REPORT 2009

Aggreko plc Annual Report and Accounts 2009

DIRECTORS' REPORT

Directors' Report

ACCOUNTS

Accounts

SHAREHOLDERS

Shareholders

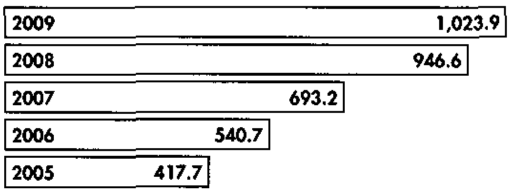
The Directors' Report of Aggreko plc for the year ended 31 December 2009 is set out on pages 4 to 72 and includes the section headed 'Our Performance' on page 2 and the sections of the Annual Report referred to in these pages. This Annual Report contains forward looking statements. These forward looking 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

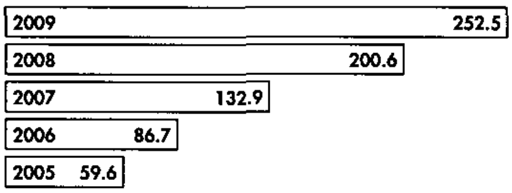
FINANCIAL HIGHLIGHTS

	2009	2008	Movement As reported %	Movement Constant Currency %
Revenue £m	**1,023.9**	946.6	8.2	(6.3)
Trading profit £m	**252.5**	200.6	25.9	6.8
Profit before tax £m	**244.0**	190.0	28.4	
Diluted EPS pence	**62.42**	45.56	37.0	
Dividend per share pence[2]	**12.60**	10.08	25.0	

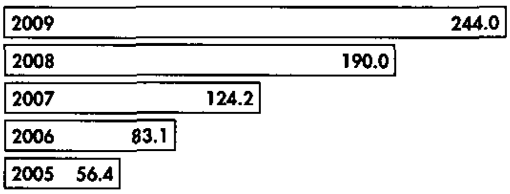
Revenue
£m



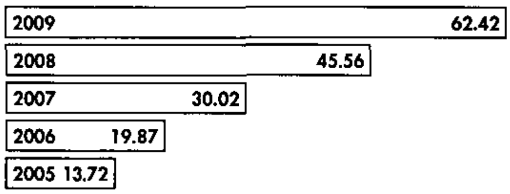
Trading profit[1]
£m



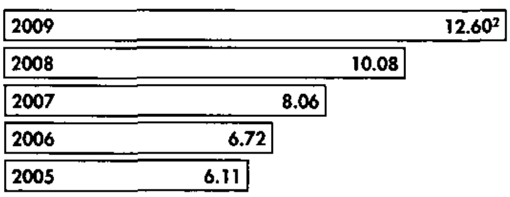
Profit before tax[1]
£m



Diluted eps[1]
Pence



Dividend per share
Pence



[1] 2006 numbers are pre-exceptional items.
[2] The Board is recommending a final dividend of 8.23 pence per ordinary share, which, when added to the interim dividend of 4.37 pence, gives a total for the year of 12.60 pence per ordinary share.

DIRECTORS' REPORT

CHAIRMAN'S STATEMENT

INTRODUCTION

I am pleased to report that Aggreko delivered another record performance in 2009, despite the challenging economic conditions. Reported revenue grew by 8.2% to £1,023.9 million (2008: £946.6 million) and trading profit[1] grew by 25.9% to £252.5 million (2008: £200.6 million). Performance was helped by a positive foreign exchange impact; nevertheless, trading profit grew by 6.8% on a constant currency[2] basis. It should also be noted that 2009 was a 53-week financial year, which added about £10 million to reported trading profit.

Amongst our businesses, International Power Projects once again performed extremely well: trading profit grew by 69.6% in constant currency on revenue which was 26.2% ahead on the same basis excluding pass-through fuel[3]. Our Local business, which is more exposed to the GDP cycle and faced some very tough year-on-year comparators, had a more difficult time, with trading profit in constant currency falling by 33.8% on revenues 17.3% lower than 2008.

At Group level, profit before tax increased by 28.4% to £244.0 million (2008: £190.0 million) and earnings per share increased by 36.9% to 62.67 pence (2008: 45.77 pence). Return on average capital employed improved by 0.5pp to 29.0%.

1 Trading profit represents operating profit before gain on sale of property, plant and equipment.
2 Constant currency takes account of the impact of translational exchange movements in respect of our businesses which operate in currency other than Sterling.
3 Pass-through fuel relates to two contracts in our International Power Projects business where we provide fuel on a pass-through basis.

STRATEGY

Aggreko's strategy is to deliver attractive and growing returns to shareholders, excellent service to customers, and rewarding careers to our employees by being the leading global provider of temporary power and temperature control. We focus on growing our business organically, supported by fleet investment and geographic expansion, but we will also make acquisitions where we feel they can add value. We continued to make good progress in 2009, despite adopting a more cautious approach in terms of capital investment and costs. Capital expenditure fell to £160.9 million, a reduction of almost 40% compared to 2008, but still some 1.1 times depreciation.

In March 2008 we reported on the result of the biennial strategy update we carried out in 2007. In this 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 capital expenditure over the same timescale. Despite the unanticipated onset of world-wide recession, I am pleased to report that so far we remain well on track having delivered over the first two years of the plan, compound annual revenue growth in constant currency of 11% and operating profit growth of 22%. Fleet capital expenditure over the period has averaged £203 million per annum – exactly in line with our forecast; in 2010 we expect to invest around £200 million.

In the body of this report we give the results of our 2009 biennial strategy update. In summary, we believe that our strategies for both the Local and International Power Projects businesses are working well, and we still believe our aspiration of delivering double digit revenue and earnings growth over the five years to 2012 is reasonable although, as we have repeatedly said, progress towards this objective will not be in a smooth line; there will be peaks and troughs from year to year. We also set out our thoughts about how the market for the supply of electrical energy will develop over the next ten years; we believe that a combination of inadequate levels of investment in new and replacement generating capacity, rapid growth in demand for power in emerging markets, and the implications of having to incorporate large amounts of renewable generation into power networks will bring increasing levels of stress and uncertainty to the electricity supply markets. This is likely to present new opportunities for Aggreko in the years ahead.

FUNDING

The business delivered a very strong cash performance. Net cash inflow from operations during the year increased by 56.0% to £430.8 million (2008: £276.1 million). This funded capital expenditure of £160.9 million, which was £104.3 million lower than in 2008. As a consequence of this strong cash performance, net debt at 31 December 2009 fell by more than half during the year to £175.5 million, a reduction of £188.5 million.

Our financial position continues to be very strong with net debt to EBITDA (Earnings before Interest Tax Depreciation & Amortisation) of 0.4 times (2008: 1.1 times) at 31 December 2009 compared to our bank covenant of 3 times. Interest cover, measured on an EBITDA basis, remains strong at 22.8 times (2008: 21.8 times), and well ahead of our covenant of 4 times cover. We also have plenty of headroom against our bank facilities: net debt at the year end stood at £175.5 million (2008: £364.0 million), against current committed bank facilities of around £450 million. The next significant tranche of debt which the Group will need to refinance matures in the second half of 2011.

DIVIDEND

The Board is recommending a 25% increase in the dividend for the year as a whole; this will comprise a final dividend of 8.23 pence per ordinary share which, when added to the interim dividend of 4.37 pence, gives a total for the year of 12.60 pence. At this level, the dividend would be covered 4.97 times. Subject to approval by shareholders, the final dividend will be paid on 21 May 2010 to ordinary shareholders on the register as at 23 April 2010, with an ex-dividend date of 21 April 2010.

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 of them for the contribution they have made to Aggreko's success in 2009.

OUTLOOK FOR 2010

The pattern of trading seen in the second half of 2009 has continued in the first two months of 2010, namely: growth in International Power Projects, stability but no signs of material improvement in our Local markets.

International Power Projects started the year with nearly 10% more capacity on rent than a year ago and about 10 months of forward order cover. The order intake in the last quarter of 2009 was strong and we quoted for projects in 36 countries. Since the beginning of the year we have signed some 364MW including 100MW in Panama and 115MW in the Sultanate of Oman; our prospect pipeline remains very healthy.

Trading in the Local business remains subdued; power volumes on rent are about 4% ahead of last year, but temperature control volumes are about 7% down. The Vancouver Winter Olympics are going well, and we expect these to contribute around $25 million to first quarter revenues in North America. While some areas have achieved modest price improvements, rates generally remain weak.

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. While we remain cautious about the outlook for the Local business, we are encouraged by the strong start made by International Power Projects in 2010. As a consequence we are increasing our December guidance for fleet capital expenditure in 2010 by £20 million to £200 million; most of which will be invested in the International Power Projects business.

Given the encouraging prospects for International Power Projects, and the additional fleet investment, we now believe that we will do a little better than we anticipated at the time of our December trading update.

Philip Rogerson

Philip Rogerson
Chairman
4 March 2010

WHAT WE DO

OUR BUSINESS

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

We do this on a global basis, with 144 service centres and offices in 34 countries; in 2009 we served customers in about 100 countries.

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

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

The distinguishing features of our business are:

- The products and services we provide are mission-critical. Power and temperature control are utility services without which our customers cannot operate. Most customers use our services only occasionally – but when they do, they rely on us to keep their business or even whole cities and countries functioning and safe. They are therefore likely to be more interested in 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 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 focussed on a very narrow range of products – power and temperature control, and that means we have technical expertise, equipment, skills and experience on a scale, and to a depth, that we believe nobody else can rival.
- We design and manufacture our own fleet which means that we are able to optimise it for the specific requirements of our customers and of the rental business.
- We keep our equipment for its useful life, so the longer the life, the more money we make. We therefore take enormous care to build and maintain our equipment to the highest standards.

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 has enabled us to deliver highly attractive returns to shareholders while delivering outstanding value and service to our customers.

WHERE WE DO IT

OUR LOCATIONS

Aggreko has global reach through an international network of service centres spanning Europe, North, Central & South America, as well as in the Middle East, Africa, Asia and Australasia. Our 144 service centres in 34 countries enable us to combine local knowledge, strong customer relationships and efficient logistics to provide excellent service and speed of response, while our commitment to managing the business and assets on a homogenous and global basis mean that each local service centre can draw on huge resources to support its customers.

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

OUR WORLD

Europe
1 Aachen
2 Aberdeen
3 Antwerp
4 Barcelona
5 Bedford
6 Berlin
7 Bordeaux
8 Bristol
9 Cannock
10 Doncaster
11 **Dorsten**
12 Dumbarton
13 Egersund
14 Fareham
15 Frankfurt
16 Glasgow
17 Gothenburg
18 Great Yarmouth
19 Hamburg
20 **Heinenoord**
21 Helsinki
22 Inverness
23 Le Havre
24 Leipzig
25 Lille
26 London
27 Lyon
28 Madrid
29 Manchester
30 Marseilles
31 **Metz**
32 Milan
33 **Moerdijk**
34 **Moscow**
35 Mulhouse
36 Munich
37 Nantes
38 Nuneaton
39 Oslo
40 **Padova**
41 Paris
42 Plymouth
43 Port Talbot
44 Portlaoise
45 Washington

Middle East
46 Abu Dhabi
47 Al Khobar
48 Aktau
49 Doha
50 Jebel Ali
51 Jeddah
52 Manama
53 Muscat
54 Safat
55 Sharjah
56 Yanbu

Asia
57 **Beijing**
58 **Dalian**
59 **Pune**
60 **Shanghai**
61 Singapore

Africa
62 **Johannesburg**
63 Lagos

Australasia
64 Adelaide
65 Auckland
66 Brisbane
67 Darwin
68 Emerald
69 Fiji
70 **Geraldton**
71 **Gladstone**
72 Kalgoorlie
73 Karratha
74 Melbourne
75 Newcastle
76 Perth

77 Sydney
78 Townsville

South America
79 **Antofagasta**
80 **Buenos Aires**
81 **Campinas**
82 Caracas
83 **Concepcion**
84 Macae
85 **Manaus**
86 **Puerto Montt**
87 Rio de Janeiro
88 **Santiago**

Central America
89 **Mexico City**
90 **Monterrey**
91 **Panama**
92 **Villahermosa**

North America
93 Atlanta
94 Baltimore
95 Baton Rouge
96 Beaumont
97 Boston
98 Bridgeport
99 Calvert City
100 Charleston
101 Chicago
102 Chickasha
103 Cincinnati
104 Cleveland
105 Columbia
106 Corpus Christi
107 Dallas
108 Decatur
109 Denver
110 Detroit
111 **Edmonton**
112 Fayetteville
113 **Fontana**
114 **Fort McMurray**
115 **Gillette**
116 Hollywood
117 Houston
118 **Indianapolis**
119 Jacksonville
120 Kansas City
121 Lake Charles
122 Las Vegas
123 Linden
124 **Long Island**
125 Los Angeles
126 McAllen
127 Memphis
128 **Miami**
129 Mobile
130 Nashville
131 New Iberia
132 New Orleans
133 Oklahoma City
134 Pearland
135 Phoenix
136 Puerto Rico
137 Richmond
138 Rio Grande Valley
139 San Antonio
140 **San Francisco**
141 Sarnia
142 St. Louis
143 Tampa
144 Toronto

*Service centres highlighted in bold have been opened in the last 5 years.

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 Siberia. 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 higher the returns we will make over the useful life of the fleet. 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 minimises 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 2009, it comprised 13,000 generators ranging in size from 10kW to 2MW, which in aggregate amount to over 5,900MW of generating capacity. To put this into perspective, that is the equivalent of about 10% of peak power demand on the UK national grid. We also have very large inventories of transformers, cable and distribution equipment. In aggregate, the net asset value of our power fleet is £551 million, and the original cost carried in our balance sheet is £1,085 million.

Our chiller fleet is also much larger than any of our competitors, with over 2,000 units having a total capacity of 920MW. The net asset value of our chiller fleet is £32 million, and the original cost carried in our balance sheet is £92 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 £77 million, and the original cost carried in our balance sheet is £202 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 144 service centres in North, Central & South America, Europe, the Middle East, Africa, 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 2009, the Local business had revenues of £544 million which is 56% 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 performs 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. 70% 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 rather than the hours or days needed in the Local business. To support these projects we concentrate our fleet in a number of hubs – in Central America, Europe, the Middle East and Asia. From each hub, large amounts of equipment can be shipped or flown rapidly to wherever it is needed.

In 2009, our International Power Projects business generated revenues of £422 million, or 44% 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.

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	37%
2 Oil and gas	9%
3 Military	9%
4 Petrochemical & refining	6%
5 Manufacturing	6%
6 Events	6%
7 Construction	5%
8 Contracting	4%
9 Services	4%
10 Quarrying & mining	4%
11 Shipping	3%
12 Other	7%

Source: Aggreko internal reports

Aggreko revenue by geography
Excluding pass-through fuel revenue

1 North America	21%
2 Europe	17%
3 Middle East	23%
4 Africa	20%
5 Asia and Australasia	10%
6 South and Central America	9%

Source: Aggreko internal reports

COMPETITIVE ENVIRONMENT

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

In International Power Projects we also see localised competition, often from the local distributors of major manufacturers such as Caterpillar, or from local entrepreneurs who want to try their hand at power generation. However, these companies find it hard to organise themselves across territories, and it is difficult to operate efficiently in the International Power Projects business without a large fleet and the infrastructure to market, 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 have tried to emulate Aggreko, but none have succeeded in building a global integrated power and temperature control business of the same scale as Aggreko. 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 is created by events – our customers generally turn to us when something unusual happens which means they need power or temperature control quickly, or there is a requirement which is 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, SuperBowl.
- 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 – Bangladesh 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.

HOW BIG IS THE MARKET, AND WHAT IS OUR MARKET SHARE? CONTINUED

By triangulating these techniques, we develop an estimate of market size but the truth is that it is a guess, and probably not a very accurate one. In 2003, we did a great deal of work on market sizing, and came to the conclusion that the market was worth about £1.3 billion and was growing at about 5%. Since then, our own rental revenues have grown at a compound annual rate (CAGR) of 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 around £2.5 billion per year.

Given our rental revenues of £781 million in 2009, 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 the market will be lower than the 30% we estimate for our global share of the market. However, in nearly all the major markets in which we operate, Aggreko is the largest or second-largest player.

WHAT DRIVES MARKET GROWTH IN THE LOCAL BUSINESS?

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

- GDP – as an economy grows, so does demand for energy.
- Propensity to rent – how inclined people are to rent rather than buy. This is driven by issues such as the tax treatment of capital assets and the growing awareness and acceptance of outsourcing. And in times of recession, people can be more inclined to rent rather than commit capital.
- 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 at 2-3pp faster than the rate of Aggreko GDP. In economies where Aggreko GDP growth is above 5%, we get an increasingly leveraged effect, with Aggreko sales growth far outpacing GDP growth. This is for a number of reasons, but most notably, simply that when economies are growing fast, customers want equipment quickly, they want high levels of service, and they want to focus on doing what they are good at, rather than owning large amounts of equipment.

The graph below plots this relationship between growth in Aggreko's revenues by country and growth in Aggreko nominal GDP between 2003 and 2007 – i.e. before the recession hit. 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.

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

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

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

When we developed the Aggreko GDP model, we were asked "so what happens in a recession?" and we were unable to answer, because we had no data. Now, thanks to the difficult macro-economic conditions of the past few years, we have a better idea, but we have to qualify this by saying that all recessions are different, and just because our business behaved one way in the recession of 2008-2009, does not mean it will behave the same in the next one. It is also worth saying that it is not certain at the time of writing that the recession is over, and if it is, what the pattern of recovery will be.

We started warning in early 2008 that we thought that demand and rates would weaken in our Local businesses in North America and Europe, in line with the macro-economic indicators. A year later, we felt a bit foolish, as we reported that "in the Local business, our North American and European units performed well in the face of challenging economic conditions, while our operations in the Middle East, Asia, Australasia and Latin America continued to deliver good growth". Recession? What recession?

In the second quarter of 2009, we found our recession as demand suddenly weakened in almost every Local business. In true Aggreko style, the business reacted very fast, and reduced rates to keep volumes up for the critical summer season. For the year as a whole, our average MW of power on rent in the Local Business (excluding the Beijing Olympics) was about the same as the prior year. But a combination of falling rental rates, lower fuel prices and customers seeking every way to reduce costs resulted in Local business revenues in the second half being substantially lower than the prior year. And in truth, although volumes in aggregate were similar to the prior year, this only happened because we had volume growth in some markets, notably the Middle East. In most markets, we lost both volume and rate. And we also discovered that our temperature control business was much more sensitive to the economic environment than power. For many of our customers, being without power is not an option, but going without extra chiller capacity may well be possible, particularly if industrial customers are not running their processes at full capacity; whereas power volumes were flat year-on-year, we lost nearly 10% of our chiller and air conditioner volume in 2009.

Our conclusion from this? It is that the Local business probably behaves the same way in times of shrinking GDP as it does when GDP is growing – i.e. it shrinks at about twice the rate of Aggreko GDP, but with the added leverage of rate erosion which can be of the order of 5-10%.

THE MARKET CONTINUED

WHAT DRIVES MARKET GROWTH IN THE INTERNATIONAL POWER PROJECTS BUSINESS?

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

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

Rolling 3-year average growth in electricity consumption 1988-2007

Source: International Energy Agency

The rapid growth in power consumption in developing countries is driven by industrialisation and by the growing number of consumers having access to devices which consume electricity, such as fridges, televisions and mobile phones. Between 2000 and 2011, we forecast that the number of people whose power consumption is growing faster than per-capita GDP will double, from 2.5 billion to over 5 billion (see graph below). The majority of these people live in developing countries, where investment in the acquisition of new generating capacity and maintenance of existing capacity has been far below levels required to keep supply in line with demand.

Population with electricity consumption growing faster than GDP (billion)

Source: Oxford Economics

To make this situation worse, by 2015, 25% of the world's currently 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 coming 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 North America and Europe, 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 nearly 10-fold, from about 70 gigawatts (GW) in 2005 to around 600 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 as countries struggle to keep the lights on.

Investors have been keen to understand what the impact of a recession might be on our International Power Projects business. In our 2008 Annual Report, we wrote "It is certainly likely that lower rates of per-capita GDP growth will lead to slower rates of growth in demand for electricity in developing countries. However, we believe that, unless there is a prolonged economic catastrophe, the market for temporary power in developing countries will continue to grow." This has largely been borne out by events in 2009. Whilst the rate of growth in MW on rent slowed, we ended 2009 with 10% more MW on rent than we started the year; this represented a sharp slow-down in the rate of growth from the 40% we saw in 2008, but it was growth nonetheless. And average rates increased by about 6%, although rates at which we won new business (as opposed to extensions to existing contracts) fell. There was also a concern that recession might bring a bad-debt problem in International Power Projects but this did not arise and debtor days at the year end were lower than the prior year.

We would end this section with our customary warning: particularly in times of recession, 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 fear to. 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 owed or equipment, and that point is more likely to arise at a time of economic stress. The returns we have succeeded in delivering in this business are risk-unadjusted and at some point a risk may happen which adjusts the returns.

Our Strategy

Group strategy

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

Aggreko Group – excluding pass-through fuel

	2009	2003	CAGR
Revenue (£m)	966	324	20%
Trading profit (£m)	251	42	35%
Trading margin	26%	13%	
Return on capital employed (ROCE)*	29%	13%	
Enterprise value (£m)	2,719	514	32%

*calculated using average net operating assets

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

We test our strategy on a two-year cycle; this keeps the strategy fresh and relevant, and enables us to spot and react to new opportunities. Having conducted a root-and-branch review in 2003 we re-examined our conclusions in 2005 and 2007 and have done so again in 2009. The conclusions from this most recent review are summarised below:

- The strategy we developed in 2003 and re-confirmed in 2005 and 2007 is working well.
- Our Local business continues to offer attractive opportunities for growth, both from growing our density and footprint in existing markets, and expanding into new countries.
- The factors which have driven the growth of our International Power Projects business will continue to provide plenty of headroom for this business for the foreseeable future; the world faces serious structural shortages of power which will last for many years and which should sustain demand for our services.

- In our 2009 review we stepped up the work we are doing on emissions and planning the transition of our fleet to use equipment with improved emissions performance.

- In all our businesses, there are opportunities to improve the efficiency of operations, whilst maintaining our prized agility. There are plenty of things we can do better.

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

Business line operational strategy

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

- The Local business rents power and temperature control systems, from small generators to large cooling plants, to customers who are typically within a few hours driving time of our service centres.

