

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

Aggreko revenue by customer segment
Excluding pass-through fuel revenue

1	Utilities	29%
2	Petrochemical and refining	9%
3	Manufacturing	8%
4	Oil and gas	8%
5	Events	8%
6	Construction	7%
7	Military	7%
8	Contracting	5%
9	Services	5%
10	Other	14%

Source: Aggreko internal reports

Aggreko revenue by geography
Excluding pass-through fuel revenue

1	North America	24%
2	Europe	22%
3	Middle East and Africa	34%
4	Asia and Australasia	12%
5	South and Central America	8%

Source: Aggreko internal reports

Competitive environment

Our biggest competitors are not rental companies, but equipment manufacturers. When customers need equipment, they have the choice to buy, lease or to rent. The vast majority of chillers and generators supplied to end-users each year are bought or leased, and only a few are rented. So, in terms of pricing and service, we always have to be focused on the fact that customers have a choice, not only of using other rental companies, but also to buy from manufacturers.

Within the Local business, barriers to entry are low; many companies, small and large, drift in and out of rental, and competition in each market is fierce. Typically, competitors in the Local business are either privately-owned specialist rental businesses, or divisions of large plant-hire companies. Most of them operate in a single country, and often in just a particular part of a country. In each region, local competition is intense but the competitors will tend to be different country by country.

In International Power Projects we also see localised competition, often from the local distributors of manufacturers or from entrepreneurs. However, these companies find it hard to organise across territories, and it is difficult to operate efficiently in this business without a large fleet and the infrastructure to sell and operate it around the world.

In both the Local business and International Power Projects valuable economies of scale accrue to those who can operate on a global basis. However, to gain these benefits of global scale requires a long-term commitment to building distribution, deep technical expertise across a number of disciplines, and a well-developed supply-chain; it also requires hundreds of millions of pounds of capital to fund fleet investment. Over the last ten years, some very powerful companies such as GE, Alstom and Caterpillar have tried to emulate Aggreko, but none have been willing to match Aggreko's rate of investment in fleet, people and global distribution. As a consequence, we have grown to be significantly larger than any other company operating in our market.

THE MARKET

Our market

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

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

- Large-scale power shortage – Kenya, Sri Lanka and Venezuela.
- Major sporting events – Olympic Games, Ryder Cup, Super Bowl.
- Natural disasters – Hurricanes Gustav and Ike in 2008.
- Post-conflict re-construction – Middle East, Africa and the Balkans.

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

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

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

Because we operate in very specific niches of the rental market – power, temperature control and, in North America only, oil-free compressed air – and across a very broad geography, it is very difficult to determine with any accuracy the size of our market. A complicating fact is that our own activities serve to create market demand – Rwanda and the Yemen did not figure highly in our market forecasts in 2003, but are now important customers as a result of our sales efforts. Furthermore, our market is event driven – and major events such as hurricanes in North America, the Olympic Games, or major droughts in Africa can influence market size in the short-term.

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

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

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

THE MARKET

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

By triangulating these techniques, we develop an estimate of market size but the truth is that it is a guess, and probably not a very accurate one. In 2003, we did a great deal of work on market sizing, and came to the conclusion that the market was worth about £1.3bn and was growing at about 5%. Since then, our own rental revenues have grown at a compound annual rate (CAGR) of 22%, which would imply either that our market share has grown improbably fast, or that the original market size was wrong, or that we under-estimated the growth-rate. In all probability, the truth is a mixture of all three factors. Our best guess (and it is just that because we do not feel inclined to spend hundreds of thousands of pounds of shareholders' funds paying someone else to guess) – is that the market in which we operate is worth somewhere between £2bn and £2.5bn per year.

Given our rental revenues of £658 million in 2008, this would imply an Aggreko world-wide share of sales of around 30%. Behind this lies enormous variation. In many developing countries, where the rental market is barely developed, and where we are called in to provide temporary utility power, we may represent 100% of the power rental market for the period of the project but none when it ends. In OECD countries, where the rental markets are better developed, our share of sales will be lower than the 30% we estimate for our global share of sales. However, in nearly all the major markets in which we operate, Aggreko is the largest or second-largest player.

What drives market growth?

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

- GDP – as an economy grows, so does demand for energy.
- Propensity to rent – how inclined people are to rent rather than buy. This is driven by issues such as the tax treatment of capital assets and the growing awareness and acceptance of outsourcing. And in times of recession, people can be more inclined to rent rather than commit capital to purchase.
- Events – high-value/low-frequency events change the size of a market, although only temporarily. For example, the scale of Hurricanes Gustav and Ike in 2008 led to a short-term surge in temporary power demand in the areas affected by the hurricanes.

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

The graph below plots this relationship between growth in Aggreko's revenues by country and growth in Aggreko nominal GDP. We would caution that these figures include the impact of the GE Energy Rentals acquisition in December 2006 which will exaggerate the underlying sales growth in some countries, but we feel that the trend they show is directionally correct.

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

As the global economy slows, and GDP growth in some countries goes negative, the question arises as to what happens to demand when the markets we operate in are in recession. Since none of the markets we operate in have been in recession since we re-organised our Local business in 2003, we do not have the richness of data to analyse what happens to demand when GDP growth goes negative. Our working assumption is that the relationship between Aggreko GDP and our revenues also works in reverse – in other words, in times of negative economic growth, our revenues will fall faster than the economy as a whole. The impact on profits could be material, as operational gearing and the margin enhancement we see when revenues are rising would likely reverse. In these situations the benefits of geographic diversity are especially important, as we can shift investment and fleet from under-performing to over-performing economies and sectors. In addition, our broad mix of customers spread across multiple industries means that we are not overly reliant on any single sector.

THE MARKET

What drives market growth?

The factors which drive the growth of our International Power Projects business are different. The main trigger of demand is power cuts: when the lights go out in a country, people want power restored as quickly as possible. It is a perverse fact that people value power most when they are without it. We believe that in many parts of the world, and most particularly in many developing countries, there will be increasing numbers of power cuts caused by a combination of burgeoning demand for power and inadequate investment in new capacity. We believe that demand for power is going to grow much faster than is commonly believed: working with a leading group of professional economists at Oxford Economics, we have built a model which takes data on GDP and population growth, power consumption, and power generation capacity for 120 countries over the last 10 years. Using this historical data, it then projects future power demand based on forecasts of population and GDP growth. Our model predicts that world-wide demand for power will grow by around 5% per annum between now and 2015, compared with forecasts by the International Energy Agency (IEA) of around 3.5%. Our model reflects the sharp divergence between the growth in power consumption between OECD and non-OECD countries in recent years, as shown in the graph below.

• OECD ■ World ■ Non-OECD

The rapid growth in power consumption in developing countries is driven by industrialisation and by the growing number of consumers having access to devices which consume electricity, such as fridges, televisions and mobile phones. Between 2000 and 2006, the number of people whose power consumption is growing faster than per-capita GDP increased by 1.3 billion to 4.3 billion, representing nearly 70% of the world's population. The vast majority of these people live in developing countries, where investment in the acquisition of new generating capacity and maintenance of existing capacity has been woefully inadequate.

To make this situation worse, by 2015, 25% of the world's installed power-generating capacity will be over 40 years old, which we believe is a reasonable proxy for the average life of a permanent power plant. So the next ten years will see the beginning of a replacement cycle during which the majority of existing power-plant construction capacity will be dedicated to replacing existing plants in OECD countries, rather than building replacement or additional capacity in developing countries.

Our models predict that the combination of these demand-side and supply-side factors will increase the world-wide shortfall of power generating capacity from about 70 gigawatts in 2007 to between 400 and 1,000 gigawatts by 2015. The ultimate size of the shortfall will depend on both the rate of increase in demand, and the net additional generating and transmission capacity brought into production during the period. However, even if the shortfall is at the bottom end of our forecasts, it will still represent a level of global power shortage many times larger than today's. We are confident that such a level of power shortage will drive powerful growth over the medium and long term in demand for temporary power.

What impact could a recession have on demand for our International Power Projects business? It is certainly likely that lower rates of per-capita GDP growth will lead to slower rates of growth in demand for electricity in developing countries. However, we believe that, unless there is a prolonged economic catastrophe, the market for temporary power in developing countries will continue to grow. Our reasoning is that the current macro-economic environment will create a number of conflicting forces. On the one hand, lower rates of economic growth will reduce demand for power in developing countries, and particularly in countries where mining activity represents a high proportion of grid consumption (a small part of our customer base). Also countries which are highly dependent on oil revenues will find themselves poorer and less able to support high levels of infrastructure investment. On the other hand, our customers, who are the power utilities, will find that the lower cost of fuel makes temporary power generation much more affordable. On the supply side, reduced demand for replacement generation capacity in North America and Europe may shorten lead-times for equipment. However, we believe that this improvement in the supply-side equation will be dwarfed by the very severe impact that the current macro-economic environment has had upon the ability of developing countries to raise finance for major infrastructure projects. At a time when many businesses in OECD countries are finding it hard to raise funding, it has become almost impossible for most power utility businesses in developing countries to contemplate raising the finance for sizeable power generation projects, which require hundreds of millions of pounds of upfront investment and generate returns over 20-30 years.

We therefore believe that, even in the face of challenging macro-economic circumstances, many power utilities in developing economies facing chronic supply shortages will continue to find Aggreko's offering compelling. Their choices are limited: continue to suffer chronic power shortages; wait until financing new permanent power becomes possible – and then a further five to ten years to construct the plant before the first watt of electricity can be generated; alternatively, contract with Aggreko and have the lights back on in a matter of weeks.

Probably a greater risk than lack of demand in our International Power Projects business in times of recession is that some of our customers' behaviour may become more unpredictable, and their payment habits more volatile. Historically, we have made very high returns on capital from our International Power Projects business, partly because we tread where others are fearful to do so. We always advise investors to regard these returns as a reward for the fact that their assets are at greater risk of loss or impairment than they would be if they were sitting in the suburbs of London or New York. At some point, the risks may crystallise into an actual loss of monies and, or, equipment, and that point is more likely to arise at a time of economic stress.

Chairman's Statement

Philip Rogerson
Chairman

Introduction

In the face of the deteriorating global economic backdrop, Aggreko has proved very resilient, delivering another strong performance in 2008 with sharply increased revenue and profits as well as improved margins and returns on capital employed. Reported revenue of £946.6 million (2007: £693.2 million) was 36.6% higher than 2007 while underlying revenue, in constant currency[1] and excluding pass-through fuel[2], increased by 25.6%. Profit before tax increased by 52.9% to £190.0 million (2007: £124.2 million) and earnings per share increased by 50.9% to 45.77 pence (2007: 30.33 pence). Return on average capital employed improved by 1.8 percentage points to 28.5%.

Our North American and European businesses performed well in the face of challenging economic conditions, while our Local businesses in the Middle East, Asia, Australasia and Latin America continued to deliver good growth. Our International Power Projects business delivered an exceptional performance during the year and, in the fourth quarter, put on rent a record 300MW of new power projects. The highlight of the year was the faultless delivery of over 140MW of temporary power and 480 kilometres of cable to 37 venues for the Beijing Olympics. This project was one of the largest temporary power contracts ever awarded, with people and equipment being deployed from around the world to support it.

[1] Constant currency takes account of the impact of translational exchange movements in respect of our businesses which operate in currency other than sterling.
[2] Pass-through fuel revenue relates to two contracts in Sri Lanka and Uganda in our International Power Projects business where we provide fuel on a pass-through basis.

Strategy

Aggreko's strategy is to deliver attractive returns to shareholders, excellent service to customers, and rewarding careers to our employees by being the leading global provider of temporary power and temperature control. We focus on growing our business organically, supported by fleet investment and geographic expansion, but we will also make acquisitions where we feel they can add value. We made good progress on both fronts in 2008. To drive organic growth, we increased total capital investment in the year to £265.2 million (2007: £180.6 million), the equivalent of 2.3 times depreciation; we opened new service centres in Chile, South Africa and Russia; and we acquired businesses in Canada and India.

In last year's strategy update, we said that we believed the business could deliver on average double digit revenue and earnings growth over the period 2007-2012; as part of this plan, we anticipated spending about £1 billion on fleet capex over the same timescale. We still believe this to be a reasonable aspiration, although as we said at the time progress towards this objective will not be in a smooth line; inevitably there will be peaks and troughs from year to year. 2008 was clearly a peak year in terms of growth and rate of investment that positions us well for the rest of the plan period.

We also said that our target was based on the assumption that the macro-economic conditions then prevailing would continue. This assumption has been challenged by recent events, and Aggreko's stance will have to be more cautious as we navigate our way through the uncharted waters of a global economic crisis. A number of features of Aggreko's business model will help us in this task.

First, power and temperature control are utility services, without which it is impossible to have any sort of developed business or consumer activity; keeping the lights on and the wheels of industry and commerce turning is a high priority for our customers. While lower economic activity may reduce overall demand for power and temperature control, it equally means that investment in new permanent capacity will be reduced. In developing countries in particular, financing new or replacement power generation and transmission capacity has become extremely difficult. In the meantime, the installed infrastructure continues to age, which will lead to more frequent breakdowns and blackouts.

Secondly, our global distribution allows us to move existing fleet and capital investment to wherever demand is strongest. We are not overly dependent on any one sector or geographical market.

Thirdly, we can flex our fleet investment to respond to increasing or decreasing levels of demand; we have the financing in place to invest aggressively if we see opportunities; and equally we have a young and well-maintained fleet that we can keep operational with relatively low levels of investment if demand falls. In terms of fleet capital expenditure, we expect to invest around £195 million in 2009, which is about £60 million less than 2008; due to currency movements, this is £25 million higher than the indication we gave in our December Trading Statement.

Funding

Notwithstanding the very substantial increase in capital expenditure in 2008, Aggreko's financial position remains strong with net debt to EBITDA (Earnings before Interest Tax Depreciation & Amortisation) of 1.1 times (2007: 0.9 times) at 31 December 2008 compared to our bank covenant of 3 times. Interest cover, measured on an EBIT (Earnings before Interest & Tax) basis, also remains strong at 13.9 times (2007: 11.7 times), and well within our covenant of 3 times cover. We also have plenty of headroom against our facilities: net debt at the year end stood at £364.0 million (2007: £202.6 million), against committed bank facilities of £510.4 million. Since the year end the Group has refinanced or replaced £158.9 million of facilities due to mature in September 2009 with new facilities totalling £195.0 million, as a result of which the Group now has ample facilities to support its anticipated funding requirements. The next tranche of debt which the Group will need to refinance matures in 2011.

Dividend

The Board is recommending a final dividend of 6.28 pence per ordinary share which, when added to the interim dividend of 3.80 pence, gives a total for the year of 10.08 pence, a 25.0% increase on 2007. At this level, the dividend would be covered 4.5 times. Subject to approval by shareholders, the final dividend will be paid on 15 May 2009 to ordinary shareholders on the register as at 17 April 2009, with an ex-dividend date of 15 April 2009.

Employees

Once again I have been extremely impressed by the commitment and professionalism of all our employees, especially in this challenging economic environment. On behalf of the Board I would like to thank all our employees for the contribution they have made to Aggreko's success in 2008.

Board Changes and Adjustments to Regional Structure

Since our last Annual Report we have announced the retirement of three members of the Board and the appointment of two new Directors.

Andrew Salvesen has indicated his desire to step down from the Board at the AGM in April 2009. Andrew joined the Board in 1997, and his wise counsel has made a significant contribution to the development of the Group.

Roy McGlone retired as a Director on 1 September 2008. Roy joined the Board in September 2002, and was appointed Chairman of the Audit Committee in December 2002. During his time on the Board, we have all benefited from Roy's considerable business experience. I am pleased to say that Robert MacLeod has succeeded him as Chairman of the Audit Committee.

In October we also announced that Derek Shepherd, aged 66, would retire at the AGM in April 2009. Derek has worked for the company for over 20 years, and has served on the Board since 1997. For the last 10 years, Derek has been responsible for Aggreko International, and, under his leadership, it has become a major business with revenue rising from £35 million to over £500 million and operating profit increasing from £7 million to £130 million. Derek's contribution to the success of Aggreko has been considerable and we wish him a long and happy retirement.

Derek has been succeeded in his role by Kash Pandya, who joined the Board in 2005 and, over the last three years, has led the turnaround in the performance of our European Region. At the same time, Aggreko is taking steps to rebalance and strengthen the regional structure of the Group. The Middle East local business, currently part of Aggreko International, is being merged with our European local business to create a Europe and the Middle East region. To manage this enlarged region, Bill Caplan joined the Group in November 2008 as

Chairman's Statement continued

Managing Director, Europe and the Middle East, and as an Executive Director. Bill has spent the last 18 years working for United Parcel Service (UPS) in Pittsburgh, London, Shanghai and Singapore. He has extensive experience managing complex multi-site businesses, operating in an environment where excellence in logistics and customer service are essential.

I am also delighted to welcome Russell King, who joined the Board as an independent Non-Executive Director on 2 February 2009. Russell is Chief Strategy Officer of Anglo American PLC where he has worked since 2001. Previously, he spent over 20 years in senior roles at ICI, gaining world-wide experience in its fertiliser, petrochemical and paint businesses.

Outlook for 2009

The Group's performance has been very strong in the first two months of the year, and well ahead of 2008. International Power Projects has nearly 40% more capacity on rent than a year ago, and about 12 months forward order cover at the current revenue run-rate. Encouragingly, the level of enquiries remains strong; in the period November 2008-January 2009 we quoted for power projects in 40 countries for an aggregate generating capacity significantly higher than in the comparable period in the prior year. We expect, however, that the rate of growth in this business will start to attenuate, if only because of our reduced rate of fleet investment. As always, we are carefully managing the key risks in this business; the current economic circumstances will heighten these risks, and in particularly those related to payment and customer behaviour.

Most of Aggreko's Local businesses have had a good start to the year. In North America, the Presidential Inauguration and the Super Bowl as well as continued remediation work following last year's hurricane season have meant that the business is currently performing well ahead of the prior year. Revenues in our new Europe and the Middle East region are running slightly above the prior year, in part helped by storms in France and Spain, for which we have deployed over 800 generators to support customers. While demand in some parts of the Middle East is noticeably weaker, in others it remains strong, and our business in the area is trading ahead of last year. Our other Local businesses are, in aggregate, trading at similar levels to last year.

It is always difficult at this early stage to come to a definitive view of the likely outcome of the year, and never more so than in the current economic environment. We have made a very strong start to 2009 and expect to make good progress on both a headline and constant-currency basis in the first half of 2009. The outlook for the second half is less certain and will depend on how the macro-economic environment develops over the coming months. Comparatives will also be tough in the second half, as we had the benefit in 2008 of both exceptionally high storm revenues in North America and the Beijing Olympics. Our current judgement is that, on a constant-currency basis, trading in 2009 should be at similar levels to 2008. Given that over 70% of our earnings are in US dollars, if we achieve this trading performance, and if the sterling : US dollar rate stays at today's level for the rest of the year, reported results would show substantial growth over 2008.

Philip G Rogerson
Chairman
5 March 2009

Our Strategy

Rupert Soames
Group Chief Executive

Angus Cockburn
Finance Director

Group Strategy

Our strategy, which was initially developed following an in-depth review of Aggreko's business in 2003, has remained consistent for the last five years and continues to be the basis of our business planning. That strategy is to deliver long-term value to shareholders, excellent service to customers and rewarding careers to our employees by being a leading global provider of temporary power and temperature control. The strong growth in revenues, margins and returns on capital achieved over the last five years indicate that the strategy is the right one, and we continue to work relentlessly to implement it.

Aggreko Group – excluding pass-through fuel

	2008	2003	CAGR
Revenue (£m)	862	324	22%
Trading profit (£m)	198	42	36%
Trading margin	23%	13%	
Return on capital employed (ROCE)*	28%	13%	

*calculated using average net operating assets

Aggreko's strategy is developed by an iterative process of examining the factors which will affect the business in the years ahead. We seek to develop a deep understanding of the drivers of demand, changing customer requirements, the competitive environment, as well as developments in technology and regulation. We look at our own strengths and weaknesses, and at the opportunities and threats that are likely to face us. From this analysis, we develop a list of investment and operational options, and analyse their relative risks and rewards, bearing in mind the capabilities and resources of the Group.

We test our strategy on a two-year cycle. Having conducted a root-and-branch review in 2003 we re-examined our conclusions in 2005. In 2007, we carried out a thorough review of our markets and service offerings and we updated investors in March 2008 with our latest analysis, the main findings of which are summarised below:

- The strategy developed in 2003 and re-confirmed in 2005 is working well.
- The Group's core markets of power and temperature control rental are growing at a healthy rate, and this gives it plenty of growth opportunities.
- The in-depth analysis made of the drivers of growth in our International Power Projects business indicated that parts of the world are beginning to face serious structural shortages of power which will last many years and which should sustain demand for our services.

Our Strategy continued

- Our Local business also offers attractive opportunities for growth, both from expanding existing territories and developing new ones.

- As a consequence of these conclusions, we believe that it is in shareholders' interests that we continue to invest in the business. The focus of this investment is:
  - increasing our revenue-earning capacity, and the choice we can offer to our customers, by increasing the size of our rental fleet;
  - improving our ability to serve customers by opening new service centres, both within existing markets and extending our reach into new markets; and
  - improving the operational efficiency of our business by investing in training for our employees, improving processes, and extending our use of information technology.

Since the 2007 strategy update, the world macro-economic situation has turned sharply for the worse. This change had no material impact on performance in 2008 but is likely to have a more noticeable effect in 2009, and we will therefore need to be pragmatic and ready to adapt our investment plans in the light of economic events. Our next biennial strategy review will be carried out in 2009, and the results reported to investors in early 2010.

Against the objectives we set ourselves in 2008, good progress was made in the year:

- The Group delivered strong growth in both revenue and earnings in 2008, as shown below:

Aggreko Group – excluding pass-through fuel

	2008	2007	Growth %
Revenue (£m)	862	634	36%
Trading profit (£m)	198	131	51%
Trading margin	23%	21%	
ROCE*	28%	26%	

- Total capital expenditure increased in 2008 to a record £265.2 million, £84.6 million up on the prior year, representing 229% of the depreciation charge. £256.4 million was investment in new fleet (2007: £172.4 million).

- In terms of operating efficiency, in 2008:
  - revenue per employee increased by 11%; and
  - return on average capital employed (ROCE) increased from 26% to 28%.

Note: all ratios relate to revenue and profit excluding pass-through fuel.

- We made good progress extending our global reach:
  - We opened our first service centres in South Africa and Russia, and added one in Chile.
  - In August we acquired Power Plus Rentals and Sales Ltd in Canada, giving us a strong position in the Athabasca Oil Sands market.
  - In November 2008, we announced, and on 1 January 2009 we completed the acquisition of the Cummins power rental business in India.

- There was a major improvement in the scope of our employee development programmes. Siegfried Putzer joined the business as our new Director of HR, we greatly expanded our in-house training facilities in North America and Dubai, and we launched a 1-week tailored programme for senior management delivered by IMD in Lausanne. We also carried out our first global employee opinion survey, which produced outstanding results.

Business line strategy

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

- The Local business delivers the complete range of our services, from small generators to large cooling plants, to customers who are typically within a few hours driving time of our service centres;

- The International Power Projects business provides large-scale power generation on a global basis to power utilities, the military and major industrial users.

The Local business

The Local business serves customers from 133 service centres in 31 countries in North, Central and South America, Europe, the Middle East, Asia and Australasia. This is a business with high transaction volumes: average contracts have a value of around £3,000 and last for 2-3 weeks. The Local business, excluding pass-through fuel, represents 67% of Aggreko's revenues and 61% of trading profit.

Aggreko Local business

	2008	% of Group
Revenue (£m)	580	67%
Trading profit (£m)	121	61%
Trading margin	21%	
Capital employed (£m)*	453	63%
ROCE*	27%	

Since 2003, the performance of the Local business has improved sharply:

Local business

	2008	2003	CAGR
Revenue (£m)	580	258	18%
Trading profit (£m)	121	27	35%
Trading margin	21%	10%	
ROCE*	27%	11%	

The first objective of our Local business strategy is to create and maintain a clear differentiation between our offering and that of our competitors. Our research shows that Aggreko is regarded by our customers as providing extremely good service, and that we deliver high levels of customer satisfaction. We are determined to maintain this reputation for premium service and we do this through the attitude and expertise of our staff, the geographic reach of our operations, the design, availability and reliability of our equipment, and the ability to respond to our customers 24 hours a day, 7 days a week.

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

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

This operating model is delivering benefits to both our customers and shareholders. For our customers, it means faster and more consistent levels of service and response, and that this is valued is shown in our Net Promoter Scores. This is an objective measure of customer satisfaction which we derive from questioning over 20,000 customers a year. Over the last three years our score has improved by 8pp and, in many of our Local businesses, is now at levels that match or exceed those achieved by companies renowned for delivering high levels of customer satisfaction. For our shareholders, the benefit has been a return on capital employed that has improved from 11% to 27% over the last five years and a compound growth in trading profit of 35% over the same period.

An integral part of the strategy for the Local business is the implementation of our Enterprise Resource Planning (ERP) system which will provide a single, global, IT system for managing our business. The system gives us greatly improved visibility of the business, which will enable us to drive improvements in operating efficiency. The system is fully operational in Europe and North America, and is currently being implemented in Aggreko International. We have now begun the process of delivering the full potential of the ERP system in terms of real-time information and better efficiency through streamlined processes.

International Power Projects

This business serves the requirements of power utilities, governments, armed forces and major industrial users for the temporary provision of large-scale power-generation. Power plants range in size from 10 megawatts (MW) to 100MW on a single site, and the initial contract value will typically be around £1 million, with a duration of 6-9 months although many contracts are subsequently extended beyond this. The business operates in areas where we do not have a large Local business. Most of the customers are power utilities in Africa, the Middle East, Asia and South America. The driver of demand in these markets is that our customers' economies are growing, with consequent increases in demand for additional power which cannot be met in the short-term by installed generating capacity. As a result, many of them face chronic power shortages which damage their ability to support economic growth and increased prosperity. These shortages are often caused or exacerbated by the variability of supply arising from the use of hydro-electric power plants whose output is dependent on rainfall.

International Power Projects now represents 33% of Group revenues and 39% of trading profit excluding pass-through fuel:

International Power Projects excl pass-through fuel

	2008	% of Group
Revenue (£m)	281	33%
Trading profit (£m)	77	39%
Trading margin	27%	
Capital employed (£m)*	267	37%
ROCE*	29%	

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

Since 2003, the International Power Projects business has also grown rapidly:

International Power Projects excl pass-through fuel

	2008	2003	CAGR
Revenue (£m)	281	66	34%
Trading profit (£m)	77	15	39%
Trading margin	27%	23%	
ROCE*	29%	25%	

Our strategy for International Power Projects is determined by two key characteristics of the market. The first is that demand can shift rapidly between continents. Six years ago, South America and Sri Lanka were the largest markets, and Africa was only a small proportion of global demand. In 2008, the market in Africa was larger than South America and Sri Lanka combined. It would not surprise us if this situation were to change again in the next three years. These shifts in demand were driven in part by rainfall patterns, in part by the relationship between economic growth and investment in permanent power generation and in part by geo-political issues. To be successful in the long-term, therefore, requires the ability to serve demand globally, and that requires sales, marketing and operational infrastructure to be present in all major markets.

