

Notes to the Group Accounts

For the year ended 31 December 2008

1 Accounting policies

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

Basis of preparation

The Group financial statements have been prepared in accordance with International Accounting Standards, International Financial Reporting Standards and IFRIC interpretations (collectively IFRSs) endorsed by the EU and with those parts of the Companies Act, 1985 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value.

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

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

New standards and interpretations not applied

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

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

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

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

Basis of consolidation

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

Revenue recognition

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

1 Accounting policies continued

Segmental reporting

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

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

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

Central administrative costs are allocated between segments based on revenue.

Leases

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

Exceptional items

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

Property, plant and equipment

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

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

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

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

Capital grants

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

Intangibles

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

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

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

Notes to the Group Accounts continued

For the year ended 31 December 2008

1 Accounting policies continued

Goodwill

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

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

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

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

Foreign currencies

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

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

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

Derivative financial instruments

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

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

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

1 Accounting policies continued

Cash flow hedge

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

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

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

Overseas net investment hedges

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

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

Taxation

Deferred tax

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

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

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

Current tax

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

Inventories

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

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

Notes to the Group Accounts continued

For the year ended 31 December 2008

1 Accounting policies continued

Employee benefits

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

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

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

Trade receivables

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

Trade payables

Trade payables are stated at their nominal value.

Provisions

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

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

Share-based payments

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

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

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

Cash and cash equivalents

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

Borrowings

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

1 Accounting policies continued

Dividend distribution

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

Key assumptions and significant judgements

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

Property, plant and equipment

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

Intangible assets

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

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

Pensions

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

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

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

Trade receivables

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

Taxation

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

Financial risk management

Financial risk factors

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

Notes to the Group Accounts continued

For the year ended 31 December 2008

1 Accounting policies continued

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

Liquidity, funding and capital management

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

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

Interest rate risk

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

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

Foreign exchange risk

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

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

The positive impact of currency, largely due to the movement in the US dollar and the euro, increased our revenues by £57.1 million (2007: decrease of £27.7 million) and trading profit by £12.8 million (2007: decrease of £5.9 million) for the year ended 31 December 2008. The Group monitors the impact of exchange closely and regularly carries out sensitivity analysis. For every 5 cents movement in the US dollar to GBP exchange rate there is an approximate impact of £4.4 million (2007: £2.7 million) in trading profit¹ in terms of translation. For every 5 cents movement in the euro to GBP exchange rate there is an approximate impact of £0.5 million (2007: £0.4 million) in trading profit in terms of translation. Currency translation also gave rise to a £99.0 million increase in reserves as a result of year on year movements in the exchange rates (2007: increase of £5.6 million). For every 5 cents movement in the dollar and euro, there is an approximate impact in equity of £9.2 million and £2.8 million respectively (2007: £3.7 million and £1.4 million), arising from the currency translation of external borrowings which are being used as a net investment hedge.

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

1 Accounting policies continued

Credit risk

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

Management of trade receivables

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

Insurance

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

2 Cashflow from operating activities

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

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

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

Notes to the Group Accounts continued

For the year ended 31 December 2008

3 Cash and cash equivalents

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

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

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

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

4 Segmental reporting

(a) Revenue by segment

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

- (i) Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third-parties.
- (ii) International Power Projects (IPP) is a global segment administered from Dubai. At the end of 2008 and 2007 the assets of the International Power Projects segment are predominantly located in the Middle East, Asia-Pacific, South America and Africa.
- (iii) In accordance with how management monitors the business, the results and net assets of the Beijing Olympics are now included in the Local business in the Middle East, Asia-Pacific and South America segment instead of IPP as previously reported. Comparative figures for capital expenditure, assets and liabilities have been restated by £4.8 million, £4.9 million and £1.0 million respectively. There has been no impact on any other comparative figures.

4 Segmental reporting continued

(b) Profit by segment

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

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

(c) Depreciation and amortisation by segment

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

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

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

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

Notes to the Group Accounts continued

For the year ended 31 December 2008

4 Segmental reporting continued (e) Assets/(liabilities) by segment

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

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

(f) Average number of employees by segment

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

(g) Segmental revenue by location of customer

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

(h) Reconciliation of net operating assets to net assets

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

5 Profit before taxation

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

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

6 Auditors' remuneration

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

7 Employees and directors

Staff costs for the Group during the year:

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

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

The key management figures given below comprise directors only.