- The International Power Projects business installs and operates temporary power plants and sells their power on to utilities, the military and major industrial users.

The Local business

The Local business serves customers from 144 service centres in 34 countries in North, Central & South America, Europe, the Middle East, Africa, Asia and Australasia. This is a business with high transaction volumes: average contracts have a value of around £3,000 and last for 2-3 weeks. The Local business represents 56% of Aggreko's revenues and 37% of trading profit, excluding pass-through fuel. Since 2003, the performance of the Local business has improved sharply, despite the difficult trading conditions experienced in 2009:

Aggreko Local business

	2009	2003	CAGR	% of Group (09)
Revenue (£m)	544	258	13%	56%
Trading profit (£m)	93	27	23%	37%
Trading margin	17%	10%		
ROCE*	20%	11%		

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

- Maintain a clear differentiation between our offering and that of our competitors through superior service.

- To be extremely efficient in the way we run the Local business.

- To deliver growth in revenues.

Against the first objective – to maintain a clear differentiation between our offering and 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.

There is tangible evidence that we are succeeding in building service differentiation in the form of our Net Promoter Scores. This is an objective measure of customer satisfaction which we derive from questioning over 25,000 customers a year; when customers off-hire equipment in our Local business, we ask them to rate our performance, and distil their responses into a single number which reflects the relationship between those who think we are wonderful, and those who think we are dreadful. Happily, the former greatly outnumber the latter. Over the last four years our score has improved by 10pp and, in many of our Local businesses, is now at levels that match or exceed those achieved by companies in other sectors renowned for delivering high levels of service.

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.

Our Strategy continued

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.

An integral part of the strategy for the Local business is the implementation of our ERP system which provides a single, global, IT system for managing our business. The system gives us greatly improved visibility of the business, which enables us to drive improvements in operating efficiency. The system is fully operational in Europe and North America, and is well progressed in the Middle East and Aggreko International.

This operating model, and the investment in a standard global IT platform, is delivering benefits to both our customers and shareholders. As described above, our Net Promoter Scores tell us that the model is benefitting customers, and for our shareholders the benefit has been a compound growth in trading profit of 23% over the last six years and a return on capital employed that has improved from 11% to 20% over the same period.

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

North America:	Indianapolis, Long Island, Fort McMurray, Gillette
Europe:	Bordeaux, Bristol, Metz, Padova, Berlin
Australia:	Geraldton, Gladstone

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

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

International Power Projects

This business serves the requirements of power utilities, governments, armed forces and major industrial users for utility-quality, temporary power generation. Whereas in the Local business we rent equipment to customers who operate it for themselves, in International Power Projects we contract to provide power generated by plants financed, installed and operated by our own staff. The power plants range in size from 10MW 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 in both time and value.

The business operates in areas where we do not have a large Local business. Most of the customers are power utilities in Africa, Asia, Central and South America. The driver of demand in these markets is that our customers' economies are growing, with consequent increases in demand for additional power which cannot be met by the current generating capacity. As a result, many of them face chronic power shortages which damage their ability to support economic growth and increased prosperity. These shortages are often caused or exacerbated by the variability of supply arising from the use of hydro-electric power plants whose output is dependent on rainfall.

International Power Projects now represents 44% of Group revenues and 63% of trading profit excluding pass-through fuel. Since 2003, the International Power Projects business has grown very rapidly:

International Power Projects excl pass-through fuel

	2009	2003	CAGR	% of Group (09)
Revenue (£m)	422	66	36%	44%
Trading profit (£m)	158	15	48%	63%
Trading margin	37%	23%		
ROCE*	42%	25%		

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.

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

The reason why it is advantageous to be a global operator in temporary power is because 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 2009, 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 reason we want to be big – and bigger than any of our competitors – is because we believe that this is a business in which scale brings significant competitive advantages. There are numerous reasons for this:

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

- By the time customers have decided they really do have to spend money on temporary power, they generally want it as fast as possible. Being able to offer very fast lead-times for large amounts of capacity is a significant competitive advantage. Small operators simply cannot afford to keep 250-300MW of capacity (say, £30-£40 million of capital) hanging around waiting for the next job; they will tend to wait until they get a job, and then try to finance and build the equipment to serve it, which inevitably means longer lead-times. Because the equipment used in International Power Projects is also used in the Local business fleet, we manage our large generators as a common global pool. Between the Local business and International Power Projects, we currently have a fleet of around 4,400 of these large generators, and can therefore assemble hundreds of MW of capacity from our various businesses around the world on very short notice. A good example would be a recent contract award in Kenya, where we were able to deliver and commission 140MW within 8 weeks of contract. No competitor could meet this delivery.

- The management of risk is a critical part of our business; we place tens of millions of pounds worth of capital assets in countries where the operational, political and payment risks are significant. While we take great care to mitigate these risks, it is probable that sooner or later we will have a loss of either a debtor, or equipment, or both. However, because of our scale, such a loss would not imperil the Company as a whole. The risk of loss for smaller companies is no less, but their ability to withstand the consequences of a large loss is. Scale therefore allows us to deal in markets where others might sensibly fear to tread.

Our Strategy continued

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

In summary, a large operator will have lower volatility of demand, better lifetime utilisation of equipment, be better able to respond to customer requirements, and will have a lower 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.

Further ahead

In the 2009 strategy update, we also tried to look ahead and outside the boundaries of our existing business model to see if there might be other opportunities for us to deliver value to our shareholders. We were encouraged by what we found, and we set out below some of our thoughts about the way the energy market might develop. We do this with trepidation, because there is a danger that some people will take our musings on the opportunities that might lie in front of us, and the ideas that we want to explore, as commitments that we will move into a particular market space. They most definitely are not. But on balance, we think it right that we should share with investors and other stakeholders what we are thinking about; how we see the world and our markets evolving; and where we are investing time and money in research. So it is with this caveat that we show below how we see the future.

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

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

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

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

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

Levels of investment have been inadequate to replace power plants which, either because of age or because they fail to meet emissions standards, will have to be closed in the next ten years. Between 2000 and 2007 the amount of generating capacity outside China over 40 years old (a reasonable proxy for the average life of power plants) more than doubled, and yet in the same period the amount of new capacity commissioned per year outside China fell sharply (see graph); by 2015 over a quarter of the world's current generating capacity outside China will be over 40 years old.

MW installed by year 1980-2007 vs Plant >40 years old

Source: Platts

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

But what plants will they build? The majority of plants will inevitably have to be thermal, but the electricity networks of the future are all going to have to deal with large amounts of wind-power, and that is going to require substantial investment in transmission and distribution networks to cope with intermittent output and, in the case of wind, the fact that large wind-farms have to be positioned far from centres of consumption. For those unfamiliar with the variability of wind generation, the graph below shows the output from Ireland's 900MW of installed wind capacity during the period 1st January – 31st March 2009.

During this 3-month period, there were 12 occasions where power output varied by more than 100MW within 15 minutes, 76 when that variation occurred within 30 minutes; that variation is equivalent to around 37% of the average output. The peak output was 940MW, the lowest was 9MW. These variations

Ireland output in MW from wind Jan-Mar 2009

Source: Eirgrid

Our Strategy continued

in output bore no relationship to demand, which was at its peak during a cold period in mid-February, characterised (as cold winter periods often are) by very little wind.

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

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

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

- We have developed a highly-efficient, multi-fuel, utility power generating capability which has a capital cost per megawatt about one third that of conventional utility power plants. We think conventional power-plant technologies such as Combined-Cycle Gas Turbines, Hydro and Nuclear, while ideally suited for base-load operation, will struggle with the economics of operating on an intermittent basis and the unpredictable start-stop cycle required to respond to the variable output of renewable power generation.

- Our technology is ideally suited to intermittent, fast-start operation. We can bring enough power on-line to keep the lights on for whole cities within 30 seconds. We think system operators will come to find this sort of sustainable, distributed, fast response capability essential if they are to operate with meaningful amounts of wind generation.

- Our technology is ideally suited to distributed operation. Because it comes in 1MW blocks, and is mobile, we can put 25MW here, 150MW there, and 5MW over there. And then can shift 50MW of the 150MW site to the 25MW site within a couple of days. We think that distributed generation will become increasingly popular with system operators and they will value the mobility and flexibility we have the capability to provide. And for our part, we should be able to generate premium returns by being able to move our plant globally to where the need, and therefore prices, are greatest.

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

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

We would like to stress that this is not a short-term opportunity. Quite the opposite: in the short term many developed countries have high reserve margins as the economic crisis has caused power consumption to reduce. But these reserve margins are forecast to fall quite sharply between now and 2015. So we will spend some time over the next few years exploring these ideas.

Management of Resources

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

People
Aggreko has 3,600 permanent employees around the world, and they are united by a unique culture. Phrases such as 'customer focussed', '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 42 to 46.

In the last few years Aggreko has taken a number of tangible steps to improve the capability of its people. A talent management system has been introduced and the 130 senior managers in the business have attended a management education programme specifically tailored to Aggreko at IMD in Lausanne. We have also during 2009 given in depth training to around 80 employees in continuous improvement techniques in support of the operational excellence programme which was launched during the year.

The Company's remuneration policy, which is described on pages 60 to 71, 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 and temperature control equipment generally design their product to be installed and stay in the same location for its working life. For our business, however, this equipment has to be lifted and transported hundreds of times during its working life. It must be able to work in extreme conditions – the same generator might be working in -40°C on an oil rig in Russia one week, and in +50°C in the Saudi Arabian desert the next. Designing and building equipment that can do this while remaining safe, quiet, reliable and compliant with environmental and safety regulations is a key skill of Aggreko. Unusually for a rental company we design and manufacture most of our equipment, and our specialist in-house teams based in Dumbarton, Scotland understand intimately the requirements of the environment in which the fleet operates. Not only do we have industry-leading equipment, we also have a great deal of it – £1,379 million worth at original cost as at 31 December 2009.

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

Management of Resources continued

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

One measure of how we are doing in terms of managing our physical assets is the 'return on average capital employed'. This measure is one of the key performance indicators shown on page 27.

Financial resources

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 £524.1 million at 31 December 2009, 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, EBITDA should be no less than 4 times interest and net debt should be no more than 3 times EBITDA. The Group does not consider that these covenants are restrictive to its operations. The maturity profile of the borrowings is detailed in Note 17 in the Annual Report and Accounts with the next significant maturity not due until September 2011. Since the year end the Group has reduced committed facilities by £70.8 million to £453.3 million and the facilities now in place are currently anticipated to be ample for meeting the Group's requirements over the period until the next refinancing.

Net debt amounted to £175.5 million at 31 December 2009 and at that date undrawn committed facilities were £344.1 million.

Supply chain

During 2009, Aggreko's capital expenditure totalled £160.9 million. Of this, 72% 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 and India 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.

Key Performance Indicators

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

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

- Safety
- 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.

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.

After several years of improvement, the Group's performance deteriorated during 2009 but is still significantly better than the benchmark statistic reported for US rental and leasing industries published by the US Department of Labor which was 1.4 FAR in 2008. Further discussion of Health & Safety matters can be found in this report in the Risks and Uncertainties section (page 31) and under Corporate Social Responsibility (pages 42 and 43). FAR was as follows:

Frequency Accident Rating

2009	0.76
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 focussing 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 %

2009	29.0
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:

Key Performance Indicators continued

Adjusted EPS Pence

2009	62.42
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 near real-time measurement of our performance, as seen by our customers, gives us visibility of operational issues which might otherwise take months to emerge through the profit-and-loss account. Accordingly, we use the Satmetrix system, whereby we send customers an email immediately after a contract closes asking them to fill out a detailed questionnaire 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'). 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 2009, around 30,000 questionnaires were sent out and we received over 2,700 replies: we believe that the scale of the response we get enables us to have confidence in this KPI. In aggregate, our NPS over the last four years was:

Net Promoter Score

2009	60
2008	58
2007	52
2006	50

Note: The Group started tracking NPS in 2006.

Within this score, our North American business was slightly down on last year but still delivering levels comparable to or better than many of the best performers across all industries in the United States. Our European & Middle East business and our International business scores have improved on last year and, while respectable, show that there is still room for further improvement.

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 %

2009	12.2
2008	15.1
2007	16.2
2006	14.9
2005	15.2

The level of staff turnover in 2009 was lower than the previous four years which is not unexpected given the economic climate, however nonetheless pleasing given the pressure that our people have been under to deliver good results under difficult trading conditions.

As well as measuring staff turnover, the Group carried out its second global opinion 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, of the 2,804 responses received, 91% of respondents said that they enjoyed their work and 89% of respondents said that they were proud to work for Aggreko.

Principal Risks and Uncertainties

In the day to day operations of the Group, we face many risks and uncertainties. Our job is to mitigate and manage these risks, and the Board has developed a formal risk management process to support this. Set out below are 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 goes negative, demand for rental equipment is likely to shrink even faster, and this impact is likely to be multiplied by pricing weakness at times of low demand. As we have experienced in 2009, the operational gearing inherent in our business models means that variations in demand can lead to much larger variations in profitability. We also have some businesses which, by their nature, are exposed to particular sectors – for instance our Australian business is highly dependent on mining activity, our Singapore business is highly dependent on shipping 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 rental fleet from low-growth economies to higher-growth environments; for example, in 2008 and 2009 we moved considerable quantities of fleet from Europe to the Middle East. Secondly, we try to ensure that, as they grow, our businesses build a customer-base which is as diverse as possible, to reduce sectoral exposure. In the Middle East, for instance, we are investing in our temperature control business which in time will reduce our relative exposure to construction; in North America we have special initiatives in place to develop our business in under-penetrated sectors. Thirdly, in the event of a more generalised downturn in demand, as experienced in 2009, we can quickly reduce capital expenditure which is demonstrated by our new fleet investment being £106.7 million lower than in 2008. Given the large depreciation element in the business' cost base (£148 million in 2009), reducing capital expenditure to a level close to depreciation makes the business very cash generative which, in turn reduces debt and interest cost.

Another economic factor to consider is the price of fuel, which is usually the single greatest element in the cost of running a generator. Over the last few years, the price of fuel has been extremely volatile, but this does not seem to have any noticeable impact on people's willingness to rent; people rent generators because they need power, not because it is a cheap way of generating electricity. The major impact 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.

Political

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

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

Generally, we find that Governments are keen to behave in a fair way to suppliers of critical infrastructure such as Aggreko. In the last three years, we have had two incidents where our equipment has been seized by authorities as a result of tax or import duty disputes. Neither of these were material to a Group of our size, but either could have been fatal to a small company. Both are indicative of the fact that we deal in countries where the behaviour of the authorities can be unpredictable.

Failure to collect payments or to recover assets
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 and guarantees. 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 highly likely that at some stage a major customer will default on us or prevent us from repatriating assets. This could have a noticeable impact on earnings in a particular reporting period.

To use an analogy with the management of financial assets, we reduce our overall risk by having a broad portfolio of uncorrelated exposures; however, conscious that there is a tail risk, and that it is probable that at some stage we will suffer a loss, we caution investors that the current very high returns on capital we earn, particularly in our International Power Projects business are in effect 'risk-unadjusted', as we have so far not suffered a material loss.

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 in writing to abide by it, and every consultancy or agency agreement has an explicit term stating that the agreement will be terminated immediately if the consultant or agent does not abide by our policy.

The Group has a comprehensive and detailed set of procedures, approved by the Board, which governs the appointment of agents and sales consultants. Before we appoint an agent or consultant, we use specialist independent investigators to conduct comprehensive background checks on them; these checks include obtaining bank references and searches for previous records of inappropriate behaviour or of any family or other links with the customer. Payments made to agents and sales consultants are subject to audit by both internal and external auditors to ensure they are in accordance with the agreements, and we have a full-time Compliance Officer who continuously monitors our dealings with sales consultants and agents. In addition, we carry out regular training by outside lawyers of managers and salespeople who deal in at-risk jurisdictions, and we also conduct in depth reviews of contract files.

Acquisitions
It is part of our strategy to acquire businesses in our core market which can add value to Aggreko. In the last six 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, 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.

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.

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

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

Principal Risks and Uncertainties continued

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 continue to introduce legislation related to permissible levels of emissions and this has the potential to affect our business. Our engines are sourced from major manufacturers who, in turn, have to develop products which conform to legislation, so we are dependent on them being able to respond to legislation. We also have to be aware that when we buy a generator, we want to be able to rent it for its useful life and to be able to move it between countries.

To mitigate these risks, we adopt a number of strategies. First, we retain considerable in-house expertise on engine technology and emissions – so we have a good understanding of these issues. Secondly, we have very close relationships with engine manufacturers, so we get good forward visibility of their product development pipeline. 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 focussed 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 2009, Aggreko had interest cover of 23x (on an EBITDA basis) and net debt to EDITDA of 0.4x. Net debt was £175.5 million with committed bank facilities of £524.1 million. The maturity profile of the borrowings is detailed in Note 17 in the Annual Report and Accounts with the next significant maturity not due until September 2011. Since the year end the Group has reduced committed facilities by £70.8 million to £453.3 million and the facilities now in place are currently anticipated to be ample for meeting the Group's requirements over the period until the next refinancing.

Review of Trading

Group trading performance

The trading results for the 53 weeks to 31 December 2009 are set out below.

Aggreko delivered another strong trading performance in 2009, despite the difficult macro-economic environment. We made very good progress against our strategy, thanks to another strong performance from International Power Projects. Group revenues, margins and returns on capital employed all improved on the prior year, to stand at record levels.

	2009 £ million	2008 £ million	Movement As reported	Movement Constant currency
Revenue	**1,023.9**	946.6	8.2%	(6.3)%
Revenue excl pass-through fuel	**965.9**	861.9	12.1%	(2.6)%
Trading profit[1]	**252.5**	200.6	25.9%	6.8%
Operating profit	**262.1**	204.8	28.0%	8.7%
Net interest expense	**(18.1)**	(14.8)	(22.6)%	
Profit before tax	**244.0**	190.0	28.4%	
Taxation	**(75.6)**	(67.3)	(12.4)%	
Profit after tax	**168.4**	122.7	37.2%	
Basic earnings per share (pence)	**62.67**	45.77	36.9%	

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

As reported, Group revenue at £1,023.9 million (2008: £946.6 million) was 8.2% higher than 2008, while Group trading profit of £252.5 million (2008: £200.6 million) was 25.9% ahead of 2008. This delivered an increase in Group trading margin from 21.2% in 2008 to 24.7% in 2009. Return on capital employed, measured as operating profit divided by average net operating assets, improved by 0.5pp to 29.0% (2008: 28.5%).

The trading results are for 53 weeks; the estimated impact of the extra week's trading was around an additional £16 million of revenue and £10 million of trading profit. More materially, the weakening of Sterling during the year, particularly against the US Dollar and the Euro, had a powerful effect with reported revenue increasing by £145.9 million and trading profit by £35.9 million as a consequence of currency movements. On an underlying basis, Group revenue in constant currency and excluding pass-through fuel (see below), decreased by 2.6% and trading profit increased by 7.6%. On the same basis trading margin was 26.0% (2008: 22.9%).

Group profit before tax increased by 28.4% to £244.0 million (2008: £190.0 million), and profit after tax increased by 37.2% to £168.4 million (2008: £122.7 million). Earnings per share grew 36.9% to 62.67 pence (2008: 45.77 pence). The effective tax rate for the full year is 31.0% compared to 35.4% in the prior year.

In the interests of transparency, the Group separately reports revenue from pass-through fuel, supplies of which we manage for two International Power Projects customers. The reason for the separate reporting is that the revenue is entirely dependent on fuel prices and volumes of fuel consumed, neither of which we control, and which can be very volatile and may distort measurement of the performance of the underlying business. The margin we make on this revenue relates to the fractional difference between the contracted rate of fuel consumption per kilowatt hour and the actual rate we achieve across our power plants. In 2009, revenue from these contracts was £58.0 million (2008: £84.7 million) and generated a trading profit of £1.7 million (2008: £2.9 million).

In response to the deteriorating market conditions we reduced the rate of investment in our rental fleet, but still kept it at a level (1.1x depreciation) which enabled us to continue to reduce the average age of the fleet. We spent £149.7 million (2008: £256.4 million) on fleet capital expenditure, which represented 93% of total capital expenditure of £160.9 million. In addition, we acquired £1.4 million of property, plant and equipment as part of the Cummins India Ltd power rental business acquisition. Capital productivity – expressed as the ratio of revenue (excluding pass-through fuel) to gross rental assets dropped from 78% to 69% reflecting the impact of reduced rates in the Local business in both the power and temperature control product lines and reduced volumes for temperature control.

The Group delivered a strong performance on cash. EBITDA (earnings before interest, taxes, depreciation and amortisation) increased 28.0% to £413.0 million, and, helped by positive working capital movements, net cash inflow from operations during the year increased by 56.0% to £430.8 million (2008: £276.1 million). Together with the reduced level of capital expenditure and £19.8 million of positive currency movements, this enabled us to more than halve our net debt to £175.5 million (2008: £364.0 million).

Corporate activity

In November 2008 we announced, and on 1 January 2009 we completed, the acquisition of the power rental business of Cummins India Ltd. Since the acquisition we have opened our first depot in Pune, and by year end we had over 35MW on rent in the country.

As we disclosed in the December 2008 Annual Report and Accounts the sale of our Northern European oil-free air business was completed in March 2009 and a gain on sale of £5.8 million was recognised within operating profit in the Group income statement in the year ending 31 December 2009.