The second observation is that this is a business in which size brings significant advantages. There are numerous reasons for this:

- A large business, with global distribution and a large fleet, which can move assets around the world to meet demand wherever it arises can be reasonably confident when it invests in new equipment that, over its economic life of 8-10 years, the equipment will be on rent for enough of the time to keep in place the operational infrastructure needed to support the equipment, and to earn an economic return on the investment. A business which only operates in a single region or continent will be exposed to significant volatility in demand and, consequently, long periods with idle fleet which will seriously dilute investment returns.

- Each year, a number of 'emergency' requirements arise, often as a consequence of breakdown in permanent generating capacity, for which equipment has to be deployed in a matter of days. These contracts are important because, in many cases, they are the foundation of long-term, valuable customer relationships. To be able to respond to them, however, requires the immediate availability of fleet, and the operational capacity to deploy anywhere in the world. It is much easier to find 30MW of equipment available for immediate mobilisation in a fleet of 3,000MW than in a fleet of 300MW.

- It is our experience that it is possible to run large fleets to higher levels of utilisation than small fleets. This means that large operators can offer better pricing to customers.

- Large operators are able to negotiate better terms with suppliers, and can invest in the design and assembly skills which allow them to deliver equipment optimised to rental requirements at a lower capital cost than is generally available to small-scale operators.

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

Looking Ahead

Our strategy is working well and has produced excellent results. We have strengthened our competitive position in all markets over the last five years, and our global reach is far greater.

In terms of the Local business, we will continue to drive operational improvement, focusing on turning our ERP system into a competitive advantage. We intend to grow our market share in North America, Europe and the Middle East, and we will expand the footprint of our Local business in Eastern Europe, Asia and South America. As well as organic growth, we will also look for opportunities to grow our business through the acquisition of companies or assets in our core markets.

The International Power Projects business has made good progress expanding further in Africa, South America, Asia and the Middle East. Our strategy is to continue to invest heavily in this business to enable it to further increase its scale and reach. This will deliver increasing revenues and profits and will reduce the volatility inherent in the power projects business. A growing proportion of our future investment is likely to be in gas-fuelled generators, which produce lower emissions and which, for some customers, are cheaper to run than diesel generators. We think that this technology could become an important niche in the International Power Projects marketplace in the years ahead.

The current economic crisis will prove challenging in many businesses, Aggreko included. The possible effects of a recession are discussed more fully under the 'What drives market growth?' section on page 10. In short, our global operations combined with the wide range of customer segments in which we operate will help us mitigate the impact in specific regions or sectors by moving equipment either to another sector or to another geography. We believe that the drivers of demand in International Power Projects are strong, and will remain so for as long as demand for power in developing countries is growing faster than these countries can build new permanent power generation capacity. The longer and more severe the global economic slowdown becomes, the greater will be the impact on our business, but the flexibility of our business model which allows us to adjust capital expenditure very quickly is a real strength in the current economic climate.

Our Resources

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

People

Aggreko has 3,500 employees around the world, and they are united by a unique culture. Phrases such as 'customer focused', 'can-do', 'completely dependable' capture part of the ethos of Aggreko employees. We have captured our culture in three words: performance, passion and pace. This culture has developed through the years, and derives from the fact that very often Aggreko is helping people and businesses to recover from, or to avoid, emergencies or disruption. Customers are often dependent on Aggreko people to keep things running, sometimes under very difficult circumstances. Our people are highly skilled, and many of them have years of experience. They are used to reacting quickly, getting the job done professionally and safely, and they respond well in a crisis.

Taking into account the environment in which we operate, it is essential that our people are properly trained, given the correct level of responsibility and accountability to make decisions on a timely basis and are remunerated and incentivised appropriately. Each part of the business has training programmes in place to ensure that our employees have the necessary skills to perform their roles to a high level. This training is a combination of on-the-job learning and specific skill development through training courses. A major component of this training is related to Environmental Health and Safety (EH&S) issues. More detail of our EH&S policies is given on pages 40 to 41.

In the last few years Aggreko has taken a number of tangible steps to improve the capability of its people. A new talent management system has been introduced and the 140 senior managers in the business have attended a management education programme specifically tailored to Aggreko at IMD in Lausanne. This initiative, combined with various other activities such as the establishment of dedicated in-house training facilities in Dubai and Houston, will contribute significantly to the ongoing capability of the Aggreko team.

The Company's remuneration policy, which is described on pages 54 to 56, is aligned with the key objectives of growing earnings and delivering strong returns on capital. To underline this point the Group's long term incentive scheme, and many senior managers' annual bonuses, are based on targets set against both earnings per share and returns on capital employed.

Physical assets

Many rental businesses provide standard products to their customers. The car or hammer-drill you rent is the same as the one you can buy. Aggreko's equipment is different; manufacturers of generators, temperature control equipment and oil-free air compressors generally design their product to be installed and stay in the same location for its working life. For our business, however, this equipment has to be lifted and transported thousands of times during its working life. It must be able to work in extreme conditions – the same generator might be working in -40°C on an oil rig in Russia one week, and in +45°C in the Saudi Arabian desert the next. Designing and building equipment that can do this while remaining safe, quiet, reliable and compliant with environmental and safety regulations is a key skill of Aggreko. Unusually for a rental company we design and manufacture most of our equipment, and our specialist in-house teams based in Dumbarton, Scotland understand intimately the requirements of the environment in which the fleet operates. Not only do we have industry-leading equipment, we also have a great deal of it – £1,383 million worth at original cost as at 31 December 2008.

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

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

One measure of how we are doing in terms of managing our physical assets is the 'return on average capital employed'. This measure is one of the key performance indicators shown on page 28.

Financial resources

The Group maintains sufficient facilities to meet its normal funding requirements in respect of on-going working capital and capital expenditure over the medium term. These facilities are primarily in the form of committed bank facilities, totalling £510.4 million at 31 December 2008, arranged on a bilateral basis with a number of international banks. The financial covenants attached to these facilities are that operating profit should be no less than 3 times interest and net debt should be no more than 3 times EBITDA. The Group does not consider that these covenants are restrictive to its operations. Since the year end the Group has refinanced or replaced £158.9 million of facilities due to mature in September 2009 with new facilities totalling £195.0 million. The maturity profile of the borrowings is detailed in Note 17 in the Financial Statements with the next maturity not due until 2011. The facilities now in place are currently anticipated to be ample for meeting the Group's requirements for the foreseeable future.

Net debt amounted to £364.0 million at 31 December 2008, and at that date, undrawn committed facilities were £141.1 million.

Supply Chain

During 2008, Aggreko's capital expenditure totalled £265.2 million. Of this, 73% was assembled by our design and assembly operation which is based in Dumbarton, Scotland. The remainder of the capital expenditure was sourced direct from third party manufacturers to Aggreko specification and managed by our supply chain team in Dumbarton. Aggreko's supply chain capability in managing suppliers of both finished product and components for assembly is a key part of our business capability. We have long standing relationships with many of our suppliers, notably Cummins, which supplies a number of engine ranges and alternators. We have also developed new supplier relationships in countries such as China where we work very closely with the supplier to ensure that the components produced comply with Aggreko's strict quality standards. Currently we are working closely with our supply chain to ensure that the current economic environment does not adversely impact our suppliers' ability to deliver the agreed product schedule.

Principal Risks and Uncertainties

In the day to day operations of the Group, we face risks and uncertainties. Our job is to mitigate and manage these risks, and the Board has developed a formal risk management process which is described on page 50 of this report. Set out below are some of the principal risks and uncertainties which we believe could adversely affect us, potentially impacting the employees, operations, revenue, profits, cash flows or assets of the Group. This list is not exhaustive – there are many things that could go wrong in an operation as large and geographically diverse as ours – and the list might change as something that seems immaterial today assumes greater importance tomorrow.

Economic conditions

There is a link in our business between demand for our services and levels of economic activity; this link is particularly evident in the Local business. If GDP growth slows, demand for rental equipment is likely to slow even faster, and the operational gearing inherent in our business models means that variations in demand can lead to much larger variations in profitability. We also have some businesses which, by their nature, are exposed to particular sectors – for instance our Australian business is highly dependent on mining activity, and a large proportion of our Middle East business comes from construction.

We mitigate this risk in a number of ways. First, having a global footprint is a great advantage because we can move both existing rental fleet and new investment from low-growth economies to higher-growth environments; for example, we have moved fleet from Europe and North America to the Middle East, and part of the fleet used to perform the Beijing Olympics came from Europe and North America. Secondly, we try to ensure that, as they grow, our businesses build a customer-base which is as diverse as possible, to reduce sectoral exposure. In the Middle East, for instance, we are investing in our temperature control business which in time will reduce our exposure to construction; in North America we have special initiatives in place to develop our business in under-penetrated sectors. Thirdly, in the event of a more generalised downturn in demand, we can quickly reduce capital expenditure. Given the large depreciation element in the businesses' cost base (£116 million in 2008), reducing capital expenditure below depreciation makes the business very cash generative which, in turn, will reduce debt and interest cost.

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

Exchange rate fluctuations can have a material impact on our performance: the Group's asset values, earnings and cash flows are influenced by a wide variety of currencies owing to the geographic diversity of the Group's customers and areas of operation. The majority of the Group's revenue and costs are denominated in US dollars. The relative value of currencies can fluctuate widely and could have a material impact on the Group's asset values, costs, earnings, debt levels and cash flows. Further discussion of this topic can be found on pages 38 to 39.

Political

The Group operates in over 100 countries around the world, including Africa, Asia and South America. In some jurisdictions there are significant risks of political instability which can result in civil unrest, equipment seizure, renegotiation or nullification of existing agreements, changes in laws, taxation policies or currency restrictions. Any of these could have a damaging effect on the profitability of our operations in a country.

Prior to undertaking a contract in a new country, we carry out a risk assessment process to consider risks to our people, assets and to payments. The safety of our employees is always our first concern. If the level of risk is considered unsatisfactory we will decline to participate in any contract; where there are potential issues, we develop detailed contingency plans. Our greatest exposure lies in our International Power Projects business, and they perform risk assessments on a contract-by-contract basis. The

Group uses a wide range of tools and techniques to manage financial risk, including insurances, bonds, guarantees and cash advances.

Failure to collect payments
The majority of the contracts the Group enters into are small relative to the size of the Group and, if a customer fails to pay a debt, this is dealt with in the normal course. However, some of the contracts the Group undertakes in developing countries are substantial, and are in jurisdictions where payment practices can be unpredictable. The Group monitors the risk profile and debtor position of all such contracts regularly, and deploys a variety of techniques to mitigate the risks of delayed or non-payment; these include securing advance payments, guarantees and various types of insurance. As a result of the rigorous approach to risk management, the Group has historically had a low level of bad debt. However, while the rapid growth in our International Power Projects business makes it less likely that any bad debt would be material to the Group's balance sheet, the increased number of contracts and countries we operate in increases the likelihood of a loss and make it inevitable that at some stage a major customer will default on us. This could have a noticeable impact on earnings in a particular reporting period.

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

Failure to conduct business dealings with integrity and honesty
Some of the countries in which the Group operates have a reputation for corruption and, given that many of our contracts involve large sums of money, we are at risk of being accused of bribery and other unethical behaviour. The first and most important way of avoiding this risk is to ensure that people, both inside and outside the Group, know that Aggreko does not engage in, and will not tolerate, bribery, corruption or unethical behaviour. We have a strict Ethics Policy, a copy of which is available on our website www.aggreko.com. Rather than just publishing it, we get every employee to sign it when they join the business; every consultant acting on our behalf agrees to abide by it, and every consultancy or agency agreement has an explicit term stating that the agreement will be terminated immediately if the consultant or agent does not abide by our policy. The Group has a comprehensive and detailed set of procedures, approved by the Board, which governs the appointment of agents and sales consultants, all of whom are subject to due diligence investigations by third-party investigators. Payments made to agents and sales consultants are subject to audit by both internal and external auditors.

Acquisitions
It is part of our strategy to acquire businesses in our core market which can add value to Aggreko. In the last five years, we have acquired three small businesses – the temperature control business of Prime Energy in the USA, the assets and business of Power Plus Rentals & Sales Ltd in Canada and, since the year end, the power rental business of Cummins, India – and one large global business – GE Energy Rentals. We are well aware that buying businesses can be risky; in our business, the greatest areas of risk are:

- over-paying
- acquiring liabilities we do not know about or understand; and
- failing to integrate effectively.

Principal Risks and Uncertainties continued

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

Operational incidents

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

The Group has a proactive operational culture that puts health and safety at the top of its agenda in order to reduce the likelihood of an accident. We work very closely with our customers, employees and Health & Safety authorities, to evaluate and assess major risks to ensure that health and safety procedures are rigorously followed. The Group has developed health and safety KPIs which are reviewed by the Board on a regular basis and are discussed on page 28.

Competition

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

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

Product technology and emissions regulation

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

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

People

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

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

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

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

Investor Relations and Market Abuse
The Group's reputation and/or share price could suffer due to inappropriate or inadequate engagement with investors. For example, we might fail to communicate consistent, co-ordinated messages to investors or fail to provide adequate information on performance and events in the business. Since, inevitably, management is in possession of market-sensitive information from time to time, the business is at risk from market abuse and insider dealing.

Our approach to this is to recognise that investors have legitimate interests in the Group's business, and that shareholder value will be enhanced by timely, clear, open, honest and transparent communication with markets and investors. Accordingly, the Group's Chief Executive and Finance Director co-ordinate all communications with markets and investors, and controls are in place to make sure that all Group communication – corporate, regional and local – is consistent and co-ordinated. The Group also applies very clear rules to prevent market abuse and insider dealing.

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

Liquidity
The nature of our business model is that, in periods of growth, we consume cash; this is because we can only grow by increasing the rate of investment in fleet assets beyond the rate of depreciation. Conversely, in periods of weaker demand, we would normally hold back fleet investment, at which point the business will become highly cash-generative. Another feature of our business is that we are rich in tangible assets, which means that financial institutions are happy to lend to us on competitive terms. By financing increases in fleet through debt, we enhance the returns we make on shareholders' equity.

The availability of bank finance at competitive rates is therefore an important element in our ability to grow the Group's revenues without recourse to shareholders. Being of a generally conservative disposition, the Group has a policy of keeping a wide margin of safety between forecast financing requirements and committed debt facilities: at 31 December 2008, Aggreko had interest cover of 14x and net debt to EBITDA of 1.13x. Net debt was £364.0 million with committed bank facilities of £510.4 million. Since the year end the Group has refinanced or replaced £158.9 million of facilities due to mature in September 2009 with new facilities totalling £195.0 million. The maturity profile of the borrowings is detailed in Note 17 in the Financial Statements with the next maturity not due until 2011. The facilities now in place are currently anticipated to be ample for meeting the Group's requirements for the foreseeable future.

Key Performance Indicators

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

There are five Key Performance Indicators (KPIs) which we use as measures of the longer-term health of the business. They are:

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

Safety

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

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

The Group's performance during 2008 has shown an improvement over the previous three years and is much better than the benchmark statistic reported for US rental and leasing industries published by the US Department of Labor which was 1.1 FAR in 2007. Further discussion of Health & Safety matters can be found in this report in the Risks and Uncertainties section (page 26) and under Corporate Social Responsibility (pages 40 to 41). FAR was as follows:

Frequency Accident Rating

2008	**0.46**
2007	**0.50**
2006	**0.75**
2005	**0.98**

Returns on average capital employed

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

Returns on Average Capital Employed (%)

2008	**28.5**
2007	**26.7**
2006	**22.1**
2005	**18.6**

Earnings per share

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

Adjusted EPS (Pence)

2008	45.56
2007	30.02
2006	19.87
2005	13.72

Customer loyalty

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

These questionnaires generate enormous amounts of data about how customers view our processes and performance and, in order to distil this down into a single usable indicator, we track a ratio called the Net Promoter Score ('NPS'). In 2008, just under 30,000 questionnaires were sent out and we received over 3,500 replies: we believe that the scale of the response we get enables us to have confidence in the KPI. Broadly speaking the NPS measures the relative weight of people who think we do an excellent job against those who think we are average or worse. In aggregate, our NPS over the last three years was:

Net Promoter Score

2008	58
2007	52
2006	50

Note: The Group started tracking NPS in 2006.

Within this score, our North American business improved on last year delivering levels comparable to or better than many of the best performers across all industries in the United States. Our European scores also have improved on last year and, while respectable, show that there is still room for further improvement. Our International business scores are at a similar level to last year.

Staff turnover

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

Staff turnover (%)

2008	15.1
2007	16.2
2006	14.9
2005	15.2

The level of staff turnover in 2008 was lower than the previous year which is particularly pleasing given the rapid growth of the business this year and the consequent demands on our people.

As well as measuring staff turnover, the Group instituted a Staff Survey, conducted by a third party, in which every employee was invited to say what they thought about Aggreko. The results put Aggreko in the top quartile of employee satisfaction. Notably, 95% of respondents said that they enjoyed their work and 91% of respondents said that they were proud to work for Aggreko.

Review of Trading

Group trading performance

Despite the deteriorating macro-economic environment, Aggreko delivered another strong performance in 2008. We made good progress against our strategy and delivered excellent operating results, with impressive revenue growth as well as improved margins and returns on capital employed.

	2008 £ million	2007 £ million	Movement As reported	Movement Constant currency
Revenue	**946.6**	693.2	36.6%	26.2%
Revenue excl pass-through fuel	**861.9**	633.8	36.0%	25.6%
Trading profit[1]	**200.6**	132.9	50.9%	37.7%
Operating profit	**204.8**	135.9	50.7%	37.5%
Net interest expense	**(14.8)**	(11.7)	(26.6)%	
Profit before tax	**190.0**	124.2	52.9%	
Taxation	**(67.3)**	(43.5)	(54.7)%	
Profit after tax	**122.7**	80.7	52.0%	
Basic earnings per share (pence)	**45.77**	30.33	50.9%	

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

As reported, Group revenue at £946.6 million (2007: £693.2 million) was 36.6% higher than 2007, while Group trading profit of £200.6 million (2007: £132.9 million) was 50.9% ahead of 2007. This delivered an increase in Group trading margin from 19.2% in 2007 to 21.2% in 2008. Return on capital employed, measured as operating profit divided by average net operating assets, improved by 1.8 percentage points to 28.5% (2007: 26.7%). On an underlying basis, excluding the impact of the currency movements and the pass-through fuel, the impact of which is set out below, Group revenue grew by 25.6% (2007: 34.0%) and trading profit by 37.9% (2007: 64.9%). On the same basis trading margin was 22.9% (2007: 20.6%).

Group profit before tax increased by 52.9% to £190.0 million (2007: £124.2 million); profit after tax was £122.7 million (2007: £80.7 million), an increase of 52.0%. Earnings per share grew 50.9% to 45.77 pence (2007: 30.33 pence).

The weakening of sterling during the year, particularly against the US dollar and the euro, had a material impact on the results of the Group with reported revenue increasing by £57.1 million and trading profit by £12.8 million as a consequence of currency movements. Currency translation also gave rise to a £99.0 million increase in net assets.

The Group reports separately revenue from two large contracts where we manage fuel on a pass-through basis on behalf of our customers. The reason for the separate reporting is that the revenue is entirely dependent on fuel prices and volumes of fuel consumed, and these can be very volatile and may distort the view of the performance of the underlying business. In 2008, higher fuel prices and increased volumes drove revenue from these contracts to £84.7 million (2007: £59.4 million) and generated a trading profit of £2.9 million (2007: £2.2 million).

The Group's growth was made possible by a significant increase in the rate of investment in new fleet during the year: fleet investment increased by £84 million to £256.4 million, representing 97% of total capital expenditure of £265.2 million (2007: £180.6 million). Capital expenditure represented 229% (2007: 195%) of the depreciation charge. In addition, we acquired £5.1 million of property, plant and equipment as part of the Power Plus acquisition. Notwithstanding this substantial increase in fleet capacity, capital productivity – expressed as the ratio of revenue (excluding pass-through fuel) to gross rental assets – increased from 74% to 76%.

EBITDA (earnings before interest, taxes, depreciation and amortisation) for the year amounted to £322.6 million, up 40.1% on 2007. Net debt at 31 December 2008 was £161.4 million higher than the previous year; £77.0 million of this increase was as a consequence of currency movements, and the major part of the balance was due to increased levels of capital expenditure.

Corporate activity

In 2008 Aggreko undertook a number of corporate initiatives to strengthen the business.

In August 2008 we announced that we had acquired the assets and trading contracts of Power Plus Rentals and Sales Ltd and those of several associated companies ('Power Plus'). Power Plus is a fast-growing business which has a leading position in the provision of temporary power in the Athabasca Oil Sands in Alberta and Saskatchewan. This area is benefiting from significant investment by the oil majors and others in the development of reserves; for several years, Aggreko has been winning small amounts of business in the Oil Sands, and we have been looking to find ways to accelerate our growth. We believe that the acquisition of Power Plus is the best way of achieving our objective.

In the financial year ending in July 2008, Power Plus had unaudited revenue of CN$10.6 million (£5.4 million) and EBIT of CN$5.1 million (£2.6 million). The value of fleet and other assets that we acquired, after fair value adjustments, was CN$20.5 million (£10.5 million). The purchase consideration, paid in cash, comprises a fixed element of CN$31.0 million (£15.9 million) and further payments of up to a maximum of CN$7.7 million (£4.0 million) dependent on financial performance over the next three years. This acquisition will deliver a number of benefits to Aggreko:

- It gives Aggreko a leading position in an important part of the Oil & Gas market.
- It extends our expertise in designing equipment for, and operating in, extremely cold environments.
- The acquisition reinforces our ability to serve Oil & Gas customers on a global basis.
- It strengthens Aggreko's position in Canada, where we already have service centres in Sarnia, Toronto and Edmonton. In May 2008, Aggreko was made Official Supplier of Power and Temperature Control for the 2010 Winter Olympic Games in Vancouver.

In the first six months following the acquisition, the new business has performed well and is ahead of plan.

In November 2008 we announced, and on 1 January 2009 we completed, the acquisition of the power rental business of Cummins India Ltd for a total cash consideration of INR300 million (£4.2 million). The business acquired had revenue in 2008 of INR202 million (£2.9 million) and net assets at 31 December 2008 of INR96 million (£1.4 million). This investment means that we will have achieved our strategic objective of having operations in each of the four largest developing countries in the world (the others being Brazil, Russia and China). While the business we have acquired is small, it gives us a valuable platform which we can use to grow our operations in India – a market in which there is a chronic shortage of reliable power.

Also in November 2008, we announced the sale, subject to regulatory approval, of our European oil-free air businesses to Atlas Copco for a total consideration, payable in cash on completion, of €14.6 million (£11.6 million). In 2008 the European oil-free air business earned revenue of €8.3 million and had net assets of €5.0 million. Oil-free air (OFA) is the smallest of our product groups, and, while we have a large and successful OFA rental business in North America in which we will continue to invest, we do not believe that our European OFA businesses has the scale to warrant further investment. The sale of the Continental European OFA business was completed in December 2008, and as a result a gain of €2.6 million was recognised in the Group income statement. The sale of our Northern European oil-free air business was completed in March 2009, and a gain of €6.6 million will be recognised in the Group income statement in 2009.

Review of Trading continued

Regional trading performance as reported in £ million

Management Group	Geography/Line of business	Revenue 2008 £ million	Revenue 2007 £ million	Change %	Trading Profit 2008 £ million	Trading Profit 2007 £ million	Change %
Local business							
North America	USA and Canada	**207.5**	168.3	23.2%	**44.9**	35.6	25.9%
Europe	Northern Europe	**82.0**	80.8	1.5%	**11.9**	9.8	21.2%
Europe	Continental Europe	**104.7**	87.1	20.3%	**13.7**	11.5	18.9%
International: Local businesses	Middle East, Asia-Pacific, South America	**186.2**	116.4	60.0%	**50.4**	24.5	106.3%
Sub-total Local business		**580.4**	**452.6**	**28.2%**	**120.9**	**81.4**	**48.5%**
International Power Projects							
International	International Power Projects excl. pass-through fuel	**281.5**	181.2	55.4%	**76.8**	49.3	55.7%
International	Pass-through fuel	**84.7**	59.4		**2.9**	2.2	
Sub-total International Power Projects		**366.2**	**240.6**	**52.2%**	**79.7**	**51.5**	**54.8%**
Group		**946.6**	**693.2**	**36.6%**	**200.6**	**132.9**	**50.9%**
Group							
	North America	**207.5**	168.3	23.2%	**44.9**	35.6	25.9%
	Europe	**186.7**	167.9	11.2%	**25.6**	21.3	19.9%
	International	**552.4**	357.0	54.8%	**130.1**	76.0	71.3%
Group		**946.6**	**693.2**	**36.6%**	**200.6**	**132.9**	**50.9%**
Group excluding pass-through fuel		**861.9**	**633.8**	**36.0%**	**197.7**	**130.7**	**51.2%**

The performance of each of these regions is described below:

Local business: North America

	2008 $million	2007 $million	Change %
Revenue	**386.2**	337.1	14.6%
Trading profit	**83.6**	71.4	17.1%

In spite of the poor macro-economic environment, our North America business produced a robust performance in 2008. Revenue increased by 14.6% to $386.2 million and trading profit increased by 17.1% to $83.6 million. Trading margin was slightly up on last year at 21.6% (2007: 21.2%).

This performance arose in part because we had a very good year for storm revenue. Aggreko North America has made a large investment in fleet and infrastructure to be able to support customers in the wake of major storms, and in years of significant storm activity, such as 2008, this investment can yield material amounts of revenue. On average, storm-related revenue in North America runs at around $10 million per year; in 2006 and 2007 storm revenue were far below the average, but, in 2008, they were around $26 million. We also had a very strong year in our Cooling Tower business as a result of breakdowns on customer sites. Encouragingly, even without these factors, the underlying business grew over the year, which was a good achievement in the circumstances.

In terms of business mix, rental revenue grew 11.9% and services revenue grew 21.1%, helped by higher fuel and freight charges. Power rental revenue for 2008 was 8.6% ahead of the prior year while temperature control revenue for the year was 21.3% ahead of last year reflecting the strength of our Cooling Tower business and the continued growth of our process services business which provides more complex temperature control solutions. Oil-free air rental revenue was 1.3% down on the prior year.

Revenue in most of the areas increased on prior year with strong growth in South Texas, although markets were weaker in the West and Southeast areas. In the first few months following the acquisition of Power Plus in Canada, the new business has performed ahead of plan, which contributed to a strong performance from our Canadian area.

Given the economic backdrop we believe that 2009 could be a tough year for our North American business and the comparatives in the second half will be particularly difficult, given the strong storm revenues in 2008. However, the business has got off to a good start, and in the first two months of the year has been trading well ahead of the prior year. In part, this is due to work caused by storms in 2008 carrying through into 2009, but we have also enjoyed strong revenue from our events business, with the Presidential Inauguration in January and the Super Bowl in February.

Local business: Europe

	2008 £million	2007 £million	Change %
Revenue	**186.7**	167.9	11.2%
Trading profit	**25.6**	21.3	19.9%

Northern Europe

	2008 £million	2007 £million	Change %
Revenue	**82.0**	80.8	1.5%
Trading profit	**11.9**	9.8	21.2%

Continental Europe

	2008 €million	2007 €million	Change %
Revenue	**132.1**	127.3	3.7%
Trading profit	**17.3**	16.8	2.5%

The European business had a solid year in a challenging economic environment, with revenue increasing by 11.2% to £186.7 million and trading profit increasing by 19.9% to £25.6 million. Trading margin increased slightly to 13.7% (2007: 12.7%). The weakening of the Pound against the Euro during the year had a material impact on total Europe results and stripping out this currency impact revenue increased 2.2% and trading profit increased 6.8%; we also took £1.3 million of redundancy provision in the year, without which underlying growth in trading profit, in constant currency, was 12%.

