Independent auditors' report to the members of Aggreko plc only

Opinions and conclusions arising from our audit

1 OUR OPINION ON THE FINANCIAL STATEMENTS IS UNMODIFIED

We have audited the financial statements of Aggreko Plc for the year ended 31 December 2016 set out on pages 126 to 175. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

A SUMMARY OF OUR APPROACH

1
Full audit coverage:
90% of pbt

2
Materiality:
5% of pbt
(before exceptionals)

3
Audit coverage:
valuation of PS Utility receivables and tax

1
Our audit covered 90% of the Group's profit before tax and exceptionals and was carried out in Glasgow, Dubai, Russia, Argentina, Houston and Brazil.

2
Overall Group materiality: £11 million which represents 5% of profit before tax this year before exceptional items.

3
The valuation of Power Systems Utility receivables and the provisioning for tax in overseas locations are the areas of most significant audit effort given the judgements involved in these areas.

2 OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit in decreasing order of audit significance, were as follows:

The area of focus	Our approach
Valuation of Power Solutions Utility overdue receivables (£261 million, 2015: £196 million): Refer to page 87 (Audit Committee Report), page 135 (accounting policy) and pages 136 and 148 (financial disclosures)	
The Group has significant trade receivables with customers of the Group's Power Solutions Utility business where customers operate in higher risk territories, including territories where risk of customer default (the customer often being the government) is high. In these territories, cash receipts are volatile and unpredictable, resulting in significant judgement being applied in the Group's assessment of the recoverability of these receivables.	Our audit procedures included testing the Group's controls over the receivables collection processes and considering the receipt of cash after the year end. We selected customers of the Power Solutions Utility business for review to ensure we covered more than 75% of the overdue amounts receivable in relation to that business at the year end. For these customers, we discussed with the Directors' experience of collections in relevant countries, sought evidence of the status of receivables from the latest communications with the relevant customer (including deposits and guarantees) where available and challenged the provisioning in light of this information, the Group's experience historically and our knowledge of in-country exposures. We also considered the adequacy of the Group's disclosures in this area.
Taxation provisions for significant potential or contentious tax assessments (£39 million, 2015: £61 million): Refer to page 87 (Audit Committee Report), page 134 (accounting policy) and pages 136 and 143 (financial disclosures)	
Accruals for tax contingencies require the Directors to make judgements and estimates in relation to tax risks. This is one of the key judgemental areas that our audit is concentrated on due to the Group operating in a certain tax jurisdictions and the complexities and uncertainties of local and international tax legislation. The tax matters are at various stages, from preliminary discussions with tax authorities through to tax tribunal or court proceedings where the matters can take many years to resolve. The risk to the financial statements is that the eventual resolution of a matter with tax authorities is at an amount materially different to the accrual.	Our audit procedures included: Together with our own tax specialists, we considered any large or unusual items affecting the effective tax rate and whether or not any current year items would indicate a requirement for further accruals. In considering the judgements and estimates of tax accruals, we used our own tax specialists including local tax team input where necessary to assess and challenge the Group's tax positions. This included the assessment of its correspondence with the relevant tax authorities, the Group's external tax advisers and third parties. We also used our knowledge and experience of the application of the international and local legislation by the relevant authorities and courts in order to challenge the positions taken by the Directors. We also analysed and challenged through our use of tax specialists with knowledge of the specific tax regimes in question the assumptions used to determine the tax accruals and tested the accuracy of calculations. We have also considered the adequacy of the Group's tax disclosures.

Independent auditors' report

3 OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the Group financial statements as a whole was set at £11 million. Materiality is determined with reference to a benchmark of Group profit before tax, normalised to exclude the exceptional items. Our materiality was based on profit before tax and exceptional items of £221 million, of which it represents 5%. We have chosen profit before tax before exceptional items because it excludes the non-recurring distorting impact of exceptional items such as reorganisation costs and impairment charges.

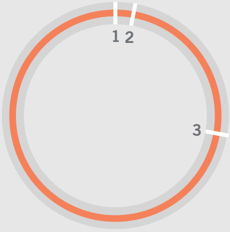
We reported to the Audit Committee any corrected or uncorrected misstatements identified exceeding £500,000, in addition to any other identified misstatements that warranted reporting on qualitative grounds. This level was selected and agreed with the Audit Committee as, given the nature and scale of operations, adjustments under this level were not deemed to be of specific interest to them.

The Group audit team instructed component auditors in Argentina, Brazil, and Russia as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. In addition, the Group audit team instructed audit teams in Dubai and Singapore to complete aspects of work in support of the work the Group team completed in the US and UK over the most significant components.
We completed specific risk focused audit procedures over revenue at one component in Mozambique. The Group audit team approved the component materialities, which were set in the range from £7 million to £9 million, having regard to the mix of size and risk profile of the Group across the components. The Group team performed procedures on the items excluded from Group profit before tax and exceptional items. The components not included were not individually financially significant enough to require an audit for Group reporting purposes, and did not present specific individual risks that needed to be addressed.

The Group audit team visited the component location in Dubai, including to assess the audit risk and strategy. Telephone calls were also held with the component auditors in Argentina, Brazil, Dubai and Russia. On these calls, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor as relevant. The Group team remotely reviewed the work completed by the team in Dubai.

SCOPING OF OUR AUDIT

% Revenue by scope



	%
1 Specific risk focused audit procedures over revenue	3
2 Scoped out of our audit	25
3 Full audit	72

% Profit before tax by scope

	%
1 Specific risk focused audit procedures over revenue	1
2 Scoped out of our audit	9
3 Full audit	90

% Net assets by scope

	%
1 Specific risk focused audit procedures over revenue	1
2 Scoped out of our audit	16
3 Full audit	83

The remaining 25% of total Group revenue, 9% of Group profit before tax and 16% of total Group assets is represented by a number of reporting components, none of which individually represented more than 4% of any of total Group revenue, Group profit before tax or total Group assets.

4 OUR OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006 IS UNMODIFIED

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

5 WE HAVE NOTHING TO REPORT ON THE DISCLOSURES OF PRINCIPAL RISKS

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' statement of risk factors that could affect financial performance on page 61, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the three years to 2019; or
- the disclosures in Note 1 of the financial statements concerning the use of the going concern basis of accounting.

6 WE HAVE NOTHING TO REPORT IN RESPECT OF THE MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's position and performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the audit committee.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' Statements, set out on pages 132 and 61, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on pages 70 to 83 relating to the Company's compliance with the 11 provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 121, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

John Luke

(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

Group income statement

For the year ended 31 December 2016

	Notes	Total before exceptional items 2016 £ million	Exceptional items (Note 7) 2016 £ million	2016 £ million	Total before exceptional items 2015 £ million	Exceptional items 2015 £ million	2015 £ million
Revenue	4	1,515	–	1,515	1,561	–	1,561
Cost of sales		(664)	(30)	(694)	(676)	(1)	(677)
GROSS PROFIT		851	(30)	821	885	(1)	884
Distribution costs		(430)	–	(430)	(429)	(4)	(433)
Administrative expenses		(182)	(19)	(201)	(186)	(21)	(207)
Other income	2	9	–	9	5	–	5
OPERATING PROFIT	4	248	(49)	199	275	(26)	249
Net finance costs	9						
– Finance cost		(29)	–	(29)	(25)	–	(25)
– Finance income		2	–	2	2	–	2
PROFIT BEFORE TAXATION	5	221	(49)	172	252	(26)	226
Taxation	10	(63)	16	(47)	(69)	5	(64)
Profit for the year		158	(33)	125	183	(21)	162

All profit for the year is attributable to the owners of the Company.

	Notes	Total before exceptional items 2016	Exceptional items 2016	2016	Total before exceptional items 2015	Exceptional items 2015	2015
Basic earnings per share (pence)	12	61.98	(13.10)	48.88	71.73	(8.24)	63.49
Diluted earnings per share (pence)	12	61.95	(13.09)	48.86	71.68	(8.23)	63.45

Group statement of comprehensive income

For the year ended 31 December 2016

	2016 £ million	2015 £ million
Profit for the year	125	162
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that will not be reclassified to profit or loss		
Remeasurement of retirement benefits	(29)	4
Taxation on remeasurement of retirement benefits	5	(1)
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	1	–
Taxation on cash flow hedges	–	–
Net exchange gains/(losses) offset in reserves	220	(68)
Other comprehensive gain/(loss) for the year (net of tax)	197	(65)
Total comprehensive income for the year	322	97

Group balance sheet (Company number: SC177553)

As at 31 December 2016

	Notes	2016 £ million	2015 £ million
NON-CURRENT ASSETS			
Goodwill	13	**159**	118
Other intangible assets	30.A2	**24**	16
Property, plant and equipment	15	**1,309**	1,139
Deferred tax asset	22	**51**	30
		1,543	1,303
CURRENT ASSETS			
Inventories	16	**247**	189
Trade and other receivables	17	**656**	476
Cash and cash equivalents	3	**44**	48
Derivative financial instruments	30.A4	**1**	1
Current tax assets		**20**	33
		968	747
TOTAL ASSETS		**2,511**	2,050
CURRENT LIABILITIES			
Borrowings	18	**(60)**	(31)
Derivative financial instruments	30.A4	**(2)**	(1)
Trade and other payables	20	**(299)**	(259)
Current tax liabilities		**(58)**	(64)
Provisions	21	**(1)**	(8)
		(420)	(363)
NON-CURRENT LIABILITIES			
Borrowings	18	**(633)**	(506)
Derivative financial instruments	30.A4	**(5)**	(6)
Deferred tax liabilities	22	**(55)**	(58)
Retirement benefit obligation	30.A5	**(30)**	(2)
		(723)	(572)
TOTAL LIABILITIES		**(1,143)**	(935)
Net assets		**1,368**	1,115
SHAREHOLDERS' EQUITY			
Share capital	23	**42**	42
Share premium		**20**	20
Treasury shares	24	**(14)**	(9)
Capital redemption reserve		**13**	13
Hedging reserve (net of deferred tax)		**(3)**	(4)
Foreign exchange reserve		**71**	(149)
Retained earnings		**1,239**	1,202
Total Shareholders' equity		**1,368**	1,115

The financial statements on pages 126 to 168 were approved by the Board of Directors on 7 March 2017 and signed on its behalf by:

K Hanna
Chairman

C Cran
Chief Financial Officer

Group cash flow statement

For the year ended 31 December 2016

	Notes	2016 £ million	2015 £ million
OPERATING ACTIVITIES			
Profit for the year		125	162
Adjustments for:			
Exceptional items	7	19	26
Exceptional – impairment charge	7	30	–
Tax		47	64
Depreciation		281	277
Amortisation of intangibles		4	4
Finance income		(2)	(2)
Finance cost		29	25
Profit on sale of PPE	2	(9)	(5)
Share-based payments (i)		6	6
Changes in working capital (excluding the effects of exchange differences on consolidation):			
Increase in inventories		(21)	(25)
Increase in trade and other receivables		(81)	(29)
Decrease in trade and other payables		(17)	(26)
Cash flows relating to exceptional items		(23)	(16)
Cash generated from operations		388	461
Tax paid		(64)	(91)
Interest received		2	2
Interest paid		(28)	(26)
Net cash generated from operating activities		298	346
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions (net of cash acquired)	29	(22)	(18)
Purchases of property, plant and equipment (PPE)		(263)	(254)
Purchase of other intangible assets		(5)	–
Proceeds from sale of PPE	2	23	17
Net cash used in investing activities		(267)	(255)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of Ordinary Shares		–	2
Increase in long-term loans		393	454
Repayment of long-term loans		(373)	(452)
Net movement in short-term loans		18	(11)
Dividends paid to Shareholders		(69)	(69)
Return of capital to Shareholders		–	(1)
Purchase of treasury shares		(8)	–
Net cash used in financing activities		(39)	(77)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(8)	14
Cash and cash equivalents at beginning of the year		32	26
Exchange gain/(loss) on cash and cash equivalents		1	(8)
Cash and cash equivalents at end of the year	3	25	32

(i) This relates to the employee share awards within the statement of changes in equity excluding £2 million included as exceptional items.

