

Notes to the Group Accounts

For the year ended 31 December 2009

1 Accounting policies

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

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

Basis of preparation

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

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

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

Changes in accounting policy and disclosures

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

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

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

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

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

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

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

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

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

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

1 Accounting policies continued

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

	Effective date
IFRS 3 (revised) – Business combinations	1 July 2009
IFRIC 17 – Distribution of non-cash assets to owners	1 July 2009
IFRIC 18 – Transfers of assets from customers	1 July 2009
IAS 27 (revised) – Consolidated and separate financial statements	1 July 2009
Amendment to IAS 39 – Financial instruments: recognition and measurement	1 July 2009
IAS 38 (amendment) – Intangible assets	1 January 2010
IFRS 5 (amendment) – Non-current assets held for sale and discontinued operations	1 January 2010
IFRS 2 (amendment) – Group cash-settled share based payment transaction	1 January 2010
IFRIC 19 – Extinguishing financial liabilities with equity instruments	1 July 2010

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

Basis of consolidation

The Group financial statements consolidate the financial statements of Aggreko plc and all its subsidiaries for the year ended 31 December 2009. Subsidiaries are those entities over which the Group has the power to govern financial and operating policies, generally accompanying a shareholding that confers more than half of the voting rights. The consolidated income statement included the results of the business purchased from the effective date of acquisition.

Revenue recognition

Revenue for the Group represents the amounts earned from the supply of temporary power, temperature control, oil-free compressed air and related services and excludes sales taxes and intra-group revenue. Revenue can comprise a fixed rental charge and a variable charge related to the usage of assets or other services. In all cases, revenue is recognised in accordance with the contractual arrangements, for fixed rental charges, over the rental period and for variable elements as the asset is utilised or service is provided. Revenue is accrued or deferred at the balance sheet date depending on the date of the most recent invoice issued and the contractual terms.

Segmental reporting

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

The risks and rewards within IPP are significantly different from those within the Group's Local business. The Local business focuses on smaller, more frequently occurring events, whereas the International Power Projects business concentrates on large contracts, which can arise anywhere in the world.

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

Central administrative costs are allocated between segments based on revenue.

Leases

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

Exceptional items

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

Property, plant and equipment

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

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

Notes to the Group Accounts continued

For the year ended 31 December 2009

1 Accounting policies continued

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

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

Capital grants

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

Intangibles

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

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

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

Goodwill

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

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

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

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

Foreign currencies

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

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

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

1 Accounting policies continued

Derivative financial instruments

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

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

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

Cash flow hedge

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

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

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

Overseas net investment hedges

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

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

Taxation

Deferred tax

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

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

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

Notes to the Group Accounts continued

For the year ended 31 December 2009

1 Accounting policies continued

Current tax

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

Inventories

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

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

Employee benefits

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

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

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

Trade receivables

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

Trade payables

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

Provisions

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

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

1 Accounting policies continued

Share-based payments

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

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

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

Cash and cash equivalents

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

Borrowings

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

Dividend distribution

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

Key assumptions and significant judgements

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

Property, plant and equipment

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

Intangible assets

In accordance with IFRS 3 'Business Combinations' goodwill arising on acquisition of assets and subsidiaries is capitalised and included in intangible assets. IFRS 3 also requires the identification of other acquired intangible assets. The techniques used to value these intangible assets are in line with internationally used models but do require the use of estimates and forecasts which may differ from actual outcomes. Future results are impacted by the amortisation period adopted for these items and, potentially, by any differences between forecast and actual outcomes related to individual intangible assets. The amortisation charge for intangible assets in 2009 was £2.7 million (2008: £1.9 million). Included in this charge was £2.5 million related to the amortisation of intangible assets arising from business contributions (2008: £1.6 million).

Goodwill of £51.3 million (2008: £53.0 million) is not amortised but is tested annually for impairment and carried at cost less accumulated impairment losses. The impairment review calculations require the use of forecasts related to the future profitability and cash generating ability of the acquired assets.

Pensions

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

Notes to the Group Accounts continued

For the year ended 31 December 2009

1 Accounting policies continued

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

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

Trade receivables

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

The majority of the contracts the Group enters into are small relative to the size of the Group and, if a customer fails to pay a debt, this is dealt with in the normal course. However, some of the contracts the Group undertakes in developing countries are substantial, and are in jurisdictions where payment practices can be unpredictable. The Group monitors the risk profile and debtor position of all such contracts regularly, and deploys a variety of techniques to mitigate the risks of delayed or non-payment; these include securing advance payments, guarantees and various types of insurance. As a result of the rigorous approach to risk management, the Group has historically had a low level of bad debt. When a trade receivable is uncollectible it is written off against the provision for impairment of trade receivables account. At 31 December 2009 the provision for impairment of trade receivables in the balance sheet was £26.2 million (2008: £25.2 million).