Regional trading performance as reported in £ million

Management Group	Revenue 2009 £ million	Revenue 2008 £ million	Revenue Change %	Trading Profit 2009 £ million	Trading Profit 2008 £ million	Trading Profit Change %
Local business						
North America	**197.6**	207.5	(4.7)%	**34.1**	44.9	(24.1)%
Europe	**158.9**	181.6	(12.5)%	**12.9**	24.0	(46.3)%
Middle East	**90.7**	75.0	21.0%	**22.4**	19.4	14.8%
Sub-total Europe & Middle East	**249.6**	256.6	(2.7)%	**35.3**	43.4	(18.9)%
International Local businesses	**96.8**	116.3	(16.8)%	**23.5**	32.6	(27.5)%
Sub-total Local business	**544.0**	**580.4**	**(6.3)%**	**92.9**	**120.9**	**(23.2)%**
International Power Projects (IPP)						
IPP excluding pass-through fuel	**421.9**	281.5	49.8%	**157.9**	76.8	104.8%
IPP pass-through fuel	**58.0**	84.7	(31.5)%	**1.7**	2.9	(40.6)%
Sub-total International Power Projects	**479.9**	**366.2**	**31.0%**	**159.6**	**79.7**	**100.3%**
Group	**1,023.9**	**946.6**	**8.2%**	**252.5**	**200.6**	**25.9%**
Group excluding pass-through fuel	**965.9**	**861.9**	**12.1%**	**250.8**	**197.7**	**26.8%**

The performance of each of these regions is described below:

Local business: North America

	2009 $ million	2008 $ million	Constant currency change[1] %
Revenue	**309.8**	386.2	(19.5)%
Trading profit	**53.4**	83.6	(37.2)%

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

Our North America business had a good start to 2009 with a strong first quarter helped by the Presidential Inauguration as well as work arising from the major storms of 2008. From April onwards, market conditions became progressively more difficult, in particular in temperature control. The full year results saw a decrease in revenue of 19.5% to $309.8 million; the trading margin at 17.2% (2008: 21.6%) was more robust than might have been expected with such a sharp fall in revenues, due to effective cost control. Trading profit decreased by 37.2% to $53.4 million.

While this performance was mainly attributable to poor market conditions, comparatives were particularly challenging in the second half which in 2008 included $26 million of storm related revenue and a very strong year for our Cooling Towers business. This was only partly offset in 2009 by the $14.5 million of revenue from the Vancouver Olympics in the fourth quarter and the impact of the 53rd week.

In terms of business mix, rental revenue declined 22% and services revenue declined 14%, the latter mainly due to lower fuel and freight charges. Power rental revenue for 2009 was 18% behind the prior year while temperature control revenue for the year was 29% behind last year. Oil-free air rental revenue was 11% down on the prior year. Nearly all market segments were weak.

Review of Trading continued

Revenue in all areas decreased on prior year with the exception of Canada, reflecting the full year impact of the Power Plus acquisition which completed in August 2008. Having started off well, the performance of the Power Plus business was badly affected by the falling oil price and the cancellation of projects which had been planned in the Athabasca oil sands. Recent performance has been more encouraging.

Despite the poor economic backdrop the North American business continued to implement our Local business strategy of expanding our footprint and increasing our density, opening new service centres in Indianapolis, Gillette, Fort McMurray and Long Island.

The last quarter of 2009 saw trading conditions stabilising, although not visibly improving. On an underlying basis, this pattern has continued in the first few weeks of 2010, although the first quarter will benefit from revenues from the Vancouver Olympics, which will likely generate revenues of around $25 million in the period. At this early stage of the year it is hard to see far ahead, and trading for the year as a whole will be dependent on rates and volumes in the critical summer season.

Local business: Europe & Middle East

	2009 £ million	2008 £ million	Constant currency change %
Revenue	**249.6**	256.6	(11.6)%
Trading profit	**35.3**	43.4	(28.2)%

Europe

	2009 £ million	2008 £ million	Constant currency change %
Revenue	**158.9**	181.6	(18.3)%
Trading profit	**12.9**	24.0	(50.3)%

Middle East

	2009 AED million	2008 AED million	Constant currency change %
Revenue	**522.4**	512.6	3.0%
Trading profit	**128.9**	133.4	(3.7)%

The Europe & Middle East business had a challenging year, with revenue decreasing on a constant currency basis by 11.6% to £249.6 million; trading margin decreased to 14.1% (2008: 17.0%) and trading profit decreased on a constant currency basis by 28.2% to £35.3 million.

Revenue in Europe of £158.9 million was 18.3% behind the prior year on a constant currency basis with most markets being materially impacted by the economic downturn. The exceptions were France and Russia, with the former benefiting from storm revenue in the first quarter and the latter beginning to make encouraging progress amongst oil-services companies. As might be expected, our businesses in Spain and Ireland were particularly hard hit.

Rental revenue decreased by 19%, and as in North America, temperature control was worse affected than power; rental revenue from power decreased by 13%, and temperature control fell by 21%. Services revenue, which mainly comprises fuel and transport, decreased 18%. Trading profit fell substantially, in part due to the impact of the disposal of our European Oil-Free Air business and in part due to pressure on rates.

Revenue in the Middle East of AED522.4 million (£90.7 million) was 3.0% ahead of the prior year on a constant currency basis. Most territories grew strongly, but this was offset by a 46% decline in activity in Dubai, which in 2008 was our largest market. The strongest sectors were utilities, oil and gas and events.

Rental revenue increased by 10% in the Middle East, with power increasing by 14%, but temperature control decreasing by 18%. Services revenue, which mainly comprises fuel and transport, decreased by 23%. Margins weakened as we responded to competition on rates and as we deployed a higher proportion of our capacity on summer peak-shaving work, which is generally lower-margin business.

In 2010 the Europe & Middle East region has maintained the pattern of last year namely weakness in Europe and growth in the Middle East. There is some evidence of a modest strengthening of rates, but it is too early to tell if these will be maintained.

Local business: Aggreko International

	2009 £ million	2008 £ million	Constant currency change %
Revenue	**96.8**	116.3	(25.3)%
Trading profit	**23.5**	32.6	(36.2)%

Aggreko International's Local businesses operate in Australia, New Zealand, Brazil, Mexico, Chile, Argentina, Singapore, China, India and South Africa.

The businesses did better than the headline numbers suggest, since 2008 revenues included $41 million of revenue from the Beijing Olympics. Underlying revenues in constant currency fell 6.3%, which was a much lower decline than experienced in either Europe or North America. Headline revenues in constant currency fell by 25.3% to £96.8 million and trading profit declined by 36.2% to £23.5 million; trading margin was 24.4% as against 28.0% in 2008.

Excluding the Beijing Olympics, rental revenue in Aggreko International's Local business decreased by 9.9% and services revenue grew by 7.8%. Within rental revenue, power decreased by 9.7% and temperature control by 11.3%. The businesses in Australia, Brazil and Singapore, which account for the lion's share of the revenues, saw year on year declines in all their key sectors, most particularly in mining and shipping.

So far in 2010, power rental volumes are around 10% down on the prior year, but we would hope to have a stronger year than 2009, particularly given our participation in the World Cup in South Africa, the contract for which we have recently signed.

International Power Projects: Aggreko International

	2009 $ million	2008 $ million	Constant currency change %
Revenue (excl. pass-through fuel)	**661.3**	524.1	26.2%
Trading profit (excl. pass-through fuel)	**247.5**	143.5	69.6%

Our International Power Projects business delivered another excellent performance, with revenue and profits (excluding pass-through fuel) increasing by 26.2% and 69.6% respectively. Trading margin was 10pp ahead of the prior year at 37.4% (2008: 27.4%). The strong margin reflected lower levels of mobilisation costs (as a result of contracts extending), improved rates on existing business, better cost control and operational leverage from overheads as the business continues to grow.

During the year the business operated in 56 countries, and signed contracts for 31 new projects including 140MW in Kenya, 100MW in Saudi Arabia for summer peak shaving, 30MW in Ethiopia and 25MW in American Samoa. All areas increased revenue over the prior year with significant growth in the Middle East, Africa and South America. Capacity utilisation was about 2pp down on prior year. The military business had another strong year and revenue was up 30% as deployments in Afghanistan more than off-set off-hires in Iraq. Around 70% of International Power Projects' revenue in 2009 came from utilities; military projects represented about 19%, and oil & gas, mining and manufacturing together contributed about 11%. Our gas business is now beginning to get real traction; revenues from gas-powered generation grew by 79%, and we now have a fleet of over 250MW.

International Power Projects started 2010 with an order book of approximately 18,500 megawatt-months of contracted capacity, equivalent to about 10 months revenue at the current run-rate. At the year end, the International Power Projects fleet, at over 3,000MW, was 14% larger than the previous year end and the business had 10% more capacity on rent than at the start of 2009. The level of enquiries is very healthy, and in the last quarter of 2009 we quoted for projects in 36 countries. We have recently announced contract signings in Panama (100MW for 12 months) and the Sultanate of Oman (115MW for a minimum of 3 months), and we have increased our forecast of fleet capital expenditure for the year by about 10%, or £20 million, on the basis of what we see as an encouraging start to the year in International Power Projects.

Detailed Financial Review

Critical accounting policies

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

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

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

Property, plant and equipment

Rental fleet accounts for £660.3 million, or around 93%, of the net book value of property, plant and equipment used in our business; the great majority of equipment in the rental fleet is depreciated on a straight-line basis to a residual value of zero over 8 years, although we do have some classes which we depreciate over 10 years. The annual fleet depreciation charge of £138.1 million (2008: £107.7 million) relates to the estimated service lives allocated to each class of fleet asset. Asset lives are reviewed regularly and changed if necessary to reflect current thinking on their remaining lives in light of technological change, prospective economic utilisation and the physical condition of the assets.

Intangible assets

In accordance with IFRS 3 '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 2009 was £2.7 million (2008: £1.9 million). Included in this charge was £2.5 million related to the amortisation of intangible assets arising from business combinations (2008: £1.6 million).

Goodwill of £51.3 million (2008: £53.0 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 £5.8 million at 31 December 2009 (2008: £8.0 million) which is determined using actuarial assumptions. The decrease in the pension deficit is a result of the additional contributions made by the Company during the year over and above the cost of accrual of benefits. These were: £0.5 million paid in March 2009, in line with the Recovery Plan agreed for the Scheme following the 2005 valuation and £3.5 million paid in December 2009, in line with the Recovery Plan agreed for the Scheme following the actuarial valuation at 31 December 2008. In addition higher-than-expected returns were achieved on Scheme assets over the year. The additional contributions and investment returns have been offset by lower net interest rates used to value the liabilities.

The main assumptions used in the IAS 19 valuation for the previous two years are shown in Note 25 of the Annual Report and 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 13.0%/increase by 15.4%
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. In addition to corporation tax, Aggreko is subject to indirect taxes such as sales and employment taxes across various tax jurisdictions in the approximately 100 countries in which the Group operates. The varying nature and complexity of the tax law in these jurisdictions requires the Group to make judgements in determining the best estimate as to total amount of taxes that will become payable, and should therefore be recorded as a liability at the balance sheet date.

Trade receivables

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

The majority of the contracts 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 and guarantees. As a result of the rigorous approach to risk management, the Group has historically had a low level of bad debt. When a trade receivable is uncollectable it is written off against the provision for impairment of trade receivables account. At 31 December 2009 the provision for impairment of trade receivables in the balance sheet was £26.2 million (2008: £25.2 million).

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 £145.9 million and £35.9 million respectively as a result of currency movement. Currency translation also gave rise to a £30.9 million decrease 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

	2009		2008	
	Average	**Year End**	Average	Year End
Principal Exchange Rates				
United States Dollar	**1.57**	**1.62**	1.86	1.48
Euro	**1.12**	**1.12**	1.26	1.05
Other Operational Exchange Rates				
UAE Dirhams	**5.76**	**5.95**	6.84	5.42
Australian Dollar	**1.99**	**1.80**	2.19	2.16

Source: Reuters

Interest

Despite a lower level of average debt, the net interest charge for the year increased by £3.3 million to £18.1 million, largely as a result of the cost of terminating some interest rate swaps as debt declined in the second half of 2009. Interest cover, measured on an EBITDA basis, remains very strong and increased to 22.8 times from 21.8 times in 2008.

Effective tax rate

The effective tax rate for the full year is 31.0% compared to 35.4% in the prior year.

Dividends

If the proposed final dividend of 8.23 pence is agreed by shareholders, it will result in a full year dividend of 12.60 pence per ordinary share, giving dividend cover of 4.97 times (2008: 4.54 times).

Detailed Financial Review continued

Cashflow

The net cash inflow from operations during the year totalled £430.8 million (2008: £276.1 million). This funded capital expenditure of £160.9 million, which was £104.3 million lower than in 2008. Net debt at 31 December 2009 was £188.5 million lower than the previous year; £19.8 million of this decrease was as a consequence of currency movements, with the balance being due to strong cashflow from operating activities and decreased levels of capital investment. As a result of the decrease in net debt, gearing (net debt as a percentage of equity) at 31 December 2009 decreased to 29% from 78% at 31 December 2008 while net debt to EBITDA decreased to 0.43x (2008: 1.13x).

We generated a cash inflow of £18.2 million from working capital in the year with a reduction in all elements of working capital, in part driven by revenues being 6.3% lower than the prior year, on a constant currency basis. Furthermore, the 2008 accounts receivable comparative was unusually high, driven by North America storm revenue in the last 4 months of 2008.

Net operating assets

The net operating assets of the Group (including goodwill) at 31 December 2009 totalled £883.8 million, £68.0 million lower than 2008; the main reason for this reduction, in constant currency, was the material reduction in Trade Debtors. The main components of net operating assets are:

£ million

	2009 £ million	2008 £ million	Movement Headline	Movement Constant currency
Rental fleet	**660.3**	698.5	(5.5)%	0.5%
Property and plant	**52.7**	53.5	(1.5)%	3.1%
Inventory	**86.3**	98.6	(12.5)%	(7.5)%
Net trade debtors	**136.3**	189.4	(28.0)%	(23.8)%

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 2009 were £902.7 million, up 25.5% on 2008. In 2009 the ROCE increased to 29.0% compared with 28.5% in 2008.

Acquisition of Cummins India Ltd

On 1 January 2009 the Group completed the acquisition of the power rental business of Cummins India Ltd for a total cash consideration of £4.2 million. The fair value of net assets acquired was £3.5 million resulting in goodwill of £0.7 million.

Shareholders' equity

Shareholders' equity increased by £138.3 million to £603.1 million, represented by the net assets of the Group of £778.6 million before net debt of £175.5 million. The movements in shareholders' equity are analysed in the table below:

Movements in shareholders' equity

	£ million	£ million
As at 1 January 2009		464.8
Profit for the financial year	168.4	
Dividend[1]	(28.6)	
Retained earnings		139.8
New share capital subscribed		3.4
Purchase of own shares held under trust		(8.4)
Credit in respect of employee share awards		9.2
Actuarial losses on retirement benefits		(2.1)
Currency translation difference		(30.9)
Movement in hedging reserve		28.3
Other[2]		(1.0)
As at 31 December 2009		**603.1**

[1] Reflects the final dividend for 2008 of 6.28 pence per share (2008: 5.02 pence) and the interim dividend for 2009 of 4.37 pence per share (2008: 3.80 pence) that were paid during the year.

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

The £168.4 million of post-tax profit in the year represents a return of 27.9% on shareholders' equity (2008: 26.4%).

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. As discussed above gearing at 31 December 2009 decreased to 29% from 78% at 31 December 2008.

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 £524.1 million at 31 December 2009, 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, EBITDA should be no less than 4 times interest and net debt should be no more than 3 times EBITDA. The Group does not consider that these covenants are restrictive to its operations. The maturity profile of the borrowings is detailed in Note 17 in the Annual Report and Accounts with the next significant maturity not due until September 2011. Since the year end, the Group has reduced committed facilities by £70.8 million to £453.3 million and the facilities now in place are currently anticipated to be ample for meeting the Group's requirements over the period until the next refinancing.

Net debt amounted to £175.5 million at 31 December 2009 and at that date undrawn committed facilities were £344.1 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 2009, £107.3 million of the net debt of £175.5 million was at fixed rates of interest resulting in a fixed to floating rate net debt ratio of 61:39 (2008: 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 and Sterling.

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

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

Insurance
The Group operates a policy of buying cover against the material risks 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.

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 52.

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.

Safety

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

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

The Group's performance during 2009 did not show an improvement over previous years but is much better than the benchmark statistic reported for US rental and leasing industries published by the US Department of Labor which was 1.4 FAR in 2008. This measure is also included under Key Performance Indicators on page 27.

FAR was as follows:

	Year ended 31 December				
	2009	2008	2007	2006	2005
FAR	0.76	0.46	0.50	0.75	0.98

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/kWh Emissions in grams per kilowatt hour.

kVA A thousand volt amperes.

LWA Sound power level at source.

MW A million watts.

NOx Oxides of Nitrogen.

Particulate In general this term relates to visible smoke.

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

Environmental Policy

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

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

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 in Tiers, starting with Tier 1 in 1996, moving to Tier 4 final around 2014. The EPA requirements have therefore been the main driver of new generator development. The following graph illustrates the reduction targets for emissions under the EPA regime.

NOx and particulate reduction targets

During 2009 we introduced the first two products with Tier 3 engines into the US market.

Subject to manufacturers' ability to introduce the necessary technology into volume production, we expect that in 2010 the majority of engines we build will be certified to at least Tier 2.

Tier 4 emissions

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

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 by-product of production or is derived from a biological source, a CO_2 and greenhouse gas reduction is realised. This helps to reduce problems of acid rain, ozone or greenhouse gases.

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

Alternative energy sources

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

- Bio-fuels – Across 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: 2009 – a rating of 0.49, 2008 – a rating of 0.75 and 2007 – a rating of 0.13. 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 2010.

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

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

Noise

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

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

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

Refrigerant

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

Social Responsibility

Policy

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

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 since 2006, in 2009 Aggreko contributions to Book Aid International funded the purchase of 18,845 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 £189,459 (2008: £163,148) in terms of cash, employees' time and other services to a range of charitable, community and disaster relief organisations. Of this total £48,900 (2008: £76,014) was donated to registered UK charities.

No political donations were made during the financial year (2008: 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 pages 30 and 31.

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/investors/corporateresponsibility.

Board of Directors

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

2. Rupert Soames OBE †
(50) Chief Executive
Rupert Soames joined the Board as 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.

3. Angus Cockburn
(46) 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.

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

5. Bill Caplan

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

6. Kash Pandya

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

7. Nigel Northridge * § †

(54) 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 Non-executive Chairman of Paddy Power plc and will assume the role of Chairman of Debenhams plc on 1 April 2010, having been a Non-executive Director since 1 January. He is also a Non-executive Director of Inchcape plc and Thomas Cook Group plc but will be standing down from the latter on 25 March 2010. He joined the Board of Aggreko plc on 14 February 2002.

8. David Hamill * § †

(52) Non-executive Director
David Hamill, who was appointed to the Board in May 2007, was until December 2007 Chairman and Chief Executive of ICI Paints and a main board director of ICI. In January 2008 ICI was acquired by Akzo Nobel and for the calendar year of 2008, Mr Hamill led the integration process, forming the world's largest decorative paints business. During 2009, he was appointed as Senior Advisor to Bain Capital and has developed personal business interests. 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. He was appointed Executive Vice President of Philips Lighting and Chief Executive Officer of the Lamps business group in 1998. In May 2001 he became President and Chief Executive Officer of Philips Lighting.

9. Robert MacLeod * § †

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

10. Russell King * § †

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

Company Secretary

11. Peter Kennerley (53)

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

Board Committees Membership

* Audit, § Remuneration, † Nomination

Corporate Governance

Introduction

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

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

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

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

Putting governance into practice

We support the Combined Code on Corporate Governance published by the Financial Reporting Council in June 2008 (the 'Code'). We consider that the Group complies and has complied throughout the year ended 31 December 2009 with all of the provisions of the Code with the exception of the Code provision that at least half of the Board, excluding the Chairman, should be independent Non-executive Directors; the reasons for this are explained in detail in the paragraph below entitled 'Non-executive Directors'. A copy of the Code is publicly available at www.frc.org.uk.

The Board

The Board currently comprises a Chairman, Chief Executive, four other Executive Directors and four Non-executive Directors; their details are set out on pages 48 and 49.

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

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

Non-executive Directors

Non-executive Directors bring a wide range of experience to the Company and 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 retired from the Board on 29 April 2009, had served as a Director of the Company for more than nine years and therefore was not considered to be independent by the Board for the purposes of the Code.

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

Applying the 'no more than ten round the table' rule leaves nine places for Executive and Non-executive Directors. Operationally, Aggreko is organised into three regions, and the choice in terms of the number of Executive Directors sitting on the Board is two, or five.

The Board has concluded that the ability to hold to account the line managers who run the business on a daily basis, to get their input into decision-making, and to get the additional Board-level visibility which comes from having these executives as part of the Board adds real value, and is the appropriate choice. We have therefore decided not to comply with the Code in this respect only, having four Non-executive Directors, rather than the five we would need to be in line with the Code.

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 57 and 58, Remuneration Committee on pages 60 to 71 and Nomination Committee on page 59. Each Committee reports to, and has its terms of reference approved by, the Board and the minutes of the Committee meetings are circulated to, and reviewed by, the Board.

The Terms of Reference of the standing Committees of the Board are available on our website at www.aggreko.com/investors/corporategovernance.

Board meetings

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

The Board generally meets in central London or at the Group head office in Glasgow, but at least one meeting each year is held at one of the Group's other locations, which gives the Directors the opportunity to review the operations and meet local management. During 2009, for example, the Board met at our Benelux hub at Moerdijk in the Netherlands and at the UK's South-eastern hub at Sutton, South London.

The attendance of Directors at meetings during 2009 is set out in the table below:

	Notes	Board meetings	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings in 2009		6	3	5	2
W F Caplan		6	–	–	–
A G Cockburn		6	–	–	–
D C M Hamill		6	3	5	2
R King		5	3	4	2
R J MacLeod		6	3	5	2
N H Northridge		5	2	4	2
K Pandya		6	–	–	–
P G Rogerson		6	–	–	2
A C Salvesen	1	2(2)	–	–	1(1)
F A B Shepherd	1	2(2)	–	–	–
R C Soames		6	–	–	2
G P Walker		6	–	–	–

Note 1: Resigned on 29 April 2009 – maximum possible number of meetings to be attended shown in brackets.

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

Induction, development and support

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

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

Election of Directors

Any Director appointed by the Board is subject to election by Shareholders at the first opportunity after his appointment. Each Director must retire from office at the third Annual General Meeting at which he was last elected. Rupert Soames and George Walker were last re-elected in 2007, and so will be offering themselves for re-election at the 2010 Annual General Meeting. Non-executive Directors who have served longer than nine years (e.g. three three-year terms) are subject to annual re-election.

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 71. No other contract with the Company or any subsidiary undertaking of the Company in which any Director was materially interested subsisted during or at the end of the financial year.