Reconciliation of net cash flow to movement in net debt

For the year ended 31 December 2016

	Notes	2016 £ million	2015 £ million
(Decrease)/increase in cash and cash equivalents		(8)	14
Cash (inflow)/outflow from movement in debt		(38)	9
Changes in net debt arising from cash flows		(46)	23
Exchange loss		(114)	(18)
Movement in net debt in year		(160)	5
Net debt at beginning of year		(489)	(494)
Net debt at end of year	18	(649)	(489)

Group statement of changes in equity

For the year ended 31 December 2016

As at 31 December 2016

		Attributable to equity holders of the Company							
	Notes	Ordinary Share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Hedging reserve £ million	Foreign exchange reserve (translation) £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2016		42	20	(9)	13	(4)	(149)	1,202	1,115
Profit for the year		–	–	–	–	–	–	125	125
Other comprehensive (loss)/income:									
Transfers from hedging reserve to fixed assets		–	–	–	–	(3)	–	–	(3)
Fair value gains on foreign currency cash flow hedge		–	–	–	–	3	–	–	3
Fair value gains on interest rate swaps		–	–	–	–	1	–	–	1
Currency translation differences (i)		–	–	–	–	–	220	–	220
Remeasurement of retirement benefits (net of tax)		–	–	–	–	–	–	(24)	(24)
Total comprehensive income for the year ended 31 December 2016		**–**	**–**	**–**	**–**	**1**	**220**	**101**	**322**
Transactions with owners:									
Purchase of treasury shares		–	–	(8)	–	–	–	–	(8)
Employee share awards	30.A5	–	–	–	–	–	–	8	8
Issue of Ordinary Shares to employees under share option schemes		–	–	3	–	–	–	(3)	–
Dividends paid during 2016	11	–	–	–	–	–	–	(69)	(69)
		–	–	(5)	–	–	–	(64)	(69)
Balance at 31 December 2016		**42**	**20**	**(14)**	**13**	**(3)**	**71**	**1,239**	**1,368**

(i) Included in currency translation differences of the Group are exchange losses of £117 million arising on borrowings denominated in foreign currencies designated as hedges of net investments overseas, and exchange gains of £337 million relating to the translation of overseas results and net assets. The currency translation difference is explained in the Financial Review on page 44.

As at 31 December 2015

		Attributable to equity holders of the Company							
	Notes	Ordinary Share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Hedging reserve £ million	Foreign exchange reserve (translation) £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2015		42	20	(14)	13	(4)	(81)	1,102	1,078
Profit for the year		–	–	–	–	–	–	162	162
Other comprehensive (loss)/income:									
Transfers from hedging reserve to revenue		–	–	–	–	(3)	–	–	(3)
Fair value gains on foreign currency cash flow hedge		–	–	–	–	2	–	–	2
Fair value gains on interest rate swaps		–	–	–	–	1	–	–	1
Currency translation differences (i)		–	–	–	–	–	(68)	–	(68)
Remeasurement of retirement benefits (net of tax)		–	–	–	–	–	–	3	3
Total comprehensive (loss)/ income for the year ended 31 December 2015		**–**	**–**	**–**	**–**	**–**	**(68)**	**165**	**97**
Transactions with owners:									
Employee share awards		–	–	–	–	–	–	8	8
Issue of Ordinary Shares to employees under share option schemes		–	–	5	–	–	–	(3)	2
Return of capital to Shareholders		–	–	–	–	–	–	(1)	(1)
Dividends paid during 2015	11	–	–	–	–	–	–	(69)	(69)
		–	–	5	–	–	–	(65)	(60)
Balance at 31 December 2015		**42**	**20**	**(9)**	**13**	**(4)**	**(149)**	**1,202**	**1,115**

(i) Included in currency translation differences of the Group are exchange losses of £18 million arising on borrowings denominated in foreign currencies designated as hedges of net investments overseas and exchange losses of £50 million relating to the translation of overseas results and net assets.

Notes to the Group accounts

For the year ended 31 December 2016

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 as adopted by the European Union (EU IFRS), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under EU 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.

The preparation of financial statements in conformity with EU 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.

Adjusted measures

The Directors assess the performance of the Group and its reportable segments based on 'adjusted measures'. These measures are used for internal performance management and are believed to be most appropriate for explaining underlying performance to users of the accounts including Shareholders of the Company and other stakeholders. The adjusted measures in relation to profit exclude exceptional items. These exceptional items are explained on pages 133 and 142. In comparing performance year on year we also exclude the impact of currency and pass-through fuel, The Group reports separately fuel revenue from contracts in our Power Solutions Utility business in Brazil and Mozambique where we manage fuel on a pass-through basis on behalf of our customers. The reason for the separate reporting is that fuel revenue on these contracts is entirely dependent on fuel prices and volumes of fuel consumed, and these can be volatile and may distort the view of the performance of the underlying business.

Going concern

The Directors are confident that it is appropriate for the going concern basis to be adopted in preparing the financial statements for the foreseeable future. The Group balance sheet shows consolidated net assets of £1,368 million (2015: £1,115 million) and the Company has sufficient reserves to continue making dividend payments. Whilst the net debt increased in the year to £649 million (2015: £489 million), there is a headroom under our committed facilities of £402 million at the year end. £114 million of the increase in net debt relates to currency movements. More detail is contained on page 136 on liquidity, funding and capital management.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

There are no new IFRSs or IFRICs that are effective for the first time this year that have a material impact on the Group.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not early adopted

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. The Group has substantially completed its assessment of the impact of this standard and the main changes we expect from adopting IFRS 15 are:

- Mobilisation costs will be amortised over the contact period instead of being recognised as incurred as equipment is mobilised before power is produced. Demobilisation costs, if they can be measured reliably, will also be amortised over the contract period instead of being recognised as incurred at the end of the contract. There is a difference in the definition of contract period for mobilisation costs and demobilisation costs. In the former the contract period is re-assessed for agreed extensions. In the latter the contract period is re-assessed if there is a high probability of an extension however it doesn't need to be agreed with the customer.
- Mobilisation and demobilisation income (where timing is specifically stipulated in the contract in order to match the timing of associated costs) will be recognised during the period of provision of power.
- Judgement will be required around whether there is any restriction in recognising variable revenue due to penalty clauses in the contracts, however the probability of this is small.
- On some contracts there may be more than one performance obligation, however we expect the impact of this to be small.

1 ACCOUNTING POLICIES CONTINUED

IFRS 9, 'Financial instruments' addresses the classification, measurement and recognition of financial assets and liabilities. The standard is effective for accounting periods beginning on or after 1 January 2018. We do not expect this standard to have a material impact on the Group.

IFRS 16, 'Leases' applies to annual periods beginning on or after 1 January 2019. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The Group will assess the impact of IFRS 16 closer to the implementation date, however the main impact is expected to be the recognition of up to £92 million of operating leases (refer to Note 26) as right of use assets with a corresponding liability. This standard has not yet been endorsed by the EU.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Basis of consolidation

The Group financial statements consolidate the financial statements of Aggreko plc and all its subsidiaries for the year ended 31 December 2016. Subsidiaries are those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 (including pass-through fuel). The Group earns a fixed charge on certain contracts by providing agreed levels of power generation capacity to the customer and this is recognised when availability criteria in the contract are met. Variable charges are earned as the Group provides power or rental and associated services in accordance with contractual arrangements and are recognised as the power is produced or the service is provided. Revenue is accrued or deferred at the balance sheet date depending on the period covered by the most recent invoice issued and the contractual terms.

If contracts do not contain specific clauses for mobilisation and demobilisation costs then mobilisation costs are recognised as incurred as equipment is mobilised before power is produced and demobilisation costs are recognised as incurred at the end of the contract. If contracts contain a specific clause for mobilisation and demobilisation then the revenue and costs are matched.

Segmental reporting

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.

Aggreko has two business units: Rental Solutions and Power Solutions. Within Power Solutions we serve both Utility and Industrial customers. Aggreko therefore has three segments comprising: Rental Solutions, Power Solutions – Industrial and Power Solutions – Utility. A description of these business units is contained on pages 5 and 19. This is reflected by the Group's divisional management and organisational structure and the Group's internal financial reporting systems.

Central administrative costs are allocated between segments based on revenue.

Exceptional items

Exceptional items are items 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. To monitor our financial performance we use a profit measure that excludes exceptional items. We exclude these items because, if included, these items could distort understanding of our performance for the year and comparability between periods. The income statement has been presented in a columnar format, which separately highlights exceptional items. This is intended to enable users of the financial statements to determine more readily the impact of exceptional items on the results of the Group.

These costs are explained in Note 7 to the Accounts.

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.

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. Non-rental fleet assets which are contract specific are depreciated over the life of the contract. The periods of depreciation are reviewed on an annual basis and the principal periods used are as follows:

Rental fleet	8 to 12 years
Vehicles, plant and equipment	4 to 15 years

During this year, the depreciation life for transformers/switchgears was increased to 12 years from 8 years to reflect external views on the useful life of these assets, equipment testing carried out internally and our experience to date. This lowered depreciation by £12 million in the year 31 December 2016 compared to 2015.

Notes to the Group accounts
For the year ended 31 December 2016

1 ACCOUNTING POLICIES CONTINUED

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.

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.

Research and development costs
All research expenditure is charged to the income statement in the period in which it is incurred.