Taxation

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

Financial risk management

Financial risk factors

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

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

Liquidity, funding and capital management

The Group's objective with respect to managing capital is to maintain a balance sheet structure that is both efficient in terms of providing long term returns to shareholders and safeguards the Group's financial position through economic cycles. If appropriate the Group can choose to adjust its capital structure by varying the amount of dividends paid to shareholders, by returning of capital to shareholders, by issuing new shares or by adjusting the level of capital expenditure. Gearing at 31 December 2009 decreased to 29% from 78% at 31 December 2008.

The Group maintains sufficient facilities to meet its normal funding requirements over the medium-term. These facilities are primarily in the form of committed bank facilities totalling £524.1 million at 31 December 2009, arranged on a bilateral basis with a number of international banks. The financial covenants attached to these facilities are that Operating Profit should be no less than 3 times interest, EBITDA should be no less than 4 times interest and net debt should be no more than 3 times EBITDA. The Group does not consider that these financial covenants are restrictive to its operations.

1 Accounting policies continued

The maturity profile of the borrowings is detailed in Note 17 in the Annual Report and Accounts with the next significant maturity not due until September 2011. Since the year end the Group has reduced committed facilities by £70.8 million to £453.3 million. The facilities now in place are currently anticipated to be ample for meeting the Group's requirements for the foreseeable future.

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

Interest rate risk

The Group's policy is to minimise the exposure to interest rates by ensuring an appropriate balance of fixed and floating rates. The Group's primary funding is at floating rates through its bank facilities. In order to manage the associated interest rate risk, the Group uses interest rate swaps to vary the mix of fixed and floating rates. At 31 December 2009, £107.3 million of the net debt of £175.5 million was at fixed rates of interest resulting in a fixed to floating rate net debt ratio of 61:39 (2008: 63:37). For the year ended 31 December 2009 the Group incurred a charge of £3.1 million as a result of terminating some interest rate swaps as debt declined in the second half of 2009.

The Group monitors its interest rate exposure on a regular basis by applying forecast interest rates to the Group's forecast net debt profile after taking into account its existing hedges. The Group also calculates the impact on profit and loss of a defined interest rate shift for all currencies. Based on the simulations performed, the impact on profit or loss of a +/-100 basis-point shift, after taking into account existing hedges, would be £0.7 million (2008: £1.5 million). The sensitivity analysis is performed on a monthly basis and is reported to the Board.

Foreign exchange risk

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

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

The positive impact of currency, largely due to the movement in the US Dollar and the Euro, increased our revenues by £145.9 million (2008: £57.1 million) and trading profit by £35.9 million (2008: £12.8 million) for the year ended 31 December 2009. The Group monitors the impact of exchange closely and regularly carries out sensitivity analysis. For every 5 cents movement in the US Dollar to GBP exchange rate there is an approximate impact of £7.2 million (2008: £4.4 million) in trading profit¹ in terms of translation. For every 5 cents movement in the Euro to GBP exchange rate there is an approximate impact of £0.3 million (2008: £0.5 million) in trading profit in terms of translation. Currency translation also gave rise to a £30.9 million decrease in reserves as a result of year on year movements in the exchange rates (2008: increase of £99.0 million). For every 5 cents movement in the Dollar and Euro, there is an approximate impact in equity of £3.4 million and £1.5 million respectively (2008: £9.2 million and £2.8 million), arising from the currency translation of external borrowings which are being used as a net investment hedge, however this will be offset by a corresponding movement in the equity of the net investment being hedged.

Credit risk

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

Management of trade receivables

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

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

Notes to the Group Accounts continued

For the year ended 31 December 2009

1 Accounting policies continued

Insurance

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

2 Cashflow from operating activities

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

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

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

3 Cash and cash equivalents

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

The effective interest rate on short-term bank deposits was 2.65% (2008: 2.63%); these deposits have an average maturity of less than 90 days. Cash is only held in banks which have been approved by Group Treasury.