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

8 Net finance charge

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

Notes to the Group Accounts continued

For the year ended 31 December 2008

9 Taxation

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

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

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

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

10 Dividends

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

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

11 Earnings per share

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

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

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

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

12 Goodwill

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

Goodwill impairment tests

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

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

Notes to the Group Accounts continued

For the year ended 31 December 2008

12 Goodwill continued

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

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

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

13 Other intangible assets

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

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

14 Property, plant and equipment

Year ended 31 December 2008

	Freehold properties £ million	Short leasehold properties £ million	Rental fleet £ million	Vehicles, plant and equipment £ million	Total £ million
Cost					
At 1 January 2008	27.9	8.5	883.5	51.7	971.6
Exchange adjustments	9.2	1.7	289.9	8.3	309.1
Additions	0.8	1.7	256.4	6.3	265.2
Acquisitions (Note 29)	–	–	4.7	0.4	5.1
Disposals	–	–	(51.7)	(2.3)	(54.0)
At 31 December 2008	<u>37.9</u>	<u>11.9</u>	<u>1,382.8</u>	<u>64.4</u>	<u>1,497.0</u>
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	<u>11.7</u>	<u>5.6</u>	<u>684.3</u>	<u>43.4</u>	<u>745.0</u>
Net book values:					
At 31 December 2008	<u>26.2</u>	<u>6.3</u>	<u>698.5</u>	<u>21.0</u>	<u>752.0</u>
At 31 December 2007	19.8	4.8	401.8	18.2	444.6

14 Property, plant and equipment continued

Year ended 31 December 2007

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

15 Inventories

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

16 Trade and other receivables

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

Other receivables principally comprise deposits and advance payments.

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

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

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

Notes to the Group Accounts continued

For the year ended 31 December 2008

16 Trade and other receivables continued

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

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

Credit quality of trade receivables

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

31 December 2008

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

31 December 2007

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

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

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

Local business

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

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

16 Trade and other receivables continued

International Power Projects (IPP)

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

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

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

17 Borrowings

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

The bank overdrafts and borrowings are all unsecured.

(i) Maturity of financial liabilities

The maturity profile of the borrowings was as follows:

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

(ii) Borrowing facilities

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

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

Notes to the Group Accounts continued

For the year ended 31 December 2008

17 Borrowings continued

(iii) Interest rate risk profile of financial liabilities

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

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

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

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

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

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

(iv) Interest rate risk profile of financial assets

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

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

(v) Preference share capital

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

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

18 Financial instruments

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

(i) Fair values of financial assets and financial liabilities

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

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

(ii) Summary of methods and assumptions

Interest rate swaps and forward foreign currency contracts

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

Current borrowings and overdrafts/Short-term deposits

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

Non-current borrowings

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

(iii) Financial instruments

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

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

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

Notes to the Group Accounts continued

For the year ended 31 December 2008

18 Financial instruments continued

Net fair values of derivative financial instruments

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

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

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

Hedge of net investment in foreign entity

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

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

As at 31 December 2008

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

As at 31 December 2007

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

18 Financial instruments continued

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

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

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

Maturity of financial liabilities

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

As at 31 December 2008

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

As at 31 December 2007

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

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

Derivative financial instruments settled on a gross basis

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

As at 31 December 2008

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

As at 31 December 2007

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

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

Notes to the Group Accounts continued

For the year ended 31 December 2008

19 Trade and other payables

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

20 Provisions

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

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

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

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

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

21 Deferred tax

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

21 Deferred tax continued

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

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

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

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

Deferred tax liabilities

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

Deferred tax assets

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

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

22 Share capital

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

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

Notes to the Group Accounts continued

For the year ended 31 December 2008

22 Share capital continued

Share options

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

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

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

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

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

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

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

22 Share capital continued

Grant type	US				US			
	Sharesave	Sharesave	Sharesave	Stock Plan	Sharesave	Sharesave	Sharesave	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 (£)	2.50	2.50	2.50	2.50	3.74	3.74	3.74	3.74
Option price (£)	1.89	1.89	1.90	2.13	2.82	2.82	2.87	3.17
Number granted	486,291	143,559	33,118	110,763	308,910	109,230	19,433	154,275
Vesting period (years)	3.00	5.00	5.00	2.00	3.00	5.00	5.00	2.00
Expected volatility (%)	33.60	40.50	40.50	24.10	26.80	40.60	40.60	26.80
Expected life (years)	3.25	5.25	5.25	2.13	3.25	5.25	5.25	2.13
Risk free rate (%)	4.40	4.50	4.50	4.40	4.90	4.80	4.80	4.90
Expectation of employees meeting performance criteria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Expected dividends expressed as a dividend yield (%)	2.36	2.36	2.36	2.36	1.69	1.69	1.69	1.69
Fair value per option (£)	0.88	1.07	1.07	0.57	1.30	1.72	1.70	0.96
Grant type	US				US			
Grant date	Sharesave	Sharesave	Sharesave	Stock Plan	Sharesave	Sharesave	Sharesave	Stock Plan
	9-Nov-07	9-Nov-07	9-Nov-07	9-Nov-07	31-Oct-08	31-Oct-08	31-Oct-08	29-Oct-08
Share price at grant date (£)	5.73	5.73	5.73	5.73	4.33	4.33	4.33	3.76
Option price (£)	5.04	5.04	4.91	4.87	4.37	4.37	4.37	3.20
Number granted	264,698	84,907	9,792	93,503	567,259	211,082	44,223	317,923
Vesting period (years)	3.00	5.00	4.00	2.00	3.00	5.00	4.00	2.00
Expected volatility (%)	32.00	26.80	26.80	26.70	36.10	32.40	33.40	38.90
Expected life (years)	3.25	5.25	4.25	2.13	3.25	5.25	4.25	2.10
Risk free rate (%)	4.70	4.70	4.70	4.80	3.40	3.80	3.60	3.00
Expectation of employees meeting performance criteria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Expected dividends expressed as a dividend yield (%)	1.26	1.26	1.26	1.26	2.00	2.00	2.00	2.30
Fair value per option	1.79	1.97	1.88	1.50	1.09	1.24	1.15	1.06