Development expenditure is charged to the income statement in the period in which it is incurred unless it relates to the development of a new product or technology and it is incurred after the technical feasibility and commercial viability of the product has been proven, the development cost can be measured reliably, future economic benefits are probable and the Group intends, and has sufficient resources to complete the development and to use or sell the assets. Any such capitalised development expenditure is amortised on a straight-line basis so that it is charged to the income statement over the expected useful life of the resulting product or technology, which is currently deemed to be between three to six years.

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 cash flows. 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 and foreign currency options.

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

Derivative financial instruments
This accounting policy is included in Note 30 – Notes to the Group Accounts – appendices.

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 substantively 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.

1 ACCOUNTING POLICIES CONTINUED

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

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

Current tax

The charge for 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 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 or to take account of inventory losses. 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. Remeasurements are recognised in full, directly in retained earnings, in the period in which they occur and are shown in the statement of comprehensive income. The current service cost of the pension charge, interest income on scheme assets, interest on pension scheme liabilities and administrative expenses 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 (which is the same as cost). 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.

Trade payables

Trade payables are recognised initially at fair value (which is the same as cost).

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.

As at 31 December 2016, provisions totalled £1 million (2015: £8 million) and they relate to the Group business priorities implementation. The provisions are generally in respect of employee related costs. These provisions are detailed in Note 21.

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

Share-based payments

This accounting policy is included in Note 30 – Notes to the Group Accounts – appendices.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits with a maturity of three months or less and short-term overdrafts.

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.

Notes to the Group accounts
For the year ended 31 December 2016

1 ACCOUNTING POLICIES CONTINUED

Key assumptions, estimations 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.

Trade receivables

The trade receivables accounting policy is on page 135.

The approach to exercising judgement in this area is to consider each significant debtor and customer individually, within the relevant environment to which it relates, taking into account a number of factors, in accordance with accounting standards.

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 of business. However, some of the contracts the Group undertakes in developing countries are very large, and are in jurisdictions where payment practices can be unpredictable. The Group monitors the risk profile and debtor position of all such contracts regularly, and deploys a variety of techniques to mitigate the risks of delayed or non-payment; these include securing advance payments and guarantees. As a result of the rigorous approach to risk management, historically the Group has had a low level of bad debt write-offs although the risk of a major default is high. When a trade receivable is uncollectable it is written off against the provision for impairment of trade receivables. At 31 December 2016, the provision for impairment of trade receivables in the balance sheet was £67 million (2015: £64 million). More detail can be found in the financial review on page 48 and in Note 17 to the Accounts.

Taxation

Aggreko's tax charge is based on the profit for the year and the applicable tax rates in force at the balance sheet date. As well as corporation tax, Aggreko is subject to indirect taxes such as sales and employment taxes across the tax jurisdictions in which the Group operates. The varying nature and complexity of the tax laws requires the Group to review its tax positions and make appropriate judgements at the balance sheet date. Due to the uncertain nature of the tax environment in many of the countries in which we operate, it can take some time to settle our tax position. We therefore create appropriate tax provisions for significant potential or contentious tax positions and these are measured using the most likely outcome method. Provisions are considered on an individual basis.

As at 31 December 2016, we had tax provisions totalling £39 million of which £37 million is in respect of direct taxes and £2 million for indirect taxes (2015: £61 million, £48 million for direct and £13 million for indirect taxes). Principally the uncertain direct tax items relate to potential historic tax exposures largely in connection with long running contracts in our Power Solutions business, an ongoing dispute in Asia following a change in interpretation of legislation and various potential transfer pricing risks faced by the Group on challenges from various tax authorities as to the basis on which we transact internationally across the Group.

Due to the uncertainty associated with such tax positions, it is possible that at a future date, on conclusion of these open tax positions, the final outcome may vary significantly. Whilst a range of outcomes is reasonably possible, based on management's historic experience of these issues, we believe a likely range of outcomes is additional liabilities of up to £10 million and a reduction in liabilities of around £15 million. The range of sensitivities depends upon quantification of the liability, risk of technical error and difference in approach taken by tax authorities in different jurisdictions. In addition, the recognition of deferred tax assets is dependent upon an estimation of future taxable profits available against which deductible temporary differences can be utilised.

Other areas of judgement and consideration

IFRIC 4 '*Determining whether an arrangement constitutes a lease*'

The Directors have considered the requirements of IFRIC 4 '*Determining whether an arrangement constitutes a lease*'. IFRIC 4 requires that any arrangement that is dependent on the use of a specific asset or assets; and that conveys a right to use the asset is accounted for as a lease. The Directors have concluded that none of the Group's contracts are dependent on the use of a specific asset or assets.

Hyperinflationary environments

The Group operates in Venezuela which is considered a hyperinflationary environment. The Group does not consider that the provisions of IAS 29 '*Financial Reporting in Hyperinflationary Economies*' apply to the Group's operations in Venezuela as the functional currency of the Venezuelan operation is US Dollars.

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 intention of Aggreko's strategy is to deliver long-term value to its Shareholders whilst maintaining a balance sheet structure that safeguards the Group's financial position through economic cycles. Total capital is equity as shown in the Group balance sheet.

1 ACCOUNTING POLICIES CONTINUED

Given the proven ability of the business to fund organic growth from operating cash flows, and the nature of our business model, we believe it is sensible to run the business with a modest amount of debt. We say 'modest' because we are strongly of the view that it is unwise to run a business which has high levels of operational gearing with high levels of financial gearing. Given the above considerations, we believe that a Net Debt to EBITDA ratio of around one times is appropriate for the Group over the longer term. This is well within our covenants to lenders which stand at three times Net Debt to EBITDA.

At the end of 2016, Net Debt to EBITDA was 1.2 times (31 December 2015: 0.9 times).

The Group maintains sufficient facilities to meet its normal funding requirements over the medium term. At 31 December 2016, these facilities totalled £1,035 million in the form of committed bank facilities arranged on a bilateral basis with a number of international banks and private placement notes. The financial covenants attached to these facilities are that EBITDA should be no less than four times interest and net debt should be no more than three times EBITDA; at 31 December 2016, these stood at 20 times and 1.2 times respectively. The Group does not expect to breach these covenants in the year from the date of approval of these financial statements. The Group expects to be able to arrange sufficient finance to meet its future funding requirements. It has been the Group's custom and practice to refinance its facilities in advance of their maturity dates, providing that there is an ongoing need for those facilities. Net debt amounted to £649 million at 31 December 2016 and, at that date, undrawn committed facilities were £402 million. The maturity profile of the borrowings is detailed in Note 18 in the Annual Report and Accounts.

Interest rate risk

The Group's policy is to manage the exposure to interest rates by ensuring an appropriate balance of fixed and floating rates. At 31 December 2016, £385 million of the net debt of £649 million was at fixed rates of interest resulting in a fixed to floating rate net debt ratio of 59:41 (2015: 66:34). 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 £3 million (2015: £2 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 currencies affecting the Group, namely US Dollar, Euros, Canadian Dollar, Mexican Peso, Brazilian Real and Russian Rouble.

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 increased our revenues by £122 million (2015: £22 million) and operating profit by £1 million (2015: £6 million) for the year ended 31 December 2016. The Group monitors the impact of exchange closely and regularly carries out sensitivity analysis. For every 5% movement in the US Dollar to GBP exchange rate there is an approximate impact of £4 million (2015: £7 million) in operating profit in terms of translation.

Currency translation also gave rise to a £220 million increase in reserves as a result of year on year movements in the exchange rates (2015: decrease of £68 million). For every 5% movement in the Dollar, there is an approximate impact in equity of £25 million (2015: £23 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.

The principal exchange rates which impact the Group's profit and net assets are set out in the Financial Review on page 44.

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 Power Solutions Utility business are substantial, and are in jurisdictions where payment practices can be unpredictable. The Group monitors the risk profile and debtor-position of all such contracts regularly, and deploys a variety of techniques to mitigate the risks of delayed or non-payment; these include securing advance payments, bank guarantees and various types of insurance. On the largest contracts, all such arrangements are approved at Group level. Contracts are reviewed on a case by case basis to determine the customer and country risk.

Insurance

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

Notes to the Group accounts
For the year ended 31 December 2016

2 PROCEEDS FROM SALE OF PROPERTY, PLANT AND EQUIPMENT

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

	2016 £ million	2015 £ million
Net book amount	14	12
Profit on sale of PPE	9	5
Proceeds from sale of PPE	**23**	17

Profit on sale of PPE is shown within other income in the income statement.

3 CASH AND CASH EQUIVALENTS

	2016 £ million	2015 £ million
Cash at bank and in hand	43	29
Short-term bank deposits	1	19
Bank overdrafts (Note 18)	(19)	(16)
Cash and cash equivalents	**25**	32

The effective interest rate on short-term bank deposits was 7% (2015: 29%); these deposits have a 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 cash flow statement:

	2016 £ million	2015 £ million
Cash and cash equivalents	44	48
Bank overdrafts (Note 18)	(19)	(16)
	25	32

4 SEGMENTAL REPORTING

As a result of the Business Priorities review it was decided that it was more appropriate to manage a number of our contracts in Brazil and Iraq as part of the Power Solutions Utility business instead of the Power Solutions Industrial business. As a result, operational and management control of these contracts was transferred from Power Solutions Industrial to Power Solutions Utility from 1 January 2016. Accordingly, the comparatives figures have been restated. The impact was to reduce the previously stated Power Solutions Industrial balances and results by the amounts shown below and to increase the Power Solutions Utility balances and results.

	2015
Revenue (£ million)	32
Operating profit (£ million)	5
Depreciation and amortisation (£ million)	6
Capital expenditure (£ million)	–
Net operating assets (£ million)	35
Average number of employees	338

4 SEGMENTAL REPORTING CONTINUED

(A) Revenue by segment

	External revenue 2016 £ million	External revenue 2015 Restated £ million
Power Solutions		
Industrial	262	267
Utility	624	676
	886	943
Rental Solutions	629	618
Group	1,515	1,561

(i) Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. All inter-segment revenue was less than £1 million.