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

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

4 Segmental reporting

(a) Revenue by segment

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

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

(b) Profit by segment

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

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

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

Notes to the Group Accounts continued

For the year ended 31 December 2009

4 Segmental reporting continued

(c) Depreciation and amortisation by segment

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

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

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

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

(e) Assets/(liabilities) by segment

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

(f) Average number of employees by segment

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

4 Segmental reporting continued

(g) Reconciliation of net operating assets to net assets

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

5 Profit before taxation

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

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

Accounts

6 Auditors' remuneration

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

7 Employees and Directors

Staff costs for the Group during the year:

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

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

Notes to the Group Accounts continued

For the year ended 31 December 2009

7 Employees and Directors continued

The key management comprise Executive and Non-executive Directors.

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

8 Net finance charge

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

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

9 Taxation

	2009 £ million	2008 £ million
Analysis of charge in year		
Current tax expense:		
– UK corporation tax	44.3	21.9
– Double taxation relief	(12.4)	(8.9)
	31.9	13.0
– Overseas taxation	40.6	41.8
	72.5	54.8
Adjustments in respect of prior years:		
– UK	(3.2)	0.3
– Overseas	(3.5)	4.9
	(6.7)	5.2
	65.8	60.0
Deferred taxation (Note 20):		
– temporary differences arising in current year	4.1	10.9
– movements in respect of prior years	5.7	(3.6)
	75.6	67.3
	2009 £ million	2008 £ million
Tax on items charged to equity		
Current tax on exchange movements offset in reserves	0.7	0.6
Current tax on share-based payments	1.3	3.1
Deferred tax on IAS 39 movements	(7.9)	8.5
Deferred tax on pension scheme deficit	0.6	1.1
Deferred tax on share-based payments	4.3	(2.7)
	(1.0)	10.6

9 Taxation continued

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

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

10 Dividends

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

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

11 Earnings per share

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

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

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

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

Notes to the Group Accounts continued

For the year ended 31 December 2009

12 Goodwill

	2009 £ million	2008 £ million
Cost		
At 1 January	53.0	38.0
Acquisitions (Note 27)	0.7	5.4
Exchange adjustments	(2.4)	9.6
At 31 December	51.3	53.0

Accumulated impairment losses	–	–
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Net book value	51.3	53.0
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Goodwill impairment tests

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

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

Goodwill is tested for impairment annually or whenever there is an indication that the asset may be impaired. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for value in use calculations are those relating to expected changes in revenue and the cost base, discount rates and long-term growth rates. The discount rate used for business valuations was 9.8% after tax, 13.6% before tax based on the weighted average cost of capital (WACC) of the Group. On the basis that the business carried out by all CGUs is closely related and assets can be redeployed around the Group as required, a consistent Group discount rate has been used for all CGUs. Values in use were determined using current year cashflows, a prudent view of future market trends and excludes any growth capital expenditure. A terminal cash flow was calculated using a long-term growth rate of 2.0%.

As at 31 December 2009, based on internal valuations, Aggreko plc management concluded that the values in use of the CGUs significantly exceeded their net asset value.

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

13 Other intangible assets

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

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

14 Property, plant and equipment

Year ended 31 December 2009

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

Year ended 31 December 2008

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

15 Inventories

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

Notes to the Group Accounts continued

For the year ended 31 December 2009

16 Trade and other receivables

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

Other receivables principally comprise deposits and advance payments.

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

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

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

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

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

Credit quality of trade receivables

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

31 December 2009

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

31 December 2008

	Fully performing £ million	Past due £ million	Impaired £ million	Total £ million
Middle East & South East Europe	13.3	0.1	0.7	14.1
Europe	25.7	13.9	4.7	44.3
North America	21.7	19.9	1.9	43.5
International Local	9.4	8.2	1.3	18.9
Local business	70.1	42.1	8.6	120.8
International Power Projects	44.1	33.1	16.6	93.8
Group	114.2	75.2	25.2	214.6

16 Trade and other receivables continued

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

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

Local business

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

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

International Power Projects (IPP)

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

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

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

17 Borrowings

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

The bank overdrafts and borrowings are all unsecured.