Board performance evaluation

This year, as in previous years, the Board conducted an evaluation of its own performance through an assessment questionnaire completed by all Directors. The questionnaire asked Directors to grade areas such as the performance of the Board and its Committees, the effectiveness of the Chairman, Executive and Non-executive Directors, the monitoring of operational performance, and corporate governance, as well as leadership and culture. In this way we can compare results with previous years. A summary of conclusions was then presented to the Board. The results showed a high level of satisfaction amongst the Directors as to the effectiveness of the Board – broadly in line with 2008, but identified some issues on which we agreed the Board should concentrate for the coming year. These included our people development programme, the economic assumptions underlying our strategy and business model (as set out on pages 18 to 24), and the competitive and investment challenges flowing from environmental developments.

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

The Independent Non-executive Directors also discussed Philip Rogerson's recent appointment as chairman of Bunzl plc and were satisfied that it should not impact on his role as Aggreko's Chairman.

Shareholders

A summary of the items to be covered at this year's Annual General Meeting is set out on page 56. 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 has sought to understand 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 in accordance with the revised Turnbull Guidance on Internal Control published by the Financial Reporting Council. This process has been in place for the period under review and up to the date of approval of the Annual Report and Accounts. The process is designed to manage rather than eliminate risk, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board's monitoring framework covers a wide range of controls, including financial, operational and compliance controls together with risk management. It is based principally on reviewing reports from management and considering whether significant risks are identified, evaluated, managed and controlled and ensuring that any significant weakness thus identified is promptly remedied. The Board continues to enhance and strengthen the procedures for identifying and monitoring key areas of risk.

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

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

Performance reporting and information

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

Review of effectiveness of internal control

In compliance with Provision C.2.1 of the 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 2009. 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 42 to 47.

Pensions

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

Share capital

On 31 December 2009 the Company had in issue 273,473,338 ordinary shares of 20p each. Details of the changes in issued share capital during the year are shown in Note 21 to the accounts.

Rights and obligations attached to shares

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

Voting

Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held and to any other provisions of the 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 regardless of the number of shares held by the shareholder (or represented by the proxy). 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 percent 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 moneys payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in respect of shares of the Company. The Board may also withhold payment of all or any part of any dividends or other moneys payable in respect of the Company's shares from a person with a 0.25 per cent. interest (as defined in the 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 certain employees of the Company require the approval of the Company to deal in the Company's ordinary shares.

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

Amendment of Articles of Association
Unless expressly specified to the contrary in the articles of 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.

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 2009 to allot relevant securities up to a nominal amount of £17,985,000. That authority will apply until the earlier of 30 June 2010 and the conclusion of the Annual General Meeting for 2010. At this year's Annual General Meeting shareholders will be asked to grant an authority to allot relevant securities (i) up to a nominal amount of £18,254,455, and (ii) comprising equity securities up to a nominal amount of £18,254,455 (after deducting from such limit any relevant securities allotted under (i)), in connection with an offer by way of a rights issue, such authority to apply until the end of next year's Annual General Meeting (or, if earlier, until 30 June 2011).

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 £2,738,168.

The Company was also authorised at the Annual General Meeting held in 2009 to make market purchases of up to 27,250,000 ordinary shares. This authorisation will expire on the earlier of the conclusion of the Annual General Meeting of the Company for 2010 and 29 October 2010.

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 27,381,683 ordinary shares and sets the minimum and maximum prices which may be paid.

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

Rights under the employee share scheme
Appleby Trust (Jersey) Limited, as Trustee of the Aggreko Employees' Benefit Trust, holds 1.61% of the issued share capital of the Company as at 4 March 2010 on trust for the benefit of the employees and former employees of the Group and their dependents. The voting rights in relation to these shares are exercised by the Trustee and there are no restrictions on the exercise of the voting of, or the acceptance of any offer relating to, the shares. The Trustee is obliged to waive all dividends on the shares unless requested to do otherwise by the Company in writing.

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

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

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

Disclosure of information to the Company's Auditor
In accordance with section 418 of the Companies Act 2006 the Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company's Auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Indemnity of officers
Under Article 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.

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 63 days' credit outstanding as at the balance sheet date.

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

Annual General Meeting
The Company's Annual General Meeting will be held at 11.00am on Wednesday 28 April 2010 at the Radisson SAS Hotel, 301 Argyle Street, Glasgow G2 8DL.

Annual General Meeting – Special Business
Special Business comprises resolutions: to authorise the Directors to allot ordinary shares up to an aggregate amount representing approximately one third of the issued ordinary share capital of the Company, in line with guidance issued by the Association of the British Insurers; to disapply the statutory pre-emption rights of shareholders on allotment of equity securities for cash up to a limit of a total of shares with a nominal value of approximately 5% of the current issued share capital; to renew the authority of the Company to purchase its own ordinary shares as permitted under Article 7 of articles of association; to approve the calling of meetings other than Annual General Meetings on 14 days' notice; and to amend the articles of association of the Company.

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

Material share interests
As at 4 March 2010 the Company had received notifications of the following share holdings representing 3% or more of the voting rights attached to the issued ordinary share capital of the Company:

Name of Shareholder	Number of Shares	% of total voting rights
Prudential plc †	22,214,129	8.12
Black Rock	16,166,777	5.91
Mr A E H Salvesen *	13,606,921	4.98
Baillie Gifford & Co	11,804,464	4.31
Legal & General Group Plc	10,797,375	3.96

† Including direct and indirect subsidiary company interests.

* Including immediate family and trustee interests.

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

Peter Kennerley
Director of Legal Affairs and Company Secretary
4 March 2010

Audit Committee Report

Responsibilities and role of the Audit Committee

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

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

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

Membership of the Committee

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

Robert MacLeod	Chairman
Russell King	(appointed 2nd February 2009)
Nigel Northridge	
David Hamill	

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

Main activities of the Committee during the year

The Committee met three times during the year.

Review of terms of reference and policies

In addition to our regular tasks linked to the annual reporting cycle, we reviewed our terms of reference and policies concerning the external auditor. We recommended that the Board should amend our terms of reference, principally to provide a better description of the way we review financial statements, discuss audit issues with the external auditor and report to the Board.

We reconfirmed our policy on non-audit services provided by the external auditor: individual fees in excess of 50% of the annual audit fee and any excess of the aggregate fees above 100% of the audit fee require the Committee's specific approval. We also considered the actual level and nature of non-audit work and were satisfied that they were in line with policy and did not detract from the objectives and independence of the external auditor. Finally we agreed that whilst we would not generally employ a former member of the external audit team, we would consider individual cases as appropriate, if approved by the Board as a whole (in the case of an audit partner) or otherwise by the Finance Director and Chairman of the Committee.

Reappointment of external auditors

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 2010 Annual General Meeting for the reappointment of PricewaterhouseCoopers. There are no contractual restrictions on the Company's choice of external auditor, and in making our recommendation we took into account, amongst other matters, the objectivity and independence of PricewaterhouseCoopers, as noted above, their continuing effectiveness and cost.

Audit Committee Report continued

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

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

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

RG MacLeod

Robert MacLeod
Chairman of the Audit Committee
4 March 2010

Nomination Committee Report

Responsibilities and role of the Nomination Committee

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

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

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

Membership of the Committee

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

Philip Rogerson	Chairman
David Hamill	
Russell King	(appointed 2 February 2009)
Robert MacLeod	
Nigel Northridge	
Andrew Salvesen	(resigned 29 April 2009)
Rupert Soames	

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

Main activities of the Committee during the year

We held two meetings during 2009, the first to confirm Russell King's appointment as a Non-executive Director and the second to consider a detailed succession plan for each of the Executive Directors.

As part of the Company's annual evaluation of Board performance, all Directors were consulted on the composition of the Board, and were of the view that it was of the right size, with the appropriate range of skills and balance between Executive and Non-executive Directors. We explain our approach to the size and composition of the board in the paragraph headed 'Non-executive Directors' in our Corporate Governance report on page 50.

Philip Rogerson

Philip Rogerson
Chairman of the Nomination Committee
4 March 2010

Remuneration Report

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

First, the Directors confirm that we abide by all the rules. Specifically, the Company has complied with the Principles and underlying Provisions relating to Directors' remuneration of The Combined Code on Corporate Governance and that this Remuneration Report has been prepared in accordance with the Large & Medium-sized Companies and Groups (Accounts and Report) Regulations 2008. Details of each individual Director's remuneration for 2009 are set out on pages 65 and 66. Information on Directors' share and share option interests may be found on pages 68 to 70.

The auditors are required to report on the 'auditable' part of this report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 2006 (as amended by the Regulations). The information which has been audited can be viewed on pages 65 to 71. No other parts of this report have been audited.

Responsibilities and role of the Remuneration Committee

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

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

Membership of the Committee

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

Nigel Northridge	Chairman
David Hamill	
Russell King	(appointed 2 February 2009)
Robert MacLeod	

All of the members of the Committee are Independent Non-executive Directors. This is important because it means that the pay of the Executive Directors is set by people who are independent of the Executives, and who can come to sensible judgements as to what is in the interest of shareholders and fair to the Executives. Peter Kennerley is Secretary to the Committee and we consult both the Chairman and the Chief Executive and invite them to attend meetings when appropriate, but no Director is allowed to be present when his own remuneration is discussed. Our principal external advisers during the year were Hewitt New Bridge Street, who advised on revisions to and administration of the Company's share plans, and Kepler Associates to give advice on pay, benchmarking and other matters related to compensation.

Main activities of the Committee during the year

The main focus of the Committee's activity comprises managing the various aspects of the remuneration package of Executive Directors at Aggreko. This package comprises: annual salary; annual bonus; the Company's Long-term Incentive Programme (LTIP); pension and life assurance; and other benefits, including healthcare and expatriate benefits for Directors seconded away from their home country.

The Committee met five times during 2009; details of members' attendance are set out in the table on page 51.

The main tasks for the Committee were: reviewing and approving the Executive Directors' bonuses for 2008; setting targets and rules for Executive Directors' bonuses for 2009; reviewing the number of shares granted under existing LTIP awards; reviewing and approving the vesting of the 2006 LTIP awards; reviewing and approving the rules and performance criteria for the 2009 LTIP grant; deciding on the level of pay increase in the annual salary review; and approving minor amendments to the rules of the LTIP to simplify their administration.

Remuneration policy

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

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

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

More specifically:

- We believe that Executive Directors should be able to earn more from their performance-related pay than from their fixed pay to encourage them to deliver superior performance.
- Within the performance-related pay element, we believe that Executive Directors should be able to earn more from long-term incentives than short-term incentives. The value to executives of delivering consistent growth over a three-year period should be greater than they can earn from their annual bonuses. This means that they are not motivated to deliver short-term gain at the cost of long-term value.
- In terms of target-setting, we believe that we should try as far as we can to use measures which are closely aligned to those which deliver value for shareholders and which are independently auditable. We also believe that the targets should give clear 'line-of-sight' for the Executives (i.e. they know what they have to do to earn the money, and as far as possible, what they have to do is under their control); for this reason we prefer absolute, rather than relative measures. The targets set for annual bonuses and the Long-term Incentive Programme at Group level are Diluted Earnings per Share (D-EPS) and Return on Capital Employed (ROCE); both of these are Key Performance Indicators for the Company as described on pages 27 and 28. We believe that if the Executives deliver growing D-EPS, at healthy rates of ROCE, the value of the Company to the shareholders is likely to increase.
- Finally, we believe that there should be alignment in terms of the structure of performance pay schemes between the Executive Directors and the wider senior management team within Aggreko. We think it important that the entire senior management team is working towards the same targets and under the same schemes, and if the Executive Directors are doing well, the rest of the management team are doing well.

These are the general principles of our current policy, which we intend to follow for 2010 and, subject to any changes in circumstances or best practices, for future years.

Following these general principles, we set out below a description of how we have applied them to the various elements of remuneration in 2009.

Fixed pay

Annual salary

Annual Salaries for Executive Directors are generally reviewed each year by the Committee in June. There were no increases in basic salaries during the course of 2009 for Executive Directors, although Kash Pandya's salary and benefits package was increased as from 1st January 2009 to reflect his appointment as Regional Director responsible for Aggreko International and subsequent secondment from the UK to Dubai. This salary freeze for Executive Directors reflected a Company-wide policy of pay restraint in the face of worsening market conditions.

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

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

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

Pensions
Pensions are based on current practice in the markets in which we operate and take into account long-term trends in pension provision. Further details on pension provision are set out on pages 66 and 67, but, in summary, Angus Cockburn is a member of the Aggreko plc Pension Scheme, which is a defined-benefit scheme. Messrs Soames, Caplan and Pandya, who joined the Company after the Pension Scheme was closed to new entrants, benefit from a defined-contribution scheme. George Walker also has a defined-contribution scheme, which operates under US rules.

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

Performance-related pay

Annual Bonus Scheme
Generally, the outside world places great weight on the performance of the Company from year to year, and we therefore think it appropriate to have a significant, but not the greatest, part of the performance pay linked to annual performance. The purpose of the Annual Bonus Scheme is to align Executive Directors with this performance period and to motivate them to meet and beat demanding annual performance targets. The targets for the Annual Bonus Scheme are related to the Annual Budgets set by the Board. Generally, bonuses will start to be earned at performance levels a few pp below Budget and then increase until they reach capped levels, which will generally be at 10-15% above Budget. Executive Directors with regional management responsibilities (Messrs Pandya, Caplan and Walker) have half of their bonus related to the performance of their region (as measured by trading profit and ROCE) and half related to D-EPS. The Chief Executive's and Finance Director's bonuses are measured exclusively against D-EPS. In 2009 the on budget and maximum bonus earnings for the Executive Directors was:

	% of annual salary	
	On-budget	Maximum
Rupert Soames	50.0%	125.0%
Angus Cockburn	37.5%	100.0%
George Walker	60.0%	125.0%
Kash Pandya	47.5%	100.0%
Bill Caplan	47.5%	100.0%

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

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

The LTIP was first introduced in 2004, and each year senior executives are invited to join. It consists of two distinct elements: the Performance Share Plan (PSP) and the Co-investment Plan (CIP). In 2009 121 individuals – about 3% of employees – were invited to join one or both of the Plans. In the last five years 210 people have been invited to join the LTIP, of whom 154 are at the date of this report still employed by the Company. There have been few voluntary leavers from amongst the population who are members of the LTIP, which is testimony to its power as a retention tool.

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

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

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

The performance criteria for the LTIP are set annually; in 2009 they were:

- 75% of the award would be measured against the real (i.e. inflation-adjusted) compound annual growth in D-EPS over the three-year performance measurement period in a range of 3% to 10%. No performance shares would be awarded against this element if performance were less than 3% and awards would increase straight-line to the maximum at 10% growth.
- 25% of the award would be measured against the average ROCE over the performance period in a range of 23% to 25%. No performance shares would be awarded against this element if performance were less than 23% and awards would 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 LTIP may be increased by between 1.3 and 2.0 times if the real compound annual growth in D-EPS over the three-year performance measurement period is in a range of 13% to 20%.

In 2009, Rupert Soames, the Chief Executive, subscribed the maximum number of CIP shares, equivalent to 30% of his salary. He was awarded PSP shares to a value at the date of grant equivalent to 100% of his salary. The other Executive Directors each received PSP awards equivalent to 70% of their salary; Messrs Pandya, Walker and Cockburn subscribed shares equivalent to 30% of their salary to the CIP, and Bill Caplan subscribed shares equivalent to 25% of his salary.

During the year the Committee approved some minor amendments to facilitate the administration of the LTIP. These included granting the Committee discretion to value awards under the PSP at the date that invitations are sent out to participants, rather than the grant date, in order to bring it into line with the operation of the CIP, and clarifying the policy for early leavers.

Sharesave Plans

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

During the year the Board approved some minor amendments to the Sharesave Plans, including clarification of the date at which the option price is fixed and allowing for the option price to be fixed in local currencies.

Executive Share Option Schemes

Before 2004, senior Executives were invited to participate in an Executive Share Option Scheme at the discretion of the Committee. Since the LTIP was introduced in 2004, no further grants have been, or will be, made under these Executive Share Option Schemes. During 2009, the last options granted to an Executive Director met their performance conditions, and with George Walker's exercise of 121,952 options, no Director has any options extant under this scheme.

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.

Remuneration Report continued

All executive options that have been granted are subject to performance conditions based on both Total Shareholder Return (TSR) and growth in 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 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 cent 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 three and five 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.

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.

Review of past performance

The following chart shows at the value as at 31 December 2009 of £100 invested in the Company on 31 December 2004 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.

Emoluments

The emoluments (excluding pension contributions) of Directors during the year and during 2008 were as follows:

2009 Emoluments

	Note	Salary £	Fees £	Benefits in kind £	Annual bonus £	Other pay £	2009 total £
Chairman:							
Philip Rogerson		–	145,000	–	–	–	145,000
Executives:							
Rupert Soames		500,000	–	1,050	397,150	–	898,200
Derek Shepherd	1	98,286	–	87,761	78,975	–	265,022
Angus Cockburn		300,000	–	18,608	186,075	–	504,683
George Walker		293,442	–	20,097	116,362	–	429,901
Kash Pandya		290,000	–	117,758	234,936	37,760	680,454
Bill Caplan		270,000	–	1,050	83,734	–	354,784
Non-executives:							
Andrew Salvesen	2	–	14,000	–	–	–	14,000
Nigel Northridge		–	52,000	–	–	–	52,000
David Hamill		–	42,000	–	–	–	42,000
Robert MacLeod		–	48,000	–	–	–	48,000
Russell King	3	–	38,500	–	–	–	38,500
2009 Total		1,751,728	339,500	246,324	1,097,232	37,760	3,472,544

Note 1: 2009 Emoluments are as at date of retirement, 29 April 2009.

Note 2: 2009 Emoluments are as at date of retirement, 29 April 2009.

Note 3: 2009 Emoluments are from date of appointment, 2 February 2009.

2008 Emoluments

	Note	Salary £	Fees £	Benefits in kind £	Annual bonus £	Other pay £	2008 total £
Chairman:							
Philip Rogerson		–	132,500	–	–	–	132,500
Executives:							
Rupert Soames		480,000	–	1,054	625,000	–	1,106,054
Derek Shepherd		286,250	–	108,102	292,500	–	686,852
Angus Cockburn		290,000	–	19,130	300,000	–	609,130
George Walker		242,322	–	16,417	249,432	–	508,171
Kash Pandya		264,000	–	1,054	211,720	36,559	513,333
Bill Caplan	4	32,884	–	180	–	–	33,064
Non-executives:							
Andrew Salvesen		–	39,000	–	–	–	39,000
N H Northridge		–	48,000	–	–	–	48,000
R V McGlone	5	–	28,685	–	–	–	28,685
D C 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

Note 4: 2008 Emoluments are from date of appointment, 17 November 2008.

Note 5: 2008 Emoluments are as at date of resignation, 1 September 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 confirmed for the 2009 annual bonus in March 2009. The Chief Executive and the Executive Director responsible for North America had a maximum bonus opportunity of 125% of basic salary and the other Executive Directors a maximum of 100%. The performance target for the Chief Executive and Finance Director was based solely on growth in D-EPS and the performance targets for Regional Executive Directors was based as to 50% on growth in D-EPS, 40% as to growth in regional trading profit and 10% based on regional ROCE. The growth in D-EPS for the year was 37%.

The table below sets out the total bonus entitlement for each Director for 2009:

	D-EPS		Regional element				Total	
			Trading profit		ROCE			
	Growth	% salary	Growth	% salary		% salary	% salary	Amount payable
Soames	37%	79%	–	–	–	–	79%	£397,150
Cockburn	37%	62%	–	–	–	–	62%	£186,075
Shepherd*	37%	10%	34%	13%	45.2%	3%	27%	£78,975
Walker	37%	40%	(37)%	0%	20.4%	0%	40%	$182,689
Pandya	37%	31%	34%	40%	45.2%	10%	81%	£234,936
Caplan	37%	31%	(30)%	0%	21.2%	0%	31%	£83,734

* Note: Derek Shepherd's bonus entitlement has been pro-rated to reflect 4 months' service.

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

	Currency	**Rate of annual salary and fees at 31 Dec 2009**	Rate of annual salary and fees at 31 Dec 2008	Increase %
Chairman:				
Philip Rogerson	Sterling	**145,000**	145,000	–
Executives:				
Rupert Soames	Sterling	**500,000**	500,000	–
Derek Shepherd	Sterling	**n/a**	292,500	–
Angus Cockburn	Sterling	**300,000**	300,000	–
George Walker	US Dollars	**460,000**	460,000	–
Kash Pandya	Sterling	**290,000**	268,000	8.2%
Bill Caplan	Sterling	**270,000**	270,000	–
Non-executives:				
Andrew Salvesen	Sterling	**n/a**	42,000	–
Nigel Northridge	Sterling	**52,000**	52,000	–
David Hamill	Sterling	**42,000**	42,000	–
Robert MacLeod	Sterling	**48,000**	48,000	–
Russell King	Sterling	**42,000**	n/a	–

Pension entitlements

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

Rupert Soames, Kash Pandya and Bill Caplan are members of the Aggreko plc Group Personal Pension Plan. Rupert Soames is entitled to a pension contribution from the Company of 25% of his basic salary and Kash Pandya and Bill Caplan are entitled to a Company contribution of 20%. Kash Pandya has chosen not to take his entire Company contribution into the Group Personal Pension Plan and takes a proportion as a cash payment, shown as Other Pay in the Emoluments table on page 65.