(B) Profit by segment

	Trading profit		Gain on sale of PPE		Operating profit	
	2016 £ million	2015 Restated £ million	2016 £ million	2015 £ million	2016 £ million	2015 Restated £ million
Power Solutions						
Industrial	31	40	1	1	32	41
Utility	158	130	6	2	164	132
	189	170	7	3	196	173
Rental Solutions	50	100	2	2	52	102
Operating profit pre-exceptional items	239	270	9	5	248	275
Exceptional items (Note 7)					(49)	(26)
Operating profit post-exceptional items					199	249
Finance costs – net					(27)	(23)
Profit before taxation					172	226
Taxation					(47)	(64)
Profit for the year					125	162

(C) Depreciation and amortisation by segment

	Before exceptional charges 2016 £ million	Impairment charges (Note 7) 2016 £ million	Total 2016 £ million	2015 Restated £ million
Power Solutions				
Industrial	63	–	63	61
Utility	127	–	127	134
	190	–	190	195
Rental Solutions	95	30	125	86
Group	285	30	315	281

Notes to the Group accounts

For the year ended 31 December 2016

4 SEGMENTAL REPORTING CONTINUED

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

	2016 £ million	2015 Restated £ million
Power Solutions		
Industrial	43	50
Utility	144	124
	187	174
Rental Solutions	94	90
Group	281	264

Capital expenditure comprises additions of property, plant and equipment (PPE) of £263 million (2015: £254 million), additions of intangible assets of £5 million (2015: £nil), acquisitions of PPE of £10 million (2015: £6 million), and acquisitions of intangible assets of £3 million (2015: £4 million).

(E) Assets/(liabilities) by segment

	Assets		Liabilities	
	2016 £ million	2015 Restated £ million	2016 £ million	2015 Restated £ million
Power Solutions				
Industrial	491	392	(44)	(8)
Utility	1,169	934	(177)	(190)
	1,660	1,326	(221)	(198)
Rental Solutions	779	660	(94)	(81)
Group	2,439	1,986	(315)	(279)
Tax and finance payable	71	63	(117)	(126)
Derivative financial instruments	1	1	(7)	(7)
Borrowings	–	–	(674)	(521)
Retirement benefit obligation	–	–	(30)	(2)
Total assets/(liabilities) per balance sheet	2,511	2,050	(1,143)	(935)

(F) Average number of employees by segment

	2016 Number	2015 Restated Number
Power Solutions		
Industrial	1,326	1,283
Utility	2,269	2,635
	3,595	3,918
Rental Solutions	2,495	2,515
Group	6,090	6,433

4 SEGMENTAL REPORTING CONTINUED

(G) Geographical information

	Revenue		Non-current assets	
	2016 £ million	2015 £ million	**2016 £ million**	2015 £ million
North America	**337**	364	**286**	274
UK	**82**	74	**101**	78
Continental Europe	**123**	129	**110**	96
Eurasia	**41**	31	**61**	23
Middle East	**144**	146	**264**	183
Africa	**243**	341	**231**	209
Asia	**164**	143	**130**	136
Auspac	**80**	64	**69**	47
Latin America	**301**	269	**240**	227
	1,515	1,561	**1,492**	1,273

Non-current assets exclude Deferred tax.

(H) Reconciliation of net operating assets to net assets

	2016 £ million	2015 £ million
Net operating assets	**2,124**	1,707
Retirement benefit obligation	**(30)**	(2)
Net tax and finance payable	**(46)**	(63)
	2,048	1,642
Borrowings and derivative financial instruments	**(680)**	(527)
Net assets	**1,368**	1,115

5 PROFIT BEFORE TAXATION

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

	2016 £ million	2015 £ million
Staff costs (Note 8)	**355**	331
Cost of inventories recognised as an expense (included in cost of sales)	**91**	91
Depreciation of property, plant and equipment	**281**	277
Impairment of property, plant and equipment	**30**	–
Amortisation of intangibles (included in administrative expenses)	**4**	4
Gain on disposal of property, plant and equipment	**(9)**	(5)
Trade receivables impairment (included in administrative expenses)	**5**	14
Operating lease rentals payable	**38**	37

Notes to the Group accounts

For the year ended 31 December 2016

6 AUDITORS' REMUNERATION

	2016 £000	2015 £000
Audit services		
Fees payable to the Company's auditor for the audit of the Company's annual accounts and consolidated financial statements	224	283
Fees payable to the Company's auditor and its associates for other services:		
– The audit of the Company's subsidiaries	784	672
– Other assurance related services	72	70
– Other (Note (iii))	230	–
– Tax compliance	56	76
– Tax advice	–	3

(i) In the year ended 31 December 2016, KPMG LLP replaced PricewaterhouseCoopers as the Group's auditors, therefore the 2016 fees above relate to KPMG LLP and the 2015 fees relate to PricewaterhouseCoopers.

(ii) In addition to the above services, the Group's auditors acted as auditor to the Group's defined benefit pension scheme. The appointment of auditors to this pension scheme and the fees paid in respect of the audit and for any other services are agreed by the Trustee of the scheme, who act independently from the management of the Group. The aggregate fees paid to the Group's auditors for audit and non-audit services to the pension scheme during the year were £8k (2015: pwc £10k).

(iii) Other relates to Investor Relation Services (this work has stopped from 1 January 2017).

7 EXCEPTIONAL ITEMS

The definition of exceptional items is contained within Note 1 of the 2016 Annual Report and Accounts. An exceptional charge of £19 million before tax was recorded in the year to 31 December 2016 in respect of the Group's business priorities implementation. The business strategy is set out on pages 11 to 33 of the 2016 Annual Report. The costs comprise £11 million of employee related costs, £7 million of professional fees and £1 million of property related costs. The employee costs relate to severance costs as well as the costs of employees who are working full time on the business priorities implementation. This exceptional charge can be split into Rental Solutions £10 million, Power Solutions – Industrial £3 million and Power Solutions – Utility £6 million.

Given the continued decline in the Oil & Gas sector in North America, management reviewed the carrying value of small gas generators used in the Oil & Gas market (685 gas generators rated at 300KW or below). These generators are used only in North America. In assessing the impairment, management determined the recoverable amount of the assets based on value in use, and compared this to the carrying amount. As a result of this, an impairment charge of £30 million before tax was recorded in the Rental Solutions business unit in the year to 31 December 2016. The future cash flows were estimated in the period to the end of the useful life of the generators based on the most up to date business forecast including assumptions around rates, utilisation, and costs and discounted using a discount rate of 8.10% after taxation. The net book value of these specific generators, which is not impaired, is £10 million.

8 EMPLOYEES AND DIRECTORS

Staff costs for the Group during the year:

	2016 £ million	2015 £ million
Wages and salaries (including severance costs)	306	277
Social security costs	31	34
Share-based payments	8	8
Pension costs – defined contribution plans	8	10
Pension costs – defined benefit plans (Note 30.A6)	2	2
	355	331

Full details of Directors' remuneration are set out in the Remuneration Report on page 94.

The key management comprises Executive and Non-executive Directors.

	2016 £ million	2015 £ million
Short-term employee benefits	3	4
Post-employment benefits	–	1
Share-based payments	1	1
	4	6

9 NET FINANCE CHARGE

	2016 £ million	2015 £ million
Finance costs on bank loans and overdrafts	(29)	(25)
Finance income on bank balances and deposits	2	2
	(27)	(23)

10 TAXATION

	Total before exceptional items 2016 £ million	Exceptional items (i) (Note 7) 2016 £ million	2016 £ million	Total before exceptional items 2015 £ million	Exceptional items 2015 £ million	2015 £ million
Analysis of charge in year						
Current tax expense:						
– UK corporation tax	7	(1)	6	6	(2)	4
– Overseas taxation	73	(4)	69	78	(3)	75
	80	(5)	75	84	(5)	79
Adjustments in respect of prior years:						
– UK	–	–	–	(5)	–	(5)
– Overseas	(8)	–	(8)	3	–	3
	72	(5)	67	82	(5)	77
Deferred taxation (Note 22):						
– temporary differences arising in current year	(13)	(11)	(24)	(16)	–	(16)
– movements in respect of prior years	4	–	4	3	–	3
	63	(16)	47	69	(5)	64

(i) Exceptional items are explained in Note 7 and comprise costs of £19 million relating to the business priorities implementation (2015: £26 million) and £30 million relating to asset impairment (2015: £nil). Of these costs, £45 million are tax deductible (2015: £24 million) and result in an exceptional credit of £16 million (2015: £5 million).

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2016 £ million	2015 £ million
Deferred tax on hedging reserve movements	–	–
Deferred tax on retirement benefits	5	(1)
	5	(1)

Notes to the Group accounts

For the year ended 31 December 2016

10 TAXATION CONTINUED

Variances between the current tax charge and the standard 20% UK corporate tax rate when applied to profit on ordinary activities for the year are as follows:

	Total before exceptional items 2016 £ million	Exceptional items (Note 7) 2016 £ million	2016 £ million
Profit before taxation	221	(49)	172
Tax calculated at 20% standard UK corporate tax rate	44	(10)	34
Differences between UK and overseas tax rates	24	(7)	17
Effect of intra group financing	(2)	–	(2)
Expenses not tax effected	4	1	5
Income not subject to tax	(3)	–	(3)
Chargeable gains	2	–	2
Impact of deferred tax rate changes	(2)	–	(2)
Tax on current year profit	67	(16)	51
Prior year adjustments – current tax	(8)	–	(8)
Prior year adjustments – deferred tax	4	–	4
Total tax on profit	63	(16)	47
Effective tax rate	28%	32%	28%

	Total before exceptional items 2015 £ million	Exceptional items 2015 £ million	2015 £ million
Profit before taxation	252	(26)	226
Tax calculated at 20.3% standard UK corporate tax rate	51	(5)	46
Differences between UK and overseas tax rates	20	–	20
Effect of intra group financing	(3)	–	(3)
Expenses not tax effected	5	–	5
Income not subject to tax	(5)	–	(5)
Tax on current year profit	68	(5)	63
Prior year adjustments – current tax	(2)	–	(2)
Prior year adjustments – deferred tax	3	–	3
Total tax on profit	69	(5)	64
Effective tax rate	27%	20%	28%

11 DIVIDENDS

	2016 £ million	2016 per share (p)	2015 £ million	2015 per share (p)
Final paid	45	17.74	45	17.74
Interim paid	24	9.38	24	9.38
	69	27.12	69	27.12

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2016 of 17.74 pence per share which will absorb an estimated £45 million of Shareholders' funds. It will be paid on 24 May 2017 to Shareholders who are on the register of members on 21 April 2017.

12 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.

	2016	2015
Profit for the year (£ million)	125	162
Weighted average number of Ordinary Shares in issue (million)	255	256
Basic earnings per share (pence)	48.88	63.49

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.

	2016	2015
Profit for the year (£ million)	125	162
Weighted average number of Ordinary Shares in issue (million)	255	256
Adjustment for share options	–	–
Diluted weighted average number of Ordinary Shares in issue (million)	255	256
Diluted earnings per share (pence)	48.86	63.45

Aggreko plc assesses the performance of the Group by adjusting earnings per share, calculated in accordance with IAS 33, to exclude items it considers to be non-recurring and believes that the exclusion of such items provides a better comparison of business performance. The calculation of earnings per Ordinary Share on a basis which excludes exceptional items is based on the following adjusted earnings.