Revenue in Northern Europe (which comprises our businesses in the UK, Ireland and the Nordic countries) of £82.0 million was 1.5% ahead of the prior year with a strong performance from Scotland and Norway partially offset by decreases in Ireland, UK South East and UK Central. Sector performance was mixed with good growth in Oil & Gas and Utilities offset by a decline in contracting and manufacturing.

Rental revenue decreased by 4.7%, with power decreasing by 7.2%, but temperature control increasing by 1.8%. Revenue from oil-free air increased by 12.9%. Services revenue, which mainly comprises fuel and transport, grew by 10.7%. Tight cost control, and improving the terms of some existing contracts, helped the trading margin increase to 14.5% (2007: 12.1%).

Revenue in Continental Europe was 3.7% ahead of 2007 at €132.1 million with trading profit of €17.3 million being 2.5% ahead of last year. Trading margin was in line with last year at 13.1%. Rental revenue decreased by 0.3%, while services revenue grew by 11.4%. Within rental revenue, power decreased by 3.5%, oil-free air decreased by 21.6%, but temperature control increased by 8.3%. Benelux, Germany and Italy all traded well in the year; however revenue in Spain and France decreased year on year. Sector performance was mixed with increases in the Events and Contracting sectors offset by a decrease in Utilities.

During the year we successfully provided temporary power to the eight sites for the UEFA 2008 European Football Championship in Austria and Switzerland. In total this project involved a team of 80 people installing and maintaining 40 generators, 14MW of temperature control equipment and 150km of electrical cable.

In November we announced that, as from 1st January, the operations of our Local business in the Middle East would be integrated with those of the European region, to create a new region to be called Europe and the Middle East.

Review of Trading continued

In 2009 the region is likely to be adversely affected by the deteriorating macro-economic environment, and it will also lose about £1.8 million of contribution from the Oil-Free Air business, the disposal of which was announced in December 2008. In the first two months of 2009, the region is trading at similar levels to last year, helped by storms in France and Spain in late January, for which we mobilised over 800 generators. In the Middle East, trading is currently ahead of last year; demand in some areas, notably Dubai, is sharply down, but others are still showing good growth.

Local business: Aggreko International

	2008 $million	2007 $million	Change %
Revenue	**346.6**	233.1	48.7%
Trading profit	**93.9**	49.0	91.8%

Aggreko International's Local businesses produced another excellent performance in 2008. In aggregate, year on year revenue grew by 48.7% to $346.6 million and trading profit grew 91.8% to $93.9 million; trading margin was 27.1% as against 21.0% in 2007. The performance was helped by the contract for the provision of temporary power for the Beijing Olympics; total revenue from the Beijing Olympics in the year was $41 million. This was one of the largest and most complex temporary power contracts ever undertaken, and our team executed it flawlessly with over 140MW of power and 480 kilometres of cable installed in 37 venues, supporting broadcasting to over 4 billion viewers world-wide.

Excluding the Beijing Olympics, rental revenue in Aggreko International's Local business increased by 29.9% and services revenue grew by 35.4%. Within rental revenue, power increased by 35.1% and temperature control by 3.0%.

Aggreko International's Local businesses operate in the Middle East, Singapore, China, Australia, New Zealand and Central & South America; as from the end of 2008, the Middle East Local business has been merged with our European business, to create a new region called Europe and the Middle East. In 2008, all of our depots in the Middle East business grew their revenue, with particularly strong performances in Qatar, Abu Dhabi, Oman and Bahrain. During the second half of 2008, demand weakened in Dubai but this was more than offset by increased demand in other areas. In Australia, our power business performed well, driving increased revenue while effective cost control led to margins improving sharply; demand from utilities was strong, although our temperature control business was weaker than we would have liked. Our Local businesses in Brazil, Chile and Mexico continued to show robust growth with revenue increasing 76%. Our business in Singapore had an excellent year, with strong growth in revenue and profit, and, from small beginnings, we are now making some progress in China.

These businesses represent an important part of our long-term strategy, and we will continue to invest in them to build our distribution and brand. Importantly, they provide an infrastructure for, and share expertise and fleet with, our International Power Projects business. Oil, gas, shipping and mining together form a large proportion of Aggreko International's Local business and we expect to see some reduction in demand in these sectors in 2009.

International Power Projects: Aggreko International

	2008 $million	2007 $million	Change %
Revenue (excluding pass-through fuel)	**524.1**	362.8	44.4%
Trading profit (excluding pass-through fuel)	**143.5**	99.1	44.8%

Our International Power Projects business delivered another excellent performance, with revenue and profits (excluding pass-through fuel) increasing by 44.4% and 44.8% respectively. Trading margin was in line with last year at 27.4%.

As expected, utilisation was slightly down on prior year but still ran at very high levels. During the year the business operated in 55 countries, and signed contracts for 45 new projects including 60MW in Chile, 50MW in Kenya, 50MW in Uganda and 40MW in Bangladesh. All areas increased revenue over the prior year with significant growth in the Middle East, Africa and South America. Our military business had a very strong year, with revenue up 30%; our business in the Caribbean also showed strong growth. Over 65% of International Power Projects' revenue in 2008 came from utilities; military projects represented about 18% of revenue, and oil & gas and mining together contributed about 12%.

Revenue from gas-powered generation grew significantly in the year and increased by 82%. During the year we signed contracts with new customers in Asia, Africa and the Middle East and we now have a fleet of over 200MW. This is good progress for a product that we only introduced into the fleet three years ago, and we believe that it will become an increasingly important part of our product portfolio.

Our International Power Projects business started 2009 with 19,000 megawatt-months of committed capacity, equivalent to about 12 months revenue at the current run-rate. At the year end, the International Power Projects fleet, at over 2,600MW, was 36% larger than the previous year-end and the business had 40% more megawatts on rent than at the start of 2008. Encouragingly, the level of enquiries remains strong; in the period November 2008 – January 2009 we quoted for Power Projects in 40 countries for an aggregate generating capacity significantly higher than in the comparable period in the prior year. We expect, however, that the rate of growth in this business will start to attenuate, if only because of our reduced rate of fleet investment. As always, we are carefully managing the key risks in this business; the current economic circumstances will heighten these risks, and in particularly those related to payment and customer behaviour.

Detailed Financial Review

Critical accounting policies
The Group's significant accounting policies are set out in Note 1 to the Financial Statements.

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

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

Property, plant and equipment
Rental fleet accounts for around 93% (£699 million) of the net book value of property, plant and equipment used in our business; equipment in the rental fleet is typically depreciated over a period between 8 and 10 years. The annual depreciation charge relates to the estimated service lives allocated to each class of asset. Asset lives are reviewed regularly and changed if necessary to reflect current thinking on their remaining lives in light of technological change, prospective economic utilisation and the physical condition of the assets.

Intangible assets
In accordance with IFRS 3 'Business Combinations', goodwill arising on acquisition of assets and subsidiaries is capitalised and included in intangible assets. IFRS 3 also requires the identification of other acquired intangible assets. The techniques used to value these intangible assets are in line with internationally used models but do require the use of estimates and forecasts which may differ from actual outcomes. Future results are impacted by the amortisation period adopted for these items and, potentially, by any differences between forecast and actual outcomes related to individual intangible assets. The amortisation charge for intangible assets in 2008 was £1.9 million (2007: £1.6 million). Included in this charge was £1.6 million related to the amortisation of intangible assets arising from the GE-ER and Power Plus acquisitions (2007: £1.3 million).

Goodwill of £53.0 million (2007: £38.0 million) is not amortised, but is tested annually for impairment and carried at cost less accumulated impairment losses. The impairment review calculations require the use of forecasts related to the future profitability and cash generating ability of the acquired assets.

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

Under IAS 19: 'Employee Benefits', Aggreko has recognised a pre tax pension deficit of £8.0 million at 31 December 2008 (2007: £8.1 million) with the lower than expected returns on Scheme assets offset by additional contributions made by the Company during the year of £4.0 million in line with the Recovery Plan for the Scheme agreed after the actuarial valuation at 31 December 2005.

The main assumptions used in the IAS 19 valuation for the previous two years are shown in Note 27 of the Accounts. The sensitivities regarding the discount rate and longevity assumptions are shown in the table below.

Assumptions

	Change in assumption	Indicative effect on the scheme's liabilities
Discount rate	Increase/decrease by 0.5pp	Decrease by 13.6%/increase by 16.5%
Longevity	Increase by 1 year	Increase by 2.3%

Taxation
Aggreko's tax charge is based on the profit for the year and tax rates in force at the balance sheet date. Estimation of the tax charge requires an assessment to be made of the potential tax treatment of certain items which will only be resolved once finally agreed with the relevant tax authorities.

Trade receivables
Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated

irrecoverable amounts. An allowance is recorded for the difference between the carrying amount and the recoverable amount where there is objective evidence that the Group will not be able to collect all amounts due. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default, or large and old outstanding balances are considered indicators that the trade receivable is impaired. When a trade receivable is uncollectible it is written off against the allowance account for trade receivables.

Currency translation

The volatility of exchange rates during the year had a material impact on the results of the Group with revenue and trading profit increasing by £57.1 million and £12.8 million respectively. Currency translation also gave rise to a £99.0 million increase in net assets as a result of year on year movements in the exchange rates. Set out in the table below are the principal exchange rates affecting the Group's overseas profits and net assets.

Per £ sterling

	2008 Average	2008 Year End	2007 Average	2007 Year End
Principal Exchange Rates				
United States dollar	**1.86**	**1.48**	2.00	1.99
Euro	**1.26**	**1.05**	1.46	1.36
Other Operational Exchange Rates				
UAE Dirhams	**6.84**	**5.42**	7.35	7.33
Australian dollar	**2.19**	**2.16**	2.39	2.27

Source: Reuters

Interest

The net interest charge for the year was £14.8 million, an increase of £3.1 million on 2007, reflecting the higher level of average net debt during the year. Interest cover, measured on an EBIT basis, remains strong and increased to 13.9 times from 11.7 times in 2007.

Effective tax rate

The effective tax rate for the full year is 35.4% and is in line with the prior year.

Dividends

If the proposed final dividend of 6.28 pence is agreed by shareholders, it will result in a full year dividend of 10.08 pence per ordinary share, giving dividend cover of 4.54 times (2007: 3.76 times).

Cashflow

The net cash inflow from operations during the year totalled £276.1 million (2007: £230.2 million). This funded capital expenditure of £265.2 million, which was £84.6 million higher than in 2007. Net debt at 31 December 2008 was £161.4 million higher than the previous year; £77.0 million of this increase was as a consequence of currency movements, and the major part of the balance was due to increased levels of capital investment. As a result of the increase in net debt, gearing (net debt as a percentage of equity) at 31 December 2008 increased to 78% from 69% at 31 December 2007 while net debt to EBITDA increased to 1.13x (2007: 0.88x).

A working capital outflow of £48.3 million in the year was largely driven by the rapid growth of the business. In terms of the elements of working capital, inventory balances grew slightly ahead of quarter four revenue, on a constant currency basis, reflecting the growth in projects sites of our International Power Projects business, along with increased inventory at our Manufacturing facility in Dumbarton in preparation for our planned 2009 build activity. Accounts receivable balances also grew slightly ahead of revenue; at the year end, Group debtor days were 63, as opposed to 60 for the prior year. Accounts payables also grew ahead of revenue reflecting activity levels at our Manufacturing facility.

Net operating assets

The net operating assets of the Group (including goodwill) at 31 December 2008 totalled £951.8 million, up £397.8 million on 2007. The main components of net operating assets are:

£ million

	2008 £ million	2007 £ million	Movement Headline	Movement Constant currency
Rental fleet	**698.5**	401.8	73.8%	34.7%
Property, plant	**53.5**	42.8	25.0%	8.0%
Inventory	**98.6**	60.0	64.3%	32.2%
Net trade debtors	**189.4**	114.7	65.1%	30.1%

A key measure of Aggreko's performance is the return (expressed as operating profit) generated from average net operating assets (ROCE). We calculate the average net operating assets for a period by taking the average of the net operating assets as at 1 January, 30 June and 31 December; this is the basis on which we report our calculations of ROCE. The average net operating assets in 2008 were £719.4 million, up 41.4% on 2007. In 2008 the ROCE increased to 28.5% compared with 26.7% in 2007. A geographic analysis of our returns on net operating assets is set out in the table below:

	2008	2007
Europe	**18.9%**	16.2%
International	**33.0%**	33.8%
North America	**26.2%**	25.4%
Group	**28.5%**	26.7%

Acquisition of Power Plus Rentals

On 19 August 2008 the Group acquired substantially all the assets and business of Power Plus. The purchase consideration, paid in cash, comprises a fixed element of CN$31.0 million (£15.9 million) and further payments of up to a maximum of CN$7.7 million (£4.0 million) dependent on financial performance over the next three years. The fair value of net assets acquired was £10.5 million resulting in goodwill of £5.4 million.

Shareholders' equity

Shareholders' equity increased by £171.5 million to £464.8 million, represented by the net assets of the Group of £828.8 million before net debt of £364.0 million. The movements in shareholders' equity are analysed in the table below:

Movements in shareholders' equity

	£ million	£ million
As at 1 January 2008		293.3
Profit for the financial year	122.7	
Dividend[1]	(23.7)	
Retained earnings		99.0
New share capital subscribed		1.6
Purchase of own shares held under trust		(13.2)
Credit in respect of employee share awards		7.8
Actuarial losses on retirement benefits		(4.0)
Currency translation difference		99.0
Movement in hedging reserve		(21.7)
Other[2]		3.0
As at 31 December 2008		**464.8**

[1] Reflects the final dividend for 2007 of 5.02 pence per share (2007: 4.19 pence) and the interim dividend for 2008 of 3.80 pence per share (2007: 3.04 pence) that were paid during the year.

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

The £122.7 million of post-tax profit in the year represents a return of 26.4% on shareholders' equity (2007: 27.5%).

Treasury

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

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

Capital management

The Group's objective with respect to managing capital is to maintain a balance sheet structure that is efficient in terms of providing long term returns to shareholders and one that safeguards the Group's financial position through economic cycles. If appropriate, the Group can choose to adjust its capital structure by varying the amount of dividends paid to shareholders, by returning capital to shareholders, by issuing new shares, or by adjusting the level of capital expenditure.

Liquidity and funding

The Group maintains sufficient facilities to meet its normal funding requirements over the medium term. These facilities are primarily in the form of committed bank facilities totalling £510.4 million at 31 December 2008, arranged on a bilateral basis with a number of international banks. The financial covenants attached to these facilities are that operating profit should be no less than 3 times interest and net debt should be no more than 3 times EBITDA. The Group does not consider that these covenants are restrictive to its operations. Since the year end the Group has refinanced or replaced £158.9 million of facilities due to mature in September 2009 with new facilities totalling £195.0 million. The maturity profile of the borrowings is detailed in Note 17 in the Financial

Statements with the next maturity not due until 2011. The facilities now in place are currently anticipated to be ample for meeting the Group's requirements for the foreseeable future.

Net debt amounted to £364.0 million at 31 December 2008 and at that date un-drawn committed facilities were £141.1 million.

Interest rate risk
The Group's policy is to minimise the exposure to interest rates by ensuring an appropriate balance of fixed and floating rates. The Group's primary funding is at floating rates through its bank facilities. In order to manage the associated interest rate risk, the Group uses interest rate swaps to vary the mix of fixed and floating rates. At 31 December 2008, £227.5 million of the net debt of £364.0 million was at fixed rates of interest resulting in a fixed to floating rate net debt ratio of 63:37.

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

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

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

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

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

Shareholder information
Our website can be accessed at www.aggreko.com. This contains a large amount of information about our business, including a range of charts and data, which can be downloaded for easy analysis. The website also carries copies of recent investor presentations, as well as Stock Exchange announcements.

Corporate Social Responsibility

Introduction

This report describes the policies and procedures that the Board has put in place to ensure that Aggreko operates in a safe, ethical and responsible manner, which protects the environment as well as safeguarding the health and safety of its employees, its customers, and the communities in which it operates. The process for identifying, evaluating and managing the risks that are considered significant is summarised under the heading of Internal Control on page 50.

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

Health and Safety

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

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

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

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

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

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

Meetings of the senior management of each region are held regularly; at each of these an Executive Director will normally chair the meeting, and incidents reported under GEMS are discussed. On a quarterly basis, the Executive Director responsible for Health and Safety, George Walker, reports to the Board.

We measure our safety performance using a metric called 'Frequency Accident Rating' (FAR), which is a measurement of lost-time accidents in relation to the number of hours worked. The usefulness of this measure is that we can benchmark our performance against other businesses. It is calculated as the number of lost-time accidents multiplied by 200,000 hours (being the base for 100 full time employees working 40 hours per week, 50 weeks per year), divided by the number of man-hours worked. The benchmark is the 2007 level reported for the US rental and leasing industries by the US Department of Labor of 1.1. Aggreko's FAR performance is much better than the benchmark and has also seen considerable improvement over the last three years with 0.46 in 2008, 0.50 in 2007 and 0.75 in 2006. A FAR score of 0.36 has been set by the Group as a target for 2009. This measure is also included under Key Performance Indicators on page 28.

Employees and Equal Opportunities

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

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

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

The Environment

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

CO_2 Carbon Dioxide.

EPA Environmental Protection Agency

SCR Selective Catalytic Reduction

g/kWhr Emissions in grams per kilowatt hour.

kVA A thousand volt amperes.

LWA Sound power level at source.

MW A million watts.

NOx Oxides of Nitrogen.

Particulate In general this term relates to visible smoke.

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

Environmental Policy

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

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

Corporate Social Responsibility continued

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

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

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

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

In an increasing number of countries, air quality regulations stipulate emission standards with which new equipment being sold must comply. Generally countries allow equipment already operating to continue to do so for its useful life. This is called 'grandfathering'. The US EPA has introduced the earliest and most stringent regulation in this area, introducing reduction targets for emissions of NOx and particulate by Tier, starting with Tier 1 in 2000, moving to Tier 4 final around 2014. The EPA requirements have therefore been the main driver of new generator development. The following graph illustrates the reduction targets for emissions under the EPA regime.

Subject to manufacturers' ability to introduce the necessary technology into volume production, we expect that by 2010 the majority of engines we build will be certified to at least Tier 2 and we will have Tier 3 engines available in certain sizes for the US market.

Tier 4 Emissions

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

Aggreko Natural Gas Generator Development

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

	Tier 1 Engine	Gas engine	Reduction
NOx	6.9 g/(bhp-hr)	1.0 g/(bhp-hr)	87%
Particulates	0.4 g/(bhp-hr)	0.1 g/(bhp-hr)	75%

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

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

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

Alternative Energy Sources

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

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

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

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

Corporate Social Responsibility continued

Emissions-to-air: carbon dioxide
All of Aggreko's core activities release CO_2 into the atmosphere to a greater or lesser extent. The most significant impact arises from power generation in Aggreko International owing to the intensiveness of our activities in providing temporary power stations. Any generation of electricity using hydrocarbon fuels inevitably causes the release of CO_2 and the performance of Aggreko's equipment is comparable to other equivalent power sources. Aggreko is actively researching the availability of alternative mobile power sources that will reduce the level of CO_2 emissions; until an economically viable alternative becomes available, the level of emissions will mirror the level of our business activity. The actual amount of CO_2 released by our engines is driven by the usage our customers make of our equipment on rent; an engine running 24 hours/day will emit much more CO_2 than an engine used for a few hours a day. These patterns of usage can vary widely from country to country and from year to year. We estimate that customers using Aggreko engines produced an average CO_2 emission rate of 0.65 tonnes of CO_2 per megawatt hour.

Petroleum Spills and the Safe Disposal of Waste Fluids
Aggreko and its customers handle a considerable quantity of diesel fuel and the occurrence of fuel spills is an area that the Group monitors very closely. The measure used by management to measure the performance of the Group in handling fuel is the 'Petroleum Release Rating' (PRR). This is calculated as litres released to ground, divided by the cumulative average MW on rent. The PRR performance over the past three years has been: 2008 – a rating of 0.75, 2007 – a rating of 0.13 and 2006 – a rating of 0.60. Our equipment has been specifically designed to minimise the risk of fluid spillage through features such as a 'save-all base', double-walled storage tanks and fail-safe valves. A PRR score of 0.09 has been set by the Group as a target for 2009.

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

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

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

Size of Generator	Certified Noise Level (Sound Power LWA)		
Prime Power	Maximum EU Limit	Aggreko Standard Product	Aggreko Premium Product
30kVA	96.47	92.0	78.0
60kVA	96.77	93.0	80.0
125kVA	97.10	94.0	83.0
200kVA	97.30	94.0	91.0
350kVA	97.55	92.0	90.0

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

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

Social Responsibility

Policy

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

One such initiative is Book Aid International, a charity promoting literacy in developing countries, with which we signed a funding agreement in 2006. We have undertaken to provide them with £40,000 each year, to enable them to provide books and other educational material to schools and libraries in Africa.

The wide variety and diversity of the books supplied is of enormous value to Book Aid International partners, who can reach out to many communities and meet the information needs of key target groups, including the poorest people. Whenever possible, partners undertake activities to promote books and reading within their networks. These can include major initiatives, such as the East Africa reading tents project, or smaller bespoke activities for the visually impaired, or reading awareness days. All activities are aimed at ensuring the target groups are aware and able to access the books made available, and that a culture of reading begins to develop.

Building on our donations in 2006 and 2007, in 2008 Aggreko contributions to Book Aid International funded the purchase of just over 26,000 books. These were distributed in Cameroon, Kenya, Namibia, Tanzania and Uganda, which all rank in the bottom third of the world's poorest countries and where adult literacy rates are generally in the range of 66-69%. In most classrooms it is common for books to be shared between 10 pupils and frequently more. Beyond the classroom, access to books is often limited to an elite few, and when available – the average cost of a book is often up to one month's wage, putting them far beyond the reach of most people.

Donations

During the financial year the Group contributed £163,148 (2007: £118,924) in terms of cash, employees' time and other services to a range of charitable, community and disaster relief organisations. Of this total £76,014 (2007: £58,981) was donated to registered UK charities.

No political donations were made during the financial year (2007: nil).

Business Ethics

Ethics Policy

Aggreko has a reputation for delivering innovation, performance and solutions. Also at the heart of our long-term success is something less tangible and less easily illustrated with figures or case studies. This key element is integrity and honesty in our business dealings, a factor that contributes to our long-term relationships with customers. All Aggreko employees, as well as consultants and agents who we work with, are expected to behave ethically in their work, and our expectations of them are set out in a Corporate Ethics Policy. The objective of the Policy is to make Aggreko a good company to work for; to maintain our reputation for exceptional customer service and ethical business dealings; to compete ethically; and to ensure the business is managed to a consistently high standard. Further discussion of our policies for handling ethical risks is set out under Principal Risks and Uncertainties on page 25.

Employees who suspect any breaches of the Corporate Ethics Policy are encouraged to speak up, and their confidentiality and position is protected if they do so.

See our Corporate Responsibility Website

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

Board of Directors

Philip Rogerson †
(64) Chairman
Philip Rogerson is Chairman of Carillion plc and Northgate plc and a Non-executive Director of Davis Service Group plc. Until February 1998 he was Deputy Chairman of BG plc (formerly British Gas plc) having been a Director since 1992. He joined the Board of Aggreko plc in September 1997 and was appointed as Chairman in April 2002.

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

Derek Shepherd
(66) Executive Director
Derek Shepherd, a Chartered Engineer, joined Aggreko in 1988 as Managing Director of the UK business. He was appointed Director of Aggreko Europe in 1991 and became Managing Director in the following year. He joined the Board of Aggreko plc in September 1997. In March 1999 he was given responsibility for Aggreko International Power Projects together with the Group's activities in the Middle East, Australia, Asia, Africa and South America, a post he held until 31 December 2008. On 15 January 2008 he joined the Board of Ashtead Technology Rentals Ltd as a Non-executive Director.

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

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

Bill Caplan
(50) Regional Director – Europe and the Middle East
Bill Caplan joined the Board on 17 November 2008. He previously had a successful career working in Europe, Asia, the Middle East, Africa and the USA with United Parcel Service (UPS) and UPS Supply Chain Solutions. He was born and educated in the USA, gaining an MBA from Harvard Business School after selling his family owned beverage distribution business in 1987. For most of the last 20 years he has lived and worked in Europe and Asia serving as Managing Director for a number of UPS' International Business Units. Bill currently serves as a Board Trustee and Non Executive Director for Phoenix Futures, a UK based charity.

Kash Pandya
(46) Regional Director – Aggreko International
Kash Pandya joined the Board on 20 June 2005 as Regional Director – Europe. He was previously Chief Executive of Johnston Group plc, and prior to that he was President, Europe, Asia & South America of APW, the world's largest manufacturer of specialist cabinets and enclosures for the telecoms and computer industries. Between 1996 and 1999, Kash worked for Caradon plc, latterly as Director of European Operations of the Radiator Division. He has led a successful turnaround of the European business and has now moved to Dubai; on 1 January 2009 he was appointed Regional Director, Aggreko International.

Nigel Northridge * § †
(53) Senior Independent Non-executive Director
Nigel Northridge was formerly Chief Executive of Gallaher Group Plc, a position he held for seven years, having started his career with that business in 1976 as a trainee manager. He is now the Non-Executive Chairman of Paddy Power plc and a Non-Executive Director of Thomas Cook Group Plc. In addition, Nigel is a Non-Executive Director of the European Golf Tour and London Irish Rugby Football Club. He joined the Board of Aggreko plc on 14 February 2002.

Andrew Salvesen †
(61) Non-executive Director
Andrew Salvesen was appointed to the Board of Aggreko plc in September 1997. Previous to that, he had more than 20 years' experience with the Christian Salvesen group, including being the Managing Director of Christian Salvesen's former Oilfield Technology operations and was a Non-executive Director of Christian Salvesen PLC between 1989 and September 1997. He is Chairman of Eurohostel Limited and a Director of the National Trust for Scotland.

Philip Rogerson | Rupert Soames | Derek Shepherd | Angus Cockburn | George Walker

Bill Caplan | Kash Pandya | Nigel Northridge | Andrew Salvesen | David Hamill

Robert MacLeod | Russell King | Peter Kennerley

David Hamill * § †
(50) Non-executive Director
David Hamill, who was appointed to the Board in May 2007, was until December 2007 Chairman and Chief Executive of ICI Paints and a main board director of ICI. In January 2008 ICI was acquired by Akzo Nobel and for the calender year of 2008, Mr Hamill led the integration process, forming the world's largest decorative paints business. Mr Hamill joined ICI in 2003 from Royal Philips Electronics where he was a member of the Group Management Committee. A graduate in production engineering and management from Strathclyde University, he worked for Honeywell and General Instruments before joining Philips Semiconductors in 1986. In May 2001 he became President and Chief Executive Officer of Philips Lighting.

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

Russell King * § †
(51) Non-executive Director
Russell King joined the Board on 2 February 2009. He is Chief Strategy Officer of Anglo American PLC, having joined Anglo American as Group Head of Human Resources, Business Development and Sustainable Development in 2001. Previously, he spent over 20 years at ICI, with experience in its fertiliser, petrochemical and paint businesses.

Company Secretary
Peter Kennerley (52)
Peter Kennerley was appointed Director of Legal Affairs and Company Secretary in October 2008. He was formerly Company Secretary and General Counsel of Scottish & Newcastle plc and before that a partner at Simmons & Simmons specialising in corporate law. He also spent two years as Secretary to the Takeover Panel.