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 2009 £	Company contributions during 2008 £
Rupert Soames	**125,000**	125,624
George Walker	**111,271**	80,179
Kash Pandya	**15,840**	15,840
Bill Caplan	**40,500**	–

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 2009 £ pa**	**Increase in accrued pension during 2009 £ pa**	**Increase in accrued pension during 2009 (net of inflation)* £ pa**	**Transfer value of accrued pension at 31 Dec 2009 £**	Transfer value of accrued pension at 31 Dec 2008 £	**Director's contributions during 2009 £**	**Increase in transfer value during 2009 net of Director's contributions £**
Angus Cockburn	46	**61,664**	**12,402**	**12,402**	**944,994**	650,254	**18,000**	**276,740**

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

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

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

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

The accrued pension is the amount which would be paid at the anticipated retirement date if the Director left service as at 31 December 2009, 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 was 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:

	31.12.2008	Granted during year	Lapsed/ cancelled during year (Note 1)	Exercised/ vested during year (Note 2)	31.12.2009	Option price	Date from which exercisable	Expiry date
Performance Share Plan								
Rupert Soames	129,252	–	28,845	100,407	–	nil	20.04.2009	20.10.2009
Rupert Soames	86,639	–	8,688	–	77,951	nil	16.04.2010	19.10.2010
Rupert Soames	154,882	–	2,155	–	152,727	nil	23.06.2011	23.12.2011
Rupert Soames	–	95,057	–	–	95,057	nil	16.04.2012	16.10.2012
Derek Shepherd	57,381	–	–	57,381	–	nil	20.04.2009	20.10.2009
Derek Shepherd	37,996	–	–	–	37,996	nil	16.04.2010	19.10.2010
Angus Cockburn	53,571	–	–	53,571	–	nil	20.04.2009	20.10.2009
Angus Cockburn	36,534	–	–	–	36,534	nil	16.04.2010	19.10.2010
Angus Cockburn	65,994	–	–	–	65,994	nil	23.06.2011	23.12.2011
Angus Cockburn	–	39,924	–	–	39,924	nil	16.04.2012	16.10.2012
George Walker	51,063	–	–	51,063	–	nil	20.04.2009	20.10.2009
George Walker	30,707	–	–	–	30,707	nil	16.04.2010	19.10.2010
George Walker	52,342	–	–	–	52,342	nil	23.06.2011	23.12.2011
George Walker	–	40,923	–	–	40,923	nil	16.04.2012	20.10.2012
Kash Pandya	52,381	–	–	52,381	–	nil	20.04.2009	20.10.2009
Kash Pandya	33,115	–	–	–	33,115	nil	16.04.2010	19.10.2010
Kash Pandya	61,280	–	–	–	61,280	nil	23.06.2011	23.12.2011
Kash Pandya	–	38,593	–	–	38,593	nil	16.04.2012	19.10.2012
Bill Caplan	–	35,932	–	–	35,932	nil	16.04.2012	19.10.2012
Co-investment Plan								
Rupert Soames	38,772	–	–	38,772	–	nil	20.04.2009	20.10.2009
Rupert Soames	25,992	–	–	–	25,992	nil	19.04.2010	19.10.2010
Rupert Soames	92,928	–	–	–	92,928	nil	23.06.2011	23.12.2011
Rupert Soames	–	67,304	–	–	67,304	nil	16.04.2012	16.10.2012
Derek Shepherd	24,588	–	–	24,588	–	nil	20.04.2009	20.10.2009
Derek Shepherd	16,284	–	–	16,284	–	nil	19.04.2010	19.10.2010
Angus Cockburn	22,956	–	–	22,956	–	nil	20.04.2009	20.10.2009
Angus Cockburn	15,654	–	–	–	15,654	nil	19.04.2010	19.10.2010
Angus Cockburn	56,564	–	–	–	56,564	nil	23.06.2011	23.12.2011
Angus Cockburn	–	40,382	–	–	40,382	nil	16.04.2012	16.10.2012
George Walker	21,882	–	–	21,882	–	nil	20.04.2009	20.10.2009
George Walker	13,158	–	–	–	13,158	nil	19.04.2010	19.10.2010
George Walker	44,864	–	–	–	44,864	nil	23.06.2011	23.12.2011
George Walker	–	41,394	–	–	41,394	nil	16.04.2012	16.10.2012
Kash Pandya	10,638	–	–	–	10,638	nil	19.04.2010	19.10.2010
Kash Pandya	19,960	–	–	–	19,960	nil	23.06.2011	23.12.2011
Kash Pandya	–	39,036	–	–	39,036	nil	16.04.2012	16.10.2012
Bill Caplan	–	30,000	–	–	30,000	nil	16.04.2012	16.10.2012
Executive Share Options								
G P Walker	121,952	–	–	121,952	–	457.5p	15.03.2004	15.03.2011
Sharesave Options								
Rupert Soames	1,904	–	–	–	1,904	504p	09.11.2010	09.05.2011
Derek Shepherd	4,689	–	–	4,689	–	189p	11.11.2008	11.05.2009
Angus Cockburn	4,947	–	–	4,947	–	189p	11.11.2008	11.05.2009
Angus Cockburn	2,196	–	–	–	2,196	437p	01.01.2012	01.07.2012
Kash Pandya	3,351	–	–	–	3,351	282p	10.11.2009	10.05.2010
Kash Pandya	–	1,629	–	–	1,629	553p	01.01.2013	01.07.2013
Bill Caplan	–	1,641	–	–	1,641	553p	01.01.2013	01.07.2013

	31.12.2008	Granted during year	Lapsed/ cancelled during year (Note 1)	Exercised/ vested during year (Note 2)	31.12.2009	Option price	Date from which exercisable	Expiry date
US Stock Purchase Plan								
George Walker	1,323	–	1,323	–	**–**	**487p**	**09.11.2009**	**09.02.2010**
George Walker	–	2,611	–	–	**2,611**	**320p**	**29.10.2010**	**29.01.2011**

Note 1: Following a review of LTIP grants, the number of shares granted to Rupert Soames under the PSP has been adjusted downwards to take account of share price appreciation between the date of invitation and date of grant.

Note 2: For Derek Shepherd, as at date of retirement, 29 April 2009.

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 63 and 64.

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 62 and 63.

The performance criteria for the LTIP granted in April 2006 and exercisable from April 2009 were:

- 75% of the award would be measured against the real compound annual growth in D-EPS over the three-year performance measurement period in a range of 3% to 8% (with maximum vesting at an aggregate D-EPS for the period of 50.71p). No performance shares would be awarded against this element if performance were less than 3% and awards would increase straight-line to the maximum at 10% growth. The actual D-EPS over the period was 95.45p, which exceeded the upper limit of the range and accordingly all 75% of the award vested under this criterion.
- 25% of the award would be measured against the average return on capital employed over the performance period in a range of 18.5% to 20%. No performance shares would be awarded against this element if performance were less than 18.5% and awards will increase straight-line to the maximum at 20% ROCE. The actual average ROCE for the period was 25.77%, which exceeded the upper limit of the range and accordingly all 25% of the award vested under this criterion.

Accordingly LTIP awards granted in April 2006 vested in full.

Derek Shepherd retired on 29 April 2009 at the age of 66 after 21 years' service with the Company; he had been granted in 2007 a conditional award of 16,284 shares under the CIP and 37,996 shares under the PSP. The rules of the LTIP provide that on retirement awards under the CIP vest immediately and those under the PSP vest at the normal time (i.e. three years after grant). In both cases the awards are subject to satisfaction of performance conditions, and both would normally be pro-rated for the period of completed service. However, the Committee has the discretion to waive the pro-ration, which it has decided to do in return for his entering into and complying with non-compete and non-solicitation undertakings which extend well beyond the normal date of vesting of the PSP. The performance conditions for the CIP were measurable over the first two of the three financial years of the measurement period, and were met in full. Accordingly, his award over 16,284 shares under the CIP vested on 29 April 2009. The vesting of the PSP shares will be subject to the measurement of the performance conditions over the three full financial years in April 2011.

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

	Exercised/vested during year	Date exercised/ vested	Option price	Market price on date exercised/ vested
Performance Share Plan				
Rupert Soames	100,407	20.04.2009	nil	543.0p
Derek Shepherd	57,381	20.04.2009	nil	543.0p
Angus Cockburn	53,571	20.04.2009	nil	543.0p
George Walker	51,063	20.04.2009	nil	543.0p
Kash Pandya	52,381	20.04.2009	nil	543.0p
Co-investment Plan				
Rupert Soames	38,776	20.04.2009	nil	543.0p
Derek Shepherd	24,592	20.04.2009	nil	543.0p
Derek Shepherd	16,284	29.04.2009	nil	567.5p
Angus Cockburn	22,960	20.04.2009	nil	543.0p
George Walker	21,884	20.04.2009	nil	543.0p
Executive Share Options				
George Walker	121,952	16.10.2009	457.5p	799.0p
Sharesave Options				
Derek Shepherd	4,689	13.01.2009	189p	432.5p
Angus Cockburn	4,947	13.01.2009	189p	442.5p

The aggregate gain made on these exercises was £2,829,808, of which £755,764 related to the gain of the highest paid Director.

The market price of the shares at 31 December 2009 was 930 pence and the range during the year was 349.5 pence to 930 pence.

		31 December 2009		31 December 2008	
		Ordinary Shares of 20p each		Ordinary Shares of 20p each	
Shares	Note	**Beneficial**	**Non-Beneficial**	Beneficial	Non-Beneficial
Philip Rogerson		**83,782**	–	83,782	–
Rupert Soames		**352,475**	–	378,616	–
Derek Shepherd	1	**289,140**	–	202,478	–
Angus Cockburn		**174,232**	–	146,709	–
George Walker		**177,819**	–	156,099	–
Kash Pandya		**103,885**	–	312,218	–
Bill Caplan		**15,000**	–	–	–
Andrew Salvesen	2	**7,781,075**	**2,325,000**	7,981,075	2,125,000
Nigel Northridge		**10,000**	–	10,000	–
David Hamill		**4,000**	–	4,000	–
Robert MacLeod		**20,000**	–	20,000	–
Russell King		**4,000**	–	–	–

Note 1: As at date of retirement, 29 April 2009.

Note 2: As at date of retirement, 29 April 2009.

Rupert Soames, Angus Cockburn, George Walker, Kash Pandya and Bill Caplan as Directors of the Company, have an interest in the holdings of the Aggreko Employee Benefit Trust (the 'EBT') as potential beneficiaries. The EBT is a trust established to distribute shares to employees of the Company and its subsidiaries in satisfaction of awards granted under the Aggreko Performance Share Plan 2004 and the Aggreko Co-investment Plan 2004. At 31 December 2009, the trustees of the EBT held a total of 4,422,419 Aggreko plc ordinary shares (2008: 3,825,034) and this holding remains unchanged at the date of this report.

Since 31 December 2009 Kash Pandya has received 3,351 shares as the result of the exercise of Sharesave options. There have been no other changes in Directors' beneficial and non-beneficial interests in shares between the end of the financial year and the date of this report. No Director was interested in any shares of subsidiary undertakings at any time during the year.

Service contracts and notice periods

All of the Executive Directors have service agreements that require one year's notice of termination from the individual and one year's notice of termination from the Company. Derek Shepherd had a service contract that expired 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, although they will be expected to mitigate their loss where appropriate.

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

		Effective date of contract	Un-expired term as at 31 December 2009	Notice period
Chairman:				
Philip Rogerson	Letter of Appointment	24 April 2008*	1 year and 4 months	–
Executives:				
Rupert Soames	Service Agreement	1 July 2003	–	1 year
Derek Shepherd	Service Agreement	1 January 2007*	–	1 year
Angus Cockburn	Service Agreement	1 May 2000	–	1 year
George Walker	Service Agreement	18 January 2001	–	1 year
Kash Pandya	Service Agreement	20 June 2005	–	1 year
Bill Caplan	Service Agreement	17 November 2008	–	1 year
Non-executives:				
Andrew Salvesen	Letter of Appointment	29 September 2006*	–	–
Nigel Northridge	Letter of Appointment	14 February 2008*	1 year and 2 months	–
David Hamill	Letter of Appointment	1 May 2007	4 months	–
Robert MacLeod	Letter of Appointment	10 September 2007	8 months	–
Russell King	Letter of Appointment	2 February 2009	2 years and 2 months	–

* Replaces an earlier contract/letter of appointment.

External appointments

Rupert Soames is a Non-executive Director of Electrocomponents plc and is permitted to retain earnings from this position; these earnings amounted to £47,500 for the year ended 31 December 2009 (2008: £42,500). 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 2009 (2008: £48,000).

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.

Nigel Northridge
Chairman, Remuneration Committee
4 March 2010

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent Company financial statements in accordance with 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;
- 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; and
- prepare the Group and Parent Company financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors, whose names and functions are listed on pages 48 and 49 confirms that, to the best of their knowledge:

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

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

By order of the Board

Rupert Soames
Chief Executive
4 March 2010

Angus Cockburn
Finance Director

ACCOUNTS

Independent Auditors' Report to the Members of Aggreko plc

We have audited the Group financial statements of Aggreko plc for the year ended 31 December 2009 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Changes in Equity, and the related notes to the Group financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement (set out on page 72), the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2009 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, (set out on page 55), in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matters

We have reported separately on the parent company financial statements of Aggreko plc for the year ended 31 December 2009 and on the information in the Remuneration Report that is described as having been audited.

Michael Timar (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
4 March 2010

Group Income Statement

For the year ended 31 December 2009

	Notes	2009 £ million	2008 £ million
Revenue	4	1,023.9	946.6
Cost of sales		(396.0)	(409.5)
Gross profit		627.9	537.1
Distribution costs		(251.5)	(221.3)
Administrative expenses		(123.9)	(115.2)
Other income		9.6	4.2
Operating profit	4	262.1	204.8
Net finance costs			
– Finance cost	8	(18.5)	(15.3)
– Finance income	8	0.4	0.5
Profit before taxation	5	244.0	190.0
Taxation	9	(75.6)	(67.3)
Profit for the year		168.4	122.7

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

Earnings per share (pence)			
Basic	11	62.67	45.77
Diluted	11	62.42	45.56

Group Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 £ million	2008 £ million
Profit for the year		168.4	122.7
Other comprehensive income			
Actuarial losses on retirement benefits		(2.1)	(4.0)
Movement in deferred tax on pension liability	9	0.6	1.1
Cashflow hedges (net of deferred tax)		20.4	(21.7)
Net exchange (losses)/gains offset in reserves (net of tax)		(30.2)	99.6
Other comprehensive (loss)/income for the period (net of tax)		(11.3)	75.0
Total comprehensive income for the year		157.1	197.7

The notes on pages 80 to 110 form part of these Accounts.

Group Balance Sheet (Company Number: SC177553)

As at 31 December 2009

	Notes	2009 £ million	2008 £ million
Non-current assets			
Goodwill	12	**51.3**	53.0
Other intangible assets	13	**15.5**	16.6
Property, plant and equipment	14	**713.0**	752.0
Deferred tax asset	20	**6.6**	4.8
		786.4	826.4
Current assets			
Inventories	15	**86.3**	98.6
Trade and other receivables	16	**223.3**	272.7
Cash and cash equivalents	3	**22.2**	15.3
Current tax assets		**3.9**	1.7
		335.7	388.3
Total assets		**1,122.1**	1,214.7
Current liabilities			
Borrowings	17	**(17.7)**	(167.7)
Derivative financial instruments	18	**–**	(15.9)
Trade and other payables	19	**(219.9)**	(252.9)
Current tax liabilities		**(52.6)**	(49.9)
		(290.2)	(486.4)
Non-current liabilities			
Borrowings	17	**(180.0)**	(211.6)
Derivative financial instruments	18	**(6.7)**	(19.1)
Deferred tax liabilities	20	**(36.1)**	(24.6)
Retirement benefit obligation	25	**(5.8)**	(8.0)
Provisions		**(0.2)**	(0.2)
		(228.8)	(263.5)
Total liabilities		**(519.0)**	(749.9)
Net assets		**603.1**	464.8
Shareholders' equity			
Share capital	21	**54.7**	54.4
Share premium		**13.3**	10.2
Treasury shares	22	**(25.8)**	(20.5)
Capital redemption reserve		**0.1**	0.1
Hedging reserve (net of deferred tax)		**(4.7)**	(25.1)
Foreign exchange reserve		**49.7**	79.9
Retained earnings		**515.8**	365.8
Total shareholders' equity		**603.1**	464.8

Approved and authorised for issue by the Board on 4 March 2010 and signed on its behalf by:

P G Rogerson
Chairman

A G Cockburn
Finance Director

The notes on pages 80 to 110 form part of these Accounts.

Group Cash Flow Statement

For the year ended 31 December 2009

	Notes	2009 £ million	2008 £ million
Cash flows from operating activities			
Cash generated from operations	2	430.8	276.1
Tax paid		(60.1)	(39.6)
Net cash generated from operating activities		370.7	236.5
Cash flows from investing activities			
Acquisitions (net of cash acquired)	27	(4.2)	(15.9)
Purchases of property, plant and equipment (PPE)		(160.9)	(265.2)
Proceeds from sale of PPE	2	15.4	9.0
Net cash used in investing activities		(149.7)	(272.1)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		3.4	1.3
Increase in long-term loans		89.1	185.7
Repayment of long-term loans		(256.2)	(107.1)
Net movement in short-term loans		3.9	4.9
Interest received		0.4	0.5
Interest paid		(19.1)	(14.6)
Dividends paid to shareholders		(28.6)	(23.7)
Purchase of treasury shares		(8.4)	(13.2)
Sale of own shares by Employee Benefit Trust		–	0.9
Net cash (used in)/from financing activities		(215.5)	34.7
Net increase/(decrease) in cash and cash equivalents		5.5	(0.9)
Cash and cash equivalents at beginning of the year		10.3	9.6
Exchange (loss)/gain on cash and cash equivalents		(2.3)	1.6
Cash and cash equivalents at end of the year	3	13.5	10.3

Reconciliation of net cash flow to movement in net debt

For the year ended 31 December 2009

	Notes	2009 £ million	2008 £ million
Increase/(decrease) in cash and cash equivalents		5.5	(0.9)
Cash outflow/(inflow) from movement in debt		163.2	(83.5)
Changes in net debt arising from cash flows		168.7	(84.4)
Exchange gain/(loss)		19.8	(77.0)
Movement in net debt in period		188.5	(161.4)
Net debt at beginning of period		(364.0)	(202.6)
Net debt at end of period	17	(175.5)	(364.0)

Group Statement of Changes in Equity

For the year ended 31 December 2009

As at 31 December 2009

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

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

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
Profit for the year	–	–	–	–	–	–	122.7	122.7
Other comprehensive income:								
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	–	0.6
Deferred tax on items taken to or transferred from equity	–	–	–	–	8.5	–	–	8.5
Actuarial losses on retirement benefits (net of tax)	–	–	–	–	–	–	(2.9)	(2.9)
Total comprehensive income for the year ended 31 December 2008	**–**	**–**	**–**	**–**	**(21.7)**	**99.6**	**119.8**	**197.7**
Transactions with owners:								
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 (net of tax)	–	–	–	–	–	–	7.8	7.8
Current tax on items taken to or transferred from equity	–	–	–	–	–	–	3.1	3.1
Deferred tax on items taken to or transferred from equity	–	–	–	–	–	–	(2.7)	(2.7)
Issue of ordinary shares to employees under share option schemes	–	–	2.8	–	–	–	(2.8)	–
New share capital subscribed	0.2	1.4	–	–	–	–	–	1.6
Dividends paid during 2008	–	–	–	–	–	–	(23.7)	(23.7)
	0.2	1.4	(10.0)	–	–	–	(17.8)	(26.2)
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.

Notes to the Group Accounts

For the year ended 31 December 2009

1 Accounting policies

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

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

Basis of preparation

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

For practical reasons, the Group prepares its financial statements on a 52 or 53 week period. The financial statements for the 2009 financial year reflect the 53 week period ended 2 January 2010. The financial statements for the 2008 financial year reflect the 52 week period ended 26 December 2008.

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

Changes in accounting policy and disclosures

The Group has adopted the following new standards and amendments to standards which are mandatory for the first time for the financial year beginning 1 January 2009.

- **IAS 1 (revised) 'Presentation of financial statements'.** This revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present two statements: an income statement and a statement of comprehensive income.

- **IFRS 8 'Operating segments'.** IFRS 8 replaces IAS 14 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in:

  – a new segment titled Europe comprising the previously reported segments of Northern Europe and Continental Europe excluding power projects in the Eastern Mediterranean;

  – a new segment titled Middle East & South East Europe (MESEE) comprising Middle East, previously included within Middle East, Asia-Pacific and South America, and power projects in the Eastern Mediterranean, previously reported in Continental Europe.

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

- **IFRS 2 (amendment) 'Share-based payment'** deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees; they would not impact the number of awards expected to vest or valuations there of subsequent to grant date. All cancellations, whether by the entity or by other parties should receive the same accounting treatment. The Group has adopted IFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Group's financial statements.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

- IFRIC 13, 'Customer loyalty programmes'
- IFRIC 14, 'The limit on a defined benefit asset, minimum funding requirements and their interaction'
- IFRIC 15, 'Agreements for construction of real estate'
- IFRIC 16, 'Hedges of a net investment in a foreign operation'
- IFRS 7, Amendment, Improving disclosures about Financial instruments

1 Accounting policies continued

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
IFRIC 17 – Distribution of non-cash assets to owners	1 July 2009
IFRIC 18 – Transfers of assets from customers	1 July 2009
IAS 27 (revised) – Consolidated and separate financial statements	1 July 2009
Amendment to IAS 39 – Financial instruments: recognition and measurement	1 July 2009
IAS 38 (amendment) – Intangible assets	1 January 2010
IFRS 5 (amendment) – Non-current assets held for sale and discontinued operations	1 January 2010
IFRS 2 (amendment) – Group cash-settled share based payment transaction	1 January 2010
IFRIC 19 – Extinguishing financial liabilities with equity instruments	1 July 2010

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 2009. 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 the 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 can comprise a fixed rental charge and a variable charge related to the usage of assets or other services. In all cases, revenue is recognised in accordance with the contractual arrangements, for fixed rental charges, over the rental period and for variable elements as the asset is utilised or service is provided. Revenue is accrued or deferred at the balance sheet date depending on the date of the most recent invoice issued and the contractual terms.

Segmental reporting

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

The risks and rewards within IPP are significantly different from those within the Group's Local 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.

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

Central administrative costs are allocated between segments based on revenue.

Leases

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

Exceptional items

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

Property, plant and equipment

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

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

1 Accounting policies continued

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.

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.

1 Accounting policies continued

Derivative financial instruments

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

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

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

Cash flow hedge

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

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.

Notes to the Group Accounts continued

For the year ended 31 December 2009

1 Accounting policies continued

Current tax

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

Inventories

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

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

Employee benefits

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

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

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

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. An impairment 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, particularly in countries where the legal system is not easily used to enforce recovery, are considered indicators that the trade receivable is impaired. When a trade receivable is uncollectible it is written off against the provision for impairment of trade receivables account.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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.

1 Accounting policies continued

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.

Dividend distribution

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

Key assumptions and significant judgements

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

Property, plant and equipment

Rental fleet accounts for £660.3 million, or around 93%, of the net book value of property, plant and equipment used in our business; the great majority of equipment in the rental fleet is depreciated on a straight-line basis to a residual value of zero over 8 years, although we do have some classes which we depreciate over 10 years. The annual fleet depreciation charge of £138.1 million (2008: £107.7 million) relates to the estimated service lives allocated to each class of fleet asset. Asset lives are reviewed regularly and changed if necessary to reflect current thinking on their remaining lives in light of technological change, prospective economic utilisation and the physical condition of the assets.