	2016 £ million	2015 £ million
Profit for the year	125	162
Exclude exceptional items	33	21
Profit for the year pre-exceptional items	158	183

An adjusted earnings per share figure is presented below.

	2016	2015
Basic earnings per share pre-exceptional items (pence)	61.98	71.73
Diluted earnings per share pre-exceptional items (pence)	61.95	71.68

Notes to the Group accounts
For the year ended 31 December 2016

13 GOODWILL

	2016 £ million	2015 £ million
Cost		
At 1 January	118	130
Acquisitions (Note 29)	7	7
Exchange adjustments	34	(19)
At 31 December	159	118
Accumulated impairment losses	–	–
Net book value	159	118

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

	2016 £ million	2015 Restated £ million
Power Solutions		
Industrial	60	34
Utility	16	9
	76	43
Rental Solutions	83	75
Group	159	118

During 2016, a number of contracts in Brazil were switched from Power Solutions Industrial (PSI) to Power Solutions Utility (PSU). The result of this was to switch Goodwill of £7 million from PSI to PSU.

Goodwill is tested for impairment annually or whenever there is an indication that the asset may be impaired. Goodwill is monitored by management at an operating segment level. The recoverable amounts of the CGUs are determined from value in use calculations which use cash flow projections based on the five-year strategic plan approved by management. The key assumptions for value in use calculations are those relating to expected changes in revenue (utilisation and rates) and the cost base, discount rates and long-term growth rates are as follows:

	2016				2015			
	EBITDA	Post-tax discount rate	Pre-tax discount rate	Long-term growth rate	EBITDA	Post-tax discount rate	Pre-tax discount rate	Long-term growth rate
Power Solutions Industrial	95	8.7%	12.0%	3%	102	8.2%	10.6%	2%
Power Solutions Utility	291	8.7%	12.0%	3%	266	8.2%	10.6%	2%
Rental Solutions	147	8.7%	12.0%	3%	188	8.2%	10.6%	2%

Values in use were determined using current year cash flows, a prudent view of the medium-term business strategy and excludes any growth capital expenditure. A terminal cash flow was calculated using a long-term growth rate of 3%. 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.

As at 31 December 2016, based on internal valuations, Aggreko plc management concluded that the values in use of the CGUs exceeded their net asset value with the highest headroom value being £2 billion and the lowest £240 million. Given these headroom numbers the Directors consider that there is no reasonably possible change in the key assumptions made in their impairment assessment that would give rise to an impairment.

14 OTHER INTANGIBLE ASSETS
Refer to Note 30.A2.

15 PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2016

	Freehold properties £ million	Short leasehold properties £ million	Rental fleet £ million	Vehicles, plant and equipment £ million	Total £ million
Cost					
At 1 January 2016	81	19	2,778	97	2,975
Exchange adjustments	10	1	568	23	602
Additions	–	3	241	19	263
Acquisitions (Note 29)	–	–	10	–	10
Disposals	–	(1)	(122)	(3)	(126)
At 31 December 2016	**91**	**22**	**3,475**	**136**	**3,724**
Accumulated depreciation					
At 1 January 2016	27	13	1,729	67	1,836
Exchange adjustments	6	1	361	12	380
Charge for the year	3	2	261	15	281
Impairment charge (Note 7)	–	–	30	–	30
Disposals	–	–	(109)	(3)	(112)
At 31 December 2016	**36**	**16**	**2,272**	**91**	**2,415**
Net book values:					
At 31 December 2016	**55**	**6**	**1,203**	**45**	**1,309**
At 31 December 2015	54	6	1,049	30	1,139

Year ended 31 December 2015

	Freehold properties £ million	Short leasehold properties £ million	Rental fleet £ million	Vehicles, plant and equipment £ million	Total £ million
Cost					
At 1 January 2015	77	20	2,599	89	2,785
Exchange adjustments	1	(1)	14	1	15
Additions	3	1	237	13	254
Acquisitions	–	–	5	1	6
Disposals	–	(1)	(77)	(7)	(85)
At 31 December 2015	**81**	**19**	**2,778**	**97**	**2,975**
Accumulated depreciation					
At 1 January 2015	23	13	1,513	59	1,608
Exchange adjustments	1	(1)	23	1	24
Charge for the year	3	2	259	13	277
Disposals	–	(1)	(66)	(6)	(73)
At 31 December 2015	**27**	**13**	**1,729**	**67**	**1,836**
Net book values:					
At 31 December 2015	**54**	**6**	**1,049**	**30**	**1,139**
At 31 December 2014	54	7	1,086	30	1,177

Assets in course of construction are included within Rental fleet.

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For the year ended 31 December 2016

16 INVENTORIES

	2016 £ million	2015 £ million
Raw materials and consumables	242	184
Work in progress	5	5
	247	189

17 TRADE AND OTHER RECEIVABLES

	2016 £ million	2015 £ million
Trade receivables	521	384
Less: provision for impairment of receivables	(67)	(64)
Trade receivables – net	454	320
Prepayments	38	26
Accrued income	109	96
Other receivables (Note (i))	55	34
Total receivables	656	476

(i) In September 2016, the Group signed £14 million of private placement notes with one customer in Venezuela (PDVSA) to progress clearing the overdue debt. This resulted in a financial instrument which replaced the net trade receivable balance. The financial instrument was booked at fair value which reflects our estimation of the recoverability of these notes. This fair value was estimated to be £8 million which when compared to the carrying amount of the net trade receivable of £6 million (Gross receivable of £14 million less bad debt provision of £8 million) resulted in a release to the income statement of £2 million. This financial instrument is included in other receivables.

(ii) 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:

	2016 £ million	2015 £ million
Sterling	19	20
Euro	98	54
US Dollar	340	248
Other currencies	199	154
	656	476

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

	2016 £ million	2015 £ million
At 1 January	64	55
Net provision for receivables impairment	5	14
Transfer to other receivables (refer to Note (i) above)	(8)	–
Utilised	(5)	(1)
Receivables written off during the year as uncollectible	(3)	(3)
Exchange	14	(1)
At 31 December	67	64

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

31 December 2016

	Fully performing £ million	Past due £ million	Impaired £ million	Total £ million
Power Solutions				
Industrial	42	30	7	79
Utility	48	209	52	309
	90	239	59	388
Rental Solutions	65	60	8	133
Group	**155**	**299**	**67**	**521**

17 TRADE AND OTHER RECEIVABLES CONTINUED

31 December 2015

	Fully performing Restated £ million	Past due Restated £ million	Impaired Restated £ million	Total Restated £ million
Power Solutions				
Industrial	31	17	9	57
Utility	35	148	48	231
	66	165	57	288
Rental Solutions	42	47	7	96
Group	**108**	**212**	**64**	**384**

During 2016, a number of contracts in Brazil and Iraq were switched from Power Solutions Industrial (PSI) to Power Solutions Utility (PSU). The impact was to reduce the previously stated balances in PSI and increase the balances in PSU as follows: Fully performing £2 million, Past due £5 million, Impaired £nil and total £7 million. More details can be found in Note 4.

Ageing of past due but not impaired trade receivables

	2016 £ million	2015 £ million
Less than 30 days	**71**	67
Between 30 and 60 days	**51**	40
Between 60 and 90 days	**34**	28
Greater than 90 days	**143**	77
	299	212

The Group assesses credit quality as explained below:

Power Solutions – Industrial

This is a high transaction intensive business 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 and 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 this business. Receivables written off during the year as uncollectible as a percentage of total gross debtors was 1% (2015: 1%).

Power Solutions – Utility

This business concentrates on medium to very large contracts. Customers are mainly state owned utilities in emerging markets.

In many instances the contracts 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 Power Solutions – Utility business although the risk of a major default is high.

The total trade receivables balance as at 31 December 2016 for our Power Solutions – Utility business was £309 million (2015: £230 million). Within this balance, receivable balances totalling £53 million (2015: £59 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 £256 million (2015: £171 million) is deemed to be either acceptable or payment cover is not obtainable in a cost-effective manner.

Rental Solutions

This business is similar to the Power Solutions Industrial business above and the management of trade receivables is similar. Again the Group has historically had a low level of bad debt in the Rental Solutions business. Receivables written off during the year as uncollectible as a percentage of total Gross Debtors was 2% (2015: 3%).

Notes to the Group accounts

For the year ended 31 December 2016

18 BORROWINGS

	2016 £ million	2015 £ million
Non-current		
Bank borrowings	329	253
Private placement notes	304	253
	633	506
Current		
Bank overdrafts	19	16
Bank borrowings	41	15
	60	31
Total borrowings	693	537
Short-term deposits	(1)	(19)
Cash at bank and in hand	(43)	(29)
Net borrowings	649	489

Overdrafts and borrowings are unsecured.

(i) Maturity of financial liabilities

The maturity profile of the borrowings was as follows:

	2016 £ million	2015 £ million
Within 1 year, or on demand	60	31
Between 1 and 2 years	97	–
Between 2 and 3 years	150	195
Between 3 and 4 years	127	70
Between 4 and 5 years	178	56
Greater than 5 years	81	185
	693	537

(ii) Borrowing facilities

The Group has the following undrawn committed floating rate borrowing facilities available at 31 December 2016 in respect of which all conditions precedent had been met at that date:

	2016 £ million	2015 £ million
Expiring within 1 year	–	30
Expiring between 1 and 2 years	178	–
Expiring between 2 and 3 years	1	117
Expiring between 3 and 4 years	189	78
Expiring between 4 and 5 years	34	160
Expiring after 5 years	–	–
	402	385

(iii) Interest rate risk profile of financial liabilities

Refer to Note 30.A3.

(iv) Interest rate risk profile of financial assets

Refer to Note 30.A3.

(v) Preference share capital

Refer to Note 30.A3.

19 FINANCIAL INSTRUMENTS

Refer to Note 30.A4.

(i) Fair values of financial assets and financial liabilities

Refer to Note 30.A4.

(ii) Summary of methods and assumptions

Refer to Note 30.A4.

(iii) Derivative financial instruments

Refer to Note 30.A4.

(iv) The exposure of the Group to interest rate changes when borrowings reprice

Refer to Note 30.A4.

20 TRADE AND OTHER PAYABLES

	2016 £ million	2015 £ million
Trade payables	88	77
Other taxation and social security payable	13	8
Other payables	68	63
Accruals	113	97
Deferred income	17	14
	299	259

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

21 PROVISIONS

	Business priorities programme £ million
At 1 January 2016	8
New provisions	1
Utilised	(8)
At 31 December 2016	**1**

Analysis of total provisions	
Current	1
Non-current	–
Total	**1**

The provisions for the business priorities implementation programme are generally in respect of employee related costs for employees working entirely on the programme. The provision is expected to be fully utilised by the end of 2017.