Notes to the Group Accounts continued

For the year ended 31 December 2009

17 Borrowings continued

(i) Maturity of financial liabilities

The maturity profile of the borrowings was as follows:

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

(ii) Borrowing facilities

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

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

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

(iii) Interest rate risk profile of financial liabilities

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

	Floating rate £ million	Fixed rate £ million	Total £ million	Weighted average interest rate %	Fixed rate debt Weighted average period for which rate is fixed Years
Currency:					
Sterling	39.0	–	39.0	–	–
US Dollar	18.6	89.5	108.1	4.6	6.8
Euro	15.1	17.8	32.9	5.0	3.6
Other currencies	17.7	–	17.7	–	–
At 31 December 2009	90.4	107.3	197.7		
Sterling	36.6	–	36.6	–	–
US Dollar	72.1	189.6	261.7	4.8	4.9
Euro	17.6	37.9	55.5	4.8	3.1
Other currencies	25.5	–	25.5	–	–
At 31 December 2008	151.8	227.5	379.3		

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

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

The effect of the Group's interest rate swaps is to classify £107.3 million (2008: £227.5 million) of borrowings in the above table as fixed rate.

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

17 Borrowings continued

(iv) Interest rate risk profile of financial assets

	Cash at bank and in hand £ million	Short-term deposits £ million	Total £ million
Currency:			
Sterling	0.7	–	0.7
US Dollar	10.6	–	10.6
Euro	4.7	–	4.7
Other currencies	5.7	0.5	6.2
At 31 December 2009	21.7	0.5	22.2
Currency:			
Sterling	1.1	–	1.1
US Dollar	3.9	–	3.9
Euro	5.0	–	5.0
Other currencies	4.8	0.5	5.3
At 31 December 2008	14.8	0.5	15.3

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

(v) Preference share capital

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

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

18 Financial instruments

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

(i) Fair values of financial assets and financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair values of the Group's financial assets and financial liabilities at 31 December 2009. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. Market values have been used to determine fair values.

	2009		2008	
	Book value £ million	Fair value £ million	Book value £ million	Fair value £ million
Primary financial instruments held or issued to finance the Group's operations:				
Current borrowings and overdrafts	(17.7)	(17.7)	(167.7)	(167.7)
Non-current borrowings	(180.0)	(180.0)	(211.6)	(211.6)
Short-term deposits	0.5	0.5	0.5	0.5
Cash at bank and in hand	21.7	21.7	14.8	14.8
Derivative financial instruments held:				
Interest rate swaps	(6.7)	(6.7)	(20.5)	(20.5)
Forward foreign currency contracts	–	–	(14.5)	(14.5)

Notes to the Group Accounts continued

For the year ended 31 December 2009

18 Financial instruments continued

(ii) Summary of methods and assumptions

Interest rate swaps and forward foreign currency contracts

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

Current borrowings and overdrafts/Short-term deposits

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

Non-current borrowings

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

(iii) Financial instruments

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

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

Net fair values of derivative financial instruments

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

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

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

Hedge of net investment in foreign entity

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

18 Financial instruments continued

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

As at 31 December 2009

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

As at 31 December 2008

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

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

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

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

Maturity of financial liabilities

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

As at 31 December 2009

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

As at 31 December 2008

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

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

Notes to the Group Accounts continued

For the year ended 31 December 2009

18 Financial instruments continued

Derivative financial instruments settled on a gross basis

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

As at 31 December 2009

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

As at 31 December 2008

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

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

19 Trade and other payables

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

20 Deferred tax

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

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

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

Deferred tax assets are recognised to the extent that the realisation of the related deferred tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of £4.2 million (2008: £3.3 million) of which £4.2 million (2008: £3.3 million) relates to carried forward tax losses as our forecasts indicate that these assets will not reverse in the near future.

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

20 Deferred tax continued

Deferred tax liabilities

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

Deferred tax assets

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

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

21 Share capital

	2009 Number	2009 £000	2008 Number	2008 £000
Authorised:				
Ordinary shares of 20p each	459,750,003	92,000	349,750,010	69,950
Allotted, called up and fully paid:				
	Number of shares	£000	Number of shares	£000
Ordinary shares of 20p each				
At 1 January	272,116,594	54,424	270,923,649	54,185
Employee share option scheme	1,356,744	271	1,192,945	239
At 31 December	273,473,338	54,695	272,116,594	54,424

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

Share options

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

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

Notes to the Group Accounts continued

For the year ended 31 December 2009

21 Share capital continued

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

It is intended to satisfy awards to US participants in the Long-term Incentive Plan by the allotment of new shares. The maximum award would be made on achieving the performance targets set out on pages 63 and 64 of the Remuneration Report.