Intangible assets

In accordance with IFRS 3 '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 2009 was £2.7 million (2008: £1.9 million). Included in this charge was £2.5 million related to the amortisation of intangible assets arising from business contributions (2008: £1.6 million).

Goodwill of £51.3 million (2008: £53.0 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 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.

Notes to the Group Accounts continued

For the year ended 31 December 2009

1 Accounting policies continued

Under IAS 19: 'Employee Benefits' Aggreko has recognised a pre-tax pension deficit of £5.8 million at 31 December 2009 (2008: £8.0 million) which is determined using actuarial assumptions. The decrease in the pension deficit is a result of the additional contributions made by the Company during the year, over and above the cost of accrual of benefits. These were: £0.5 million paid in March 2009, in line with the Recovery Plan agreed for the Scheme following the 2005 valuation and £3.5 million paid in December 2009, in line with the Recovery Plan agreed for the Scheme following the actuarial valuation at 31 December 2008. In addition higher than expected returns were achieved on Scheme assets over the year. The additional contributions and investment returns have been offset by lower next interest rates used to value the liabilities.

The main assumptions used in IAS 19 valuation for the previous two years are shown in Note 25 of the Accounts.

Trade receivables

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

The majority of the contracts 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. When a trade receivable is uncollectible it is written off against the provision for impairment of trade receivables account. At 31 December 2009 the provision for impairment of trade receivables in the balance sheet was £26.2 million (2008: £25.2 million).

Taxation

Aggreko's tax charge is based on the profit for the year and tax rates in force at the balance sheet date. In addition to corporation tax, Aggreko is subject to indirect taxes such as sales and employment taxes across tax jurisdictions in the approximately 100 countries in which the Group operates. The varying nature and complexity of the tax law in these jurisdictions requires the Group to make judgements in determining the best estimate as to total amount of taxes that will become payable, and should therefore be recorded as a liability at the balance sheet date.

Financial risk management

Financial risk factors

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

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

Liquidity, funding and capital management

The Group's objective with respect to managing capital is to maintain a balance sheet structure that 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, by returning of capital to shareholders, by issuing new shares or by adjusting the level of capital expenditure. Gearing at 31 December 2009 decreased to 29% from 78% at 31 December 2008.

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 £524.1 million at 31 December 2009, 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, EBITDA should be no less than 4 times interest and net debt should be no more than 3 times EBITDA. The Group does not consider that these financial covenants are restrictive to its operations.

1 Accounting policies continued

The maturity profile of the borrowings is detailed in Note 17 in the Annual Report and Accounts with the next significant maturity not due until September 2011. Since the year end the Group has reduced committed facilities by £70.8 million to £453.3 million. 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 £175.5 million at 31 December 2009 and at that date undrawn committed facilities were £344.1 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 2009, £107.3 million of the net debt of £175.5 million was at fixed rates of interest resulting in a fixed to floating rate net debt ratio of 61:39 (2008: 63:37). For the year ended 31 December 2009 the Group incurred a charge of £3.1 million as a result of terminating some interest rate swaps as debt declined in the second half of 2009.

The Group monitors its interest rate exposure on a regular basis by applying forecast interest rates to the Group's forecast net debt profile after taking into account its existing hedges. The Group also calculates the impact on profit and loss of a defined interest rate shift for all currencies. Based on the simulations performed, the impact on profit or loss of a +/-100 basis-point shift, after taking into account existing hedges, would be £0.7 million (2008: £1.5 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 predominantly drawn down in the principal currencies affecting the Group, namely US Dollar, Euro and Sterling.

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

The positive impact of currency, largely due to the movement in the US Dollar and the Euro, increased our revenues by £145.9 million (2008: £57.1 million) and trading profit by £35.9 million (2008: £12.8 million) for the year ended 31 December 2009. 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 £7.2 million (2008: £4.4 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 £0.3 million (2008: £0.5 million) in trading profit in terms of translation. Currency translation also gave rise to a £30.9 million decrease in reserves as a result of year on year movements in the exchange rates (2008: increase of £99.0 million). For every 5 cents movement in the Dollar and Euro, there is an approximate impact in equity of £3.4 million and £1.5 million respectively (2008: £9.2 million and £2.8 million), arising from the currency translation of external borrowings which are being used as a net investment hedge, however this will be offset by a corresponding movement in the equity of the net investment being hedged.

Credit risk

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

Management of trade receivables

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

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

Notes to the Group Accounts continued

For the year ended 31 December 2009

1 Accounting policies continued

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

	2009 £ million	2008 £ million
Profit for the year	168.4	122.7
Adjustments for:		
Tax	75.6	67.3
Depreciation	148.2	115.9
Amortisation of intangibles	2.7	1.9
Finance income	(0.4)	(0.5)
Finance cost	18.5	15.3
Profit on sale of PPE (see below)	(9.6)	(4.2)
Share based payments	9.2	7.8
Changes in working capital (excluding the effects of exchange differences on consolidation):		
Decrease/(increase) in inventories	7.5	(20.4)
Decrease/(increase) in trade and other receivables	35.2	(51.7)
(Decrease)/increase in trade and other payables	(24.5)	23.8
Net movements in provisions for liabilities and charges	–	(1.8)
Cash generated from operations	430.8	276.1

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

	2009 £ million	2008 £ million
Net book amount	5.8	4.8
Profit on sale of PPE	9.6	4.2
Proceeds from sale of PPE	15.4	9.0

3 Cash and cash equivalents

	2009 £ million	2008 £ million
Cash at bank and in hand	21.7	14.8
Short-term bank deposits	0.5	0.5
	22.2	15.3

The effective interest rate on short-term bank deposits was 2.65% (2008: 2.63%); 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:

	2009 £ million	2008 £ million
Cash and cash equivalents	22.2	15.3
Bank overdrafts (Note 17)	(8.7)	(5.0)
	13.5	10.3

4 Segmental reporting

(a) Revenue by segment

	Total revenue 2009 £ million	Total revenue 2008 £ million	Inter-segment revenue 2009 £ million	Inter-segment revenue 2008 £ million	External revenue 2009 £ million	External revenue 2008 £ million
Middle East & South East Europe	**90.8**	75.2	**0.1**	0.2	**90.7**	75.0
Europe	**158.9**	181.6	**–**	–	**158.9**	181.6
North America	**197.7**	207.7	**0.1**	0.2	**197.6**	207.5
International Local	**97.0**	116.6	**0.2**	0.3	**96.8**	116.3
Local business	**544.4**	581.1	**0.4**	0.7	**544.0**	580.4
International Power Projects	**481.0**	366.2	**1.1**	–	**479.9**	366.2
Eliminations	**(1.5)**	(0.7)	**(1.5)**	(0.7)	**–**	–
Group	**1,023.9**	946.6	**–**	–	**1,023.9**	946.6

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

(b) Profit by segment

	Trading profit pre intangible asset amortisation 2009 £ million	Trading profit pre intangible asset amortisation 2008 £ million	Amortisation of intangible assets arising from business combinations 2009 £ million	Amortisation of intangible assets arising from business combinations 2008 £ million	Trading profit 2009 £ million	Trading profit 2008 £ million
Middle East & South East Europe	**22.5**	19.5	**(0.1)**	(0.1)	**22.4**	19.4
Europe	**13.0**	24.1	**(0.1)**	(0.1)	**12.9**	24.0
North America	**35.7**	46.0	**(1.6)**	(1.1)	**34.1**	44.9
International Local	**24.1**	32.8	**(0.6)**	(0.2)	**23.5**	32.6
Local business	**95.3**	122.4	**(2.4)**	(1.5)	**92.9**	120.9
International Power Projects	**159.7**	79.8	**(0.1)**	(0.1)	**159.6**	79.7
Group	**255.0**	202.2	**(2.5)**	(1.6)	**252.5**	200.6

	Gain/(loss) on sale of PPE 2009 £ million	Gain/(loss) on sale of PPE 2008 £ million	Operating profit 2009 £ million	Operating profit 2008 £ million
Middle East & South East Europe	**(0.1)**	(0.2)	**22.3**	19.2
Europe*	**7.0**	2.6	**19.9**	26.6
North America	**2.7**	1.1	**36.8**	46.0
International Local	**0.1**	–	**23.6**	32.6
Local business	**9.7**	3.5	**102.6**	124.4
International Power Projects	**(0.1)**	0.7	**159.5**	80.4
Group	**9.6**	4.2	**262.1**	204.8
Finance costs – net			**(18.1)**	(14.8)
Profit before taxation			**244.0**	190.0
Taxation			**(75.6)**	(67.3)
Profit for the year			**168.4**	122.7

* The sale of our European oil-free air business was completed in March 2009 and a gain on sale of £5.8 million was recognised within the European business segment for the year ending 31 December 2009.

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For the year ended 31 December 2009

4 Segmental reporting continued

(c) Depreciation and amortisation by segment

	2009 £ million	2008 £ million
Middle East & South East Europe	16.3	10.5
Europe	24.9	24.7
North America	28.4	26.8
International Local	16.1	12.6
Local business	85.7	74.6
International Power Projects	65.2	43.2
Group	150.9	117.8

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

	2009 £ million	2008 £ million
Middle East & South East Europe	11.9	17.0
Europe	7.9	33.1
North America	24.4	40.8
International Local	21.0	37.2
Local business	65.2	128.1
International Power Projects	99.2	147.6
Group	164.4	275.7

Capital expenditure comprises additions of property, plant and equipment (PPE) of £160.9 million (2008: £265.2 million), acquisitions of PPE of £1.4 million (2008: £5.1 million) and acquisitions of other intangible assets of £2.1 million (2008: £5.4 million).

(e) Assets/(liabilities) by segment

	Assets		Liabilities	
	2009 £ million	2008 £ million	2009 £ million	2008 £ million
Middle East & South East Europe	106.1	102.0	(9.5)	(11.4)
Europe	148.1	200.6	(33.8)	(45.0)
North America	222.2	257.2	(27.0)	(28.4)
International Local	114.1	110.9	(19.9)	(22.3)
Local business	590.5	670.7	(90.2)	(107.1)
International Power Projects	521.1	537.5	(137.6)	(149.3)
	1,111.6	1,208.2	(227.8)	(256.4)
Tax and finance payable	10.5	6.5	(89.7)	(76.2)
Derivative financial instruments	–	–	(6.7)	(35.0)
Borrowings	–	–	(189.0)	(374.3)
Retirement benefit obligation	–	–	(5.8)	(8.0)
Total assets/(liabilities) per balance sheet	1,122.1	1,214.7	(519.0)	(749.9)

(f) Average number of employees by segment

	2009 Number	2008 Number
Middle East & South East Europe	270	245
Europe	808	832
North America	850	883
International Local	439	382
Local business	2,367	2,342
International Power Projects	1,253	881
Group	3,620	3,223

4 Segmental reporting continued

(g) Reconciliation of net operating assets to net assets

	2009 £ million	2008 £ million
Net operating assets	883.8	951.8
Retirement benefit obligation	(5.8)	(8.0)
Net tax and finance payable	(79.2)	(69.7)
	798.8	874.1
Borrowings and derivative financial instruments	(195.7)	(409.3)
Net assets	603.1	464.8

5 Profit before taxation

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

	2009 £ million	2008 £ million
Staff costs (Note 7)	201.2	162.2
Cost of inventories recognised as an expense (included in cost of sales)	58.1	47.3
Depreciation of property, plant and equipment	148.2	115.9
Amortisation of intangibles (included in administrative expenses)	2.7	1.9
Gain on disposal of property, plant and equipment	(9.6)	(4.2)
Trade receivables impairment	7.5	12.1
Other operating lease rentals payable		
– Plant and equipment	12.7	9.0
– Property	9.8	7.9

Accounts

6 Auditors' remuneration

	2009 £000	2008 £000
Audit services		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	124	112
Fees payable to the Company's auditor and its associates for other services:		
– The audit of the Company's subsidiaries, pursuant to legislation	439	314
– Other services pursuant to legislation	27	27
– Tax services	92	52
– All other services	89	24
Fees in respect of the Aggreko plc pension scheme:		
– Audit	6	6

7 Employees and Directors

Staff costs for the Group during the year:

	2009 £ million	2008 £ million
Wages and salaries	170.7	135.8
Social security costs	14.9	13.4
Share-based payments	9.2	7.8
Pension costs – defined contribution plans	4.9	3.7
Pension costs – defined benefit plans (Note 25)	1.5	1.5
	201.2	162.2

Full details of Directors' remuneration are set out in the Remuneration Report on pages 60 to 71.

Notes to the Group Accounts continued

For the year ended 31 December 2009

7 Employees and Directors continued

The key management comprise Executive and Non-executive Directors.

	2009 £ million	2008 £ million
Salaries and short-term benefits	3.2	3.5
Post-employment benefits	0.3	0.2
Share-based payments	2.3	1.9
	5.8	5.6

8 Net finance charge

	2009 £ million	2008 £ million
Finance costs on bank loans and overdrafts	(18.4)	(15.3)
Finance income on bank balances and deposits	0.4	0.5
Transfer from hedging reserve to net finance charge	(0.1)	–
	(18.1)	(14.8)

For the year ended 31 December 2009 the Group incurred a charge of £3.1 million as a result of terminating some interest rate swaps as debt declined in the second half of 2009. This charge is included within finance costs.

9 Taxation

	2009 £ million	2008 £ million
Analysis of charge in year		
Current tax expense:		
– UK corporation tax	44.3	21.9
– Double taxation relief	(12.4)	(8.9)
	31.9	13.0
– Overseas taxation	40.6	41.8
	72.5	54.8
Adjustments in respect of prior years:		
– UK	(3.2)	0.3
– Overseas	(3.5)	4.9
	(6.7)	5.2
	65.8	60.0
Deferred taxation (Note 20):		
– temporary differences arising in current year	4.1	10.9
– movements in respect of prior years	5.7	(3.6)
	75.6	67.3

	2009 £ million	2008 £ million
Tax on items charged to equity		
Current tax on exchange movements offset in reserves	0.7	0.6
Current tax on share-based payments	1.3	3.1
Deferred tax on IAS 39 movements	(7.9)	8.5
Deferred tax on pension scheme deficit	0.6	1.1
Deferred tax on share-based payments	4.3	(2.7)
	(1.0)	10.6

9 Taxation continued

Variances between the current tax charge and the standard 28.0% (2008: 28.5%) UK corporate tax rate when applied to profit on ordinary activities for the year are as follows:

	2009 £ million	2008 £ million
Profit before taxation	**244.0**	190.0
Tax calculated at 28.0% (2008: 28.5%) standard UK corporate rate	**68.3**	54.2
Differences between UK and overseas tax rates	**5.4**	5.5
Permanent differences	**0.4**	2.8
Deferred tax effect of future rate changes	**0.3**	2.1
Deferred tax assets not recognised	**2.3**	1.1
Tax on current year profit	**76.7**	65.7
Prior year adjustments – current tax	**(6.7)**	5.2
Prior year adjustments – deferred tax	**5.6**	(3.6)
Total tax on profit	**75.6**	67.3
Effective tax rate	**31.0%**	35.4%

10 Dividends

	2009 £ million	2009 per share (p)	2008 £ million	2008 per share (p)
Final paid	**16.9**	**6.28**	13.5	5.02
Interim paid	**11.7**	**4.37**	10.2	3.80
	28.6	**10.65**	23.7	8.82

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2009 of 8.23 pence per share which will absorb an estimated £22.2 million of shareholders' funds. It will be paid on 21 May 2010 to shareholders who are on the register of members on 23 April 2010.

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.

	2009	2008
Profit for the year (£ million)	**168.4**	122.7
Weighted average number of ordinary shares in issue (million)	**268.7**	268.2
Basic earnings per share (pence)	**62.67**	45.77

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.

	2009	2008
Profit for the year (£ million)	**168.4**	122.7
Weighted average number of ordinary shares in issue (million)	**268.7**	268.2
Adjustment for share options (million)	**1.0**	1.2
Diluted weighted average number of ordinary shares in issue (million)	**269.7**	269.4
Diluted earnings per share (pence)	**62.42**	45.56

12 Goodwill

	2009 £ million	2008 £ million
Cost		
At 1 January	53.0	38.0
Acquisitions (Note 27)	0.7	5.4
Exchange adjustments	(2.4)	9.6
At 31 December	51.3	53.0
Accumulated impairment losses	–	–
Net book value	51.3	53.0

Goodwill impairment tests

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

	2009 £ million	2008 £ million
Middle East & South East Europe	1.2	1.3
Europe	11.7	12.3
North America	31.1	32.9
International Local	5.8	4.9
Local business	49.8	51.4
International Power Projects	1.5	1.6
Group	51.3	53.0

Goodwill is tested for impairment annually or whenever there is an indication that the asset may be impaired. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for value in use calculations are those relating to expected changes in revenue and the cost base, discount rates and long-term growth rates. The discount rate used for business valuations was 9.8% after tax, 13.6% 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 2009, based on internal valuations, Aggreko plc management concluded that the values in use of the CGUs significantly exceeded their net asset value.

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

13 Other intangible assets

	2009 £ million	2008 £ million
Cost		
At 1 January	22.7	13.7
Acquisitions (Note 27)	2.1	5.4
Exchange adjustments	(0.7)	3.6
At 31 December	24.1	22.7
Accumulated amortisation		
At 1 January	6.1	3.7
Charge for the year	2.7	1.9
Exchange adjustments	(0.2)	0.5
At 31 December	8.6	6.1
Net book values:		
At 31 December	15.5	16.6

Amortisation charges in the year comprised amortisation of assets arising from business combinations of £2.5 million (2008: £1.6 million) and amortisation of other intangible assets of £0.2 million (2008: £0.3 million). Amortisation charges in the year have been recorded in administrative expenses.

14 Property, plant and equipment

Year ended 31 December 2009

	Freehold properties £ million	Short leasehold properties £ million	Rental fleet £ million	Vehicles, plant and equipment £ million	Total £ million
Cost					
At 1 January 2009	37.9	11.9	1,382.8	64.4	1,497.0
Exchange adjustments	(1.9)	(0.6)	(90.6)	(1.4)	(94.5)
Additions	4.2	2.5	149.7	4.5	160.9
Acquisitions (Note 27)	–	–	1.4	–	1.4
Disposals	–	–	(64.3)	(1.8)	(66.1)
At 31 December 2009	**40.2**	**13.8**	**1,379.0**	**65.7**	**1,498.7**
Accumulated depreciation					
At 1 January 2009	11.7	5.6	684.3	43.4	745.0
Exchange adjustments	(0.6)	(0.3)	(45.1)	(1.2)	(47.2)
Charge for the year	1.6	1.4	138.1	7.1	148.2
Disposals	–	–	(58.6)	(1.7)	(60.3)
At 31 December 2009	**12.7**	**6.7**	**718.7**	**47.6**	**785.7**
Net book values:					
At 31 December 2009	**27.5**	**7.1**	**660.3**	**18.1**	**713.0**
At 31 December 2008	26.2	6.3	698.5	21.0	752.0

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	–	–	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

15 Inventories

	2009 £ million	2008 £ million
Raw materials and consumables	**82.6**	91.7
Work in progress	**3.7**	6.9
	86.3	98.6

For the year ended 31 December 2009

16 Trade and other receivables

	2009 £ million	2008 £ million
Trade receivables	**162.5**	214.6
Less: provision for impairment of receivables	**(26.2)**	(25.2)
Trade receivables – net	**136.3**	189.4
Prepayments and accrued income	**66.4**	59.2
Other receivables	**20.6**	24.1
Total receivables	**223.3**	272.7

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:

	2009 £ million	2008 £ million
Sterling	**10.3**	19.7
Euro	**29.2**	41.3
US Dollar	**120.7**	160.8
Other currencies	**63.1**	50.9
	223.3	272.7

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

	2009 £ million	2008 £ million
At 1 January	**25.2**	9.0
Provision for receivables impairment	**7.5**	12.1
Receivables written off during the year as uncollectable	**(4.5)**	(1.2)
Exchange	**(2.0)**	5.3
At 31 December	**26.2**	25.2

Credit quality of trade receivables

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

31 December 2009

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

31 December 2008

	Fully performing £ million	Past due £ million	Impaired £ million	Total £ million
Middle East & South East Europe	13.3	0.1	0.7	14.1
Europe	25.7	13.9	4.7	44.3
North America	21.7	19.9	1.9	43.5
International Local	9.4	8.2	1.3	18.9
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

16 Trade and other receivables continued

Trade receivables are considered impaired if they are not considered recoverable. 66% of the amounts past due are less than 30 days past due (2008: 67%).

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

Local business

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

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

International Power Projects (IPP)

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

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

The total trade receivables balance as at 31 December 2009 for our IPP business was £80.9 million (2008: £93.8 million). Within this balance receivable balances totalling £65.1 million (2008: £66.3 million) had some form of payment cover attached to them. This payment cover guards against the risk of customer default rather than the risk associated with customer disputes. The risk associated with the remaining £15.8 million (2008: £27.5 million) is deemed to be either acceptable or payment cover is not obtainable in a cost effective manner.

17 Borrowings

	2009 £ million	2008 £ million
Non-current		
Bank borrowings	180.0	211.6
Current		
Bank overdrafts	8.7	5.0
Bank borrowings	9.0	162.7
	17.7	167.7
Total borrowings	197.7	379.3
Short-term deposits	(0.5)	(0.5)
Cash at bank and in hand	(21.7)	(14.8)
Net borrowings	175.5	364.0

The bank overdrafts and borrowings are all unsecured.

Notes to the Group Accounts continued

For the year ended 31 December 2009

17 Borrowings continued

(i) Maturity of financial liabilities

The maturity profile of the borrowings was as follows:

	2009 £ million	2008 £ million
Within 1 year, or on demand	**17.7**	167.7
Between 1 and 2 years	**151.1**	–
Between 2 and 3 years	**–**	185.8
Between 3 and 4 years	**28.9**	–
Between 4 and 5 years	**–**	25.8
	197.7	379.3

(ii) Borrowing facilities

The Group has the following undrawn committed floating rate borrowing facilities available at 31 December 2009 in respect of which all conditions precedent had been met at that date:

	2009 £ million	2008 £ million
Expiring within 1 year	**–**	1.2
Expiring between 1 and 2 years	**215.9**	–
Expiring between 2 and 3 years	**97.1**	105.6
Expiring between 3 and 4 years	**31.1**	–
Expiring between 4 and 5 years	**–**	34.3
Expiring after 5 years	**–**	–
	344.1	141.1

Since the year end the Group has reduced committed facilities by £70.8 million. This £70.8 million is included in the table above as follows: £40.5 million expiring between 1 and 2 years and £30.3 million expiring between 2 and 3 years.