Board Committees Membership
* Audit, § Remuneration, † Nomination

Corporate Governance

Introduction
The Board remains committed to high standards of corporate governance and supports The Combined Code on Corporate Governance published by the Financial Reporting Council in June 2006 (the 'Code').

Board Meetings and Responsibilities
Corporate governance is the responsibility of all Directors. The Board generally meets at least six times a year. 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.

There is a distinct and defined division of responsibilities between the Non-executive Chairman and the Group Chief Executive. The Chairman is primarily responsible for the effective working of the Board and the Group Chief Executive is responsible for the operational management of the business and for the implementation of the strategy agreed by the Board. The Chairman holds meetings with the Non-executive Directors without the Executive Directors present. Led by the Senior Independent Director, the Non-executive Directors meet without the Chairman present on such other occasions as are deemed appropriate.

The attendance of Directors at meetings in 2008 is set out in the table below:

	Notes	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
Number of Meetings in 2008		7	3	6	5
W F Caplan	1	1(1)	–	–	–
A G Cockburn		7	–	–	–
D C M Hamill		7	3	6	5
R J MacLeod		7	3	6	5
R V McGlone	2	5(5)	2(2)	3(4)	1(3)
N H Northridge		7	3	6	5
K Pandya		7	–	–	–
P G Rogerson		7	–	–	5
A C Salvesen		7	–	–	5
F A B Shepherd		7	–	–	–
R C Soames		7	–	–	5
G P Walker		7	–	–	–

Note 1: Joined the Board on 17 November 2008 – maximum possible number of meetings to be attended shown in brackets.

Note 2: Resigned on 1 September 2008 – maximum possible number of meetings to be attended shown in brackets.

All new Directors receive a full, formal and tailored induction on joining the Board. During the year the Board visits operational locations; Directors are briefed on a wide range of topics and are given the opportunity to discuss aspects of the business with employees. Directors have access to independent professional advice at the Company's expense where they judge this to be necessary to discharge their responsibilities as Directors. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with.

Directors
The Board currently comprises a Chairman, Group Chief Executive, five other Executive Directors and five Non-executive Directors; their details are set out on pages 46 and 47. The Non-executive Directors bring a wide range of experience to the Company and Nigel Northridge, David Hamill, Robert MacLeod and Russell King are considered by the Board to be independent as defined in the Code. Andrew Salvesen, who has served as a Director of the Company for more than nine years, is not considered to be independent by the Board for the purposes of the Code. The Board has satisfied itself that none of the Non-executive Directors represents any other Shareholder or group of Shareholders.

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

The Code states that at least half of the Board, excluding the Chairman, should be comprised of independent Non-executive Directors. However, the Directors believe that it is in the interests of good governance to have all three of the Regional Directors on the Board as well as the Chief Executive and Finance Director. To achieve the balance recommended by the Code would require the appointment of additional Non-executive Directors, which, in the view of the Directors, would make the Board unwieldy and less effective.

Election of Directors

Any Director appointed by the Board is subject to election by Shareholders at the first opportunity after his appointment. Each Director must retire from office at the third Annual General Meeting at which he was last elected. Non-executive Directors who have served longer than nine years (e.g. three three-year terms) are subject to annual re-election.

Bill Caplan and Russell King were appointed to the Board on 17 November 2008 and 2 February 2009 respectively, and are obliged to seek election at the forthcoming Annual General Meeting.

Angus Cockburn and Kash Pandya retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Derek Shepherd and Andrew Salvesen have each announced their intention to retire at the conclusion of the Annual General Meeting.

All of the Directors have service agreements or letters of appointment and the details of their terms are set out in the Remuneration Report on page 57. No other contract with the Company, or any subsidiary undertaking of the Company, in which any Director was materially interested subsisted during or at the end of the financial year.

Board Committees

The Board has standing Audit, Nomination and Remuneration Committees, the memberships, roles and activities of which are detailed in separate reports: Audit Committee on pages 51 and 52, Nomination Committee on page 53 and Remuneration Committee on pages 54 to 63. Each Committee reports to, and has its terms of reference approved by, the Board and the minutes of the Committee meetings are circulated to, and reviewed by, the Board. The terms of reference of the Committees are available on our website at http://ir.aggreko.com/agk_ir/cg/.

Board Performance Evaluation

The Board conducts an annual evaluation of its own performance. This involves the completion of assessment questionnaires by all Directors covering the performance of the Board and its Committees. Other aspects that are reviewed include the effectiveness of the Chairman, Executive and Non-executive Directors, the monitoring of operational performance, and corporate governance, as well as leadership and culture. The Board considered a summary of the conclusions from this year's evaluation and appropriate actions were taken.

Conflicts of Interest

At the Company's 2008 AGM Shareholders approved amendments to the Company's articles of association to permit the Board to authorise any interest which Directors have which could conflict with those of the Company, in accordance with new provisions introduced by the Companies Act 2006. The Board has carefully considered interests declared by individual Directors which could conflict with those of the Company and authorised them where appropriate; these authorisations will be reviewed annually.

Shareholders

A summary of the items to be covered at this year's Annual General Meeting is set out on page 67. The Board supports the use of this 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 Shareholders, through analyst briefings and investor presentations. Senior executives seek to meet regularly with institutional and major Shareholders to improve their understanding of the Company and its objectives. The Senior Independent Director is available to meet Shareholders if they have concerns. In addition to attending meetings with Shareholders, the Board seeks the views of investors better by commissioning regular feedback reports from the Company's stockbrokers and other advisers.

Internal Control

The Board has applied Principle C.2 of the Code by establishing a continuous process for identifying, evaluating and managing the risks that are considered significant by the Group. This process is designed to manage rather than eliminate risk, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board's monitoring framework covers a wide range of controls, including financial, operational and compliance controls together with risk management. It is based principally on reviewing reports from management and considering whether significant risks are identified, evaluated, managed and controlled and ensuring that any significant weakness identified is promptly remedied. The Board continues to enhance and strengthen the procedures for identifying and monitoring key areas of risk.

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

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

Review of Effectiveness of Internal Control

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

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

The Board has undertaken a specific assessment of internal control for the purpose of this Annual Report. This assessment considered all significant aspects of internal control during the year ended 31 December 2008. Accordingly, the Board is satisfied that the Group continues to have an effective system of internal control.

Corporate Social Responsibility

The Board has set policies for the Group to ensure that it operates worldwide in a safe, ethical and responsible manner, which protects the environment as well as safeguarding the health and safety of its employees, its customers and the communities in which it operates. These policies are intended to recognise, evaluate and manage responsibly environmental, health and safety risks through implementation of a comprehensive Global Environmental, Health and Safety Management System that standardises best operating practices, objectives, data collection, reporting, audits, performance indicators and goals. These policies are set out in more detail on pages 40 to 45.

Pensions

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

Compliance with the Code

The Directors consider that the Group complies and has complied throughout the year ended 31 December 2008 with all of the Provisions of the Code with the exception that the Code states that at least half of the Board, excluding the Chairman, should be comprised of independent Non-executive Directors; the reasons for this are explained in the paragraph above entitled 'Directors'. A copy of the Code is publicly available at www.frc.org.uk.

Audit Committee Report

Responsibilities and role of the Audit Committee

The principal responsibilities of the Committee are as follows:

1. to consider the appointment and assess the independence and effectiveness of the External Auditor;
2. to recommend the audit fee to the Board and to ensure that the provision of non-audit services does not impair the External Auditor's independence or objectivity;
3. to discuss with the External Auditor, before the audit commences, the nature and scope of the audit and to review the Auditor's quality control procedures and steps taken by the Auditor to respond to changes in regulatory and other requirements;
4. to oversee the process for selecting the External Auditor and make appropriate recommendations through the Board to the Shareholders to be considered at the Annual General Meeting;
5. to review the External Auditor's report on significant matters arising from the audit;
6. to monitor and review the effectiveness of Internal Audit, including a review of the Internal Audit programme and ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the Company;
7. to consider management's response to any major External or Internal Audit recommendations;
8. to review the Company's procedures for handling allegations from whistleblowers; and
9. to consider serious incidents of fraud or other irregularities.

The full Terms of Reference of the Committee are available on our website at http://ir.aggreko.com/agk_ir/cg/.

Composition of the Committee

The names of the members of the Committee who served during the year ended 31 December 2008 are as follows:

Roy McGlone	Chairman until his resignation on 1 September 2008
Robert MacLeod	Chairman with effect from 1 September 2008
Nigel Northridge	
David Hamill	

Throughout the year the Committee has been composed entirely of Independent Non-executive Directors. The qualifications of the members of the Committee and their biographical details are set out on pages 46 and 47. The Board is satisfied that at least one member of the Committee has recent and relevant financial experience. The Company Secretary acts as Secretary to the Committee.

Meetings

The number of meetings of the Committee held during 2008 and attendance are set out on page 48.

Main activities of the Committee in the year to 31 December 2008

Financial Statements

The Committee reviewed the annual results for the year ended 31 December 2007 and the interim results for the six months ended 30 June 2008 in order to monitor the integrity of the financial statements.

External Auditors

During 2008, the Committee received the reports of the External Auditor in respect of the annual results for the year ended 31 December 2007 and the interim results for the six months ended 30 June 2008. The Committee considered the audit work done and any significant judgemental accounting and reporting issues. The proposed External Audit programme and timetable was reviewed.

The Committee also considered the level of non-audit fees paid to the External Auditor in the light of the Company's policy on non-audit fees and was satisfied as to the objectivity and independence of the External Auditor.

The Committee last supervised a competitive tender for the external audit in 2006, following which PricewaterhouseCoopers LLP were reappointed External Auditor. The Committee is again recommending to the Board that a proposal be put to shareholders at the 2009 Annual General Meeting for the reappointment of PricewaterhouseCoopers. There are no contractual restrictions on the Company's choice of External Auditor, and in making its recommendation the Committee took into account, amongst other matters, the objectivity and independence of PricewaterhouseCoopers, as noted above, their continuing effectiveness and cost.

Internal Audit Function
The Committee received regular reports from the Head of Internal Audit and reviewed progress against the agreed plan for the year. The Committee considered all significant internal control issues raised in these reports, reviewed the 2009 Internal Audit Plan and considered the adequacy of Internal Audit resources.

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

R. MacLeod

Robert MacLeod
Chairman of the Audit Committee
5 March 2009

Nomination Committee Report

Responsibilities and role of the Nomination Committee
The principal responsibility of the Committee is to assist the Board with succession planning and with the selection process for the appointment of a new Director or Chairman. In discharging that responsibility the Committee is required:

1. to evaluate the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment;
2. to assess the time commitment expected on the part of the Chairman of the Company and to require Non-executive Directors to undertake that they will have sufficient time to meet what is expected of them;
3. to oversee the search process, using such outside advisers as the Committee may consider appropriate;
4. to keep the Board advised of the candidates who have been identified for approach and on the preferred candidates for initial interviews; and
5. to arrange for all members of the Board to meet the preferred candidate prior to making a formal recommendation to the full Board.

The full Terms of Reference of the Committee are available on our website at http://ir.aggreko.com/agk_ir/cg/.

Composition of the Committee
The names of the members of the Committee who served during the year ended 31 December 2008 are as follows:

Philip Rogerson	Chairman
Rupert Soames	
Andrew Salvesen	
Nigel Northridge	
Roy McGlone	(resigned 1 September 2008)
David Hamill	
Robert MacLeod	

The Committee is composed of the Chairman, the Group Chief Executive and the Non-executive Directors. The qualifications of the members of the Committee and their biographical details are set out on pages 46 and 47. The Company Secretary acts as Secretary to the Committee.

Meetings
The number of meetings of the Committee held during 2008 and attendance is set out on page 48.

Main activities of the Committee in the year to 31 December 2008
Succession Planning
As in previous years, the Committee discussed Succession Planning for both Executives and Non-Executives.

Appointment of Additional Directors
During the year, the Committee was involved in managing the succession to the role of Regional Director, Aggreko International, in light of the impending retirement of Derek Shepherd. The Committee assessed a number of organisational options and bench-marked internal as well as external candidates. The Committee decided to ask Kash Pandya to move to Dubai to take up Derek's role and was involved in overseeing the search and selection process for Kash's successor as Regional Director, Europe and the Middle East. For this role, external search consultants were engaged and the process was completed in October 2008 with the announcement of the appointment of Bill Caplan with effect from 17 November 2008. The Committee also engaged external consultants for the appointment of Non-executive Director Russell King, which was announced on 30 January 2009.

Philip G Rogerson
Chairman of the Nomination Committee
5 March 2009

Remuneration Report

The Directors confirm that the Company has complied with the Principles and underlying Provisions relating to Directors' remuneration of The Combined Code on Corporate Governance and that this Remuneration Report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002. Details of each individual Director's remuneration for 2008 are set out on page 58. Information on Directors' share and share option interests may be found on pages 61 to 63.

Remuneration Committee: Composition, Responsibilities and Operation
The names of the members of the Committee who served during the year ended 31 December 2008 are as follows:

Nigel Northridge	Chairman
Roy McGlone	(resigned 1 September 2008)
David Hamill	
Robert MacLeod	

The Committee has been entirely composed of Independent Non-executive Directors throughout the year. The members of the Committee 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 of the Group and to approve the specific remuneration of the Executive Directors and the Company Secretary, including their service contracts. The Committee also has responsibility for making a recommendation to the Board in respect of the remuneration of the Chairman. The Committee's remit therefore includes, but is not restricted to, basic salary, benefits in kind, performance related awards, share options and share awards, Long-term Incentive Schemes, pension rights, and any compensation or termination payments.

In exercising its responsibilities the Committee has access to professional advice, both inside and outside the Company, and consults with the Chairman and Group Chief Executive. The Company Secretary acts as Secretary to the Committee. The full Terms of Reference of the Committee are available on our website at http://ir.aggreko.com/agk_ir/cg/.

There are a number of external advisers appointed by the Company who advise on remuneration matters for the wider workforce and also provide advice to the Committee from time to time. Principal advisers in the year were as follows:

- Kepler Associates provided remuneration consultancy with respect to basic salary, bonus plans and executive Long-term Incentive Plans.
- New Bridge Street Consultants provided advice on the implementation and administration of share plans.
- Mercer Human Resource Consulting provided advice on retirement benefits in the UK and overseas and administers the Group's UK defined benefit pension scheme.

Remuneration Policy
The Committee has applied the following policy for the remuneration of Executive Directors throughout 2008. It is intended that, subject to any change in circumstances or best practice, this policy will apply in 2009 and in future years.

Annual Salaries
Salaries are determined by a combination of the individual's contribution to the business and the market rate for the position. The Company aims to pay the market median for standard performance and pays up to the market upper quartile for upper quartile performance. On occasions it may be necessary to pay above the market median to attract people of the right calibre to meet the needs of the business. In setting annual salaries, as with other elements of remuneration, the Committee has discretion to consider all relevant factors, including performance on environmental, social and governance issues.

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

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

The Company's pay systems are designed to allow progression that reflects an individual's contribution to the business and to control overall cost. Pay and benefit structures are designed to be cost effective to be able to attract and retain a high-quality executive management team whilst achieving best value for shareholders. The Company is always mindful of the need for good corporate governance in respect of pay and benefits for all its employees including Directors.

Performance related elements of Remuneration

At least 50% of Executive Directors' cash remuneration is related to performance; performance targets are related to audited measures such as Return on Capital Employed, Trading Profit or Group Diluted Earnings per Share. In designing the performance-related elements of remuneration for Executive Directors, the Remuneration Committee has sought to achieve a balance between incentives which drive short-term performance with those that reward long-term growth in shareholder value. For all Executive Directors, the potential awards available under the long-term incentives are larger than those available under short-term incentives. Executive Directors thus have a strong incentive not to sacrifice the long-term creation of value for short-term performance, and the Committee is satisfied that the Company's incentive structure does not raise environmental, social or governance risks by inadvertently motivating irresponsible behaviour.

Annual Bonus Scheme

The purpose of the Annual Bonus Scheme is to drive the short-term performance of the Group. Targets are measured against the performance of the business in a financial year. Bonuses are paid following Audit Committee approval of the previous year's trading results, at which point the targets and quanta of bonuses for the current year are set. Bonuses for Executive Directors with regional management responsibilities will generally have half of their bonus related to the performance of their area of the business, and half related to Group Diluted Earnings per Share (D-EPS); bonus targets are related to performance against the budgets approved by the Board. The Group Chief Executive and Finance Director's bonuses are measured exclusively against D-EPS. In 2008 the maximum bonus earnings for the Group Chief Executive and the Regional Director responsible for North America were 125% of salary, and of other Executive Directors 100% of salary.

Long-term Incentive Programme

A Long-term Incentive Programme was introduced in 2004 and revised with the approval of shareholders in 2008. Its purpose is to balance the Annual Bonus Scheme by providing an incentive which rewards long-term growth in earnings, returns on capital and share price appreciation. It also aids retention of talented senior managers. The Programme is implemented annually and consists of two distinct elements: the Performance Share Plan (PSP) and the Co-investment Plan (CIP). In 2008 120 individuals – about 4% of employees – were invited to join one or both of the Plans.

The CIP and PSP have common performance measurement periods (three years) and performance criteria (compound annual growth over the performance period of D-EPS and Return on Average Capital Employed). The PSP is a nil-cost conditional award of shares, some, all, or none of which vest depending on performance against the targets; the number of shares conditionally awarded is related to the salary of the individual concerned and their level within the Company. Since its inception, the largest Performance Share Plan award has been equivalent to 100% of the recipient's salary, although the rules of the scheme permit higher levels. The CIP offers individuals the opportunity to subscribe shares in Aggreko up to a maximum value of 30% of their salary each year they are invited to join the Plan; if they hold those shares for the entirety of the performance measurement period, they will be entitled to receive a minimum award of one share for every two they subscribed, plus a performance-related award of a further two shares for every three they subscribed.

The performance criteria for the Long-term Incentive Programme are set annually; in 2008 they were:

- 75% of the award will be measured against the real compound annual growth in D-EPS over the three-year performance measurement period in a range of 3% to 10%. No performance shares will be awarded against this element if performance is less than 3% and awards will increase straight-line to the maximum at 10% growth.
- 25% of the award will be measured against the average return on capital employed over the performance period in a range of 23% to 25%. No performance shares will be awarded against this element if performance is less than 23% and awards will increase straight-line to the maximum at 25% ROCE.

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

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

Executive Share Option Schemes
Prior to 2004 senior executives were invited to participate in an Executive Share Option Scheme at the discretion of the Committee. Following the implementation of the Performance Share and the Co-investment Plans, no further grants have been, or will be, made under these existing Executive Share Option Schemes.

The allocation of Executive Share Options was based on multiples of remuneration dependent upon the seniority and job size of the individual's appointment, with the maximum multiple of 1⅓ times remuneration in any one year being available to Executive Directors.

All executive options that have been granted are subject to performance conditions based on both total shareholder return (TSR) and growth in Earnings Per Share (EPS). TSR is calculated by reference to the increase in the Company's share price plus dividends paid. EPS is Basic Earnings Per Share as disclosed in the Group Income Statement.

At the time when the individual wishes to exercise the option (which can only normally occur after three years have elapsed since grant), the growth in the Company's TSR is compared with that of the FTSE Mid 250 Index (excluding investment trusts) over a specified period. If the Company's TSR matches or exceeds that index, and the Company's EPS growth matches or exceeds the growth in the Retail Prices Index plus 3% per annum, over a specified period, the option is capable of exercise. For options granted after 25 April 2001, retesting of performance conditions is limited to six monthly intervals between 3 and 5 years after the date of grant. For options granted before 25 April 2001, testing of the performance conditions is made with reference to EPS growth over three consecutive years prior to the date of exercise and TSR is measured for the period from the date of grant to the date of exercise.

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

Other Benefits
Other benefits, including pensions, are based on current market practice and take into account long-term trends in provision. Further details on pension provision are set out on pages 59 and 60.

Service Contracts and Notice Periods
All of the Executive Directors have service agreements that require one year's notice of termination from the individual and one year's notice of termination from the Company. Derek Shepherd has a service contract that expires on 1 May 2009 while other Directors have a normal retirement age of 60. On early termination, Executive Directors are entitled to basic salary and benefits for the notice period at the rate current at the date of termination.

External Appointments
Rupert Soames is a Non-executive Director of Electrocomponents plc and is permitted to retain earnings from this position; these earnings amounted to £42,500 for the year ended 31 December 2008 (2007: £18,667). Angus Cockburn is a Non-executive Director of Galiform Plc. He is permitted to retain his earnings from that position and these earnings amounted to £48,000 for the year ended 31 December 2008 (2007: £46,515).

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

Service Contracts

The directors have service contracts or letters of appointment as follows:

		Effective date of contract	Un-expired Term as at 31 December 2008	Notice Period
Chairman:				
P G Rogerson	Letter of Appointment	24 April 2008*	2 years and 4 months	–
Executives:				
R C Soames	Service Agreement	1 July 2003	–	1 year
F A B Shepherd	Service Agreement	1 January 2007*	–	1 year
A G Cockburn	Service Agreement	1 May 2000	–	1 year
G P Walker	Service Agreement	18 January 2001	–	1 year
K Pandya	Service Agreement	20 June 2005	–	1 year
W F Caplan	Service Agreement	17 November 2008	–	6 months**
Non-executives:				
A C Salvesen	Letter of Appointment	29 September 2006*	9 months	–
N H Northridge	Letter of Appointment	14 February 2008*	2 years and 2 months	–
D C M Hamill	Letter of Appointment	1 May 2007*	1 year and 4 months	–
R J MacLeod	Letter of Appointment	10 September 2007	1 year and 8 months	–
R J King	Letter of Appointment	2 February 2009	–	–

* Replaces an earlier contract/letter of appointment.

** Increased to 1 year with effect from 17 November 2009.

Review of past performance

The following chart shows at the value as at 31 December 2008 of £100 invested in the Company on 31 December 2003 compared with the value of £100 invested in the FTSE Mid 250 over the same period. The other points plotted are the values at the intervening financial year-ends. The FTSE Mid 250 was selected as this general index is considered more appropriate than sector and peer group comparators given the unique nature of the Company's business.

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

Emoluments

The emoluments (excluding pension contributions) of Directors during the year and during 2007 were as follows:

2008 Emoluments	Note	Salary £	Fees £	Benefits in Kind £	Annual Bonus (Note 4) £	Other Pay £	2008 Total £
Chairman:							
P G Rogerson		–	132,500	–	–	–	132,500
Executives:							
R C Soames		480,000	–	1,054	625,000	–	1,106,054
F A B Shepherd		286,250	–	108,102	292,500	–	686,852
A G Cockburn		290,000	–	19,130	300,000	–	609,130
G P Walker		242,322	–	16,417	249,432	–	508,171
K Pandya		264,000	–	1,054	211,720	36,559	513,333
W F Caplan	1	32,884	–	180	–	–	33,064
Non-executives:							
A C Salvesen		–	39,000	–	–	–	39,000
N H Northridge		–	48,000	–	–	–	48,000
R V McGlone		–	28,685	–	–	–	28,685
D C M Hamill		–	39,000	–	–	–	39,000
R J MacLeod		–	41,000	–	–	–	41,000
2008 Total		1,595,456	328,185	145,937	1,678,652	36,559	3,784,789

2007 Emoluments	Note	Salary £	Fees £	Benefits in Kind £	Annual Bonus £	Other Pay £	2007 Total £
Chairman:							
P G Rogerson		–	108,000	–	–	–	108,000
Executives:							
R C Soames		437,500	–	6,147	460,000	–	903,647
F A B Shepherd		270,000	–	93,570	210,000	–	573,570
A G Cockburn		265,000	–	19,156	210,000	–	494,156
G P Walker		213,619	–	13,517	110,617	–	337,753
K Pandya		243,300	–	1,080	195,000	32,263	471,643
Non-executives:							
A C Salvesen		–	34,500	–	–	–	34,500
N H Northridge		–	42,000	–	–	–	42,000
R V McGlone		–	38,750	–	–	–	38,750
D C Hamill	2	–	23,500	–	–	–	23,500
R J MacLeod	3	–	11,076	–	–	–	11,076
2007 Total		1,429,419	257,826	133,470	1,185,617	32,263	3,038,595

Note 1: 2008 Emoluments are from date of appointment on 17 November 2008.

Note 2: 2007 Emoluments are from date of appointment on 1 May 2007.

Note 3: 2007 Emoluments are from date of appointment on 10 September 2007.

Note 4: Annual bonus is calculated based on actual salary as at 31 December 2008.

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

Other pay represents the amount paid to Directors in order to fund pension benefits beyond the HM Revenue and Customs earnings cap. Following 5 April 2006, Directors have been allowed to receive part of their pension entitlement as taxable pay.

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

Performance targets were set for the 2008 annual bonus in March 2008. The Group Chief Executive and the Executive Director responsible for North America had a maximum bonus opportunity of 125% of basic salary and the other executive directors a maximum of 100%. The performance target for the Chief Executive and Finance Director was based solely on growth in Diluted Earnings Per Share and the performance target for regional Executive Directors was based as to 50% of bonus on growth in D-EPS, 40% as to growth in regional trading profit and 10% based on regional ROCE. The growth in D-EPS for the year was 52%. For Aggreko Europe, Aggreko International and Aggreko North America the growth in regional trading profit was 6%, 56% and 15% respectively and the regional ROCE was 24%, 48% and 31% respectively. This resulted in bonuses payable as percentages of salary for each of the directors as follows: Rupert Soames: 125%; Derek Shepherd: 100%; Angus Cockburn: 100%; George Walker: 101% and Kash Pandya: 79%.

Details of changes in basic salary and fees are set out in the table below. Kash Pandya's salary was increased to £290,000 with effect from 1 January 2009 on his appointment as Regional Director, Aggreko International and his move to Dubai. In the light of the challenging macro-economic environment the Board does not intend to award any increases in salary to Directors in 2009.

	Note	Currency	**Rate of Annual Salary and Fees at 31 Dec 2008**	Rate of Annual Salary and Fees at 31 Dec 2007	Increase %
Chairman:					
P G Rogerson		Sterling	**145,000**	120,000	20.83
Executives:					
R C Soames		Sterling	**500,000**	460,000	8.69
F A B Shepherd		Sterling	**292,500**	280,000	4.46
A G Cockburn		Sterling	**300,000**	280,000	7.14
G P Walker		US dollars	**460,000**	443,000	3.84
K Pandya		Sterling	**268,000**	260,000	3.07
W F Caplan		Sterling	**270,000**	n/a	n/a
Non-executives:					
A C Salvesen		Sterling	**42,000**	36,000	16.66
N H Northridge		Sterling	**52,000**	44,000	18.18
R V McGlone	1	Sterling	**48,000**	41,000	17.07
D C M Hamill		Sterling	**42,000**	36,000	16.66
R J MacLeod	2	Sterling	**48,000**	36,000	33.33
R J King		Sterling	**n/a**	n/a	n/a

Note 1: Salary in bold as at retirement on 1 September 2008.

Note 2: Salary as at 31 December 2008 includes increase on appointment as Chairman of Audit Committee on 1 September 2008.

Pension Entitlements

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

Rupert Soames, Kash Pandya and Bill Caplan are members of the Aggreko plc Group Personal Pension Plan. Rupert Soames is entitled to a pension contribution from the Company of 25% of his basic salary and Kash Pandya and Bill Caplan are entitled to a Company contribution of 20%.