Notes to the Group accounts
For the year ended 31 December 2016

22 DEFERRED TAX

31 December 2016

	At 1 January 2016 £ million	Credit/(debit) to income statement 2016 £ million	Credit to other comprehensive income 2016 £ million	Exchange differences 2016 £ million	**At 31 December 2016 £ million**
Fixed asset timing differences	(69)	(1)	–	(1)	**(71)**
Retirement benefit obligations	–	–	5	–	**5**
Overseas tax on unremitted earnings	(1)	–	–	–	**(1)**
Tax losses	19	21	–	–	**40**
Derivative financial instruments	1	–	–	–	**1**
Other temporary differences	22	–	–	–	**22**
	(28)	20	5	(1)	**(4)**

31 December 2015

	At 1 January 2015 £ million	Credit/(debit) to income statement 2015 £ million	Debit to other comprehensive income 2015 £ million	Exchange differences 2015 £ million	At 31 December 2015 £ million
Fixed asset timing differences	(71)	11	–	(9)	(69)
Retirement benefit obligations	1	–	(1)	–	–
Overseas tax on unremitted earnings	–	(1)	–	–	(1)
Tax losses	18	1	–	–	19
Derivative financial instruments	1	–	–	–	1
Other temporary differences	20	2	–	–	22
	(31)	13	(1)	(9)	(28)

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

A deferred tax liability of £1 million (2015: £1 million) has been recognised in respect of unremitted earnings. The deferred tax relates to non-recoverable withholding tax which will be suffered on dividends to be paid in 2017.

No other deferred tax liability has been recognised in respect of unremitted earnings of subsidiaries. It is likely that the majority of the overseas earnings will qualify for the UK dividend exemption and the Group can control the distribution of dividends by its subsidiaries. In some countries, local tax is payable on the remittance of a dividend. Were dividends to be remitted from these countries, the additional tax payable would be £13 million.

The movements in deferred tax assets and liabilities (prior to offsetting 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 £11 million (2015: £6 million) of which £11 million (2015: £6 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 £33 million (2015: £18 million) have been recognised in respect of entities which have suffered a loss in either the current or preceding period. Deferred tax assets have been recognised on the basis it is probable there will be future taxable profits against which they can be utilised. The majority of these assets can be carried forward indefinitely.

22 DEFERRED TAX CONTINUED

Deferred tax assets and liabilities

	31 December 2016			31 December 2015		
	Assets £ million	Liabilities £ million	Net £ million	Assets £ million	Liabilities £ million	Net £ million
Fixed asset timing differences	12	(83)	(71)	9	(78)	(69)
Retirement benefit obligations	5	–	5	–	–	–
Overseas tax on unremitted earnings	–	(1)	(1)	–	(1)	(1)
Tax losses	40	–	40	19	–	19
Derivative financial instruments	1	–	1	1	–	1
Other temporary differences	22	–	22	22	–	22
Total	80	(84)	(4)	51	(79)	(28)
Offset of deferred tax positions	(29)	29	–	(21)	21	–
Net deferred tax	51	(55)	(4)	30	(58)	(28)

The net deferred tax liability due after more than one year is £4 million (2015: liability of £28 million).

23 SHARE CAPITAL

	2016 Number of shares	2016 £000	2015 Number of shares	2015 £000
(i) Ordinary Shares of $4\frac{329}{395}$ pence (2015: $4\frac{329}{395}$ pence)				
At 1 January	256,128,201	12,378	256,118,395	12,378
Share conversion (1 Ordinary Share for every 21.4 B Shares as at 28 May 2015)	–	–	9,806	–
At 31 December	256,128,201	12,378	256,128,201	12,378
(ii) Deferred Ordinary Shares of $6\frac{18}{25}$ pence (2015: $6\frac{18}{25}$ pence)				
At 1 January and 31 December	182,700,915	12,278	182,700,915	12,278
(iii) Deferred Ordinary Shares of $\frac{1}{775}$ pence (2015: $\frac{1}{775}$ pence)				
At 1 January and 31 December	18,352,057,648	237	18,352,057,648	237
(iv) Deferred Ordinary Shares of $9\frac{84}{775}$ pence (2015: $9\frac{84}{775}$ pence)				
At 1 January and 31 December	188,251,587	17,147	188,251,587	17,147
(v) B Shares of $9\frac{84}{775}$ pence (2015: $9\frac{84}{775}$ pence)				
At 1 January	–	–	1,989,357	181
Transfer to capital redemption reserve	–	–	(1,778,422)	(162)
Share conversion	–	–	(210,935)	(19)
At 31 December	–	–	–	–
(vi) Deferred Ordinary Shares $\frac{1}{306125}$ pence (2015: $\frac{1}{306125}$ pence)				
At 1 January	573,643,383,325	19	–	–
Share conversion	–	–	573,643,383,325	19
At 31 December	573,643,383,325	19	573,643,383,325	19

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24 TREASURY SHARES

	2016 £ million	2015 £ million
Treasury shares	(14)	(9)

Interests in own shares represents the cost of 1,048,816 of the Company's Ordinary Shares (nominal value $4^{329}/_{395}$ pence). Movement during the year was as follows:

	2016 Number of shares	2015 Number of shares
1 January	535,538	824,036
Purchase of shares (Note (i))	700,000	–
Long-term Incentive Plan Maturity	(76,728)	(78,430)
Sharesave maturity	(560)	(210,068)
Deferred shares and restricted stock	(106,206)	–
Shares in relation to dividends on deferred shares and restricted stock	(3,228)	–
31 December	**1,048,816**	535,538

(i) Purchased at an average share price of £11.46.

These shares represent 0.4% of issued share capital as at 31 December 2016 (2015: 0.2%).

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 and Aggreko Sharesave Plans. 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 2016 was £10 million (31 December 2015: £5 million).

25 CAPITAL COMMITMENTS

	2016 £ million	2015 £ million
Contracted but not provided for (property, plant and equipment)	22	10

26 OPERATING LEASE COMMITMENTS – MINIMUM LEASE PAYMENTS

	2016 £ million	2015 £ million
Commitments under non-cancellable operating leases expiring:		
Within one year	26	22
Later than one year and less than five years	49	37
After five years	17	12
Total	92	71

27 PENSION COMMITMENTS
Refer to Note 30.A5.

28 INVESTMENTS IN SUBSIDIARIES

The 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 UK 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.

Company	Country of Incorporation	Registered address
Aggreko Algeria SPA*	Algeria	Extension La Zone Des Activities, N 01, Adrar, Algeria
Aggreko Angola Lda	Angola	Rua 21 Jan, Qunintalao Escola de Enfermagem, Bairro Morro Bento III, District of Samba, Luanda, Angola
Aggreko Argentina S.R.L.	Argentina	465, 2D, Av. L.N. Alem, Buenos Aires, 1001, Argentina
Aggreko Generators Rental Pty Limited	Australia	101, Woodlands Drive, Braeside, VIC, 3195, Australia
Aggreko Belgium NV	Belgium	7, Smallandlaan, Antwerpen, 2660, Belgium
Aggreko Energia Locacao de Geradores Ltda	Brazil	3500, Av. das Américas, – Ed Toronto 2000 – 6° Andar – Barra da Tijuca, Rio de Janeiro, 22640-102, Brazil
Aggreko Cameroon S.R.L.	Cameroon	Centre des Affaires Flatters, Rue Flatters, BP 4999, Bonanjo, Doula, Cameroon
Aggreko Canada Inc	Canada	199, Bay Street, Suite 2800, Commerce Court West, Toronto, ON, M5L1A9, Canada
Aggreko Financial Holdings Limited +	Cayman Islands	89, Nexus Way, Camana Bay, PO Box 31106, Grand Cayman, KY1-1205, Cayman Islands
Aggreko Chile Limitada	Chile	Galvarino 9450, Parque Industrial Buenaventura, Quilicura, Region Metropolitana, Santiago, Chile
Aggreko (Shanghai) Energy Equipment Rental Company Limited	China	Building 16, No 99 HuaJia Road, SongJiang District, Shanghai, 201611, Shanghai, 201611, China
Aggreko Colombia SAS	Colombia	Parque Industrial Gran Sabana Vereda Tibitoc Lote M Unidad 67-A, Tocancipa, Colombia
Aggreko Power Solutions Colombia SA ESP	Colombia	Parque Industrial Gran Sabana, Carretera Snrto Zipaquira Lote 67, Tocancipa – Cundinamarca, Colombia
Aggreko Costa Rica S.A.	Costa Rica	Centro Corporativo Forum I, Torre G, Piso 1, Santa Ana, San José, Costa Rica
Aggreko Cote d'Ivoire S.A.R.L.	Cote d'Ivoire	Vridi Canal – Base Centrale thermique à gaz, Abidjan, Cote d'Ivoire
Aggreko (Middle East) Limited**	Cyprus	3 Themistokli Dervi, Julia House, P.C. 1066, Nicosia, Cyprus
Aggreko DRC S.P.R.L.	Democratic Republic of the Congo	50, Avenue Goma- Commune de la Gombe, Kinshasa
Aggreko Dominican Republic SRL	Dominican Republic	Paseo de los Locutores No. 53, Santo Domingo, Dominican Republic
Aggreko Energy Ecuador CIA	Ecuador	E 2324, Rumipamba y Av. Amazonas, Quito, NA, Ecuador
Aggreko Finland Oy	Finland	Hatanpaan Valtatie 13, Tampere, Finland
Aggreko France SARL	France	5, Rue Boole, Saint-Michel sur Orge, 91240, France
Aggreko Gabon S.A.R.L.	Gabon	Residence Du Golf, Libreville, BP: 4568, Gabon
Aggreko Deutschland GmbH	Germany	62, Barbarastraße, Dorsten, 46282, Germany
Aggreko Hong Kong Limited	Hong Kong	Lots 1845 and 1846 in DD125 Ho Tsuen,Yuen Long, N.T. Hong Kong, SAR, Hong Kong, 00852, Hong Kong
Aggreko Energy Rental India Private Limited +++	India	"The Chambers", Office No 501, Plot No 4/12/13, Viman Nagar, Pune, 411014, India
PT Aggreko Energy Services	Indonesia	Jl. Danau Cincin Utara Block E No 10-B, Lantai 2, Papanggo Tanjung Priok Jakarta Utara DKI, Jakarta Raya, 14340, Indonesia
Aggreko Ireland Limited	Ireland	6th Floor, South Bank House, Barrow Street, Dublin, Ireland
Aggreko Italia S.R.L.	Italy	29, Via A. Einstein, Assago (MI), 20090, Italy
Aggreko Japan Limited	Japan	2-42-6 Ikebukuro, Toshima-Ku, Japan
Aggreko Kenya Energy Rentals Limited	Kenya	Plot 12100, Tulip House, Mombasa Road, P.O. Box 10729, 00100, Nairobi, Kenya
Aggreko Malaysia SDN BHD	Malaysia	Level 8 Symphony House Berhad Pusat Dagangan Dana 1 Jalan PJU 1A/46, Petaling Jaya, 47301, Malaysia
Aggreko Mali S.A.R.L.	Mali	Bamako-Lafiabougou ACI 2000, Immcuble Samassa 1 Etage porte 02
Aggreko Africa Limited	Mauritius	c/o Abax Corporate Services Ltd, 6th Floor, Tower A, 1 CyberCity, Mauritius