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

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

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

Notes to the Group Accounts continued

For the year ended 31 December 2008

22 Share capital continued

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

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

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

¹ Market price as at the date of grant.

23 Treasury shares

Treasury shares

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

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

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

24 Statement of changes in equity

As at 31 December 2008

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

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

Notes to the Group Accounts continued

For the year ended 31 December 2008

24 Statement of changes in equity continued

As at 31 December 2007

	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 2007	53.9	7.2	(9.1)	0.1	1.2	(25.7)	198.6	226.2
Fair value losses on foreign currency cash flow hedge	-	-	-	-	(1.5)	-	-	(1.5)
Transfers from hedging reserve to property, plant and equipment	-	-	-	-	(1.5)	-	-	(1.5)
Fair value losses on interest rate swaps	-	-	-	-	(3.4)	-	-	(3.4)
Currency translation differences (i)	-	-	-	-	-	5.6	-	5.6
Current tax on items taken to or transferred from equity	-	-	-	-	-	0.4	1.8	2.2
Deferred tax on items taken to or transferred from equity	-	-	-	-	1.8	-	0.2	2.0
Actuarial losses on retirement benefits	-	-	-	-	-	-	(0.1)	(0.1)
Purchase of treasury shares	-	-	(4.2)	-	-	-	-	(4.2)
Credit in respect of employee share awards	-	-	-	-	-	-	4.6	4.6
Issue of ordinary shares to employees under share option schemes	-	-	2.8	-	-	-	(2.8)	-
New share capital subscribed	0.3	1.6	-	-	-	-	-	1.9
Profit for the year	-	-	-	-	-	-	80.7	80.7
	<u>0.3</u>	<u>1.6</u>	<u>(1.4)</u>	<u>-</u>	<u>(4.6)</u>	<u>6.0</u>	<u>84.4</u>	<u>86.3</u>
Dividends paid during 2007	-	-	-	-	-	-	(19.2)	(19.2)
Balance at 31 December 2007	<u>54.2</u>	<u>8.8</u>	<u>(10.5)</u>	<u>0.1</u>	<u>(3.4)</u>	<u>(19.7)</u>	<u>263.8</u>	<u>293.3</u>

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

25 Capital commitments

	2008 £ million	2007 £ million
Contracted but not provided for (property, plant and equipment)	<u>12.6</u>	<u>18.1</u>

26 Operating lease commitments – minimum lease payments

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

27 Pension commitments

Overseas

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

United Kingdom

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

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

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

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

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

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

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

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

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

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

Notes to the Group Accounts continued

For the year ended 31 December 2008

27 Pension commitments continued

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

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

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

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

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

An alternative method of valuation is the estimated cost of buying out benefits at 31 December 2008 with a suitable insurer. This amount represents the amount that would be required to settle the Scheme liabilities at 31 December 2008 rather than the Company continuing to fund the on-going liabilities of the Scheme.

The Company estimates the amount required to settle the Scheme's liabilities at 31 December 2008 is around £55-£60 million which gives a Scheme shortfall on a buyout basis of approximately £22-£27 million.

The amounts recognised in the income statement are as follows:

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

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

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

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

Present value of Scheme assets are as follows:

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

27 Pension commitments continued

Analysis of the movement in the balance sheet

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

Cumulative actuarial gains and losses recognised in equity

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

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

History of experience gains and losses

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

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

28 Significant investments

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

All shareholdings are of ordinary shares or other equity capital.

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

* Registered in Cyprus

***Registered in the Netherlands

** Administered from Dubai and registered in the UK

+ Intermediate holding companies

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

Notes to the Group Accounts continued

For the year ended 31 December 2008

29 Acquisition of Power Plus Rentals & Sales Ltd

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

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

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

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

30 Events occurring after the balance sheet date

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

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

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