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

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

	Company contributions during 2008 £	Company contributions during 2007 £
R C Soames	**125,624**	103,750
G P Walker	**80,179**	81,482
K Pandya	**15,840**	15,840
W F Caplan	**–**	n/a

Remuneration Report continued

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

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

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

	Age	Accrued Pension at 31 Dec 2008 £ pa	Increase in Accrued Pension during 2008 £ pa	Increase in Accrued Pension during 2008 (net of inflation) £ pa	Transfer Value of Accrued Pension at 31 Dec 2008 £	Transfer Value of Accrued Pension at 31 Dec 2007 £	Director's Contributions during 2008 £	Increase in Transfer Value during 2008 net of Director's Contributions £
A G Cockburn	45	**49,262**	**11,556**	**9,671**	**650,254**	479,238	**16,800**	**154,216**

The transfer values have been calculated in accordance with the guidance note 'GN11' published by the Institute of Actuaries and Faculty of Actuaries.

The accrued pension is the amount which would be paid at the anticipated retirement date if the Director left service as at 31 December 2008, with no allowance for increases in the period between leaving service and retirement.

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

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

Share Interests

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

	31.12.2007	Granted during year	Lapsed during year	Exercised during year	31.12.2008	Option Price	Date from which exercisable	Expiry Date
Performance Share Plan								
R C Soames	214,957	–	–	214,957	–	nil	14.04.2008	14.10.2008
R C Soames	129,252	–	–	–	129,252	nil	20.04.2009	20.10.2009
R C Soames	86,639	–	–	–	86,639	nil	19.04.2010	19.10.2010
R C Soames	–	154,882	–	–	154,882	nil	23.06.2011	23.12.2011
F A B Shepherd	94,043	–	–	94,043	–	nil	14.04.2008	14.10.2008
F A B Shepherd	57,381	–	–	–	57,381	nil	20.04.2009	20.10.2009
F A B Shepherd	37,996	–	–	–	37,996	nil	19.04.2010	19.10.2010
A G Cockburn	83,594	–	–	83,594	–	nil	14.04.2008	14.10.2008
A G Cockburn	53,571	–	–	–	53,571	nil	20.04.2009	20.10.2009
A G Cockburn	36,534	–	–	–	36,534	nil	19.04.2010	19.10.2010
A G Cockburn	–	65,994	–	–	65,994	nil	23.06.2011	23.12.2011
G P Walker	74,466	–	–	74,466	–	nil	14.04.2008	14.10.2008
G P Walker	51,063	–	–	–	51,063	nil	20.04.2009	20.10.2009
G P Walker	30,707	–	–	–	30,707	nil	19.04.2010	19.10.2010
G P Walker	–	52,342	–	–	52,342	nil	23.06.2011	23.12.2011
K Pandya	64,706	–	–	64,706	–	nil	21.10.2008	21.04.2009
K Pandya	52,381	–	–	–	52,381	nil	20.04.2009	20.10.2009
K Pandya	33,115	–	–	–	33,115	nil	19.04.2010	19.10.2010
K Pandya	–	61,280	–	–	61,280	nil	23.06.2011	23.12.2011
Co-investment Plan								
R C Soames	64,487	–	–	64,487	–	nil	14.04.2008	14.10.2008
R C Soames	38,772	–	–	–	38,772	nil	20.04.2009	20.10.2009
R C Soames	25,992	–	–	–	25,992	nil	19.04.2010	19.10.2010
R C Soames	–	92,928	–	–	92,928	nil	23.06.2011	23.12.2011
F A B Shepherd	40,305	–	–	40,305	–	nil	14.04.2008	14.10.2008
F A B Shepherd	24,588	–	–	–	24,588	nil	20.04.2009	20.10.2009
F A B Shepherd	16,284	–	–	–	16,284	nil	19.04.2010	19.10.2010
A G Cockburn	25,950	–	–	25,950	–	nil	14.04.2008	14.10.2008
A G Cockburn	22,956	–	–	–	22,956	nil	20.04.2009	20.10.2009
A G Cockburn	15,654	–	–	–	15,654	nil	19.04.2010	19.10.2010
A G Cockburn	–	56,564	–	–	56,564	nil	23.06.2011	23.12.2011
G P Walker	21,882	–	–	–	21,882	nil	20.04.2009	20.10.2009
G P Walker	13,158	–	–	–	13,158	nil	19.04.2010	19.10.2010
G P Walker	–	44,864	–	–	44,864	nil	23.06.2011	23.12.2011
K Pandya	27,730	–	–	27,730	–	nil	21.10.2008	21.04.2009
K Pandya	10,638	–	–	–	10,638	nil	19.04.2010	19.10.2010
K Pandya	–	19,960	–	–	19,960	nil	23.06.2011	23.12.2011
Executive Share Options								
F A B Shepherd	46,729	–	–	46,729	–	428p	23.08.2003	23.08.2010
A G Cockburn	38,940	–	–	38,940	–	428p	23.08.2003	23.08.2010
G P Walker	47,163	–	–	47,163	–	428p	23.08.2003	23.08.2010
G P Walker	121,952	–	–	–	121,952	457.5p	15.03.2004	15.03.2011

	31.12.2007	Granted during year	Lapsed during year	Exercised during year	31.12.2008	Option Price	Date from which exercisable	Expiry Date
Sharesave Options								
R C Soames	8,098	–	–	8,098	–	**117p**	**13.11.2007**	**13.05.2008**
R C Soames	1,904	–	–	–	**1,904**	**504p**	**09.11.2010**	**09.05.2011**
F A B Shepherd	421	–	–	421	–	**117p**	**13.11.2007**	**13.05.2008**
F A B Shepherd	4,689	–	–	–	**4,689**	**189p**	**11.11.2008**	**11.05.2009**
A G Cockburn	4,947	–	–	–	**4,947**	**189p**	**11.11.2008**	**11.05.2009**
A G Cockburn	–	2,196	–	–	**2,196**	**437p**	**01.01.2012**	**01.07.2012**
K Pandya	3,351	–	–	–	**3,351**	**282p**	**10.11.2009**	**10.05.2010**
US Stock Purchase Plan								
G P Walker	1,323	–	–	–	**1,323**	**487p**	**09.11.2009**	**09.02.2010**
G P Walker	–	2,611	–	–	**2,611**	**320p**	**29.10.2010**	**29.01.2011**

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

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 performance criteria that apply to the Executive Share Option Schemes are described on page 55.

Awards under the Performance Share and Co-investment Plans are normally made three years after the date of grant and are subject to performance conditions which are described on pages 55 and 56.

Information relating to the exercise of options (including the vesting of shares) by the Directors is as follows:

	Exercised during year	Date Exercised	Option Price Pence	Market Price On date Exercised Pence
Performance Share Plan				
R C Soames	214,957	15.04.2008	nil	620.00
F A B Shepherd	94,043	15.04.2008	nil	620.00
A G Cockburn	83,594	15.04.2008	nil	620.00
G P Walker	74,466	15.04.2008	nil	620.00
K Pandya	64,706	21.10.2008	nil	485.50
Co-investment Plan				
R C Soames	64,487	15.04.2008	nil	620.00
F A B Shepherd	40,305	15.04.2008	nil	620.00
A G Cockburn	25,950	15.04.2008	nil	620.00
K Pandya	27,730	21.10.2008	nil	485.50
Executive Share Options				
A G Cockburn	38,940	08.09.2008	428.00	675.50
G P Walker	47,163	08.09.2008	428.00	675.50
F A B Shepherd	46,729	11.09.2008	428.00	633.00
Savings-related Share Options				
R C Soames	8,098	08.01.2008	117.00	490.25
F A B Shepherd	421	15.01.2008	117.00	484.75

The aggregate gain made on these exercises was £4,495,823 of which £1,762,779 related to the gain of the highest paid Director.

The market price of the shares at 31 December 2008 was 445.75 pence and the range during the year was 366.75 pence to 734.50 pence.

Shares	31 December 2008 Ordinary Shares of 20p each Beneficial	Non-Beneficial	31 December 2007 Ordinary Shares of 20p each Beneficial	Non-Beneficial
P G Rogerson	**83,782**	**-**	83,782	-
R C Soames	**378,616**	**-**	288,083	-
F A B Shepherd	**202,478**	**-**	121,068	-
A G Cockburn	**146,709**	**-**	110,224	-
G P Walker	**156,099**	**-**	123,270	-
K Pandya	**64,639**	**-**	25,942	-
W F Caplan	**-***	**-***	n/a	n/a
A C Salvesen	**7,981,075**	**2,125,000**	7,981,075	2,125,000
N H Northridge	**10,000**	**-**	10,000	-
R V McGlone	**8,000**	**-**	8,000	-
D C M Hamill	**4,000**	**-**	4,000	-
R J MacLeod	**20,000**	**-**	10,000	-
R J King	**-****	**-****	n/a	n/a

* As at date of appointment on 17 November 2008.

** As at date of appointment on 2 February 2009.

Rupert Soames, Derek Shepherd, Angus Cockburn, George Walker and Kash Pandya as Directors of the Company, have an interest in the holdings of the Aggreko Employee Benefit Trust (the 'EBT') as potential beneficiaries. The EBT is a trust established to distribute shares to employees of the Company and its subsidiaries in satisfaction of awards granted under the Aggreko Performance Share Plan 2004 and the Aggreko Co-investment Plan 2004. At 31 December 2008, the trustees of the EBT held a total of 3,825,034 Aggreko plc ordinary shares (2007: 3,459,679) and this holding remains unchanged at the date of this report.

Since 31 December 2008 Derek Shepherd has received 4,689 shares as the result of the exercise of Sharesave options and Angus Cockburn has received 4,947 shares as the result of the exercise of Sharesave Options. There have been no other changes in Directors' beneficial and non-beneficial interests in shares between the end of the financial year and the date of this report. No Director was interested in any shares of subsidiary undertakings at any time during the year.

N. Northridge

Nigel Northridge
Chairman, Remuneration Committee
5 March 2009

Other Matters

Share Capital

On 31 December 2008 the Company had in issue 272,116,594 ordinary shares of 20p each. Details of the changes in issued share capital during the year are shown in Note 22 to the accounts.

Rights and obligations attached to shares

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

Voting

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

Restrictions on voting

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

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

Dividends and Other Distributions

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

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

Variation of Rights

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

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

- that certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws); and
- pursuant to the Listing Rules of the Financial Services Authority whereby certain employees of the Company require the approval of the Company to deal in the Company's ordinary shares.

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

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

Rights under employee shares schemes
Bailhache Labesse Trustees Limited, as Trustee of the Aggreko Employees' Benefit Trust, holds 1.40% of the issued shared capital of the Company as at 5 March 2009 in trust for the benefit of the employees and former employees of the Group and their dependents. The voting rights in relation to the shares are exercised by the Trustee and there are no restrictions on the exercise of the voting of, or the acceptance of any offer relating to, the shares. The Trustee is obliged to waive all dividends on the shares unless requested to do otherwise by the Company in writing.

Powers in relation to the Company issuing or buying back its own shares
The directors were granted authority at the last Annual General Meeting held in 2008 to allot relevant securities up to a nominal amount of £15,696,600. That authority will apply until the earlier of 22 April 2013 and the conclusion of the Annual General Meeting for 2013. At this year's Annual General Meeting shareholders will be asked to grant an authority to allot relevant securities (i) up to a nominal amount of £17,985,000, and (ii) comprising equity securities up to a nominal amount of £17,985,000 (after deducting from such limit any relevant securities allotted under (i)), in connection with an offer by way of a rights issue, (the 'section 80 authority'), such section 80 authority to apply until the end of next year's Annual General Meeting (or, if earlier, until the close of business on 30 June 2010).

A special resolution will also be proposed to renew the directors' power to make non-pre-emptive issues for cash in connection with rights issues and otherwise up to a nominal amount of £2,725,000.

The Company was also authorised at the Annual General Meeting held in 2008 to make market purchases of up to 27,162,000 ordinary shares. This authorisation will expire on the earlier of the conclusion of the Annual General Meeting of the Company for 2009 and 23 October 2009.

A special resolution will also be proposed at this year's Annual General Meeting to renew the directors' authority to repurchase the Company's ordinary shares in the market. The authority will be limited to a maximum of 27,250,000 ordinary shares and sets the minimum and maximum prices which may be paid.

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

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

Material Share Interests

As at 5 March 2009 the Company had received notifications of the following share holdings representing 3% or more of the voting rights attached to the issued ordinary share capital of the Company:

Name of Shareholder	Number of Shares	% of total voting rights
Barclays Global Investors	15,955,646	5.88
Baillie Gifford & Co	15,939,356	5.86
A E H Salvesen *	14,482,371	5.32
Lloyds Banking Group plc †	13,637,004	5.00
Standard Life Investments Ltd	13,296,104	4.91
Legal & General Group plc	10,797,375	3.96
A C Salvesen * §	10,106,075	3.45
Morgan Stanley	8,313,698	3.05

* including immediate family and trustee interests
† including direct and indirect subsidiary company interests
§ Mr A C Salvesen is a Director of the Company and his holdings are also disclosed on page 63.

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

Amendment of Articles of Association

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

Appointment and replacement of Directors

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

Each director must retire from office at the third Annual General Meeting after the Annual General Meeting at which he was last elected. Non-executive Directors who have served longer than nine years (e.g. three three-year terms) are subject to annual re-election. In addition to any power of removal conferred by the Companies Acts, the Company may by special resolution remove any director before the expiration of his period of office. The office of a director must be vacated if: (i) he resigns his office by notice in writing delivered to the office or tendered at a meeting of the Board; or (ii) his resignation is requested by all of the other directors and all of the other directors are not less than three in number; or (iii) he is or has been suffering from mental ill health or becomes a patient for any purpose of any statute relating to mental health and the Board resolves that his office is vacated; or (iv) he is absent without the permission of the Board from meetings of the Board (whether or not an alternate director appointed by him attends) for six consecutive months and the Board resolves that his office is vacated; or (v) he becomes bankrupt or compounds with his creditors generally; or (vi) he is prohibited by law from being a director; or (vii) he ceases to be a director by virtue of the Companies Acts or is removed from office pursuant to the Company's articles.

Powers of the Directors

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

Indemnity of Officers

Under Article 145 of the Company's Articles of Association, the Company may indemnify any Director or other officer against any liability, subject to the provisions of the Companies Acts, and the Articles grant an indemnity to the Directors against any liability for the costs of legal proceedings where judgement is given in their favour.

Under the authority conferred by Article 145, the Company has granted indemnities to Directors and officers of the Company and its subsidiaries. The indemnities do not apply to any claim which arises out of fraud, default, negligence or breach of fiduciary duty or trust by the indemnified person.

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

Disclosure of information to the Company's Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Going concern

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

Supplier Payment Policy

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, provided the supplier meets its contractual obligations, to abide by them. In overall terms, the Group had approximately 81 days' credit outstanding as at the balance sheet date.

Essential Contractual Arrangements

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

Annual General Meeting

The Company's Annual General Meeting will be held at 11.00 a.m. on Wednesday 29 April 2009 at the Crowne Plaza Hotel, Glasgow G3 8QT.

Annual General Meeting – Special Business

Special Business comprises resolutions: to increase the authorised share capital of the Company by approximately 31%; to authorise the Directors to allot ordinary shares up to an aggregate amount representing approximately two thirds of the issued ordinary share capital of the Company, in line with recent guidance issued by the Association of the British Insurers; to disapply the statutory pre-emption rights of shareholders on allotment of equity securities for cash up to a limit of a total of shares with a nominal value of approximately 5% of the current issued share capital; to renew the authority of the Company to purchase its own ordinary shares as permitted under article 7 of Articles of Association; and, to reflect the proposed implementation in August 2009 of the Shareholder Rights Directive, to approve the calling of meetings other than Annual General Meetings on 14 days' notice.

Auditors

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

Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The Group and Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state that the Group financial statements comply with IFRSs as adopted by the European Union, and with regard to the Parent Company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors, whose names and functions are listed on pages 46 and 47 confirms that, to the best of their knowledge:

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

By order of the Board

Rupert Soames	**Angus Cockburn**
Group Chief Executive	Finance Director

5 March 2009

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Independent Auditors' Report to the Members of Aggreko plc

We have audited the Group financial statements of Aggreko plc for the year ended 31 December 2008 which comprise the Group Income Statement, the Group Statement of Recognised Income and Expense, the Group Balance Sheet, the Group Cash Flow Statement and the related notes. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Aggreko plc for the year ended 31 December 2008 and on the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the group financial statements give a true and fair view and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether, in our opinion, the Directors' Report is consistent with the group financial statements.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, 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 form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited group financial statements. The other information comprises only the Directors' Report, the Chairman's Statement and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group'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 group financial statements 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 group financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its profit and cash flows for the year then ended; and
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the Group financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors, Glasgow
5 March 2009

Group Income Statement

For the year ended 31 December 2008

	Notes	2008 £ million	2007 £ million
Revenue	4	946.6	693.2
Cost of sales		(409.5)	(315.9)
Gross profit		537.1	377.3
Distribution costs		(221.3)	(163.6)
Administrative expenses		(115.2)	(80.8)
Other income		4.2	3.0
Operating profit	4	204.8	135.9
Net finance costs			
– Finance cost	8	(15.3)	(13.2)
– Finance income	8	0.5	1.5
Profit before taxation	5	190.0	124.2
Taxation	9	(67.3)	(43.5)
Profit for the year		122.7	80.7

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

	Notes	2008	2007
Earnings per share (pence)			
Basic	11	45.77	30.33
Diluted	11	45.56	30.02

Accounts

Group Statement of Recognised Income and Expense

For the year ended 31 December 2008

	Notes	2008 £ million	2007 £ million
Profit for the year		122.7	80.7
Actuarial losses on retirement benefits	24	(4.0)	(0.1)
Movement in deferred tax on pension liability	9	1.1	–
Cashflow hedges (net of deferred tax)	24	(21.7)	(4.6)
Net exchange gains offset in reserves	24	99.0	5.6
Total recognised income for the financial year		197.1	81.6

The notes on pages 74 to 106 form part of these Accounts.

Group Balance Sheet

As at 31 December 2008

	Notes	2008 £ million	2007 £ million
Non-current assets			
Goodwill	12	53.0	38.0
Other intangible assets	13	16.6	10.0
Property, plant and equipment	14	752.0	444.6
Deferred tax asset	21	4.8	2.4
		826.4	495.0
Current assets			
Inventories	15	98.6	60.0
Trade and other receivables	16	272.7	165.4
Derivative financial instruments	18	–	0.1
Cash and cash equivalents	3	15.3	9.8
Current tax assets		1.7	2.4
		388.3	237.7
Total assets		1,214.7	732.7
Current liabilities			
Borrowings	17	(167.7)	(0.2)
Derivative financial instruments	18	(15.9)	(2.1)
Trade and other payables	19	(252.9)	(172.6)
Current tax liabilities		(49.9)	(24.8)
Provisions	20	–	(1.3)
		(486.4)	(201.0)
Non-current liabilities			
Borrowings	17	(211.6)	(212.2)
Derivative financial instruments	18	(19.1)	(2.7)
Deferred tax liabilities	21	(24.6)	(14.7)
Retirement benefit obligation	27	(8.0)	(8.1)
Provisions	20	(0.2)	(0.7)
		(263.5)	(238.4)
Total liabilities		(749.9)	(439.4)
Net assets		464.8	293.3
Shareholders' equity			
Share capital	22	54.4	54.2
Share premium	24	10.2	8.8
Treasury shares	23	(20.5)	(10.5)
Capital redemption reserve	24	0.1	0.1
Hedging reserve (net of deferred tax)	24	(25.1)	(3.4)
Foreign exchange reserve	24	79.9	(19.7)
Retained earnings	24	365.8	263.8
Total shareholders' equity		464.8	293.3

Approved by the Board on 5 March 2009 and signed on its behalf by:

P G Rogerson
Chairman

A G Cockburn
Finance Director

The notes on pages 74 to 106 form part of these Accounts.

Group Cash Flow Statement

For the year ended 31 December 2008

	Notes	2008 £ million	2007 £ million
Cash flows from operating activities			
Cash generated from operations	2	276.1	230.2
Tax paid		(39.6)	(21.4)
Net cash generated from operating activities		236.5	208.8
Cash flows from investing activities			
Acquisitions (net of cash acquired)	29	(15.9)	(0.4)
Purchases of property, plant and equipment (PPE)		(265.2)	(180.6)
Proceeds from sale of PPE	2	9.0	8.1
Net cash used in investing activities		(272.1)	(172.9)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		1.3	1.8
Increase in long-term loans		185.7	66.0
Repayment of long-term loans		(107.1)	(62.6)
Net movement in short-term loans		4.9	(7.1)
Interest received		0.5	1.5
Interest paid		(14.6)	(12.8)
Dividends paid to shareholders		(23.7)	(19.2)
Purchase of treasury shares		(13.2)	(4.2)
Sale of own shares by Employee Benefit Trust		0.9	-
Net cash from/(used in) financing activities		34.7	(36.6)
Net decrease in cash and cash equivalents		(0.9)	(0.7)
Cash and cash equivalents at beginning of the year		9.6	10.0
Exchange gain on cash and cash equivalents		1.6	0.3
Cash and cash equivalents at end of the year	3	10.3	9.6

Reconciliation of net cash flow to movement in net debt

For the year ended 31 December 2008

	Notes	2008 £ million	2007 £ million
Decrease in cash and cash equivalents		(0.9)	(0.7)
Cash (inflow)/outflow from movement in debt		(83.5)	3.7
Changes in net debt arising from cash flows		(84.4)	3.0
Exchange losses		(77.0)	(0.4)
Movement in net debt in period		(161.4)	2.6
Net debt at beginning of period		(202.6)	(205.2)
Net debt at end of period	17	(364.0)	(202.6)

Notes to the Group Accounts

For the year ended 31 December 2008

1 Accounting policies

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

Basis of preparation

The Group financial statements have been prepared in accordance with International Accounting Standards, International Financial Reporting Standards and IFRIC interpretations (collectively IFRSs) endorsed by the EU and with those parts of the Companies Act, 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value.

As at 31 December 2008 the Group had net current liabilities of £98.1 million mainly as a result of borrowings less than one year of £167.7 million. Since the year end the Group has refinanced or replaced £158.9 million of facilities due to mature in September 2009 with new facilities totalling £195.0 million.

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

New standards and interpretations not applied

During the year, the IASB and IFRIC have issued the following standards, amendments and interpretations with an effective date for financial years beginning on or after the dates disclosed below and therefore after the date of these financial statements:

	Effective date
IFRS 3 (Revised) – Business combinations	1 July 2009
IFRS 8 – Operating Segments	1 January 2009
IAS 1 (Revised) – Presentation of financial statements	1 January 2009
IAS 23 (Revised) – Borrowing costs	1 January 2009
IAS 27 (Revised) – Consolidated and separate financial statements	1 July 2009
Amendment to IFRS 1 – First time adoption of IFRS and IAS 27 – Consolidated and separate financial statements	1 January 2009
Amendment to IAS 32 – Financial instruments: presentation and IAS 1 – Presentation of financial statements	1 January 2009
Amendment to IAS 39 – Financial instruments: recognition and measurement	1 July 2009
Amendment to IFRS 2 – Share based payment – vesting conditions and cancellations	1 January 2009
IFRIC 15 – Agreement for construction of real estates	1 January 2009

Upon adoption of IFRS 8, the Group will need to expand the disclosure in relation to segmental analysis. The adoption of this standard is not expected to impact the Group's profit or net assets.

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

Basis of consolidation

The Group financial statements consolidate the financial statements of Aggreko plc and all its subsidiaries for the year ended 31 December 2008. Subsidiaries are those entities over which the Group has the power to govern financial and operating policies, generally accompanying a shareholding that confers more than half of the voting rights. The consolidated income statement included the results of business purchased from the effective date of acquisition.

Revenue recognition

Revenue for the Group represents the amounts earned from the supply of temporary power, temperature control, oil-free compressed air and related services and excludes sales taxes and intra-group revenue. Revenue is recognised during the rental period in which the equipment and related services are utilised by the customer.

1 Accounting policies continued

Segmental reporting

Aggreko's primary reporting format relates to geographical segments comprising Northern Europe, Continental Europe, North America, Middle East, Asia-Pacific and South America (together the Group's Local business) and a global segment of International Power Projects (IPP). IPP is managed as a single segment, with the deployment of assets varying from year to year depending on the location of projects. The geographical risks and rewards within IPP are significantly different from those within the Group's Local business.

Aggreko's secondary reporting format relates to the Group's two business types detailed above, namely the Local business and International Power Projects business. The Local business focuses on smaller, more frequently occurring events, whereas the International Power Projects business concentrates on large contracts, which can arise anywhere in the world.

The risks and rewards of the Group's operations are determined by the different geographical locations. This is reflected by the Group's divisional management and organisational structure and the Group's internal financial reporting systems. The segmental analysis in Note 4 to the Accounts is based on location of assets.

Central administrative costs are allocated between segments based on revenue.

Leases

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

Exceptional items

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

Property, plant and equipment

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

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

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

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

Capital grants

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

Intangibles

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

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

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

1 Accounting policies continued

Goodwill

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

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

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

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

Foreign currencies

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

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

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

Derivative financial instruments

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

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

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

1 Accounting policies continued

Cash flow hedge

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

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

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

Overseas net investment hedges

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

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

Taxation

Deferred tax

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

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

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

Current tax

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

Inventories

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

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

1 Accounting policies continued

Employee benefits

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

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

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

Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. An allowance is recorded for the difference between the carrying amount and the recoverable amount where there is objective evidence that the Group will not be able to collect all amounts due. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or large and old outstanding balances are considered indicators that the trade receivable is impaired. When a trade receivable is uncollectible it is written off against the allowance account for trade receivables.

Trade payables

Trade payables are stated at their nominal value.

Provisions

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

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

Share-based payments

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits with a maturity of three months or less. This definition is also used for the cashflow statement.

Borrowings

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

1 Accounting policies continued

Dividend distribution

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

Key assumptions and significant judgements

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

Property, plant and equipment

The property, plant and equipment used in the business is mainly the rental fleet which has a depreciation life typically of between 8 and 10 years. The annual depreciation charge relates to the estimated service lives allocated to each type of asset. Assets lives are reviewed regularly and changed if necessary to reflect current thinking on their remaining lives in light of technological change, prospective economic utilisation and the physical condition of the assets.

Intangible assets

In accordance with IFRS 3 'Business Combinations' goodwill arising on acquisition of assets and subsidiaries is capitalised and included in intangible assets. IFRS 3 also requires the identification of other acquired intangible assets. The techniques used to value these intangible assets are in line with internationally used models but do require the use of estimates and forecasts which may differ from actual outcomes. Future results are impacted by the amortisation period adopted for these items and, potentially, by any differences between forecast and actual outcomes related to individual intangible assets.

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

Pensions

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

Under IAS 19: 'Employee Benefits' Aggreko has recognised a pre-tax pension deficit of £8.0 million at 31 December 2008 (2007: £8.1 million) with the lower than expected returns on Scheme assets offset by additional contributions made by the Company during the year of £4.0 million in line with the Recovery Plan for the Scheme agreed after the actuarial valuation at 31 December 2005.

The main assumptions used in IAS 19 valuation for the previous two years are shown in Note 27 of the Accounts.

Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. An allowance is recorded for the difference between the carrying amount and the recoverable amount where there is objective evidence that the Group will not be able to collect all amounts due. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or large and old outstanding balances are considered indicators that the trade receivable is impaired. When a trade receivable is uncollectible it is written off against the allowance account for trade receivables.

Taxation

The Group's tax charge is based on the profit for the year and tax rates in force at the balance sheet date. Estimation of the tax charge requires an assessment to be made of the potential tax treatment of certain items which will only be resolved once finally agreed with the relevant tax authorities.