(iii) Interest rate risk profile of financial liabilities

The interest rate profile of the Group's financial liabilities at 31 December 2009, after taking account of the interest rate swaps used to manage the interest profile, was:

				Fixed rate debt	
	Floating rate £ million	Fixed rate £ million	Total £ million	Weighted average interest rate %	Weighted average period for which rate is fixed Years
Currency:					
Sterling	39.0	–	39.0	–	–
US Dollar	18.6	89.5	108.1	4.6	6.8
Euro	15.1	17.8	32.9	5.0	3.6
Other currencies	17.7	–	17.7	–	–
At 31 December 2009	**90.4**	**107.3**	**197.7**		
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		

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 £107.3 million (2008: £227.5 million) of borrowings in the above table as fixed rate.

The notional principal amount of the outstanding interest rate swap contracts at 31 December 2009 was £107.3 million (2008: £227.5 million).

17 Borrowings continued

(iv) Interest rate risk profile of financial assets

	Cash at bank and in hand £ million	Short-term deposits £ million	Total £ million
Currency:			
Sterling	0.7	–	0.7
US Dollar	10.6	–	10.6
Euro	4.7	–	4.7
Other currencies	5.7	0.5	6.2
At 31 December 2009	**21.7**	**0.5**	**22.2**
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

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

	2009 Number	2009 £000	2008 Number	2008 £000
Authorised:				
Redeemable preference shares of 25p each	199,998	50	199,998	50

No redeemable preference shares were allotted as at 31 December 2009 and 31 December 2008.

18 Financial instruments

As stated in our accounting policies Note 1 on page 83 the activities of the Group expose it directly to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses forward foreign exchange contracts and interest rate swap contracts to hedge these exposures. The movement in the hedging reserve is shown in the Statement of Changes in Equity.

(i) Fair values of financial assets and financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair values of the Group's financial assets and financial liabilities at 31 December 2009. 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.

	2009		2008	
	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	(17.7)	(17.7)	(167.7)	(167.7)
Non-current borrowings	(180.0)	(180.0)	(211.6)	(211.6)
Short-term deposits	0.5	0.5	0.5	0.5
Cash at bank and in hand	21.7	21.7	14.8	14.8
Derivative financial instruments held:				
Interest rate swaps	(6.7)	(6.7)	(20.5)	(20.5)
Forward foreign currency contracts	–	–	(14.5)	(14.5)

18 Financial instruments continued

(ii) Summary of methods and assumptions

Interest rate swaps and forward foreign currency contracts
Fair value is based on market price of these instruments at the balance sheet date.

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

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

(iii) Financial instruments

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

	2009		2008	
	Assets £ million	Liabilities £ million	Assets £ million	Liabilities £ million
Current:				
Interest rate swaps – cash flow hedge	–	–	–	(1.4)
Forward foreign currency contracts – cash flow hedge	–	–	–	(14.5)
Non-current:				
Interest rate swaps – cash flow hedge	–	(6.7)	–	(19.1)
	–	(6.7)	–	(35.0)

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:

	2009 £ million	2008 £ million
Contracts with negative fair values:		
Interest rate swaps	(6.7)	(20.5)
Forward foreign currency contracts	–	(14.5)
	(6.7)	(35.0)

At 31 December 2009 there were no open forward exchange contracts that hedge the foreign currency risk of future anticipated capital expenditure, therefore the net fair value was nil (2008: liability of £14.5 million). The net fair value liability at 31 December 2009 on open interest swaps that hedge interest risk are £6.7 million (2008: liability of £20.5 million). These will be debited to the income statement interest charge over the remaining life of each interest rate swap.

Hedge of net investment in foreign entity
The Group has designated as a hedge of the net investment in its overseas subsidiaries its US Dollar and Euro denominated borrowings. The fair value of the US Dollar borrowings at 31 December 2009 was £108.1 million (2008: £261.7 million), the Canadian Dollar borrowings £nil (2008: £15.6 million) and the Euro borrowings £32.9 million (2008: £55.5 million). The foreign exchange loss of £24.2 million (2008: loss of £79.0 million) on translation of the borrowings into Sterling has been recognised in exchange reserves.

18 Financial instruments continued

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

As at 31 December 2009

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

As at 31 December 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 2009 and 31 December 2008 all of the Group's debt was exposed to repricing within 3 months of the balance sheet date. £27.8 million of interest rate swaps are due to mature in 2011. The Group's interest rate swap portfolio is reviewed on a regular basis to ensure it is consistent with Group policy as described on page 87.

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

	2009	2008
Bank overdraft	**9.0%**	9.0%
Bank borrowings	**1.3%**	3.5%

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 2009

	<1 year	1-2 years	2-5 years	>5 years
Borrowings	17.7	153.0	29.9	–
Derivative financial instruments	–	1.9	1.6	3.2
Trade and other payables	69.9	–	–	–
	87.6	**154.9**	**31.5**	**3.2**

As at 31 December 2008

	<1 year	1-2 years	2-5 years	>5 years
Borrowings	171.7	–	233.4	–
Derivative financial instruments	15.9	2.3	6.6	10.2
Trade and other payables	93.5	–	–	–
	281.1	2.3	240.0	10.2

No trade payable balances have a contractual maturity greater than 90 days. In respect of suppliers, the Group had approximately 63 days (2008: 81 days) credit outstanding as at the balance sheet date.

For the year ended 31 December 2009

18 Financial instruments continued

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 2009

	<1 year
Forward foreign exchange contracts – cashflow hedges	
Outflow	–
Inflow	–
	–

As at 31 December 2008

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

At 31 December 2009 there were no open forward exchange contracts that hedge the foreign currency risk of future anticipated capital expenditure.

19 Trade and other payables

	2009 £ million	2008 £ million
Trade payables	**68.5**	90.8
Other taxation and social security payable	**2.9**	2.8
Other payables	**19.9**	23.6
Accruals and deferred income	**128.6**	135.7
	219.9	252.9

20 Deferred tax

	2009 £ million	2008 £ million
At 1 January	**(19.8)**	(12.3)
Charge to the income statement (Note 9)	**(9.8)**	(7.3)
(Charge)/credit to equity	**(3.0)**	6.9
Exchange differences	**3.1**	(7.1)
At 31 December	**(29.5)**	(19.8)

No deferred tax has been recognised in respect of unremitted earnings of subsidiaries. It is likely that the majority of overseas earnings would qualify for the UK dividend exemption and therefore no tax liability is expected to arise.

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 £4.2 million (2008: £3.3 million) of which £4.2 million (2008: £3.3 million) relates to carried forward tax losses as our forecasts indicate that these assets will not reverse in the near future.

Deferred tax assets of £2.6 million (2008: £2.6 million) have been recognised in respect of entities which have suffered a loss in either the current or preceding period.

20 Deferred tax continued

Deferred tax liabilities

	Accelerated capital depreciation £ million	Other temporary differences £ million	Total £ million
At 1 January 2009	(46.3)	21.7	**(24.6)**
Charge to the income statement	(6.7)	(4.9)	**(11.6)**
Charge to equity	–	(3.0)	**(3.0)**
Exchange differences	5.0	(1.9)	**3.1**
At 31 December 2009	(48.0)	11.9	**(36.1)**

Deferred tax assets

	Accelerated capital depreciation £ million	Other temporary differences £ million	Total £ million
At 1 January 2009	2.5	2.3	**4.8**
(Charge)/credit to the income statement	(3.0)	4.8	**1.8**
At 31 December 2009	(0.5)	7.1	**6.6**

The net deferred tax liability due after more than one year is £29.5 million (2008: £19.8 million).

21 Share capital

	2009 Number	2009 £000	2008 Number	2008 £000
Authorised:				
Ordinary shares of 20p each	**459,750,003**	**92,000**	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	**272,116,594**	**54,424**	270,923,649	54,185
Employee share option scheme	**1,356,744**	**271**	1,192,945	239
At 31 December	**273,473,338**	**54,695**	272,116,594	54,424

During the year 1,058,724 Ordinary shares of 20 pence each have been issued at prices ranging from £1.17 to £5.04 to satisfy the exercise of options under the Savings-Related Share Option Schemes ('Sharesave') and Executive Share Option Schemes by eligible employees. In addition 298,020 shares were allotted to US participants in the Long-term Incentive Plan by the allotment of new shares at 20 pence per share.

Share options

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

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.

Notes to the Group Accounts continued

For the year ended 31 December 2009

21 Share capital continued

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 63 and 64 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	Executive	Executive	Sharesave	Sharesave	US Stock Plan	Sharesave	Sharesave	US Stock Plan
Grant date	27-Feb-03	25-Sep-03	24-Oct-03	24-Oct-03	24-Oct-03	12-Nov-04	12-Nov-04	12-Nov-04
Share price at grant date (£)	1.3	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Option price (£)	1.3	1.6	1.3	1.3	1.3	1.2	1.2	1.3
Number granted	168,506	429,992	316,412	214,865	92,458	344,060	202,541	211,469
Vesting period (years)	3.0	3.0	3.0	5.0	2.0	3.0	5.0	2.0
Expected volatility (%)	40.7	41.3	47.7	42.8	54.1	46.4	42.3	35.9
Expected life (years)	6.0	6.0	3.3	5.3	2.1	3.3	5.3	2.1
Risk free rate (%)	3.9	4.4	4.8	4.9	4.8	4.5	4.6	4.5
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 (%)	4.3	3.5	3.5	3.5	3.5	3.7	3.7	3.7
Fair value per option (£)	0.4	0.5	0.6	0.6	0.6	0.6	0.6	0.4

Grant type	Sharesave	Sharesave	Sharesave	US Stock Plan	Sharesave	Sharesave	Sharesave	US Stock Plan
Grant date	11-Nov-05	11-Nov-05	11-Nov-05	11-Nov-05	10-Nov-06	10-Nov-06	10-Nov-06	10-Nov-06
Share price at grant date (£)	2.5	2.5	2.5	2.5	3.7	3.7	3.7	3.7
Option price (£)	1.9	1.9	1.9	2.1	2.8	2.8	2.9	3.2
Number granted	486,291	143,559	33,118	110,763	308,910	109,230	19,433	154,275
Vesting period (years)	3.0	5.0	5.0	2.0	3.0	5.0	5.0	2.0
Expected volatility (%)	33.6	40.5	40.5	24.1	26.8	40.6	40.6	26.8
Expected life (years)	3.3	5.3	5.3	2.1	3.3	5.3	5.3	2.1
Risk free rate (%)	4.4	4.5	4.5	4.4	4.9	4.8	4.8	4.9
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 (%)	2.4	2.4	2.4	2.4	1.7	1.7	1.7	1.7
Fair value per option (£)	0.9	1.1	1.1	0.6	1.3	1.7	1.7	1.0

21 Share capital continued

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 (£)	5.7	5.7	5.7	5.7	4.3	4.3	4.3	3.8
Option price (£)	5.0	5.0	4.9	4.9	4.4	4.4	4.4	3.2
Number granted	264,698	84,907	9,792	93,503	567,259	211,082	44,223	317,923
Vesting period (years)	3.0	5.0	4.0	2.0	3.0	5.0	4.0	2.0
Expected volatility (%)	32.0	26.8	26.8	26.7	36.1	32.4	33.4	38.9
Expected life (years)	3.3	5.3	4.3	2.1	3.3	5.3	4.3	2.1
Risk free rate (%)	4.7	4.7	4.7	4.8	3.4	3.8	3.6	3.0
Expectation of employees meeting performance criteria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Expected dividends expressed as a dividend yield (%)	1.3	1.3	1.3	1.3	2.0	2.0	2.0	2.3
Fair value per option	1.8	2.0	1.9	1.5	1.1	1.2	1.2	1.1

Grant type Grant date	Sharesave 30-Oct-09	Sharesave 30-Oct-09	Sharesave 30-Oct-09	US Stock Plan 30-Oct-09	Sharesave 20-Nov-09
Share price at grant date (£)	7.6	7.6	7.6	7.6	7.5
Option price (£)	5.5	5.5	5.5	6.5	5.5
Number granted	281,110	70,609	8,439	83,435	16,577
Vesting period (years)	3.0	5.0	4.0	2.0	3.0
Expected volatility (%)	42.6	37.0	39.7	48.4	42.6
Expected life (years)	3.3	5.3	4.3	2.1	1.4
Risk free rate (%)	2.2	2.8	2.5	0.9	2.1
Expectation of employees meeting performance criteria	n/a	n/a	n/a	n/a	n/a
Expected dividends expressed as a dividend yield (%)	1.4	1.4	1.4	1.4	1.4
Fair value per option	3.1	3.3	3.2	2.5	3.0

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 2009	2,263,147	3.27	440,823	4.42	519,651	3.41	1,197,102	nil
Granted	376,735	5.53	–	–	83,435	6.46	955,924	nil
Exercised	(464,099)	1.78	(410,823)	4.42	(183,802)	3.62	(298,020)	nil
Lapsed	(213,368)	3.42	(20,000)	4.58	(46,551)	3.59	(71,957)	nil
Outstanding at 31 December 2009	**1,962,415**	**4.04**	**10,000**	**4.28**	**372,733**	**3.95**	**1,783,049**	**nil**
Weighted average contractual life (years)	2		–		1		2	

Notes to the Group Accounts continued

For the year ended 31 December 2009

21 Share capital continued

The weighted average share price during the year for options exercised over the year was £3.12 (2008: £2.48). The total charge for the year relating to employee share based payment plans was £9.2 million (2008: £7.8 million), all of which related to equity-settled share based payment transactions.

Options and awards outstanding over Ordinary shares as at 31 December 2009 (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	2009 Number	2008 Number	Market price (£)[1]
Executive Share Option Scheme – Aug 2000	4.28	Aug 2003	Aug 2010	**10,000**	75,000	4.28
Executive Share Option Scheme – Mar 2001	4.58	Mar 2004	Mar 2011	**–**	351,700	4.58
Executive Share Option Scheme – Feb 2003	1.29	Feb 2006	Feb 2013	**–**	10,000	1.29
Executive Share Option Scheme – Sep 2003	1.59	Sep 2006	Sep 2013	**–**	4,123	1.59
Sharesave – Oct 2003	1.29	Oct 2008	Apr 2009	**–**	110,130	1.57
Sharesave – Nov 2004	1.17	Nov 2009	May 2010	**126,710**	132,601	1.55
Sharesave – Nov 2005	1.89	Nov 2008	May 2009	**–**	392,914	2.50
	1.89	Nov 2010	May 2011	**96,553**	100,566	2.50
	1.90	Nov 2010	May 2011	**19,963**	33,118	2.50
Long-term Incentive Plan – Apr 2006	–	Apr 2009	Oct 2009	**–**	283,230	3.10
US Stock Option Plan – Nov 2006	3.17	Nov 2008	Feb 2009	**–**	133,914	3.74
Sharesave – Nov 2006	2.82	Nov 2009	May 2010	**253,974**	282,934	3.74
	2.82	Nov 2011	May 2012	**80,328**	92,603	3.74
	2.87	Nov 2011	May 2012	**18,515**	19,433	3.74
Long-term Incentive Plan – Apr 2007	–	Apr 2010	Oct 2010	**222,346**	226,180	5.20
US Stock Option Plan – Nov 2007	4.87	Nov 2009	Feb 2010	**7,713**	67,814	5.73
Sharesave – Nov 2007	5.04	Nov 2010	May 2011	**166,490**	206,058	5.73
	4.91	Nov 2011	May 2012	**5,402**	5,402	5.73
	5.04	Nov 2012	May 2013	**47,164**	60,434	5.73
	4.91	Nov 2012	May 2013	**4,390**	4,390	5.73
Long-term Incentive Plan – Apr 2008	–	Apr 2011	Oct 2011	**604,779**	687,692	5.94
US Stock Option Plan – Oct 2008	3.20	Oct 2010	Jan 2011	**281,585**	317,923	3.76
Sharesave – Oct 2008	4.37	Oct 2011	Apr 2012	**532,927**	567,259	4.33
	4.37	Oct 2012	Apr 2013	**29,264**	30,600	4.33
	4.37	Oct 2013	Apr 2014	**190,377**	211,082	4.33
	4.37	Oct 2013	Apr 2014	**13,623**	13,623	4.33
Long-term Incentive Plan – Apr 2009	–	Apr 2012	Oct 2011	**955,924**	–	5.23
US Stock Option Plan – Oct 2009	US$10.64	Nov 2011	Jan 2012	**83,435**	–	7.60
Sharesave UK 3 year – Oct 2009	5.53	Jan 2013	Jun 2013	**110,309**	–	7.60
Sharesave International 3 year – Oct 2009	US$8.77	Jan 2013	Jun 2013	**142,046**	–	7.60
	US$8.77	Jan 2013	Jun 2013	**16,577**	–	7.60
	6.02	Jan 2013	Jun 2013	**23,278**	–	7.60
	CAD$9.53	Jan 2013	Jun 2013	**5,477**	–	7.60
Sharesave French 4 year – Oct 2009	6.02	Jan 2014	Jun 2014	**8,439**	–	7.60
Sharesave UK 5 year – Oct 2009	5.53	Jan 2015	Jun 2015	**35,090**	–	7.60
Sharesave International 5 year – Oct 2009	US$8.77	Jan 2015	Jun 2015	**32,909**	–	7.60
	6.02	Jan 2015	Jun 2015	**2,610**	–	7.60
				4,128,197	4,420,723	

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

22 Treasury shares

	2009 £ million	2008 £ million
Treasury shares	**(25.8)**	(20.5)

Interests in own shares represent the cost of 4,422,419 of the Company's ordinary shares (nominal value 20 pence) (31 December 2008: 3,825,034). In April 2009, 1,529,280 shares were acquired by the Trust in the open market. During the year 931,895 shares were allotted to participants in the Long-term Incentive Plan. These shares represent 1.6% of issued share capital as at 31 December 2009 (2008: 1.4%).

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 2009 was £41.1 million (31 December 2008: £17.1 million).

23 Capital commitments

	2009 £ million	2008 £ million
Contracted but not provided for (property, plant and equipment)	**8.3**	12.6

24 Operating lease commitments – minimum lease payments

	2009		2008	
	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	**8.9**	**7.8**	5.6	7.2
Later than 1 year and less than 5 years	**15.4**	**10.0**	18.2	9.4
After 5 years	**7.3**	**–**	8.5	–
Total	**31.6**	**17.8**	32.3	16.6

25 Pension commitments

Overseas

Pension arrangements for overseas employees vary, and schemes reflect best practice and regulation in each particular country. The charge against profit is the amount of contributions payable to the defined contribution pension schemes in respect of the accounting period. The pension cost attributable to overseas employees for 2009 was £4.2 million (2008: £3.1 million).

United Kingdom

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

A valuation of the Scheme was carried out as at 31 December 2008 using the Attained Age method to determine the level of contributions to be made by the Group. The actuaries adopted a valuation basis linked to market conditions at the valuation date. Assets were taken at market value. The major actuarial assumptions used were:

Return on investments	4.8%
Rate of increase in salaries	4.6%
Increase in pensions	3.1%

At the valuation date, the market value of the Scheme's assets (excluding AVCs) was £32,600,000 which was sufficient to cover 67% of the benefits that had accrued to members, after making allowances for future increases in earnings.

During 2009 Company contributions for benefits building up in the future were 25.4% of pensionable earnings. As part of the valuation at 31 December 2008, the Company and the trustees have agreed upon a Schedule of Contributions and a Recovery Plan. From 1 January 2010 the Company will pay contributions for benefits building up in future at a rate of 28.6% of pensionable earnings, plus administration costs. To address the Scheme deficit the Group made additional contributions of £0.5 million in March 2009 and £3.5 million in December 2009. The Company plans to make further additional contributions of £3.5 million in 2010, £2.5 million in 2011 and £0.6 million in subsequent years until December 2018. Employee contributions are 6% of pensionable earnings.

Notes to the Group Accounts continued

For the year ended 31 December 2009

25 Pension commitments continued

The Scheme closed to all new employees joining the Group after 1 April 2002. New employees are given the option to join a defined contribution scheme. Contributions of £0.7 million were paid to the scheme during the year (2008: £0.6 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 2009	31 Dec 2008
Rate of increase in salaries	**5.4%**	4.5%
Rate of increase in pensions in payment	**3.7%**	3.0%
Rate of increase in deferred pensions	**3.9%**	3.0%
Discount rate	**5.7%**	5.4%
Inflation assumption	**3.9%**	3.0%
Expected return on Scheme assets	**5.2%**	5.6%
Longevity at age 65 for current pensioners (years)		
Men	**23.5**	22.8
Women	**26.4**	26.0
Longevity at age 65 for future pensioners (years)		
Men	**25.3**	24.9
Women	**28.1**	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.

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

	Long term rate of return expected at 31 Dec 2009	Value at 31 Dec 2009 £ million	Long term rate of return expected at 31 Dec 2008	Value at 31 Dec 2008 £ million	Long term rate of return expected at 31 Dec 2007	Value at 31 Dec 2007 £ million
Equities	**6.9%**	**21.4**	6.4%	17.2	7.0%	17.7
Gilts	**3.9%**	**5.1**	3.4%	5.4	4.0%	4.7
Bonds	**5.2%**	**11.0**	6.4%	7.7	5.0%	6.0
Cash	**0.0%**	**5.3**	1.5%	2.3	5.0%	4.2
Total		**42.8**		32.6		32.6

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

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

	2009 £ million	2008 £ million	2007 £ million
Fair value of assets	**42.8**	32.6	32.6
Present value of funded obligations	**(48.6)**	(40.6)	(40.7)
Liability recognised in the Balance Sheet	**(5.8)**	(8.0)	(8.1)

An alternative method of valuation is the estimated cost of buying out benefits at 31 December 2009 with a suitable insurer. This amount represents the amount that would be required to settle the Scheme liabilities at 31 December 2009 rather than the Company continuing to fund the ongoing liabilities of the Scheme. The Company estimates the amount required to settle the Scheme's liabilities at 31 December 2009 is around £65-£70 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:

	2009 £ million	2008 £ million
Current service costs	**1.2**	1.4
Interest cost	**2.2**	2.3
Expected return on Scheme assets	**(1.9)**	(2.2)
	1.5	1.5

Of the total charge of £1.5 million, £0.4 million (2008: £0.4 million) and £1.1 million (2008: £1.1 million) were included, respectively in cost of sales and administrative expenses.