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

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

Grant type	US					US			
	Executive	Executive	Sharesave	Sharesave	Stock Plan	Sharesave	Sharesave	Stock Plan	US
Grant date	27-Feb-03	25-Sep-03	24-Oct-03	24-Oct-03	24-Oct-03	12-Nov-04	12-Nov-04	12-Nov-04	12-Nov-04
Share price at grant date (£)	1.3	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Option price (£)	1.3	1.6	1.3	1.3	1.3	1.2	1.2	1.2	1.3
Number granted	168,506	429,992	316,412	214,865	92,458	344,060	202,541	211,469	
Vesting period (years)	3.0	3.0	3.0	5.0	2.0	3.0	5.0	2.0	
Expected volatility (%)	40.7	41.3	47.7	42.8	54.1	46.4	42.3	35.9	
Expected life (years)	6.0	6.0	3.3	5.3	2.1	3.3	5.3	2.1	
Risk free rate (%)	3.9	4.4	4.8	4.9	4.8	4.5	4.6	4.5	
Expectation of employees meeting performance criteria	75%	75%	n/a	n/a	n/a	n/a	n/a	n/a	
Expected dividends expressed as a dividend yield (%)	4.3	3.5	3.5	3.5	3.5	3.7	3.7	3.7	
Fair value per option (£)	0.4	0.5	0.6	0.6	0.6	0.6	0.6	0.4	
Grant type	US					US			
	Sharesave	Sharesave	Sharesave	Stock Plan	Sharesave	Sharesave	Sharesave	Stock Plan	US
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	10-Nov-06
Share price at grant date (£)	2.5	2.5	2.5	2.5	3.7	3.7	3.7	3.7	
Option price (£)	1.9	1.9	1.9	2.1	2.8	2.8	2.9	3.2	
Number granted	486,291	143,559	33,118	110,763	308,910	109,230	19,433	154,275	
Vesting period (years)	3.0	5.0	5.0	2.0	3.0	5.0	5.0	2.0	
Expected volatility (%)	33.6	40.5	40.5	24.1	26.8	40.6	40.6	26.8	
Expected life (years)	3.3	5.3	5.3	2.1	3.3	5.3	5.3	2.1	
Risk free rate (%)	4.4	4.5	4.5	4.4	4.9	4.8	4.8	4.9	
Expectation of employees meeting performance criteria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Expected dividends expressed as a dividend yield (%)	2.4	2.4	2.4	2.4	1.7	1.7	1.7	1.7	
Fair value per option (£)	0.9	1.1	1.1	0.6	1.3	1.7	1.7	1.0	

21 Share capital continued

Grant type	Sharesave	Sharesave	Sharesave	US Stock Plan	Sharesave	Sharesave	Sharesave	US Stock Plan
Grant date	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 (£)	5.7	5.7	5.7	5.7	4.3	4.3	4.3	3.8
Option price (£)	5.0	5.0	4.9	4.9	4.4	4.4	4.4	3.2
Number granted	264,698	84,907	9,792	93,503	567,259	211,082	44,223	317,923
Vesting period (years)	3.0	5.0	4.0	2.0	3.0	5.0	4.0	2.0
Expected volatility (%)	32.0	26.8	26.8	26.7	36.1	32.4	33.4	38.9
Expected life (years)	3.3	5.3	4.3	2.1	3.3	5.3	4.3	2.1
Risk free rate (%)	4.7	4.7	4.7	4.8	3.4	3.8	3.6	3.0
Expectation of employees meeting performance criteria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Expected dividends expressed as a dividend yield (%)	1.3	1.3	1.3	1.3	2.0	2.0	2.0	2.3
Fair value per option	1.8	2.0	1.9	1.5	1.1	1.2	1.2	1.1
Grant type	Sharesave	Sharesave	Sharesave	US Stock Plan	Sharesave			
Grant date	30-Oct-09	30-Oct-09	30-Oct-09	30-Oct-09	20-Nov-09			
Share price at grant date (£)	7.6	7.6	7.6	7.6	7.5			
Option price (£)	5.5	5.5	5.5	6.5	5.5			
Number granted	281,110	70,609	8,439	83,435	16,577			
Vesting period (years)	3.0	5.0	4.0	2.0	3.0			
Expected volatility (%)	42.6	37.0	39.7	48.4	42.6			
Expected life (years)	3.3	5.3	4.3	2.1	1.4			
Risk free rate (%)	2.2	2.8	2.5	0.9	2.1			
Expectation of employees meeting performance criteria	n/a	n/a	n/a	n/a	n/a			
Expected dividends expressed as a dividend yield (%)	1.4	1.4	1.4	1.4	1.4			
Fair value per option	3.1	3.3	3.2	2.5	3.0			