Financial risk management

Financial risk factors

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

1 Accounting policies continued

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

Liquidity, funding and capital management

The Group's objective with respect to managing capital is to maintain a balance sheet structure that is both efficient in terms of providing long term returns to shareholders and safeguards the Group's financial position through economic cycles. If appropriate the Group can choose to adjust its capital structure by varying the amount of dividends paid to shareholders, returning of capital to shareholders, by issuing new shares or by adjusting the level of capital expenditure.

The Group maintains sufficient facilities to meet its normal funding requirements over the medium-term. These facilities are primarily in the form of committed bank facilities totalling £510.4 million at 31 December 2008, arranged on a bilateral basis with a number of international banks. The financial covenants attached to these facilities are that operating profit should be no less than 3 times interest and net debt should be no more than 3 times EBITDA. The Group does not consider that these financial covenants are restrictive to its operations. Since the year end the Group has refinanced or replaced £158.9 million of facilities that mature in September 2009 with new facilities totalling £195.0 million. The maturity profile of the borrowings is detailed in Note 17 in the Financial Statements with the next maturity not due until 2011. The facilities now in place are currently anticipated to be adequate for meeting the Group's requirements for the foreseeable future. Net debt amounted to £364.0 million at 31 December 2008 and at that date undrawn committed facilities were £141.1 million.

Interest rate risk

The Group's policy is to minimise the exposure to interest rates by ensuring an appropriate balance of fixed and floating rates. The Group's primary funding is at floating rates through its bank facilities. In order to manage the associated interest rate risk, the Group uses interest rate swaps to vary the mix of fixed and floating rates. At 31 December 2008, £227.5 million of the net debt of £364.0 million was at fixed rates of interest resulting in a fixed to floating rate net debt ratio of 63:37.

The Group monitors its interest rate exposure on a regular basis by applying forecast interest rates to the Group's forecast net debt profile after taking into account its existing hedges. The Group also calculates the impact on profit and loss of a defined interest rate shift for all currencies. Based on the simulations performed, the impact on profit or loss of a +/-100 basis-point shift, after taking into account existing hedges, would be £1.5 million (2007: £0.8 million). The sensitivity analysis is performed on a monthly basis and is reported to the Board.

Foreign exchange risk

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

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

The positive impact of currency, largely due to the movement in the US dollar and the euro, increased our revenues by £57.1 million (2007: decrease of £27.7 million) and trading profit by £12.8 million (2007: decrease of £5.9 million) for the year ended 31 December 2008. The Group monitors the impact of exchange closely and regularly carries out sensitivity analysis. For every 5 cents movement in the US dollar to GBP exchange rate there is an approximate impact of £4.4 million (2007: £2.7 million) in trading profit[1] in terms of translation. For every 5 cents movement in the euro to GBP exchange rate there is an approximate impact of £0.5 million (2007: £0.4 million) in trading profit in terms of translation. Currency translation also gave rise to a £99.0 million increase in reserves as a result of year on year movements in the exchange rates (2007: increase of £5.6 million). For every 5 cents movement in the dollar and euro, there is an approximate impact in equity of £9.2 million and £2.8 million respectively (2007: £3.7 million and £1.4 million), arising from the currency translation of external borrowings which are being used as a net investment hedge.

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

1 Accounting policies continued

Credit risk

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

Management of trade receivables

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

Insurance

The Group operates a policy of buying cover where possible for material risks from the global insurance market, while self-insuring risks which would not have a material impact on the Group as a whole. The Group monitors its insurance arrangements in such a way to ensure the quality and extent of cover.

2 Cashflow from operating activities

	2008 £ million	2007 £ million
Profit for the year	**122.7**	80.7
Adjustments for:		
Tax	**67.3**	43.5
Depreciation	**115.9**	92.8
Amortisation of intangibles	**1.9**	1.6
Finance income	**(0.5)**	(1.5)
Finance cost	**15.3**	13.2
Profit on sale of PPE (see below)	**(4.2)**	(3.0)
Share based payments	**7.8**	4.6
Changes in working capital (excluding the effects of exchange differences on consolidation):		
Increase in inventories	**(20.4)**	(18.6)
Increase in trade and other receivables	**(51.7)**	(13.4)
Increase in trade and other payables	**23.8**	34.7
Net movements in provisions for liabilities and charges	**(1.8)**	(4.2)
Net retirement benefit cost	**–**	(0.2)
Cash generated from operations	**276.1**	230.2

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

	2008 £ million	2007 £ million
Net book amount	**4.8**	5.1
Profit on sale of PPE	**4.2**	3.0
Proceeds from sale of PPE	**9.0**	8.1

Notes to the Group Accounts continued

For the year ended 31 December 2008

3 Cash and cash equivalents

	2008 £ million	2007 £ million
Cash at bank and in hand	14.8	9.1
Short-term bank deposits	0.5	0.7
	15.3	9.8

The effective interest rate on short-term bank deposits was 2.63% (2007: 3.93%); these deposits have an average maturity of less than 90 days. Cash is only held in banks which have been approved by Group Treasury.

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

	2008 £ million	2007 £ million
Cash and cash equivalents	15.3	9.8
Bank overdrafts (Note 17)	(5.0)	(0.2)
	10.3	9.6

4 Segmental reporting
(a) Revenue by segment

	Total revenue		Inter-segment revenue		External revenue	
	2008 £ million	2007 £ million	2008 £ million	2007 £ million	2008 £ million	2007 £ million
Northern Europe	82.0	80.8	–	–	82.0	80.8
Continental Europe	104.7	87.2	–	0.1	104.7	87.1
North America	207.7	168.5	0.2	0.2	207.5	168.3
Middle East, Asia-Pacific, South America	186.7	116.8	0.5	0.4	186.2	116.4
Local business	581.1	453.3	0.7	0.7	580.4	452.6
International Power Projects	366.2	240.8	–	0.2	366.2	240.6
Eliminations	(0.7)	(0.9)	(0.7)	(0.9)	–	–
Group	946.6	693.2	–	–	946.6	693.2

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

(ii) International Power Projects (IPP) is a global segment administered from Dubai. At the end of 2008 and 2007 the assets of the International Power Projects segment are predominantly located in the Middle East, Asia-Pacific, South America and Africa.

(iii) In accordance with how management monitors the business, the results and net assets of the Beijing Olympics are now included in the Local business in the Middle East, Asia-Pacific and South America segment instead of IPP as previously reported. Comparative figures for capital expenditure, assets and liabilities have been restated by £4.8 million, £4.9 million and £1.0 million respectively. There has been no impact on any other comparative figures.

4 Segmental reporting continued

(b) Profit by segment

	Trading profit pre intangible asset amortisation 2008 £ million	Trading profit pre intangible asset amortisation 2007 £ million	Amortisation of intangible assets arising from business combinations 2008 £ million	Amortisation of intangible assets arising from business combinations 2007 £ million	Trading profit 2008 £ million	Trading profit 2007 £ million
Northern Europe	11.9	9.8	–	–	11.9	9.8
Continental Europe	13.8	11.6	(0.1)	(0.1)	13.7	11.5
North America	46.0	36.4	(1.1)	(0.8)	44.9	35.6
Middle East, Asia-Pacific, South America	50.7	24.8	(0.3)	(0.3)	50.4	24.5
Local business	122.4	82.6	(1.5)	(1.2)	120.9	81.4
International Power Projects	79.8	51.6	(0.1)	(0.1)	79.7	51.5
Group	202.2	134.2	(1.6)	(1.3)	200.6	132.9

	Gain/(loss) on sale of PPE 2008 £ million	Gain/(loss) on sale of PPE 2007 £ million	Operating profit 2008 £ million	Operating profit 2007 £ million
Northern Europe	0.4	0.2	12.3	10.0
Continental Europe	2.2	0.7	15.9	12.2
North America	1.1	1.0	46.0	36.6
Middle East, Asia-Pacific, South America	(0.2)	0.2	50.2	24.7
Local business	3.5	2.1	124.4	83.5
International Power Projects	0.7	0.9	80.4	52.4
Group	4.2	3.0	204.8	135.9
Finance costs – net			(14.8)	(11.7)
Profit before taxation			190.0	124.2
Taxation			(67.3)	(43.5)
Profit for the year			122.7	80.7

(c) Depreciation and amortisation by segment

	2008 £ million	2007 £ million
Northern Europe	10.5	10.5
Continental Europe	15.4	13.0
North America	26.8	23.6
Middle East, Asia-Pacific, South America	21.9	16.1
Local business	74.6	63.2
International Power Projects	43.2	31.2
Group	117.8	94.4

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

	2008 £ million	2007 Restated £ million
Northern Europe	20.3	10.0
Continental Europe	12.8	14.0
North America	40.8	27.9
Middle East, Asia-Pacific, South America	54.2	37.0
Local business	128.1	88.9
International Power Projects	147.6	96.6
Group	275.7	185.5

Capital expenditure comprises additions of property, plant and equipment (PPE) of £265.2 million (2007: £180.6 million), acquisitions of PPE of £5.1 million (2007: £4.9 million) and acquisitions of other intangible assets of £5.4 million (2007: £nil).

4 Segmental reporting continued

(e) Assets/(liabilities) by segment

	Assets		Liabilities	
	2008 £ million	2007 Restated £ million	2008 £ million	2007 Restated £ million
Northern Europe	73.4	67.8	(17.0)	(15.5)
Continental Europe	135.2	107.4	(28.0)	(24.3)
North America	257.2	163.3	(28.4)	(19.6)
Middle East, Asia-Pacific, South America	204.9	125.7	(33.7)	(27.1)
Local business	670.7	464.2	(107.1)	(86.5)
International Power Projects	537.5	263.6	(149.3)	(87.3)
Group	1,208.2	727.8	(256.4)	(173.8)

Segment assets include goodwill, property, plant and equipment, intangible assets, inventory, receivables and operating cash. Segment liabilities comprise operating liabilities. They exclude taxation, the retirement benefit obligation and corporate borrowings.

(f) Average number of employees by segment

	2008 number	2007 number
Northern Europe	396	366
Continental Europe	463	419
North America	883	828
Middle East, Asia-Pacific, South America	600	446
Local business	2,342	2,059
International Power Projects	881	648
Group	3,223	2,707

(g) Segmental revenue by location of customer

	2008 £ million	2007 £ million
UK	68.3	65.6
Continental Europe	118.4	102.3
North America	207.5	168.3
Middle East	166.9	116.9
Australasia	65.3	41.4
Africa	201.9	137.4
South America	53.2	23.8
Other	65.1	37.5
Total	946.6	693.2

(h) Reconciliation of net operating assets to net assets

	2008 £ million	2007 £ million
Net operating assets	951.8	554.0
Retirement benefit obligation	(8.0)	(8.1)
Net tax and finance payable	(69.7)	(35.7)
	874.1	510.2
Borrowings and derivative financial instruments	(409.3)	(216.9)
Net assets	464.8	293.3

5 Profit before taxation

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

	2008 £ million	2007 £ million
Staff costs (Note 7)	162.2	124.7
Cost of inventories recognised as an expense (included in cost of sales)	47.3	42.4
Depreciation of property, plant and equipment	115.9	92.8
Amortisation of intangibles (included in administrative expenses)	1.9	1.6
Gain on disposal of property, plant and equipment	(4.2)	(3.0)
Trade receivables impairment	12.1	2.5
Other operating lease rentals payable		
– Plant and equipment	9.0	6.9
– Property	7.9	5.9

6 Auditors' remuneration

	2008 £000	2007 £000
Audit services		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	112	111
Fees payable to the Company's auditor and its associates for other services:		
– The audit of the Company's subsidiaries, pursuant to legislation	314	356
– Other services pursuant to legislation	27	26
– Tax services	52	67
– All other services	24	34
Fees in respect of the Aggreko plc pension scheme:		
– Audit	6	6

7 Employees and directors

Staff costs for the Group during the year:

	2008 £ million	2007 £ million
Wages and salaries	135.8	105.5
Social security costs	13.4	10.1
Share-based payments	7.8	4.6
Pension costs – defined contribution plans	3.7	2.9
Pension costs – defined benefit plans (Note 27)	1.5	1.6
	162.2	124.7

Full details of Directors' remuneration are set out in the Remuneration Report on pages 54 to 63.

The key management figures given below comprise directors only.

	2008 £ million	2007 £ million
Salaries and short-term benefits	3.5	3.0
Post-employment benefits	0.2	0.2
Share-based payments	1.9	1.4
	5.6	4.6

8 Net finance charge

	2008 £ million	2007 £ million
Finance costs on bank loans and overdrafts	(15.3)	(13.2)
Finance income on bank balances and deposits	0.5	1.5
	(14.8)	(11.7)

For the year ended 31 December 2008

9 Taxation

	2008 £ million	2007 £ million
Analysis of charge in year		
Current tax expense:		
– UK corporation tax	21.9	16.6
– Double taxation relief	(8.9)	(5.4)
	13.0	11.2
– Overseas taxation	41.8	26.3
	54.8	37.5
Adjustments in respect of prior years:		
– UK	0.3	(0.5)
– Overseas	4.9	0.6
	5.2	0.1
	60.0	37.6
Deferred taxation (Note 21):		
– temporary differences arising in current year	10.9	5.2
– movements in respect of prior years	(3.6)	0.7
	67.3	43.5

	2008 £ million	2007 £ million
Tax on items charged to equity		
Current tax on exchange movements offset in reserves	0.6	0.4
Current tax on share-based payments	3.1	1.8
Deferred tax on IAS 39 movements	8.5	1.8
Deferred tax on pension scheme deficit	1.1	–
Deferred tax on share-based payments	(2.7)	0.7
Deferred tax impact of rate changes on items previously taken to equity	–	(0.5)
	10.6	4.2

Variances between the current tax charge and the standard 28.5% UK corporate tax rate when applied to profit on ordinary activities for the year are as follows:

Profit before taxation	190.0	124.2
Tax calculated at 28.5% (2007: 30%) standard UK corporate rate	54.2	37.3
Differences between UK and overseas tax rates	2.1	1.8
Permanent differences	6.2	4.1
Deferred tax effect of future rate changes	2.1	(0.8)
Deferred tax assets not recognised	1.1	0.3
Tax on current year profit	65.7	42.7
Prior year adjustments – current tax	5.2	0.1
Prior year adjustments – deferred tax	(3.6)	0.7
Total tax on profit	67.3	43.5
Effective tax rate	35.4%	35.0%

10 Dividends

	2008 £ million	2008 per share (p)	2007 £ million	2007 per share (p)
Final paid	13.5	5.02	11.1	4.19
Interim paid	10.2	3.80	8.1	3.04
	23.7	8.82	19.2	7.23

In addition, the directors are proposing a final dividend in respect of the financial year ended 31 December 2008 of 6.28 pence per share which will absorb an estimated £16.9 million of shareholders' funds. It will be paid on 15 May 2009 to shareholders who are on the register of members on 17 April 2009.

11 Earnings per share

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

	2008	2007
Profit for the year (£ million)	122.7	80.7
Weighted average number of ordinary shares in issue (million)	268.2	266.2
Basic earnings per share (pence)	45.77	30.33

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

	2008	2007
Profit for the year (£ million)	122.7	80.7
Weighted average number of ordinary shares in issue (million)	268.2	266.2
Adjustment for share options (million)	1.2	2.8
Diluted weighted average number of ordinary shares in issue (million)	269.4	269.0
Diluted earnings per share (pence)	45.56	30.02

12 Goodwill

	2008 £ million	2007 £ million
Cost		
At 1 January	38.0	37.8
Acquisitions (Note 29)	5.4	–
Exchange adjustments	9.6	0.2
At 31 December	53.0	38.0
Accumulated impairment losses	–	–
Net book value	53.0	38.0

Goodwill impairment tests

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

	£ million
Northern Europe	2.8
Continental Europe	9.4
North America	33.1
Middle East, Asia-Pacific, South America	6.1
Local business	51.4
International Power Projects	1.6
Group	53.0

Accounts

12 Goodwill continued

Goodwill is tested for impairment annually or whenever there is an indication that the asset may be impaired. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for value in use calculations are those relating to expected changes in revenue and the cost base, discount rates and long-term growth rates. The discount rate used for business valuations was 8.5% after tax, 11.6% before tax based on the weighted average cost of capital (WACC) of the Group. On the basis that the business carried out by all CGUs is closely related and assets can be redeployed around the Group as required, a consistent Group discount rate has been used for all CGUs. Values in use were determined using current year cashflows, a prudent view of future market trends and excludes any growth capital expenditure. A terminal cash flow was calculated using a long-term growth rate of 2.0%.

As at 31 December 2008, based on internal valuations, Aggreko plc management concluded that the values in use of the CGUs significantly exceeded their net asset value.

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

13 Other intangible assets

	2008 £ million	2007 £ million
Cost		
At 1 January	**13.7**	13.6
Acquisitions (Note 29)	**5.4**	–
Exchange adjustments	**3.1**	0.1
At 31 December	**22.2**	13.7
Accumulated amortisation		
At 1 January	**3.7**	2.1
Charge for the year	**1.9**	1.6
At 31 December	**5.6**	3.7
Net book values:		
At 31 December	**16.6**	10.0

Amortisation charges in the year comprised amortisation of assets arising from business combinations of £1.6 million (2007: £1.3 million) and amortisation of other intangible assets of £0.3 million (2007: £0.3 million). Amortisation charges in the year have been recorded in administrative expenses.

14 Property, plant and equipment

Year ended 31 December 2008

	Freehold properties £ million	Short leasehold properties £ million	Rental fleet £ million	Vehicles, plant and equipment £ million	Total £ million
Cost					
At 1 January 2008	27.9	8.5	883.5	51.7	971.6
Exchange adjustments	9.2	1.7	289.9	8.3	309.1
Additions	0.8	1.7	256.4	6.3	265.2
Acquisitions (Note 29)	–	–	4.7	0.4	5.1
Disposals	–	–	(51.7)	(2.3)	(54.0)
At 31 December 2008	**37.9**	**11.9**	**1,382.8**	**64.4**	**1,497.0**
Accumulated depreciation					
At 1 January 2008	8.1	3.7	481.7	33.5	527.0
Exchange adjustments	2.4	0.8	142.0	6.1	151.3
Charge for the year	1.2	1.1	107.7	5.9	115.9
Disposals	–	–	(47.1)	(2.1)	(49.2)
At 31 December 2008	**11.7**	**5.6**	**684.3**	**43.4**	**745.0**
Net book values:					
At 31 December 2008	**26.2**	**6.3**	**698.5**	**21.0**	**752.0**
At 31 December 2007	19.8	4.8	401.8	18.2	444.6

14 Property, plant and equipment continued

Year ended 31 December 2007

	Freehold properties £ million	Short leasehold properties £ million	Rental fleet £ million	Vehicles, plant and equipment £ million	Total £ million
Cost					
At 1 January 2007	28.5	6.6	720.0	48.5	803.6
Exchange adjustments	0.4	0.2	11.6	0.8	13.0
Additions	1.2	1.7	172.4	5.3	180.6
Acquisitions	–	–	4.9	–	4.9
Disposals	(2.2)	–	(25.4)	(2.9)	(30.5)
At 31 December 2007	27.9	8.5	883.5	51.7	971.6
Accumulated depreciation					
At 1 January 2007	9.1	2.8	408.9	29.8	450.6
Exchange adjustments	–	0.1	8.6	0.3	9.0
Charge for the year	0.9	0.8	85.6	5.5	92.8
Disposals	(1.9)	–	(21.4)	(2.1)	(25.4)
At 31 December 2007	8.1	3.7	481.7	33.5	527.0
Net book values:					
At 31 December 2007	19.8	4.8	401.8	18.2	444.6
At 31 December 2006	19.4	3.8	311.1	18.7	353.0

15 Inventories

	2008 £ million	2007 £ million
Raw materials and consumables	**91.7**	56.2
Work in progress	**6.9**	3.8
	98.6	60.0

16 Trade and other receivables

	2008 £ million	2007 £ million
Trade receivables	**214.6**	123.7
Less: provision for impairment of receivables	**(25.2)**	(9.0)
Trade receivables – net	**189.4**	114.7
Prepayments and accrued income	**59.2**	35.9
Other receivables	**24.1**	14.8
Total receivables	**272.7**	165.4

Other receivables principally comprise deposits and advance payments.

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

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

	2008 £ million	2007 £ million
Sterling	**19.7**	15.5
Euro	**41.3**	38.9
US dollar	**160.8**	79.6
Other currencies	**50.9**	31.4
	272.7	165.4

16 Trade and other receivables continued

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

	2008 £ million	2007 £ million
At 1 January	9.0	6.9
Provision for receivables impairment	12.1	2.5
Receivables written off during the year as uncollectable	(1.2)	(0.4)
Exchange	5.3	–
At 31 December	25.2	9.0

Credit quality of trade receivables

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

31 December 2008

	Fully performing £ million	Past due £ million	Impaired £ million	Total £ million
Northern Europe	7.2	4.5	0.4	12.1
Continental Europe	18.5	9.4	4.3	32.2
North America	21.7	19.9	1.9	43.5
Middle East, Asia-Pacific, South America	22.7	8.3	2.0	33.0
Local business	70.1	42.1	8.6	120.8
International Power Projects	44.1	33.1	16.6	93.8
Group	114.2	75.2	25.2	214.6

31 December 2007

	Fully performing £ million	Past due £ million	Impaired £ million	Total £ million
Northern Europe	8.7	3.7	0.5	12.9
Continental Europe	17.7	7.3	2.7	27.7
North America	12.2	11.3	1.1	24.6
Middle East, Asia-Pacific, South America	15.4	5.8	0.7	21.9
Local business	54.0	28.1	5.0	87.1
International Power Projects	15.3	17.3	4.0	36.6
Group	69.3	45.4	9.0	123.7

Trade receivables are considered impaired if they are not considered recoverable. 67% of the amounts past due are less than 30 days past due (2007: 63%).

The Group assesses credit quality differently in relation to its two business models.

Local business

Our Local business serves customers in Northern Europe, Continental Europe, North America, Middle East, Asia-Pacific and South America. It focuses on the smaller, more frequently occurring events and the majority of the contracts in this business are small relative to the size of the Group. There is no concentration of credit risk in this business as there are a large number of customers who are unrelated and internationally dispersed.

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

16 Trade and other receivables continued

International Power Projects (IPP)

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

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

The total trade receivables balance as at 31 December 2008 for our IPP business was £93.8 million (2007: £36.6 million). Within this balance receivable balances totalling £66.3 million (2007: £26.9 million) had some form of payment cover attached to them. The risk associated with the remaining £27.5 million (2007: £9.7 million) is deemed to be either acceptable or payment cover is not obtainable in a cost effective manner.

17 Borrowings

	2008 £ million	2007 £ million
Non-current		
Bank borrowings	211.6	212.2
Current		
Bank overdrafts	5.0	0.2
Bank borrowings	162.7	–
	167.7	0.2
Total borrowings	379.3	212.4
Short-term deposits	(0.5)	(0.7)
Cash at bank and in hand	(14.8)	(9.1)
Net borrowings	364.0	202.6

The bank overdrafts and borrowings are all unsecured.

(i) Maturity of financial liabilities

The maturity profile of the borrowings was as follows:

	2008 £ million	2007 £ million
Within 1 year, or on demand	167.7	0.2
Between 1 and 2 years	–	128.9
Between 2 and 3 years	185.8	–
Between 3 and 4 years	–	83.3
Between 4 and 5 years	25.8	–
	379.3	212.4

(ii) Borrowing facilities

The Group has the following undrawn committed floating rate borrowing facilities available at 31 December 2008 in respect of which all conditions precedent had been met at that date:

	2008 £ million	2007 £ million
Expiring within 1 year	1.2	–
Expiring between 1 and 2 years	–	6.3
Expiring between 2 and 3 years	105.6	–
Expiring between 3 and 4 years	–	139.5
Expiring between 4 and 5 years	34.3	–
Expiring after 5 years	–	–
	141.1	145.8

17 Borrowings continued

(iii) Interest rate risk profile of financial liabilities

The interest rate profile of the Group's financial liabilities at 31 December 2008, after taking account of the interest rate swaps used to manage the interest profile, was:

	Floating rate £ million	Fixed rate £ million	Total £ million	Fixed rate debt: Weighted average interest rate %	Fixed rate debt: Weighted average period for which rate is fixed Years
Currency:					
Sterling	36.6	–	36.6	–	–
US dollar	72.1	189.6	261.7	4.8	4.9
Euro	17.6	37.9	55.5	4.8	3.1
Other currencies	25.5	–	25.5	–	–
At 31 December 2008	**151.8**	**227.5**	**379.3**		
Sterling	20.1	–	20.1	–	–
US dollar	36.9	115.5	152.4	4.7	2.5
Euro	4.4	35.4	39.8	3.7	1.2
Other currencies	0.1	–	0.1	–	–
At 31 December 2007	61.5	150.9	212.4		

The floating rate financial liabilities principally comprise debt which carries interest based on different benchmark rates depending on the currency of the balance. The principal benchmark rates for floating rate financial liabilities are the relevant LIBOR (London Interbank Offered Rate) rates for sterling, US dollars and euro and liabilities are normally fixed in advance for periods between one and three months.

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

The effect of the Group's interest rate swaps is to classify £227.5 million (2007: £150.9 million) of borrowings in the above table as fixed rate.

The notional principal amount of the outstanding interest rate swap contracts at 31 December 2008 was £227.5 million (2007: £150.9 million).

(iv) Interest rate risk profile of financial assets

	Cash at bank and in hand £ million	Short-term deposits £ million	Total £ million
Currency:			
Sterling	1.1	–	1.1
US dollar	3.9	–	3.9
Euro	5.0	–	5.0
Other currencies	4.8	0.5	5.3
At 31 December 2008	**14.8**	**0.5**	**15.3**
Currency:			
Sterling	(0.6)	–	(0.6)
US dollar	3.6	0.3	3.9
Euro	2.1	–	2.1
Other currencies	4.0	0.4	4.4
At 31 December 2007	9.1	0.7	9.8

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

(v) Preference share capital

	2008 Number	2008 £000	2007 Number	2007 £000
Authorised:				
Redeemable preference shares of 25p each	**199,998**	50	199,998	50

No redeemable preference shares were allotted as at 31 December 2008 and 31 December 2007.

18 Financial instruments

As stated in our accounting policies Note 1 on page 76 the activities of the Group expose it directly to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses forward foreign exchange contracts and interest rate swap contracts to hedge these exposures. The movement in the hedging reserve is shown in the Statement of Changes in Equity (Note 24).

(i) Fair values of financial assets and financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair values of the Group's financial assets and financial liabilities at 31 December 2008. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. Market values have been used to determine fair values.

	2008		2007	
	Book value £ million	Fair value £ million	Book value £ million	Fair value £ million
Primary financial instruments held or issued to finance the Group's operations:				
Current borrowings and overdrafts	(167.7)	(167.7)	(0.2)	(0.2)
Non-current borrowings	(211.6)	(211.6)	(212.2)	(212.2)
Short-term deposits	0.5	0.5	0.7	0.7
Cash at bank and in hand	14.8	14.8	9.1	9.1
Derivative financial instruments held to manage the interest rate profile:				
Interest rate swaps	(20.5)	(20.5)	(2.6)	(2.6)
Forward foreign currency contracts	(14.5)	(14.5)	(2.1)	(2.1)

(ii) Summary of methods and assumptions

Interest rate swaps and forward foreign currency contracts

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

Current borrowings and overdrafts/Short-term deposits

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

Non-current borrowings

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

(iii) Financial instruments

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

	2008		2007	
	Assets £ million	Liabilities £ million	Assets £ million	Liabilities £ million
Current:				
Interest rate swaps – cash flow hedge	–	(1.4)	0.1	–
Forward foreign currency contracts – cash flow hedge	–	(14.5)	–	(2.1)
Non-current:				
Interest rate swaps – cash flow hedge	–	(19.1)	–	(2.7)
	–	(35.0)	0.1	(4.8)

The net fair value of overseas net investment hedge liabilities at 31 December 2008 was £317.2 million (2007: £192.2 million).