Notes to the Group accounts
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28 INVESTMENTS IN SUBSIDIARIES CONTINUED

Company	Country of Incorporation	Registered address
Aggreko Energy Mexico SA de CV	Mexico	8, Carretera Coacalco Tultepec, Estado de Mexico, 55717, Mexico
Aggreko Services Mexico SA de CV	Mexico	8, Carretera Coacalco Tultepec, Estado de Mexico, 55717, Mexico
Aggreko SA de CV ++++	Mexico	Mar Cantabrico No. 20, Co. Popotla C.P. 11400, Mexico, D.F., Mexico
Aggreko Mocambique Limitada	Mozambique	7 Andar, Av. 24 de Julho, No 7, Bairro Polana Cimento, Distrito Urbano 1, Maputo, Mozambique
Aggreko Myanmar Co Limited	Myanmar	No. 112 (First Floor), 49th Street, Pazundaung Township, Yangon, Myanmar
Aggreko Namibia Energy Rentals (Pty) Ltd	Namibia	344 Independence Avenue, Windhoek, Namibia
Aggreko (NZ) Limited	New Zealand	Level 8, 188 Quay Street, Auckland, 1010, New Zealand
Aggreko Projects Limited	Nigeria	27 Festival Road, Victoria Island, Lagos, Nigeria
Aggreko Gas Power Generation Limited ++++	Nigeria	27 Festival Road, Victoria Island, Lagos, Nigeria
Aggreko Norway AS	Norway	44, Dragonveien, Bygg 31, Oslo, Norway
Aggreko Energy Rentals Panama SA	Panama	Patton, Moreno & Asvat offices in Capital Plaza Building, 8th floor, Roberto Motta y Costa del Este Avenue, Panama, PA, 507, Panama
Aggreko Generator Rentals (PNG) Limited	Papua New Guinea	c/- Ashurst PNG, Level 4, Mogoru Moto Building, Champion Parade, Port Moresby, National Capital District, Papua New Guinea
Aggreko Peru S.A.C.	Peru	Avenida Elmer Faucett 4800, Callao, Peru
Aggreko Energy Rental Solutions Inc.	Philippines	Level 10-1 Fort Legend Tower, 31st Street & 3rd Avenue, Bonifacio Global City Taguig, 1634, Philippines
Aggreko Polska Spolka Zorganiczana	Poland	Fort Ordona 6 street, Czosnow, 05-152, Poland
Aggreko South East Europe S.R.L.	Romania	Soseaua de Centura 7A, Tunari, Ilfov, 077180, Romania
Aggreko Eurasia LLC	Russia	Building 1, House 8, 2nd km Stariy Tobolsky Trakt, Tyumen, 625000, Russian Federation
Aggreko Rwanda Limited	Rwanda	1st Floor, Omega House, Boulevard de los, Nyarugenge, Rwanda
Aggreko Senegal S.A.R.L.	Senegal	Route De Ngor 29912, Dakar, Senegal
Aggreko (Singapore) PTE Limited	Singapore	8B Buroh Street, Singapore, 627532
Aggreko Energy Rental South Africa (Proprietary) Limited	South Africa	2 Eglin Road, Sunninghill, 2157, South Africa
Aggreko South Korea Limited	South Korea	Unit 3203 S-Trenue, 37 Gukjegeumyung-ro 2-gil, Yeongdeungpo-gu, Seoul, Republic of Korea
Aggreko Iberia SA	Spain	35-37, Avinguda Torre Mateu, Pol.Industrial Can Salvatella, Barbera del Valles, 08210, Spain
Aggreko Sweden AB	Sweden	Box 16285, Stockholm, 103 25, Sweden
Aggreko Energy Rentals Tanzania Limited	Tanzania	Ubungo Plaza Unit 209, 2nd Floor, PO Box 158, Dar Es Salaam, Tanzania
Aggreko (Thailand) Limited	Thailand	Central World, 29th Floor, Rama I Road, Pathumwan Sub-district, Pathumwan District, Bangkok, Thailand
Aggreko Americas Holdings B.V. +	The Netherlands	Amstelveenseweg 760, 1081 JK Amsterdam, Netherlands
Aggreko Euro Holdings B.V. +	The Netherlands	Amstelveenseweg 760, 1081 JK Amsterdam, Netherlands

28 INVESTMENTS IN SUBSIDIARIES CONTINUED

Company	Country of Incorporation	Registered address
Aggreko Rest of the World Holdings B.V. +	The Netherlands	Amstelveenseweg 760, 1081 JK Amsterdam, Netherlands
Aggreko (Investments) B.V. ++	The Netherlands	3, Fuutweg, Haven 461b, Klundert, 4791PB, Netherlands
Aggreko Nederland B.V.	The Netherlands	3, Fuutweg, Haven 461b, Klundert, 4791PB, Netherlands
Aggreko International Power Projects B.V.	The Netherlands	Between Roundabouts 7 and 8, Opposite Red Sea Housing, PO Box 17576, Jebel Ali, Dubai, United Arab Emirates
Aggreko Power Solutions Trinidad Limited	Republic of Trinidad & Tobago	129-131 Abercromby Street, Port of Spain, Trinidad and Tobago
Aggreko Trinidad Limited	Republic of Trinidad & Tobago	5/7 Sweet Briar Road, St. Clair, Trinidad and Tobago
Aggreko Enerji ve Isi Kontrol Ticaret Anonim Sirketi	Turkey	EGS Business Park B2 Blok Kat:6 D:227 Yeşilköy, Bakırköy, Istanbul, Turkey
Aggreko Middle East Limited FZE	UAE	E-LOB Office No E2-112F-40, PO Box 52462, Hamriyah Free Zone, Sharjah, United Arab Emirates
Aggreko Finance Limited +	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko Holdings Limited +	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko International Projects Holdings Limited +	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko International Projects Limited***	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko Pension Scheme Trustee Limited	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko Russia Finance Limited ++	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko UK Finance Limited ++	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko UK Limited	UK	Overburn Avenue, Dumbarton, G82 2RL, Scotland, United Kingdom
Aggreko US Limited	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko Generators Limited ++++	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko Luxembourg Holdings	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Dunwilco (680) Limited ++++	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Golden Triangle Generators Limited	UK	Aggreko House Orbital 2, Voyager Drive, Cannock, Staffordshire, WS11 8XP, England, United Kingdom
Aggreko Uruguay S.A.	Uruguay	675, Of 20, Peatonal Sarandi, Montevideo, Uruguay
Aggreko Holdings Inc +	USA	Wilmington Trust SP Services Inc, 1105 N. Market Street, Suite 1300, Wilmington DE, 19801, United States
Aggreko USA LLC +	USA	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States
Aggreko LLC	USA	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States
Aggreko de Venezuela C.A.	Venezuela	Av. Venezuela Edif. Lamaletto, piso 5, oficina Unica, El Rosal, Caracas

* Joint Venture: Aggreko ownership is 49%, remainder is held by RedMed.
** Registered in Cyprus.
*** Administered from Dubai and registered in the UK.
\+ Intermediate holding companies.
\++ Finance Company.
\+++ The financial year end of Aggreko Energy Rental India Private Limited is 31 March due to local taxation requirements.
\++++ Dormant Company.

Notes to the Group accounts
For the year ended 31 December 2016

29 ACQUISITIONS

DRYCO LLC
On 9 August 2016, the Group completed the acquisition of the business and assets of DRYCO LLC, a specialist in moisture control, drying, heating and cooling applications within the shipping, manufacturing, food processing, construction and industrial painting industries in North America.

The purchase consideration, paid in cash was £22 million.

The revenue and operating profit included in the consolidated income statement from 9 August 2016 to 31 December 2016 contributed by DRYCO LLC was £6 million and £3 million respectively. Had DRYCO LLC been consolidated from 1 January 2016, the consolidated income statement for the year ended 31 December 2016 would show revenue and operating profit of £13 million and £4 million respectively.

The acquisition method of accounting has been adopted and the goodwill arising on the purchase has been capitalised. Acquisition related costs of £0.1 million have been expensed in the period and are included within administrative expenses in the income statement.

The details of the transaction and fair value of assets acquired are shown below:

	Fair value £ million
Intangible assets	3
Property, plant and equipment	10
Trade and other receivables	3
Trade and other payables	(1)
Net assets acquired	15
Goodwill	7
Consideration per cash flow statement	22

Goodwill represents the value of synergies arising from the integration of the acquired business. Synergies include direct cost savings and the reduction of overheads as well as the ability to leverage Aggreko systems and access to assets.

30 NOTES TO THE GROUP ACCOUNTS – APPENDICES

30.A1 Accounting policies

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 hedges
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 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 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 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 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 the income statement.

Share-based payments
IFRS 2 'Share-based Payment' has been applied to all grants of equity instruments. 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.

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.

30.A1 Accounting policies continued

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.

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.

30.A2 Other intangible assets

Year end 31 December 2016

	Customer relationships and non-compete agreements £ million	Development expenditure £ million	Total £ million
Cost			
At 1 January 2016	42	–	42
Acquisitions (Note 29)	3	–	3
Additions	–	5	5
Exchange adjustments	11	–	11
At 31 December 2016	**56**	**5**	**61**
Accumulated amortisation			
At 1 January 2016	26	–	26
Charge for the year	4	–	4
Exchange adjustments	7	–	7
At 31 December 2016	**37**	**–**	**37**
Net book values			
At 31 December 2016	**19**	**5**	**24**
At 31 December 2015	16	–	16

Amortisation charges in the year mainly comprised amortisation of assets arising from business combinations and have been recorded in administrative expenses.

Year end 31 December 2015

	Total (Note (i)) £ million
Cost	
At 1 January 2015	42
Acquisitions	4
Exchange adjustments	(4)
At 31 December 2015	42
Accumulated amortisation	
At 1 January 2015	24
Charge for the year	4
Exchange adjustments	(2)
At 31 December 2015	26
Net book values	
At 31 December 2015	16
At 31 December 2014	18

(i) All intangible assets in 2015 relate to customer relationship and non-compete agreements.