25 Pension commitments continued

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

	2009 £ million	2008 £ million
Present value of obligation at 1 January	**40.6**	40.7
Service cost	**1.2**	1.4
Interest cost	**2.2**	2.3
Contributions from Scheme members	**0.4**	0.4
Benefits paid	**(0.7)**	(0.3)
Actuarial losses/(gains)	**4.9**	(3.9)
Present value of obligation at 31 December	**48.6**	40.6

Present value of Scheme assets are as follows:

	2009 £ million	2008 £ million
Fair value of Scheme assets at 1 January	**32.6**	32.6
Expected return on Scheme assets	**1.9**	2.2
Employer contributions	**5.8**	5.6
Contributions from Scheme members	**0.4**	0.4
Benefits paid	**(0.7)**	(0.3)
Actuarial gains/(losses)	**2.8**	(7.9)
Fair value of Scheme assets at 31 December	**42.8**	32.6

Analysis of the movement in the balance sheet

	2009 £ million	2008 £ million
At 1 January	**(8.0)**	(8.1)
Total expense as above	**(1.5)**	(1.5)
Contributions	**5.8**	5.6
Net actuarial losses	**(2.1)**	(4.0)
At 31 December	**(5.8)**	(8.0)

Cumulative actuarial gains and losses recognised in equity

	2009 £ million	2008 £ million
At 1 January	**20.4**	16.4
Actuarial losses recognised in the year	**2.1**	4.0
At 31 December	**22.5**	20.4

The actual return on Scheme assets was a gain of £4.7 million (2008: loss of £5.7 million).

History of experience gains and losses

	2009	2008	2007	2006	2005
Experience adjustments arising on Scheme assets:					
Amount (£m)	**2.8**	(7.9)	(0.3)	–	1.5
Percentage of Scheme assets	**6.5%**	(24.2%)	(1.0%)	0.0%	8.0%
Experience adjustments arising on Scheme liabilities:					
Amount (£m)	**1.1**	–	–	(0.5)	–
Percentage of present value Scheme liabilities	**2.3%**	0.0%	0.0%	(1.0%)	0.0%
Present value of Scheme liabilities (£m)	**48.6**	40.6	40.7	37.4	35.2
Fair value of Scheme assets (£m)	**42.8**	32.6	32.6	24.3	18.4
Deficit (£m)	**5.8**	8.0	8.1	13.1	16.8

The contributions expected to be paid during the financial year ending 31 December 2010 amount to £5.2 million.

For the year ended 31 December 2009

26 Significant investments

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

All shareholdings are of ordinary shares or other equity capital.

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

* Registered in Cyprus ** Administered from Dubai and registered in the UK *** Registered in the Netherlands
\+ Intermediate holding companies ++ Finance Company
+++ The financial year end of Aggreko Energy Rental India Private Limited is 31 March due to local taxation requirements

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

27 Acquisition of the power rental business of Cummins India Ltd

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 and operating profit of £0.8 million.

The acquisition method of accounting has been adopted and the goodwill arising on the purchase has been capitalised. The acquisition was completed on a slump sale basis. This means that no specific book values were assigned to the assets and liabilities purchased. An independent valuation was carried out to assign fair values to the assets. The details of the transaction and fair value of assets acquired are shown below:

	Fair value £ million
Intangible fixed assets	2.1
Property, plant and equipment	1.4
Net assets acquired	3.5
Goodwill	0.7
Consideration	4.2

Intangible fixed assets represent customer relationships and a non-compete agreement. Goodwill represents the value of synergies arising from the integration of the acquired business. Synergies include direct cost savings, improved utilisation of the acquired fleet assets and the reduction of overheads.

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 2009 which comprise the Company Balance Sheet, the Company Statement of Total Recognised Gains and Losses and the related notes to the Company financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors
As explained more fully in the Directors' Responsibilities Statement (set out on page 72), the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

Opinion on financial statements
In our opinion the parent company financial statements:
- give a true and fair view of the state of the Company's affairs as at 31 December 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matters
We have reported separately on the Group financial statements of Aggreko plc for the year ended 31 December 2009.

Michael Timar (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
4 March 2010

Company Balance Sheet

As at 31 December 2009

	Notes	2009 £ million	2008 £ million
Fixed assets			
Tangible assets	32	6.3	8.1
Investments	33	108.7	116.1
Deferred tax assets	38	3.4	5.8
		118.4	130.0
Current assets			
Debtors	34	543.5	531.1
Derivative financial instruments	36	–	14.5
Cash and cash equivalents		0.9	1.9
Current tax assets		0.4	0.4
		544.8	547.9
Creditors – amounts falling due within one year			
Borrowings	35	–	(157.9)
Derivative financial instruments	36	–	(15.9)
Other creditors	37	(173.7)	(146.5)
Net current assets		371.1	227.6
Total assets less current liabilities		489.5	357.6
Creditors – amounts falling due after more than one year			
Borrowings	35	(180.0)	(211.6)
Derivative financial instruments	36	(6.7)	(19.1)
Retirement benefit obligation	39	(4.2)	(5.8)
Net assets		298.6	121.1
Shareholders' equity			
Share capital	40	54.7	54.4
Share premium	41	13.3	10.2
Treasury shares	41	(25.8)	(20.5)
Capital redemption reserve	41	0.1	0.1
Hedging reserve	41	(4.4)	(14.4)
Retained earnings	41	260.7	91.3
Total shareholders' equity		298.6	121.1

Approved and authorised for issue by the Board on 4 March 2010 and signed on its behalf by:

P G Rogerson
Chairman

A G Cockburn
Finance Director

The notes on pages 114 to 120 form part of these Accounts.

Company Statement of Total Recognised Gains and Losses

For the year ended 31 December 2009

	2009 £ million	2008 £ million
Profit for the financial year	193.5	57.4
Actuarial losses on retirement benefits	(2.1)	(4.0)
Movement in deferred tax on pension liability	0.6	1.1
Cashflow hedges (net of deferred tax)	10.0	(12.8)
Total recognised gains for the financial year	202.0	41.7

Notes to the Company Accounts

For the year ended 31 December 2009

28 Company accounting policies

Accounting convention

These financial statements have been prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain financial instruments in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. A summary of the more important Company accounting policies is set out below.

Tangible fixed assets

Tangible fixed assets are carried at cost less accumulated depreciation and impairment losses. Cost includes purchase price, and directly attributable costs of bringing the assets into the location and condition where it is capable for use. Borrowings costs are not capitalised.

Fixed assets are depreciated on a straight line basis at annual rates estimated to write off the cost of each asset over its useful life from the date it is available for use. The principal period of depreciation used is as follows:

Vehicles, plant and equipment   4 to 15 years.

Impairment of tangible fixed assets

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

Foreign currencies

At individual Company level, transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs. At the year end, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary assets are translated at the historical rate. In order to hedge its exposure to certain foreign exchange risks, the Company enters into forward foreign exchange contracts. The Company's financial statements are presented in Sterling, which is the Company's presentational currency.

Derivative financial instruments

The accounting policy is identical to that applied by the consolidated Group as set out on page 83, however the UK GAAP standards are applied.

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 84.

28 Company accounting policies continued

Investments

Investments in subsidiary undertakings are stated in the balance sheet of the Company at cost, or nominal value of the shares issued as consideration where applicable, less provision for any impairment in value. Share-based payments recharged to subsidiary undertakings are treated as capital contributions and are added to investments.

Leases

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

Grants

Capital grants in respect of additions to fixed assets are treated as deferred income and released to the income statement over the estimated operational lives of the related assets.

Share-based payments

The accounting policy is identical to that applied by the consolidated Group as set out on page 85 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.

Accounts

29 Staff costs

	2009 £ million	2008 £ million
Wages and salaries	11.2	10.4
Social security costs	1.5	0.9
Other pension cost	0.7	0.6
Share-based payment	2.4	1.9
	15.8	13.8
Average number of employees	149	115

30 Dividends

Refer to Note 10 of the Group Accounts.

31 Auditors' remuneration

	2009 £000	2008 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	124	112
Fees payable to the Company's auditor and its associates for other services:		
– Other services pursuant to legislation	27	27
– Tax services	–	–
– All other services	35	11
Fees in respect of the Aggreko plc pension scheme:		
– Audit	6	6

Notes to the Company Accounts continued

For the year ended 31 December 2009

32 Tangible fixed assets

	Total £ million
Cost	
At 1 January 2009	18.4
Additions	0.6
Disposals	(0.1)
At 31 December 2009	**18.9**
Accumulated depreciation	
At 1 January 2009	10.3
Charge for the year	2.4
Disposals	(0.1)
At 31 December 2009	**12.6**
Net book values:	
At 31 December 2009	**6.3**
At 31 December 2008	8.1

The tangible fixed assets of the Company comprise vehicles, plant and equipment.

33 Investments

	£ million
Cost of investments in subsidiary undertakings:	
At 1 January 2009	116.1
Net impact of share-based payments	(2.7)
Exchange	(4.7)
At 31 December 2009	**108.7**

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

34 Debtors

	2009 £ million	2008 £ million
Prepayments and accrued income	**0.6**	0.3
Other receivables	**0.4**	1.0
Amounts due from subsidiary undertakings	**542.5**	529.8
	543.5	531.1

35 Borrowings

	2009 £ million	2008 £ million
Non-current		
Bank borrowings	**180.0**	211.6
Current		
Bank overdrafts	**–**	0.2
Bank borrowings	**–**	157.7
	–	157.9
Total borrowings	**180.0**	369.5

The bank overdrafts and borrowings are all unsecured.

35 Borrowings continued

(i) Maturity of financial liabilities

The maturity profile of the borrowings was as follows:

	2009 £ million	2008 £ million
Within 1 year, or on demand	–	157.9
Between 1 and 2 years	151.1	–
Between 2 and 3 years	–	185.8
Between 3 and 4 years	28.9	–
Between 4 and 5 years	–	25.8
	180.0	369.5

(ii) Borrowing facilities

The Company has the following undrawn committed floating rate borrowing facilities available at 31 December 2009 in respect of which all conditions precedent had been met at that date:

	2009 £ million	2008 £ million
Expiring within 1 year	–	1.2
Expiring between 1 and 2 years	215.9	–
Expiring between 2 and 3 years	97.1	105.6
Expiring between 3 and 4 years	31.1	–
Expiring between 4 and 5 years	–	34.3
Expiring after 5 years	–	–
	344.1	141.1

(iii) Interest rate risk profile of financial liabilities

The interest rate profile of the Company's financial liabilities at 31 December 2009, after taking account of the interest rate swaps used to manage the interest profile, was:

				Fixed rate debt	
	Floating rate £ million	Fixed rate £ million	Total £ million	Weighted average interest rate %	Weighted average period for which rate is fixed years
Currency:					
Sterling	39.0	–	39.0	–	–
US Dollar	18.6	89.5	108.1	4.6	6.8
Euro	15.1	17.8	32.9	5.0	3.6
Canadian Dollar	–	–	–	–	–
At 31 December 2009	**72.7**	**107.3**	**180.0**		
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**		

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 £107.3 million (2008: £227.5 million) of borrowings in the above table as fixed rate.

The notional principal amount of the outstanding interest rate swap contracts at 31 December 2009 was £107.3 million (2008: £227.5 million).

(iv) Preference share capital

	2009 Number	2009 £000	2008 Number	2008 £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 2009 and 31 December 2008.

Notes to the Company Accounts continued

For the year ended 31 December 2009

36 Financial instruments

(i) Fair values of financial assets and financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair values of the Company's financial assets and financial liabilities at 31 December 2009. 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.

	2009 Book value £ million	2009 Fair value £ million	2008 Book value £ million	2008 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	(180.0)	(180.0)	(211.6)	(211.6)
Derivative financial instruments held:				
Interest rate swaps	(6.7)	(6.7)	(20.5)	(20.5)

(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.

	2009 Assets £ million	2009 Liabilities £ million	2008 Assets £ million	2008 Liabilities £ million
Less than one year:				
Interest rate swaps – cash flow hedge	–	–	–	(1.4)
Forward foreign currency contracts – cash flow hedge	–	–	14.5	(14.5)
More than one year:				
Interest rate swaps – cash flow hedge	–	(6.7)	–	(19.1)
	–	(6.7)	14.5	(35.0)

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:

	2009 £ million	2008 £ million
Contracts with positive fair values:		
Forward foreign currency contracts	–	14.5
Contracts with negative fair values:		
Interest rate swaps	(6.7)	(20.5)
Forward foreign currency contracts	–	(14.5)
	(6.7)	(20.5)

The net fair value losses at 31 December 2009 on open interest rate swaps that hedge interest risk are £6.7 million (2008: losses of £20.5 million). These will be debited to the income statement interest charge over the remaining life of each interest rate swap.

36 Financial instruments continued

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

As at 31 December 2009

	<1 year £ million	1-5 years £ million	>5 years £ million	Total £ million
Total borrowings	–	180.0	–	180.0
Effect of interest rate swaps	–	(45.6)	(61.7)	(107.3)
	–	134.4	(61.7)	72.7

As at 31 December 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 2009 and 31 December 2008 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:

	2009	2008
Bank overdraft	–%	4.3%
Bank borrowings	0.8%	3.4%

37 Other creditors: amounts falling due within one year

	2009 £ million	2008 £ million
Accruals and deferred income	15.3	19.1
Amounts owed to subsidiary undertakings	158.4	127.4
	173.7	146.5

38 Deferred tax

	2009 £ million	2008 £ million
At 1 January	(5.8)	(0.7)
Credit to the income statement	(1.4)	(0.1)
Credit to equity	3.8	(5.0)
At 31 December	(3.4)	(5.8)
Deferred tax provided in the Accounts is as follows:		
Accelerated capital allowances	0.5	0.9
Other timing differences	(3.9)	(6.7)
	(3.4)	(5.8)
Deferred tax asset relating to pension deficit:		
At 1 January	2.2	2.3
Deferred tax charge to income statement	(1.2)	(1.2)
Deferred tax credited to Statement of Total Recognised Gains and Losses	0.6	1.1
	1.6	2.2

39 Pension commitments

	2009 £ million	2008 £ million
FRS 17 Deficit in the scheme (Refer to Note 25 of the Group Accounts)	(5.8)	(8.0)
Related deferred tax asset	1.6	2.2
	(4.2)	(5.8)

Notes to the Company Accounts continued

For the year ended 31 December 2009

40 Share capital

	2009 Number	2009 £000	2008 Number	2008 £000
Authorised:				
Ordinary shares of 20p each	459,750,003	92,000	349,750,010	69,950
Allotted, called up and fully paid:				
Ordinary shares of 20p each	273,473,338	54,695	272,116,594	54,424

During the year 1,058,724 Ordinary shares of 20 pence each have been issued at prices ranging from £1.17 to £5.04 to satisfy the exercise of options under the Savings-Related Share Option Schemes ('Sharesave') and Executive Share Option Schemes by eligible employees. In addition 298,020 shares were allotted to US participants in the Long-term Incentive Plan by the allotment of new shares at 20 pence per share. Net proceeds from the issue of Ordinary shares were £3.4 million (2008: £1.3 million).

41 Reconciliation of movements in shareholders' funds

	Called up share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Hedging reserve £ million	Profit and loss account £ million	Capital and reserves £ million
1 January 2009	54.4	10.2	(20.5)	0.1	(14.4)	91.3	121.1
Profit for the financial year	–	–	–	–	–	193.5	193.5
Dividends	–	–	–	–	–	(28.6)	(28.6)
Fair value gains on interest rate swaps	–	–	–	–	10.6	–	10.6
Transfer from hedging reserve to net finance charge on early termination of interest rate swaps	–	–	–	–	3.1	–	3.1
Transfer from hedging reserve to net finance charge	–	–	–	–	0.1	–	0.1
Credit in respect of employee share awards	–	–	–	–	–	9.2	9.2
Issue of ordinary shares to employees under share option schemes	–	–	3.1	–	–	(3.1)	–
Actuarial losses on retirement benefits	–	–	–	–	–	(2.1)	(2.1)
Deferred tax on items taken to equity	–	–	–	–	(3.8)	0.5	(3.3)
New share capital subscribed	0.3	3.1	–	–	–	–	3.4
Purchase of treasury shares	–	–	(8.4)	–	–	–	(8.4)
31 December 2009	**54.7**	**13.3**	**(25.8)**	**0.1**	**(4.4)**	**260.7**	**298.6**

42 Operating lease commitments – minimum lease payments

	2009 Land and buildings £ million	2008 Land and buildings £ million
Commitments under operating leases expiring:		
Within 1 year	–	–
Later than 1 year and less than 5 years	0.2	0.2
After 5 years	0.2	0.2
Total	**0.4**	0.4

43 Profit and loss account

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The profit for the financial year of the Company was £193.5 million (2008: £57.4 million).

Directors' Report

Accounts

SHAREHOLDERS

Shareholders

Shareholder Information

Payment of dividends by BACS

Many Shareholders have already arranged for dividends to be paid by mandate directly to their bank or building society account. The Company mandates dividends through the BACS (Bankers' Automated Clearing Services) system. The benefit to Shareholders of the BACS payment method is that the Registrar posts the tax vouchers directly to them, whilst the dividend is credited on the payment date to the Shareholder's bank or building society account. Shareholders who have not yet arranged for their dividends to be paid directly to their bank or building society account and wish to benefit from this service should request the Company's Registrar to send them a Dividend/Interest mandate form or alternatively complete the mandate form accompanying their dividend warrant and tax voucher in May 2010.

Overseas dividend payments

Capita Registrars has partnered with Travelex, the world's largest specialist provider of commercial international payment services, to provide you with a service that will convert your Sterling dividends into your local currency. Your dividend will then be conveniently paid directly into your local bank account. For further information about the International Payment Service from Capita Registrars, including details of how to apply, please visit www.capitaregistrars.com/international or call 0871 664 0385 (calls costs 10p per minute plus network extras) or +44 (0)20 8639 3405 (outside of UK) between 9.00am to 5.30pm GMT. Alternatively you may wish to email your enquiry to IPS@capitaregistrars.com.

Online shareholder services and share dealing

Shareholders may wish to take advantage of the 'Online' enquiry service offered by the Registrar. This service allows a Shareholder to access his/her own account to verify address details and the number of shares held. The service can be obtained on http://shares.aggreko.com. The Registrar also offers a share dealing service to existing Shareholders.

Sharegift

We value all our Shareholders, no matter how many shares they own, but we do realise that some Shareholders hold on to small quantities of shares because they believe that the cost of selling them would make the transaction uneconomic. A free service is available to enable Shareholders with small holdings, should they so wish, to donate their shares to charity, and gain the benefit of tax relief on this donation. This scheme has been successfully adopted by several large quoted companies, and further details are available from the Secretary.

Officers and Advisers

Secretary and Registered Office
Peter Kennerley
8th Floor
120 Bothwell Street
Glasgow G2 7JS
United Kingdom
Tel 0141 225 5900
Fax 0141 225 5949
E-mail investors@aggreko.com
Company No. SC 177553

Registrars and Transfer Office
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0GA
United Kingdom
Tel 0871 664 0300
(From outside the UK:
+44 (0)20 8639 3399)
Calls cost 10p per minute plus
network extras
Website www.capitaregistrars.com
E-mail ssd@capitaregistrars.com

Stockbrokers
UBS – London
Citigroup Global Markets –
London

Auditors
PricewaterhouseCoopers LLP –
Glasgow
Chartered Accountants

Financial calendar

	Year ended 31 December 2009	6 Months ending 30 June 2010
Results announced	4 March 2010	Late August 2010
Report posted	18 March 2010	Mid September 2010
Annual General Meeting	28 April 2010	
Ex-dividend date	21 April 2010	Late October 2010
Dividend record date	23 April 2010	Late October 2010
Dividend payment date	21 May 2010	Late November 2010

Financial Summary

Revenue £m

2009	1,023.9
2008	946.6
2007	693.2
2006	540.7
2005	417.7

Trading profit £m

2009	252.5
2008	200.6
2007	132.9
2006	86.7
2005	59.6

Trading margin %

2009	24.7
2008	21.2
2007	19.2
2006	16.0
2005	14.3

Dividend per share Pence

2009	12.60[3]
2008	10.08
2007	8.06
2006	6.72
2005	6.11

Profit before tax £m

2009	244.0
2008	190.0
2007	124.2
2006	83.1
2005	56.4

Diluted eps Pence

2009	62.42
2008	45.56
2007	30.02
2006	19.87
2005	13.72

Average number of employees

2009	3,620
2008	3,223
2007	2,707
2006	2,229
2005	1,997

Net operating assets £m

2009	883.8
2008	951.8
2007	554.0
2006	470.2
2005	356.5

Return on average capital employed %

2009	29.0
2008	28.5
2007	26.7
2006	22.1
2005	18.6

Capital expenditure £m

2009	160.9
2008	265.2
2007	180.6
2006	128.0
2005	80.2

Net debt £m

2009	175.5
2008	364.0
2007	202.6
2006	205.2
2005	102.9

Shareholders' funds £m

2009	603.1
2008	464.8
2007	293.3
2006	226.2
2005	208.2

[1] 2006 numbers are pre-exceptional items

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

[3] The Board is recommending a final dividend of 8.23 pence per ordinary share, which, when added to the interim dividend of 4.37 pence, gives a total for the year of 12.60 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 North, Central and South America, Europe, the Middle East, Africa, Asia and Australasia.

LWA
Sound power level at source.

MW
Megawatt – a million watts of electricity.

NOx
Oxides of nitrogen.

Operating profit (Also known as EBIT)
Profit from operations after gain on sale of property, plant and equipment but before interest and tax.

Particulate
In general this term relates to visible smoke.

pp
Percentage points.

Profit after tax
Profit attributable to equity shareholders.

Returns on average capital employed
Calculated by dividing operating profit for a period by the average of the net operating assets as at 1 January, 30 June and 31 December.

Spoke
A small service centre which provides a logistics point from where equipment can be prepared and sent out quickly to customers.

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

Trading profit
Operating profit before gain on sale of property, plant and equipment.

Designed and produced by Tayburn Corporate

Head office
Aggreko plc
8th Floor
120 Bothwell Street
Glasgow G2 7JS
United Kingdom
Telephone 0141 225 5900
Fax 0141 225 5949
www.aggreko.com