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For the year ended 31 December 2008

18 Financial instruments continued

Net fair values of derivative financial instruments

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

	2008 £ million	2007 £ million
Contracts with positive fair values:		
Interest rate swaps	–	0.1
Contracts with negative fair values:		
Interest rate swaps	(20.5)	(2.7)
Forward foreign currency contracts	(14.5)	(2.1)
	(35.0)	(4.7)

The net fair value losses at 31 December 2008 on open forward exchange contracts that hedge the foreign currency risk of future anticipated capital expenditure are £14.5 million (2007: losses of £2.1 million). These will be allotted to the cost of the asset as a basis adjustment when the forecast capital expenditure occurs. The net fair value losses at 31 December 2008 on open interest rate swaps that hedge interest risk are £20.5 million (2007: losses of £2.6 million). These will be debited to the income statement over the remaining life of each interest rate swap.

Hedge of net investment in foreign entity

The Group has US dollar, Canadian dollar and euro denominated borrowings which it has designated as a hedge of the net investment in its overseas subsidiaries. The fair value of the US dollar borrowings at 31 December 2008 was £261.7 million (2007: £152.4 million), the Canadian dollar borrowings £15.6 million (2007: £nil) and the euro borrowings £55.5 million (2007: £39.8 million). The foreign exchange loss of £79.0 million (2007: loss of £0.4 million) on translation of the borrowings into sterling has been recognised in exchange reserves.

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

As at 31 December 2008

	<1 year £ million	1-5 years £ million	>5 years £ million	Total £ million
Total borrowings	167.7	211.6	–	379.3
Effect of interest rate swaps	(44.0)	(115.9)	(67.6)	(227.5)
	123.7	95.7	(67.6)	151.8

As at 31 December 2007

	<1 year £ million	1-5 years £ million	>5 years £ million	Total £ million
Total borrowings	0.2	212.2	–	212.4
Effect of interest rate swaps	(45.9)	(105.0)	–	(150.9)
	(45.7)	107.2	–	61.5

18 Financial instruments continued

As at 31 December 2008 and 31 December 2007 all of the Group's debt was exposed to repricing within 3 months of the balance sheet date. £44.0 million of interest rate swaps are due to mature in 2009. The Group's interest rate swap portfolio is reviewed on a regular basis to ensure it is consistent with Group policy as described on page 80.

The effective interest rates at the balance sheet date were as follows:

	2008	2007
Bank overdraft	9.0%	7.1%
Bank borrowings	3.5%	5.5%

Maturity of financial liabilities

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into the relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2008

	<1 year	1-2 years	2-5 years	>5 years
Borrowings	161.7	–	233.4	–
Derivative financial instruments	15.9	2.3	6.6	10.2
Trade and other payables	93.5	–	–	–
	271.1	2.3	240.0	10.2

As at 31 December 2007

	<1 year	1-2 years	2-5 years	>5 years
Borrowings	0.2	141.6	100.2	–
Derivative financial instruments	–	0.7	2.0	–
Trade and other payables	67.6	–	–	–
	67.8	142.3	102.2	–

No trade payable balances have a contractual maturity greater than 90 days. In respect of suppliers, the Group had approximately 81 days (2007: 77 days) credit outstanding as at the balance sheet date.

Derivative financial instruments settled on a gross basis

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2008

	<1 year
Forward foreign exchange contracts – cashflow hedges	
Outflow	(84.7)
Inflow	70.2
	(14.5)

As at 31 December 2007

	<1 year
Forward foreign exchange contracts – cashflow hedges	
Outflow	(62.7)
Inflow	60.6
	(2.1)

All of the Group's forward foreign currency exchange contracts are due to be settled within one year of the balance sheet date.

19 Trade and other payables

	2008 £ million	2007 £ million
Trade payables	90.8	66.3
Other taxation and social security payable	2.8	3.6
Other payables	23.6	12.5
Accruals and deferred income	135.7	90.2
	252.9	172.6

20 Provisions

	Reorganisation and restructuring £ million	Statutory employee termination benefit £ million	Total £ million
At 1 January 2008	1.8	0.2	2.0
Utilised during year	(1.8)	–	(1.8)
At 31 December 2008	–	0.2	0.2

	2008 £ million	2007 £ million
Analysis of total provisions		
Current	–	1.3
Non-current	0.2	0.7
Total provisions	0.2	2.0

(i) The provision for reorganisation and restructuring comprises the following:

(a) Estimated costs of restructuring the Group's North American, European and International operations and the provisions are generally in respect of severance, property and related costs. The provision has been fully utilised during the year.

(b) Estimated costs related to the integration of the GE-ER business into the Group's global operations. These provisions are in respect of severance, property and other integration costs. The provision has been fully utilised during the year.

(ii) The provision for statutory employee termination benefit relates to a statutory employee termination benefit scheme in France. The provision is expected to be utilised within 18 years.

21 Deferred tax

	2008 £ million	2007 £ million
At 1 January	(12.3)	(8.6)
Charge to the income statement (Note 9)	(7.3)	(5.9)
Credit to equity	6.9	2.0
Exchange differences	(7.1)	0.2
At 31 December	(19.8)	(12.3)

21 Deferred tax continued

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries. As the earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future. Temporary differences of nil in both years relate to unremitted earnings of overseas subsidiaries which pay tax at rates less than the UK rate of tax. If the earnings were remitted, £15.3 million of tax would be payable (2007: £nil).

The movements in deferred tax assets and liabilities (prior to off setting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Deferred tax assets are recognised to the extent that the realisation of the related deferred tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of £3.3 million (2007: £4.4 million) of which £3.3 million (2007: £4.4 million) relates to carried forward tax losses and £nil (2007: £nil) relates to other temporary differences as our forecasts indicate that these assets will not reverse in the near future.

Deferred tax assets of £2.6 million (2007: £1.3 million) have been recognised in respect of entities which have suffered a loss in either the current or preceding period.

Deferred tax liabilities

	Accelerated capital depreciation £ million	Other temporary differences £ million	**Total £ million**
At 1 January 2008	(28.8)	14.1	**(14.7)**
Charge to the income statement	(10.8)	1.1	**(9.7)**
Credit to equity	–	6.9	**6.9**
Exchange differences	(6.7)	(0.4)	**(7.1)**
At 31 December 2008	(46.3)	21.7	**(24.6)**

Deferred tax assets

	Accelerated capital depreciation £ million	Other temporary differences £ million	**Total £ million**
At 1 January 2008	1.4	1.0	**2.4**
Charge to the income statement	1.1	1.3	**2.4**
At 31 December 2008	2.5	2.3	**4.8**

The net deferred tax liability due after more than one year is £19.8 million (2007: £12.3 million).

22 Share capital

	2008 Number	**2008 £000**	2007 Number	2007 £000
Authorised:				
Ordinary shares of 20p each	**349,750,010**	**69,950**	349,750,010	69,950
Allotted, called up and fully paid:				
	Number of shares	**£000**	Number of shares	£000
Ordinary shares of 20p each				
At 1 January	**270,923,649**	**54,185**	269,510,986	53,902
Employee share option scheme	**1,192,945**	**239**	1,412,663	283
At 31 December	**272,116,594**	**54,424**	270,923,649	54,185

During the year 736,210 Ordinary shares of 20p each have been issued at prices ranging from £1.05 to £4.28 to satisfy the exercise of options under the Savings-Related Share Option Schemes ('Sharesave') and Executive Share Option Schemes by eligible employees. In addition 456,735 shares were allotted to US participants in the Long-term Incentive Plan by the allotment of new shares for nil consideration.

For the year ended 31 December 2008

22 Share capital continued

Share options

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

The options under the Executive Share Option Scheme are normally only exercisable once three years have elapsed from date of grant and lapse after ten years. All Executive Options are subject to performance conditions based on both total shareholder return ('TSR') and growth in Earnings Per Share ('EPS'). TSR is calculated by reference to the increase in the Company's share price plus dividends paid. EPS is Basic Earnings Per Share as disclosed in the consolidated income statement. At the time when the individual wishes to exercise the option, the growth in the Company's TSR is compared to that of the FTSE Mid 250 Index (excluding investment trusts) over a specified period. If the Company's TSR matches or exceeds that index, and the Company's EPS growth matches or exceeds the growth in the Retail Prices Index plus 3% per annum, over three consecutive years, the option is capable of exercise. Retesting of performance conditions is limited to six monthly intervals between 3 and 5 years after the date of grant. For Executive Share Options granted prior to 25 April 2001, at the time when the individual wishes to exercise the option, the Company's TSR since the date of grant of the option is compared to that of the FTSE Mid 250 Index (excluding investment trusts). If the Company's TSR matches or exceeds that index, and the Company's annual EPS growth matches or exceeds the growth in the Retail Prices Index plus 3% per annum, over three consecutive years, the option is capable of exercise.

There is no legal obligation upon the Company to satisfy the options existing under the Savings-Related and Executive Share Option Schemes other than by the allotment of new issue shares.

It is intended to satisfy awards to US participants in the Long-term Incentive Plan by the allotment of new shares. The maximum award would be made on achieving the performance targets set out on pages 55 to 56 of the Remuneration Report.

Aggreko has taken the IFRS 1 exemption to apply IFRS 2 'Share-based Payment' only to options that were granted after 7 November 2002 and were not vested at 1 January 2005.

For the Sharesave and US Stock Options the Black-Scholes option-pricing model was used. As the Executive options have share price based performance conditions attached the Monte Carlo option-pricing model was used. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant type Grant date	Executive 27-Feb-03	Executive 25-Sep-03	Sharesave 24-Oct-03	Sharesave 24-Oct-03	US Stock Plan 24-Oct-03	Sharesave 12-Nov-04	Sharesave 12-Nov-04	US Stock Plan 12-Nov-04
Share price at grant date (£)	1.29	1.59	1.57	1.57	1.57	1.55	1.55	1.55
Option price (£)	1.29	1.59	1.29	1.29	1.33	1.17	1.17	1.32
Number granted	168,506	429,992	316,412	214,865	92,458	344,060	202,541	211,469
Vesting period (years)	3.00	3.00	3.00	5.00	2.00	3.00	5.00	2.00
Expected volatility (%)	40.70	41.30	47.70	42.80	54.10	46.40	42.30	35.90
Expected life (years)	6.00	6.00	3.25	5.25	2.13	3.25	5.25	2.13
Risk free rate (%)	3.90	4.40	4.80	4.90	4.80	4.50	4.60	4.50
Expectation of employees meeting performance criteria	75%	75%	n/a	n/a	n/a	n/a	n/a	n/a
Expected dividends expressed as a dividend yield (%)	4.30	3.48	3.54	3.54	3.54	3.68	3.68	3.68
Fair value per option (£)	0.36	0.47	0.58	0.60	0.55	0.59	0.61	0.40

22 Share capital continued

Grant type Grant date	Sharesave 11-Nov-05	Sharesave 11-Nov-05	Sharesave 11-Nov-05	US Stock Plan 11-Nov-05	Sharesave 10-Nov-06	Sharesave 10-Nov-06	Sharesave 10-Nov-06	US Stock Plan 10-Nov-06
Share price at grant date (£)	2.50	2.50	2.50	2.50	3.74	3.74	3.74	3.74
Option price (£)	1.89	1.89	1.90	2.13	2.82	2.82	2.87	3.17
Number granted	486,291	143,559	33,118	110,763	308,910	109,230	19,433	154,275
Vesting period (years)	3.00	5.00	5.00	2.00	3.00	5.00	5.00	2.00
Expected volatility (%)	33.60	40.50	40.50	24.10	26.80	40.60	40.60	26.80
Expected life (years)	3.25	5.25	5.25	2.13	3.25	5.25	5.25	2.13
Risk free rate (%)	4.40	4.50	4.50	4.40	4.90	4.80	4.80	4.90
Expectation of employees meeting performance criteria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Expected dividends expressed as a dividend yield (%)	2.36	2.36	2.36	2.36	1.69	1.69	1.69	1.69
Fair value per option (£)	0.88	1.07	1.07	0.57	1.30	1.72	1.70	0.96

Grant type Grant date	Sharesave 9-Nov-07	Sharesave 9-Nov-07	Sharesave 9-Nov-07	US Stock Plan 9-Nov-07	Sharesave 31-Oct-08	Sharesave 31-Oct-08	Sharesave 31-Oct-08	US Stock Plan 29-Oct-08
Share price at grant date (£)	5.73	5.73	5.73	5.73	4.33	4.33	4.33	3.76
Option price (£)	5.04	5.04	4.91	4.87	4.37	4.37	4.37	3.20
Number granted	264,698	84,907	9,792	93,503	567,259	211,082	44,223	317,923
Vesting period (years)	3.00	5.00	4.00	2.00	3.00	5.00	4.00	2.00
Expected volatility (%)	32.00	26.80	26.80	26.70	36.10	32.40	33.40	38.90
Expected life (years)	3.25	5.25	4.25	2.13	3.25	5.25	4.25	2.10
Risk free rate (%)	4.70	4.70	4.70	4.80	3.40	3.80	3.60	3.00
Expectation of employees meeting performance criteria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Expected dividends expressed as a dividend yield (%)	1.26	1.26	1.26	1.26	2.00	2.00	2.00	2.30
Fair value per option	1.79	1.97	1.88	1.50	1.09	1.24	1.15	1.06

The expected volatility is based on the volatility of the total return from the Company's shares over the period to grant equal in length to the expected life of the awards. The expected life is the average expected period to exercise. The risk free interest rate is the expected return on UK Gilts of a similar life.

A summary of movements in share options in Aggreko shares is shown below:

	Sharesave schemes Number of Shares	Weighted average exercise price (£)	Executive share option schemes Number of Shares	Weighted average exercise price (£)	US Stock option plans Number of Shares	Weighted average exercise price (£)	Long-term Incentive Plans Number of Shares	Weighted average exercise price (£)
Outstanding at 1 January 2008	2,012,482	2.40	846,899	4.24	276,623	3.61	1,018,126	Nil
Granted	822,564	4.37	–	–	317,923	3.20	687,692	Nil
Exercised	(451,122)	1.16	(396,076)	4.03	(37,842)	2.13	(456,735)	Nil
Lapsed	(120,777)	4.22	(10,000)	4.28	(37,053)	4.37	(51,981)	Nil
Outstanding at 31 December 2008	**2,263,147**	**3.27**	**440,823**	**4.42**	**519,651**	**3.41**	**1,197,102**	**Nil**
Weighted average contractual life (years)	3		–		1		1	

Accounts

22 Share capital continued

The weighted average share price during the year for options exercised over the year was £2.48. The total charge for the year relating to employee share based payment plans was £7.8 million, all of which related to equity-settled share based payment transactions.

Options outstanding over Ordinary shares as at 31 December 2008 (including those of the Executive Directors), together with the exercise prices and dates of exercise, are as follows:

	Price per share (£)	Earliest exercise date	Latest exercise date	2008 Number	2007 Number	Market price (£)[1]
Executive Share Option Scheme – March 2000	3.30	March 2003	March 2010	–	100,000	3.3
Executive Share Option Scheme – August 2000	4.28	August 2003	August 2010	75,000	380,199	4.28
Executive Share Option Scheme – March 2001	4.575	March 2004	March 2011	351,700	351,700	4.575
Sharesave – October 2002	1.05	October 2007	April 2008	–	134,375	1.26
Executive Share Option Scheme – February 2003	1.29	February 2006	February 2013	10,000	10,000	1.29
Executive Share Option Scheme – September 2003	1.5925	September 2006	September 2013	4,123	5,000	1.5925
Sharesave – October 2003	1.29	October 2008	April 2009	110,130	142,412	1.57
Sharesave – November 2004	1.17	November 2007	May 2008	–	255,764	1.55
	1.17	November 2009	May 2010	132,601	155,296	1.55
Long-term Incentive Plan – April 2005	–	April 2008	October 2008	–	456,735	1.8825
US Stock Option Plan – November 2005	2.13	November 2007	February 2008	–	37,135	2.5
Sharesave – November 2005	1.89	November 2008	May 2009	392,914	413,747	2.5
	1.89	November 2010	May 2011	100,566	103,973	2.5
	1.90	November 2010	May 2011	33,118	33,118	2.5
Long-term Incentive Plan – April 2006	–	April 2009	October 2009	283,230	326,384	3.1025
US Stock Option Plan – November 2006	3.17	November 2008	February 2009	133,914	145,916	3.735
Sharesave – November 2006	2.82	November 2009	May 2010	282,934	299,301	3.735
	2.82	November 2011	May 2012	92,603	94,449	3.735
	2.87	November 2011	May 2012	19,433	19,433	3.735
Long-term Incentive Plan – April 2007	–	April 2010	October 2010	226,180	235,007	5.195
US Stock Option Plan – November 2007	4.87	November 2009	February 2010	67,814	93,572	5.73
Sharesave – November 2007	5.04	November 2010	May 2011	206,058	268,241	5.73
	4.91	November 2011	May 2012	5,402	5,402	5.73
	5.04	November 2012	May 2013	60,434	82,581	5.73
	4.91	November 2012	May 2013	4,390	4,390	5.73
Long-term Incentive Plan – April 2008	–	April 2011	October 2011	687,692	–	5.94
US Stock Option Plan – October 2008	3.20	October 2010	January 2011	317,923	–	3.76
Sharesave – October 2008	4.37	October 2011	April 2012	567,259	–	4.33
	4.37	October 2012	April 2013	30,600	–	4.33
	4.37	October 2013	April 2014	211,082	–	4.33
	4.37	October 2013	April 2014	13,623	–	4.33
				4,420,723	4,154,130	

[1] Market price as at the date of grant.

23 Treasury shares

	2008 £ million	2007 £ million
Treasury shares	(20.5)	(10.5)

Interests in own shares represent the cost of 3,825,034 of the Company's ordinary shares (nominal value 20 pence) (31 December 2007: 3,459,679). In May and June 2008 2,100,000 shares were acquired by the Trust in the open market. During the year 1,529,856 shares were allotted to participants in the Long-term Incentive Plan and 204,789 shares were allotted to participants in the Executive Share Option Scheme. These shares represent 1.4% of issued share capital as at 31 December 2008 (2007: 1.3%).

These shares were acquired by a trust in the open market using funds provided by Aggreko plc to meet obligations under the Long-term Incentive Arrangements. The costs of funding and administering the scheme are charged to the income statement of the Company in the period to which they relate. The market value of the shares at 31 December 2008 was £17.1 million (31 December 2007: £18.4 million).

24 Statement of changes in equity

As at 31 December 2008

	Attributable to equity holders of the company							
	Ordinary share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Hedging reserve £ million	Foreign exchange reserve (translation) £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2008	54.2	8.8	(10.5)	0.1	(3.4)	(19.7)	263.8	293.3
Fair value losses on foreign currency cash flow hedge	–	–	–	–	(25.3)	–	–	(25.3)
Transfers from hedging reserve to property, plant and equipment	–	–	–	–	12.9	–	–	12.9
Fair value losses on interest rate swaps	–	–	–	–	(17.8)	–	–	(17.8)
Currency translation differences (i)	–	–	–	–	–	99.0	–	99.0
Current tax on items taken to or transferred from equity	–	–	–	–	–	0.6	3.1	3.7
Deferred tax on items taken to or transferred from equity	–	–	–	–	8.5	–	(1.6)	6.9
Actuarial losses on retirement benefits	–	–	–	–	–	–	(4.0)	(4.0)
Sale of own shares by Employee Benefit Trust	–	–	0.4	–	–	–	0.5	0.9
Purchase of treasury shares	–	–	(13.2)	–	–	–	–	(13.2)
Credit in respect of employee share awards	–	–	–	–	–	–	7.8	7.8
Issue of ordinary shares to employees under share option schemes	–	–	2.8	–	–	–	(2.8)	–
New share capital subscribed	0.2	1.4	–	–	–	–	–	1.6
Profit for the year	–	–	–	–	–	–	122.7	122.7
	0.2	1.4	(10.0)	–	(21.7)	99.6	125.7	195.2
Dividends paid during 2008	–	–	–	–	–	–	(23.7)	(23.7)
Balance at 31 December 2008	**54.4**	**10.2**	**(20.5)**	**0.1**	**(25.1)**	**79.9**	**365.8**	**464.8**

(i) Included in currency translation differences of the Group are exchange losses of £79.0 million arising on borrowings denominated in foreign currencies designated as hedges of net investments overseas, offset by exchange gains of £178.0 million relating to the translation of overseas results and net assets.

For the year ended 31 December 2008

24 Statement of changes in equity continued

As at 31 December 2007

	Ordinary share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Hedging reserve £ million	Foreign exchange reserve (translation) £ million	Retained earnings £ million	Total equity £ million
	Attributable to equity holders of the company							
Balance at 1 January 2007	53.9	7.2	(9.1)	0.1	1.2	(25.7)	198.6	226.2
Fair value losses on foreign currency cash flow hedge	–	–	–	–	(1.5)	–	–	(1.5)
Transfers from hedging reserve to property, plant and equipment	–	–	–	–	(1.5)	–	–	(1.5)
Fair value losses on interest rate swaps	–	–	–	–	(3.4)	–	–	(3.4)
Currency translation differences (i)	–	–	–	–	–	5.6	–	5.6
Current tax on items taken to or transferred from equity	–	–	–	–	–	0.4	1.8	2.2
Deferred tax on items taken to or transferred from equity	–	–	–	–	1.8	–	0.2	2.0
Actuarial losses on retirement benefits	–	–	–	–	–	–	(0.1)	(0.1)
Purchase of treasury shares	–	–	(4.2)	–	–	–	–	(4.2)
Credit in respect of employee share awards	–	–	–	–	–	–	4.6	4.6
Issue of ordinary shares to employees under share option schemes	–	–	2.8	–	–	–	(2.8)	–
New share capital subscribed	0.3	1.6	–	–	–	–	–	1.9
Profit for the year	–	–	–	–	–	–	80.7	80.7
	0.3	1.6	(1.4)	–	(4.6)	6.0	84.4	86.3
Dividends paid during 2007	–	–	–	–	–	–	(19.2)	(19.2)
Balance at 31 December 2007	**54.2**	**8.8**	**(10.5)**	**0.1**	**(3.4)**	**(19.7)**	**263.8**	**293.3**

(i) Included in currency translation differences of the Group are exchange losses of £0.4 million arising on borrowings denominated in foreign currencies designated as hedges of net investments overseas, offset by exchange gains of £6.0 million relating to the translation of overseas results and net assets.

25 Capital commitments

	2008 £ million	2007 £ million
Contracted but not provided for (property, plant and equipment)	**12.6**	18.1

26 Operating lease commitments – minimum lease payments

	2008		2007	
	Land and buildings £ million	**Plant, equipment and vehicles £ million**	Land and buildings £ million	Plant, equipment and vehicles £ million
Commitments under operating leases expiring:				
Within 1 year	**5.6**	**7.2**	5.3	5.5
Later than 1 year and less than 5 years	**18.2**	**9.4**	12.8	9.1
After 5 years	**8.5**	**–**	10.5	0.1
Total	**32.3**	**16.6**	28.6	14.7

27 Pension commitments

Overseas

Pension arrangements for overseas employees vary, and schemes reflect best practice and regulation in each particular country but are defined contribution schemes. The charge against profit is the amount of contributions payable to the defined contribution pension schemes in respect of the accounting period. The pension cost attributable to overseas employees for 2008 was £3.1 million (2007: £2.5 million).

United Kingdom

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

A valuation of the Scheme was carried out as at 31 December 2005 using the Attained Age method to determine the level of contributions to be made by the Group. The actuaries adopted a valuation basis linked to market conditions at the valuation date. Assets were taken at market value. The major actuarial assumptions used were:

Return on investments	4.6%
Growth in average pay levels	4.3%
Increase in pensions	2.8%

At the valuation date, the market value of the Scheme's assets (excluding AVCs) was £18,400,000 which was sufficient to cover 53% of the benefits that had accrued to members, after making allowances for future increases in earnings.

Following completion of the valuation at 31 December 2005, the Company and the trustees agreed upon a Schedule of Contributions and a Recovery Plan. During 2006 the Company contributions for benefits building up in the future were increased to 31.5% of pensionable earnings and from 1 January 2007 the Company contribution was 25.4% of pensionable earnings. From 1 January 2007 future benefits are accrued on a Career Average basis hence the change to the required contribution rate. To address the Scheme deficit the Company made additional contributions of £3.5 million in 2006 and £4.0 million in 2007 and 2008 and the Company plans to make further additional contributions of £0.5 million per annum until the year ended 31 December 2015. Employee contributions increased from 5% to 6% of pensionable earnings from 1 January 2007.

The Scheme will undergo a formal valuation at 31 December 2008. This valuation is expected to be completed during 2009 and following completion, the Company contributions to the Scheme may change.

The Scheme was closed to all new employees joining the Group after 1 April 2002. For new employees joining after 1 April 2002, a defined contribution scheme has been introduced. Contributions of £0.6 million were paid to this scheme during the year (2007: £0.4 million). There are no outstanding or prepaid balances at the year end.

An update of the Scheme was carried out by a qualified independent actuary using the latest available information for the purposes of this statement. The major assumptions used in this update by the actuary were:

	31 Dec 2008	31 Dec 2007
Rate of increase in salaries	**4.5%**	4.9%
Rate of increase in pensions in payment and deferred pensions	**3.0%**	3.4%
Discount rate	**5.4%**	5.5%
Inflation assumption	**3.0%**	3.4%
Expected return on Scheme assets	**5.6%**	6.0%
Longevity at age 65 for current pensioners (years)		
Men	**22.8**	22.8
Women	**26.0**	26.0
Longevity at age 65 for future pensioners (years)		
Men	**24.9**	24.9
Women	**27.9**	27.9

The expected return on Scheme assets is based on market expectations at the beginning of the period for returns over the entire life of the benefit obligation.

For the year ended 31 December 2008

27 Pension commitments continued

The assets in the Scheme and the expected rate of return were:

	Long term rate of return expected at 31 Dec 2008	Value at 31 Dec 2008 £ million	Long term rate of return expected at 31 Dec 2007	Value at 31 Dec 2007 £ million	Long term rate of return expected at 31 Dec 2006	Value at 31 Dec 2006 £ million
Equities	6.4%	17.2	7.0%	17.7	6.9%	17.4
Gilts	3.4%	5.4	4.0%	4.7	3.9%	3.4
Bonds	6.4%	7.7	5.0%	6.0	4.3%	3.4
Cash	1.5%	2.3	5.0%	4.2	4.6%	0.1
Total		32.6		32.6		24.3

The expected rate of return on assets is stated net of expenses.

The amounts included in the balance sheet arising from the Group's obligations in respect of the Scheme are as follows:

	2008 £ million	2007 £ million	2006 £ million
Fair value of assets	32.6	32.6	24.3
Present value of funded obligations	(40.6)	(40.7)	(37.4)
Liability recognised in the Balance Sheet	(8.0)	(8.1)	(13.1)

An alternative method of valuation is the estimated cost of buying out benefits at 31 December 2008 with a suitable insurer. This amount represents the amount that would be required to settle the Scheme liabilities at 31 December 2008 rather than the Company continuing to fund the on-going liabilities of the Scheme. The Company estimates the amount required to settle the Scheme's liabilities at 31 December 2008 is around £55-£60 million which gives a Scheme shortfall on a buyout basis of approximately £22-£27 million.