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

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

	Sharesave schemes Number of Shares	Weighted average exercise price (£)	Executive share option schemes Number of Shares	Weighted average exercise price (£)	US Stock option plans Number of Shares	Weighted average exercise price (£)	Long-term Incentive Plans Number of Shares	Weighted average exercise price (£)
Outstanding at 1 January 2009	2,263,147	3.27	440,823	4.42	519,651	3.41	1,197,102	nil
Granted	376,735	5.53	–	–	83,435	6.46	955,924	nil
Exercised	(464,099)	1.78	(410,823)	4.42	(183,802)	3.62	(298,020)	nil
Lapsed	(213,368)	3.42	(20,000)	4.58	(46,551)	3.59	(71,957)	nil
Outstanding at 31 December 2009	1,962,415	4.04	10,000	4.28	372,733	3.95	1,783,049	nil
Weighted average contractual life (years)	2		–		1		2	

Notes to the Group Accounts continued

For the year ended 31 December 2009

21 Share capital continued

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

Options and awards outstanding over Ordinary shares as at 31 December 2009 (including those of the Executive Directors), together with the exercise prices and dates of exercise, are as follows:

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

¹ Market price as at the date of grant.

22 Treasury shares

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

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

These shares were acquired by a trust in the open market using funds provided by Aggreko plc to meet obligations under the Long-term Incentive Arrangements. The costs of funding and administering the scheme are charged to the income statement of the Company in the period to which they relate. The market value of the shares at 31 December 2009 was £41.1 million (31 December 2008: £17.1 million).

23 Capital commitments

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

24 Operating lease commitments – minimum lease payments

	2009		2008	
	Land and buildings £ million	Plant, equipment and vehicles £ million	Land and buildings £ million	Plant, equipment and vehicles £ million
Commitments under operating leases expiring:				
Within 1 year	8.9	7.8	5.6	7.2
Later than 1 year and less than 5 years	15.4	10.0	18.2	9.4
After 5 years	7.3	–	8.5	–
Total	31.6	17.8	32.3	16.6

25 Pension commitments

Overseas

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

United Kingdom

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

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

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

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

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

Notes to the Group Accounts continued

For the year ended 31 December 2009

25 Pension commitments continued

The Scheme closed to all new employees joining the Group after 1 April 2002. New employees are given the option to join a defined contribution scheme. Contributions of £0.7 million were paid to the scheme during the year (2008: £0.6 million). There are no outstanding or prepaid balances at the year end.

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

	31 Dec 2009	31 Dec 2008
Rate of increase in salaries	5.4%	4.5%
Rate of increase in pensions in payment	3.7%	3.0%
Rate of increase in deferred pensions	3.9%	3.0%
Discount rate	5.7%	5.4%
Inflation assumption	3.9%	3.0%
Expected return on Scheme assets	5.2%	5.6%
Longevity at age 65 for current pensioners (years)		
Men	23.5	22.8
Women	26.4	26.0
Longevity at age 65 for future pensioners (years)		
Men	25.3	24.9
Women	28.1	27.9

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

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

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

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

An alternative method of valuation is the estimated cost of buying out benefits at 31 December 2009 with a suitable insurer. This amount represents the amount that would be required to settle the Scheme liabilities at 31 December 2009 rather than the Company continuing to fund the ongoing liabilities of the Scheme. The Company estimates the amount required to settle the Scheme's liabilities at 31 December 2009 is around £65-£70 million which gives a Scheme shortfall on a buyout basis of approximately £22-£27 million.

The amounts recognised in the income statement are as follows:

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

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

25 Pension commitments continued

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

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

Present value of Scheme assets are as follows:

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

Analysis of the movement in the balance sheet

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

Cumulative actuarial gains and losses recognised in equity

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

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

History of experience gains and losses

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

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

Notes to the Group Accounts continued

For the year ended 31 December 2009

26 Significant investments

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

All shareholdings are of ordinary shares or other equity capital.

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

* Registered in Cyprus

** Administered from Dubai and registered in the UK

*** Registered in the Netherlands

+ Intermediate holding companies ++ Finance Company

+++ The financial year end of Aggreko Energy Rental India Private Limited is 31 March due to local taxation requirements

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

27 Acquisition of the power rental business of Cummins India Ltd

On 1 January 2009 the Group completed the acquisition of the business and assets of the power rental business of Cummins India Ltd (CIL) for a total cash consideration of £4.2 million. The business acquired had revenue in 2008 of £2.9 million and operating profit of £0.8 million.

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

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

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