The amounts recognised in the income statement are as follows:

	2008 £ million	2007 £ million
Current service costs	1.4	1.5
Interest cost	2.3	1.9
Expected return on Scheme assets	(2.2)	(1.8)
	1.5	1.6

Of the total charge of £1.5 million, £0.4 million (2007: £0.4 million) and £1.1 million (2007: £1.2 million) were included, respectively in cost of sales and administrative expenses.

Changes in the present value of the defined benefit obligation are as follows:

	2008 £ million	2007 £ million
Present value of obligation at 1 January	40.7	37.4
Service cost	1.4	1.5
Interest cost	2.3	1.9
Contributions from Scheme members	0.4	0.4
Benefits paid	(0.3)	(0.3)
Actuarial gains	(3.9)	(0.2)
Present value of obligation at 31 December	40.6	40.7

Present value of Scheme assets are as follows:

	2008 £ million	2007 £ million
Fair value of Scheme assets at 1 January	32.6	24.3
Expected return on Scheme assets	2.2	1.8
Employer contributions	5.6	6.7
Contributions from Scheme members	0.4	0.4
Benefits paid	(0.3)	(0.3)
Actuarial losses	(7.9)	(0.3)
Fair value of Scheme assets at 31 December	32.6	32.6

27 Pension commitments continued

Analysis of the movement in the balance sheet

	2008 £ million	2007 £ million
At 1 January	(8.1)	(13.1)
Total expense as above	(1.5)	(1.6)
Contributions	5.6	6.7
Net actuarial losses	(4.0)	(0.1)
At 31 December	(8.0)	(8.1)

Cumulative actuarial gains and losses recognised in equity

	2008 £ million	2007 £ million
At 1 January	16.4	16.3
Actuarial losses recognised in the year	4.0	0.1
At 31 December	20.4	16.4

The actual return on Scheme assets was a loss of £5.7 million (2007: gain of £1.5 million).

History of experience gains and losses

	2008	2007	2006	2005	2004
Experience adjustments arising on Scheme assets:					
Amount (£m)	(7.9)	(0.3)	–	1.5	0.4
Percentage of Scheme assets	(24.2%)	(1.0%)	0.0%	8.0%	3.0%
Experience adjustments arising on Scheme liabilities:					
Amount (£m)	–	–	(0.5)	–	0.2
Percentage of present value Scheme liabilities	0.0%	0.0%	(1.0%)	0.0%	1.0%
Present value of Scheme liabilities (£m)	40.6	40.7	37.4	35.2	23.1
Fair value of Scheme assets (£m)	32.6	32.6	24.3	18.4	12.9
Deficit (£m)	8.0	8.1	13.1	16.8	10.2

The contributions expected to be paid during the financial year ended 31 December 2009 amount to £2.1 million.

28 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 supply of temporary power, temperature control, oil-free compressed air and related services.

All shareholdings are of ordinary shares or other equity capital.

Aggreko Holdings Limited +	UK	Aggreko Norway AS	Norway
Aggreko UK Limited	UK	Aggreko France SARL	France
Aggreko US Limited	UK	Aggreko Iberia SA	Spain
Aggreko Ireland Limited	Ireland	Aggreko Eurasia	Russia
Aggreko International Projects Limited	Dubai **	Aggreko (Singapore) PTE Limited	Singapore
Aggreko Euro Holdings B.V.+	UK ***	Aggreko Generators Rental Pty Limited	Australia
Aggreko Americas Holdings B.V.+	UK ***	Aggreko (Middle East) Limited	Middle East*
Aggreko Rest of World Holdings B.V.+	UK ***	Aggreko Energy Mexico SA de CV	Mexico
Aggreko Holdings Inc +	USA	Aggreko Services Mexico SA de CV	Mexico
Aggreko USA LLC+	USA	Aggreko Canada Inc	Canada
Aggreko LLC	USA	Aggreko (NZ) Limited	New Zealand
Aggreko Energy Rentals LLC	USA	Aggreko de Venezuela C.A.	Venezuela
Aggreko (Investments) BV +	Netherlands	Aggreko Brazil Energia Ltda	Brazil
Aggreko Nederland BV	Netherlands	Aggreko Energia Locação de Geradores Ltda	Brazil
Aggreko Belgium NV	Belgium	Aggreko Chile Limitada	Chile
Aggreko Italia S.R.L	Italy	Aggreko (Shanghai) Energy Rental Co Ltd	China
Aggreko Deutschland GmbH	Germany		

* Registered in Cyprus
** Administered from Dubai and registered in the UK
*** Registered in the Netherlands
\+ Intermediate holding companies

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

29 Acquisition of Power Plus Rentals & Sales Ltd

On 19 August 2008 the Group announced the acquisition of substantially all the assets and business of Power Plus Rental & Sales Ltd and associated companies, for a maximum consideration, payable in cash of CN$38.7 million, or £19.9 million at an exchange rate of £=CN$1.95. The purchase consideration comprises a fixed element of CN$31.0 million (£15.9 million) and further payments of up to a maximum of CN$7.7 million (£4.0 million) dependent on financial performance over the next three years. Together, these companies had unaudited revenues of CN$10.6 million (£5.4 million) and operating profit of CN$5.1 million (£2.6 million) in the financial year ending July 2008. The Power Plus Rentals & Sales Ltd business was fully integrated into the Aggreko business on acquisition, therefore it is not possible to separately disclose post acquisition revenue or profit/loss for this acquisition.

The acquisition method of accounting has been adopted and the goodwill arising on the purchase has been capitalised. The details of the transaction and fair value adjustments arising from the change in ownership are shown below.

	Initial book value £ million	Restatement to fair value £ million	Fair value £ million
Intangible fixed assets	–	5.4	5.4
Property, plant and equipment	5.2	(0.1)	5.1
Net assets acquired	5.2	5.3	10.5
Goodwill			5.4
Consideration			15.9

Goodwill represents the value of synergies arising from the integration of the acquired business and the acquiree's assembled workforce. Synergies include direct cost savings, improved utilisation of the acquired fleet assets and the reduction of overheads.

30 Events occurring after the balance sheet date

On 1 January 2009 the Group completed the acquisition of the business and assets of the power rental business of Cummins India Ltd (CIL) for a total cash consideration of £4.2 million. The business acquired had revenue in 2008 of £2.9 million, operating profit of £0.8 million and net assets at 31 December 2008 of £1.4 million. The net assets acquired were fleet assets. Given the timing of the transaction the fair value exercise will be completed during 2009.

In November 2008 the Group announced the sale, subject to regulatory approval, of its European oil-free air businesses to Atlas Copco for a total consideration, payable in cash on completion of €14.6 million (£11.6 million at an exchange rate of £=€1.26). In 2008 the European oil-free air business earned revenue of €8.3 million (£6.6 million) and had net assets of €5.0 million (£4.0 million). The sale of the Continental European OFA business was completed in December 2008, and as a result a gain of €2.6 million (£2.1 million) was recognised in the Group income statement in 2008. The sale of the Northern European oil-free air business was completed on 1 March 2009, and a gain of €6.6 million (£5.2 million) will be recognised in the Group income statement in 2009.

Since the year end the Group has refinanced or replaced £158.9 million of facilities due to mature in September 2009 with new facilities totalling £195.0 million. The next maturity is not due until 2011.

Independent Auditors' Report to the Members of Aggreko plc

We have audited the parent company financial statements of Aggreko plc for the year ended 31 December 2008 which comprise the Balance Sheet, the Statement of Total Recognised Gains and Losses, and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the group financial statements of Aggreko plc for the year ended 31 December 2008.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent company financial statements.

In addition we report to you if, in our opinion, 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 regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, 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 parent company financial statements and the part of the Directors' Remuneration Report to be audited 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 parent company financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008.
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Glasgow
5 March 2009

Company Balance Sheet

As at 31 December 2008

	Notes	2008 £ million	2007 £ million
Fixed assets			
Tangible assets	35	8.1	9.6
Investments	36	116.1	102.0
Deferred tax assets	41	5.8	0.7
		130.0	112.3
Current assets			
Debtors	37	531.1	329.1
Derivative financial instruments	39	14.5	2.2
Cash and cash equivalents		1.9	0.8
Current tax assets		0.4	0.4
		547.9	332.5
Creditors – amounts falling due within one year			
Borrowings	38	(157.9)	–
Derivative financial instruments	39	(15.9)	(2.1)
Other creditors	40	(146.5)	(116.0)
Net current assets		227.6	214.4
Total assets less current liabilities		357.6	326.7
Creditors – amounts falling due after more than one year			
Borrowings	38	(211.6)	(212.2)
Derivative financial instruments	39	(19.1)	(2.7)
Retirement benefit obligation	42	(5.8)	(5.8)
Net assets		121.1	106.0
Shareholders' equity			
Share capital	43	54.4	54.2
Share premium	44	10.2	8.8
Treasury shares	44	(20.5)	(10.5)
Capital redemption reserve	44	0.1	0.1
Hedging reserve	44	(14.4)	(1.6)
Retained earnings	44	91.3	55.0
Total shareholders' equity		121.1	106.0

Approved by the Board on 5 March 2009 and signed on its behalf by:

P G Rogerson
Chairman

A G Cockburn
Finance Director

The notes on pages 110 to 116 form part of these Accounts.

Company Statement of Total Recognised Gains and Losses

For the year ended 31 December 2008

	2008 £ million	2007 £ million
Profit for the financial year	57.4	31.3
Actuarial losses on retirement benefit	(4.0)	(0.1)
Movement in deferred tax on pension liability	1.1	–
Cashflow hedges (net of deferred tax)	(12.8)	(3.4)
Total recognised gains for the financial year	41.7	27.8

The notes on pages 110 to 116 form part of these Accounts.

Notes to the Company Accounts

For the year ended 31 December 2008

31 Company accounting policies

Accounting convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. A summary of the more important Company accounting policies is set out below.

Tangible fixed assets
Tangible fixed assets are carried at cost less accumulated depreciation and impairment losses. Cost includes purchase price, and directly attributable costs of bringing the assets into the location and condition where it is capable for use. Borrowings costs are not capitalised.

Fixed assets are depreciated on a straight line basis at annual rates estimated to write off the cost of each asset over its useful life from the date it is available for use. The principal period of depreciation used is as follows:

Vehicles, plant and equipment	4 to 15 years.

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

Foreign currencies
At individual company level, transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs. At the year end, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary assets are translated at the historical rate. In order to hedge its exposure to certain foreign exchange risks, the Company enters into forward foreign exchange contracts. The Company's financial statements are presented in sterling, which is the Company's presentational currency.

Derivative financial instruments
The accounting policy is identical to that applied by the consolidated Group as set out on pages 76 and 77.

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

Cash flow statement and related party disclosures
The Company is included in the Group Accounts of Aggreko plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 'Cash Flow Statements (revised 1996)'. The Company is also exempt under the terms of Financial Reporting Standard 8 'Related Party Disclosures' from disclosing related party transactions with entities that are part of the Group.

Taxation
The charge for ordinary taxation is based on the profit/loss for the year and takes into account full provision for deferred tax, using the approach set out in FRS 19, 'Deferred Tax' in respect of timing differences on a non discounted basis. Such timing differences arise primarily from the differing treatment for taxation and accounting purposes of provisions and depreciation of fixed assets.

Pensions
The Company operates both a defined benefit pension scheme and a defined contribution pension scheme. The accounting policy is identical to that applied by the consolidated Group as set out on page 78.

Investments
Investments in subsidiary undertakings are stated in the balance sheet of the Company at cost, or nominal value of the shares issued as consideration where applicable, less provision for any impairment in value. Share-based payments recharged to subsidiary undertakings are treated as capital contributions and are added to investments.

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

31 Company accounting policies continued

Grants

Capital grants in respect of additions to fixed assets are treated as deferred income and released to the income statement over the estimated operational lives of the related assets.

Share-based payments

The accounting policy is identical to that applied by the consolidated Group as set out on page 78 with the exception that shares issued by the Company to employees of its subsidiaries for which no consideration is received are treated as an increase in the Company's investment in those subsidiaries.

Dividend distribution

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

32 Staff costs

	2008 £ million	2007 £ million
Wages and salaries	10.4	8.6
Social security costs	0.9	0.9
Other pension cost	0.6	0.5
Share-based payment	1.9	1.3
	13.8	11.3
Average number of employees	115	89

33 Dividends

Refer to Note 10 of the Group Accounts.

34 Auditors' remuneration

	2008 £000	2007 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	112	111
Fees payable to the Company's auditor and its associates for other services:		
– Other services pursuant to legislation	27	26
– Tax services	–	31
– All other services	11	2
Fees in respect of the Aggreko plc pension scheme:		
– Audit	6	6

35 Tangible fixed assets

	Total £ million
Cost	
At 1 January 2008	17.8
Additions	1.1
Disposals	(0.5)
At 31 December 2008	18.4
Accumulated depreciation	
At 1 January 2008	8.2
Charge for the year	2.6
Disposals	(0.5)
At 31 December 2008	10.3
Net book values:	
At 31 December 2008	8.1
At 31 December 2007	9.6

The tangible fixed assets of the Company comprise vehicles, plant and equipment.

Notes to the Company Accounts continued

For the year ended 31 December 2008

36 Investments

	£ million
Cost of investments in subsidiary undertakings:	
At 1 January 2008	102.0
Share-based payments	0.6
Exchange	13.5
At 31 December 2008	**116.1**

Details of the Company's principal subsidiary undertakings are set out in Note 28 to the Group Accounts.

37 Debtors

	2008 £ million	2007 £ million
Prepayments and accrued income	**0.3**	0.1
Other receivables	**1.0**	0.8
Amounts due from subsidiary undertakings	**529.8**	328.2
	531.1	329.1

38 Borrowings

	2008 £ million	2007 £ million
Non-current		
Bank borrowings	**211.6**	212.2
Current		
Bank overdrafts	**0.2**	–
Bank borrowings	**157.7**	–
	157.9	–
Total borrowings	**369.5**	212.2

The bank overdrafts and borrowings are all unsecured.

(i) Maturity of financial liabilities

The maturity profile of the borrowings was as follows:

	2008 £ million	2007 £ million
Within 1 year, or on demand	**157.9**	–
Between 1 and 2 years	**–**	128.9
Between 2 and 3 years	**185.8**	–
Between 3 and 4 years	**–**	83.3
Between 4 and 5 years	**25.8**	–
	369.5	212.2

(ii) Borrowing facilities

The Company has the following undrawn committed floating rate borrowing facilities available at 31 December 2008 in respect of which all conditions precedent had been met at that date:

	2008 £ million	2007 £ million
Expiring within 1 year	**1.2**	–
Expiring between 1 and 2 years	**–**	6.3
Expiring between 2 and 3 years	**105.6**	–
Expiring between 3 and 4 years	**–**	139.5
Expiring between 4 and 5 years	**34.3**	–
Expiring after 5 years	**–**	–
	141.1	145.8

38 Borrowings continued

(iii) Interest rate risk profile of financial liabilities

The interest rate profile of the Company's financial liabilities at 31 December 2008, after taking account of the interest rate swaps used to manage the interest profile, was:

	Floating rate £ million	Fixed rate £ million	Total £ million	Fixed rate debt: Weighted average interest rate %	Fixed rate debt: Weighted average period for which rate is fixed years
Currency:					
Sterling	36.5	–	36.5	–	–
US dollar	72.1	189.6	261.7	4.8	4.9
Euro	17.6	37.9	55.5	4.8	3.1
Canadian dollar	15.8	–	15.8	–	–
At 31 December 2008	**142.0**	**227.5**	**369.5**		
Sterling	20.0	–	20.0	–	–
US dollar	36.9	115.5	152.4	4.7	2.5
Euro	4.4	35.4	39.8	3.7	1.2
At 31 December 2007	**61.3**	**150.9**	**212.2**		

The floating rate financial liabilities principally comprise debt which carries interest based on different benchmark rates depending on the currency of the balance. The principal benchmark rates for floating rate financial liabilities are the relevant LIBOR (London Interbank Offered Rate) rates for sterling, dollars and euros and liabilities are normally fixed in advance for periods between one and three months.

The effect of the Company's interest rate swaps is to classify £227.5 million (2007: £150.9 million) of borrowings in the above table as fixed rate.

The notional principal amount of the outstanding interest rate swap contracts at 31 December 2008 was £227.5 million (2007: £150.9 million).

(iv) Preference share capital

	2008 Number	2008 £000	2007 Number	2007 £000
Authorised:				
Redeemable preference shares of 25 pence each	199,998	50	199,998	50

No redeemable preference shares were allotted as at 31 December 2008 and 31 December 2007.

Accounts

39 Financial instruments

(i) Fair values of financial assets and financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair values of the Company's financial assets and financial liabilities at 31 December 2008. 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.

	2008 Book value £ million	2008 Fair value £ million	2007 Book value £ million	2007 Fair value £ million
Primary financial instruments held or issued to finance the Company's operations:				
Current borrowings and overdrafts	(157.9)	(157.9)	–	–
Non-current borrowings	(211.6)	(211.6)	(212.2)	(212.2)
Derivative financial instruments held to manage the interest rate profile:				
Interest rate swaps	(20.5)	(20.5)	(2.6)	(2.6)
Forward foreign currency contracts	–	–	–	–

(ii) Summary of methods and assumptions

Interest rate swaps and forward foreign currency contracts

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

Current borrowings and overdrafts/liquid resources

The fair value of liquid resources and current borrowings and overdrafts approximates to the carrying amount because of the short maturity of these instruments.

Non-current borrowings

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

(iii) Financial instruments

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

	2008 Assets £ million	2008 Liabilities £ million	2007 Assets £ million	2007 Liabilities £ million
Less than one year:				
Interest rate swaps – cash flow hedge	–	(1.4)	0.1	–
Forward foreign currency contracts – cash flow hedge	14.5	(14.5)	2.1	(2.1)
More than one year:				
Interest rate swaps – cash flow hedge	–	(19.1)	–	(2.7)
	14.5	(35.0)	2.2	(4.8)

Net fair values of derivative financial instruments

The net fair value of derivative financial instruments and designated for cash flow hedges at the balance sheet date were:

	2008 £ million	2007 £ million
Contracts with positive fair values:		
Interest rate swaps	–	0.1
Forward foreign currency contracts	14.5	2.1
Contracts with negative fair values:		
Interest rate swaps	(20.5)	(2.7)
Forward foreign currency contracts	(14.5)	(2.1)
	(20.5)	(2.6)

39 Financial instruments continued

The net fair value losses at 31 December 2008 on open interest rate swaps that hedge interest risk are £20.5 million (2007: losses of £2.6 million). These will be debited to the income statement interest charge over the remaining life of each interest rate swap.

(iv) The exposure of the Company to interest rate changes when borrowings reprice is as follows:
As at 31 December 2008

	<1 year £ million	1-5 years £ million	>5 years £ million	Total £ million
Total borrowings	157.9	211.6	–	369.5
Effect of interest rate swaps	(44.0)	(115.9)	(67.6)	(227.5)
	113.9	95.7	(67.6)	142.0

As at 31 December 2007

	<1 year £ million	1-5 years £ million	>5 years £ million	Total £ million
Total borrowings	–	212.2	–	212.2
Effect of interest rate swaps	(45.9)	(105.0)	–	(150.9)
	(45.9)	107.2	–	61.3

As at 31 December 2008 and 31 December 2007 all of the Company's debt was exposed to repricing within 3 months of the balance sheet date.

The effective interest rates at the balance sheet date were as follows:

	2008	2007
Bank overdraft	4.3%	–
Bank borrowings	3.4%	5.5%

40 Other creditors: amounts falling due within one year

	2008 £ million	2007 £ million
Accruals and deferred income	19.1	10.5
Amounts owed to subsidiary undertakings	127.4	105.5
	146.5	116.0

41 Deferred tax

	2008 £ million	2007 £ million
At 1 January	(0.7)	(0.1)
Credit to the income statement	(0.1)	(0.5)
Credit to equity	(5.0)	(0.1)
At 31 December	(5.8)	(0.7)
Deferred tax provided in the Accounts is as follows:		
Accelerated capital allowances	0.9	0.8
Other timing differences	(6.7)	(1.5)
	(5.8)	(0.7)

42 Pension commitments

	2008 £ million	2007 £ million
FRS 17 Deficit in the scheme (Refer to Note 27 of the Group Accounts)	(8.0)	(8.1)
Related deferred tax asset	2.2	2.3
	(5.8)	(5.8)

Accounts

For the year ended 31 December 2008

43 Share capital

	2008 Number	2008 £000	2007 Number	2007 £000
Authorised:				
Ordinary shares of 20p each	349,750,010	69,950	349,750,010	69,950
Allotted, called up and fully paid:				
Ordinary shares of 20p each	272,116,594	54,424	270,923,649	54,185

During the year 736,210 Ordinary shares of 20p each have been issued at prices ranging from £1.05 to £4.28 to satisfy the exercise of options under the Savings-Related Share Option Schemes ('Sharesave') and Executive Share Option Schemes by eligible employees. In addition 456,735 shares were allotted to US participants in the Long-term Incentive Plan by the allotment of new shares for nil consideration.

44 Reconciliation of movements in shareholders' funds

	Called up share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Hedging reserve £ million	Profit and loss account £ million	Capital and reserves £ million
1 January 2008	54.2	8.8	(10.5)	0.1	(1.6)	55.0	106.0
Profit for the financial year	–	–	–	–	–	57.4	57.4
Dividends	–	–	–	–	–	(23.7)	(23.7)
Net movement on interest rate swaps	–	–	–	–	(17.8)	–	(17.8)
Credit in respect of employee share awards	–	–	–	–	–	7.8	7.8
Issue of ordinary shares to employees under share option schemes	–	–	2.8	–	–	(2.8)	–
Actuarial losses on retirement benefits	–	–	–	–	–	(4.0)	(4.0)
Deferred tax on items taken to equity	–	–	–	–	5.0	1.1	6.1
New share capital subscribed	0.2	1.4	–	–	–	–	1.6
Sale of own shares by Employee Benefit Trust	–	–	0.4	–	–	0.5	0.9
Purchase of treasury shares	–	–	(13.2)	–	–	–	(13.2)
31 December 2008	54.4	10.2	(20.5)	0.1	(14.4)	91.3	121.1

45 Operating lease commitments – minimum lease payments

	2008 Land and buildings £ million	2007 Land and buildings £ million
Commitments under operating leases expiring:		
Within 1 year	–	–
Later than 1 year and less than 5 years	0.2	0.2
After 5 years	0.2	0.2
Total	0.4	0.4

46 Profit and loss account

As permitted by Section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account and related notes. The profit for the financial year of the Company was £57.4 million (2007: £31.3 million).

Shareholder Information

Payment of Dividends by BACS

Many Shareholders have already arranged for dividends to be paid by mandate directly to their bank or building society account. The Company mandates dividends through the BACS (Bankers' Automated Clearing Services) system. The benefit to Shareholders of the BACS payment method is that the Registrar posts the tax vouchers directly to them, whilst the dividend is credited on the payment date to the Shareholder's bank or building society account. Shareholders who have not yet arranged for their dividends to be paid directly to their bank or building society account and wish to benefit from this service should request the Company's Registrar to send them a Dividend/Interest mandate form or alternatively complete the mandate form accompanying their dividend warrant and tax voucher in May 2009.

Online Shareholder Services and Share Dealing

Shareholders may wish to take advantage of the 'Online' enquiry service offered by the Registrar. This service allows a Shareholder to access his/her own account to verify address details and the number of shares held. The service can be obtained on www.capitaregistrars.com where there is also an 'Information Zone' which provides answers to many questions frequently asked by Shareholders. The Registrar also offers a share dealing service to existing Shareholders.

Sharegift

We value all our Shareholders, no matter how many shares they own, but we do realise that some Shareholders hold on to small quantities of shares because they believe that the cost of selling them would make the transaction uneconomic. A free service is available to enable Shareholders with small holdings, should they so wish, to donate their shares to charity, and gain the benefit of tax relief on this donation. This scheme has been successfully adopted by several large quoted companies, and further details are available from the Secretary.

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Stockbrokers

UBS – London
Citigroup Global Markets –
London

Auditors

PricewaterhouseCoopers LLP –
Glasgow
Chartered Accountants

Financial Calendar

	Year ended 31 December 2008	6 Months ending 30 June 2009
Results announced	5 March 2009	Late August 2009
Report posted	19 March 2009	Mid September 2009
Annual General Meeting	29 April 2009	
Ex-dividend date	15 April 2009	Late October 2009
Dividend record date	17 April 2009	Late October 2009
Dividend payment date	15 May 2009	Late November 2009

Financial Summary

Revenue £m

2008	946.6
2007	693.2
2006	540.7
2005	417.7
2004	323.6

Trading margin %

2008	21.2
2007	19.2
2006	16.0
2005	14.3
2004	13.9

Profit before tax £m

2008	190.0
2007	124.2
2006	83.1
2005	56.4
2004	42.5

Average number of employees

2008	3,223
2007	2,707
2006	2,229
2005	1,997
2004	2,004

Return on average capital employed %

2008	28.5
2007	26.7
2006	22.1
2005	18.6
2004	15.0

Net debt £m

2008	364.0
2007	202.6
2006	205.2
2005	102.9
2004	82.1

Trading profit £m

2008	200.6
2007	132.9
2006	86.7
2005	59.6
2004	45.1

Dividend per share (pence)

2008	10.08[3]
2007	8.06
2006	6.72
2005	6.11
2004	5.82

Diluted earnings per share (pence)

2008	45.56
2007	30.02
2006	19.87
2005	13.72
2004	10.79

Net operating assets £m

2008	951.8
2007	554.0
2006	470.2
2005	356.5
2004	296.8

Capital expenditure £m

2008	265.2
2007	180.6
2006	128.0
2005	80.2
2004	56.3

Shareholders' funds £m

2008	464.8
2007	293.3
2006	226.2
2005	208.2
2004	178.5

[1] 2004 and 2006 numbers are pre-exceptional items

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

[3] The Board is recommending a final dividend of 6.28 pence per ordinary share, which, when added to the interim dividend of 3.80 pence, gives a total for the year of 10.08 pence per ordinary share

Glossary

CO_2
Carbon dioxide.

Diluted earnings per share
Profit after tax divided by the diluted weighted average number of ordinary shares ranking for dividend during the relevant period, i.e. including the impact of share options.

EBITDA
Earnings before interest, tax, depreciation and intangible asset amortisation.

ERP system
A software package which is designed to manage all the operational and accounting functions of our business.

g/kWhr
Emissions in grams per kilowatt hour.

Hub
A large service centre where large items of equipment are stored and serviced.

International Power Projects business
The part of our business which handles very large power contracts. Customers are mainly in developing countries but power projects can arise anywhere in the world.

kVA
A thousand volt amperes.

Local business
The part of our business that looks after customers local to our service centres in Europe, North, Central & South America, the Middle East, Asia and Australasia.

LWA
Sound power level at source.

MW
Megawatt – a million watts of electricity.

NOx
Oxides of nitrogen.

Operating profit (Also known as EBIT)
Profit from operations after gain on sale of property, plant and equipment but before interest and tax.

Particulate
In general this term relates to visible smoke.

Profit after tax
Profit attributable to equity shareholders.

Returns on average capital employed
Calculated by dividing operating profit for a period by the average of the net operating assets as at 1 January, 30 June and 31 December.

Spoke
A small service centre which provides a logistics point from where equipment can be prepared and sent out quickly to customers.

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

Trading profit
Operating profit before gain on sale of property, plant and equipment.