Notes to the Group accounts
For the year ended 31 December 2016

30.A3 Borrowings

(i) Interest rate risk profile of financial liabilities
The interest rate profile of the Group's financial liabilities at 31 December 2016, after taking account of the interest rate swaps used to manage the interest profile, was:

				Fixed rate debt	
	Floating rate £ million	Fixed rate £ million	Total £ million	Weighted average interest rate %	Weighted average period for which rate is fixed Years
Currency:					
US Dollar	116	385	501	4.3	3.9
Canadian Dollars	42	–	42	–	–
Peruvian Sol	6	–	6	–	–
South African Rand	6	–	6	–	–
Mexican Pesos	13	–	13	–	–
Russian Roubles	40	–	40	–	–
Brazil Reals	11	–	11	–	–
Indian Rupees	13	–	13	–	–
Japanese Yen	6	–	6	–	–
Romanian Lieu	8	–	8	–	–
Colombian Peso	6	–	6	–	–
Euro	26	–	26	–	–
Mozambican Metical	9	–	9	–	–
Other currencies	6	–	6	–	–
As at 31 December 2016	**308**	**385**	**693**		

				Fixed rate debt	
	Floating rate £ million	Fixed rate £ million	Total £ million	Weighted average interest rate %	Weighted average period for which rate is fixed Years
Currency:					
US Dollar	124	321	445	4.3	4.9
Canadian Dollars	25	–	25	–	–
New Zealand Dollars	2	–	2	–	–
South African Rand	5	–	5	–	–
Mexican Pesos	10	–	10	–	–
Russian Roubles	9	–	9	–	–
Brazil Reals	10	–	10	–	–
Indian Rupees	8	–	8	–	–
Singapore Dollars	6	–	6	–	–
Romanian Lieu	7	–	7	–	–
Colombian Peso	4	–	4	–	–
Other currencies	6	–	6	–	–
As at 31 December 2015	216	321	537		

The floating rate financial liabilities principally comprise debt which carries interest based on different benchmark rates depending on the currency of the balance and 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 and coupons applying to fixed rate private placement notes.

The effect of the Group's interest rate swaps is to classify £81 million (2015: £67 million) of borrowings in the above table as fixed rate.

The notional principal amount of the outstanding interest rate swap contracts at 31 December 2016 was £81 million (2015: £67 million).

30.A3 Borrowings continued

(ii) Interest rate risk profile of financial assets

	Cash at bank and in hand £ million	Short-term deposits £ million	Total £ million
Currency:			
US Dollar	4	–	4
Euro	5	–	5
Brazilian Real	3	1	4
Fijian Dollar	3	–	3
Australian Dollar	2	–	2
Saudi Riyal	3	–	3
Indonesian Rupiah	5	–	5
Nigerian Naira	3	–	3
Other currencies	15	–	15
At 31 December 2016	**43**	**1**	**44**
Currency:			
US Dollar	6	–	6
Euro	5	–	5
Brazilian Real	1	2	3
Argentinian Peso	3	17	20
Australian Dollar	1	–	1
Other currencies	13	–	13
At 31 December 2015	29	19	48

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 market rates for the currency concerned.

(iii) Preference share capital

	2016 Number	**2016 £000**	2015 Number	2015 £000
Authorised:				
Redeemable preference shares of 25p each	**199,998**	**50**	199,998	50

No redeemable preference shares were allotted as at 31 December 2016 and 31 December 2015. The Board is authorised to determine the terms, conditions and manner of redemption of redeemable shares.

Notes to the Group accounts
For the year ended 31 December 2016

30.A4 Financial instruments
As stated in our accounting policies Note 30.A1 on page 158 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 2016. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market values have been used to determine fair values.

	2016		2015	
	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	(60)	(60)	(31)	(31)
Non-current borrowings	(633)	(633)	(506)	(506)
Short-term deposits	1	1	19	19
Cash at bank and in hand	43	43	29	29
Derivative financial instruments held:				
Interest rate swaps	(5)	(5)	(6)	(6)
Forward foreign currency contracts	(1)	(1)	–	–
Trade receivables	521	521	384	384
PDVSA private placement notes	8	8	–	–
Trade payables	88	88	77	77

(ii) Summary of methods and assumptions

Interest rate swaps and foreign currency derivatives
Fair value is based on market price of these instruments at the balance sheet date. In accordance with IFRS 13, interest rate swaps are considered to be level 2 with fair value being calculated at the present value of estimated future cash flows using market interest rates. Forward foreign currency contracts are considered to be level 1 as the valuation is based on quoted market prices at the end of the reporting period.

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 non-current borrowings, the fair value approximates to the carrying value reported in the balance sheet.

30.A4 Financial instruments continued

(iii) Derivative 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.

	2016		2015	
	Assets £ million	Liabilities £ million	Assets £ million	Liabilities £ million
Current:				
Forward foreign currency contracts – cash flow hedge	1	(2)	1	(1)
Non-current:				
Interest rate swaps – cash flow hedge	–	(5)	–	(6)
	1	(7)	1	(7)

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:

	2016 £ million	2015 £ million
Interest rate swaps	(5)	(6)
Forward foreign currency contracts	(1)	–
	(6)	(6)

The net fair value gains at 31 December 2016 on open forward exchange contracts that hedge the foreign currency risk of future anticipated revenues are £nil (2015: £nil) and that hedge the foreign currency risk of future anticipated expenditure are losses of £1 million (2015: £nil). These will be allocated to expenditure when the forecast expenditure occurs. The net fair value liabilities at 31 December 2016 on open interest swaps that hedge interest risk are £5 million (2015: liabilities of £6 million). These will be debited to the income statement finance cost 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 foreign currency denominated borrowings as detailed in the table below. The fair value of these borrowings were as follows:

	2016 £ million	2015 £ million
US Dollar	491	440
Canadian Dollars	42	25
New Zealand Dollars	–	2
Euro	26	–
Singapore Dollars	–	6
Russian Roubles	40	9

A foreign exchange loss of £117 million (2015: loss of £18 million) on translation of the borrowings into Sterling has been recognised in exchange reserves.

Notes to the Group accounts
For the year ended 31 December 2016

30.A4 Financial instruments continued

(iv) The exposure of the Group to interest rate changes when borrowings reprice is as follows:
As at 31 December 2016

	<1 year £ million	1-5 years £ million	>5 years £ million	**Total £ million**
Total borrowings	60	552	81	**693**
Effect of interest rate swaps and other fixed rate debt	–	(304)	(81)	**(385)**
	60	248	–	**308**

As at 31 December 2015

	<1 year £ million	1-5 years £ million	>5 years £ million	Total £ million
Total borrowings	31	321	185	537
Effect of interest rate swaps and other fixed rate debt	–	(136)	(185)	(321)
	31	185	–	216

As at 31 December 2016 and 31 December 2015, all of the Group's floating debt was exposed to repricing within three months of the balance sheet date. 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 137.

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

	2016	2015
Bank overdrafts	**8.2%**	7.5%
Bank borrowings	**3.1%**	2.1%
Private placement	**4.2%**	4.2%

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 2016

	<1 year £ million	1-2 years £ million	2-5 years £ million	>5 years £ million
Borrowings	61	100	485	103
Derivative financial instruments	2	–	5	–
Trade and other payables	90	–	–	–
	153	**100**	**490**	**103**

As at 31 December 2015

	<1 year £ million	1-2 years £ million	2-5 years £ million	>5 years £ million
Borrowings	33	–	330	234
Derivative financial instruments	1	–	6	–
Trade and other payables	76	–	–	–
	110	–	336	234

No trade payable balances have a contractual maturity greater than 90 days.

30.A4 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 2016

	<1 year
Forward foreign exchange contracts – cash flow hedges	
Outflow	(123)
Inflow	122
	(1)

As at 31 December 2015

	<1 year
Forward foreign exchange contracts – cash flow hedges	
Outflow	(91)
Inflow	91
	–

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

30.A5 Pensions

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 2016 was £6 million (2015: £8 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.

The Trustee of the Scheme has control over the operation, funding and investment strategy of the Scheme but works closely with the Company to agree funding and investment strategy.

A valuation of the Scheme was carried out as at 31 December 2014 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	3.6%
Growth in average pay levels	4.8%
Increase in pensions	3.2%

At the valuation date, the market value of the Scheme's assets (excluding AVCs) was £92 million which was sufficient to cover 92% of the benefits that had accrued to members, after making allowances for future increases in earnings.

As part of the valuation at 31 December 2014, the Company and the trustees agreed upon a Schedule of Contributions and a Recovery Plan. Company contributions for benefits building up in the future increased from 35.9% to 41.0% on 1 February 2016. To address the Scheme deficit the Company has already made additional contributions of £1.25 million in 2015 and 2016 and plans to make further additional contributions of £1.25 million each year until 2022. Employee contributions are 6% of pensionable earnings.

The Group has the right to a refund of any pension surplus at the end of the scheme and as such has not recognised an additional liability in accordance with IFRIC 14.

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 £2 million were paid to the Scheme during the year (2015: £2 million). There are no outstanding or prepaid balances at the year end.

Notes to the Group accounts
For the year ended 31 December 2016

30.A5 Pensions continued

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 2016	31 Dec 2015
Rate of increase in salaries	5.0%	4.9%
Rate of increase in pensions in payment	3.4%	3.3%
Rate of increase in deferred pensions	3.5%	3.4%
Discount rate	2.7%	3.9%
Inflation assumption	3.5%	3.4%
Longevity at age 65 for current pensioners (years)		
Men	24.2	24.0
Women	26.8	26.7
Longevity at age 65 for future pensioners (years)		
Men	26.8	26.7
Women	29.5	29.4

The assets in the Scheme were:

Equities	Value at 31 Dec 2016 £ million	Value at 31 Dec 2015 £ million	Value at 31 Dec 2014 £ million
– UK Equities	9	8	8
– Overseas Equities	13	12	11
– Diversified Growth	8	7	7
– Absolute Return	8	8	7
Property	–	–	1
Index-linked Bonds	49	37	34
Fixed interest Bonds	–	–	5
Bonds	18	17	16
Cash	–	1	2
Total	105	90	91

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

	2016 £ million	2015 £ million	2014 £ million
Fair value of assets	105	90	91
Present value of funded obligations	(135)	(92)	(98)
Liability recognised in the balance sheet	(30)	(2)	(7)

30.A5 Pensions continued

Movement in defined benefit liability during the year:

	Defined benefit obligation		Fair value of Scheme assets		Net defined benefit liability	
	2016 £ million	2015 £ million	**2016 £ million**	2015 £ million	**2016 £ million**	2015 £ million
Balance at 1 January	**(92)**	(98)	**90**	91	**(2)**	(7)
Included in income statement						
Service cost	**(2)**	(2)	**–**	–	**(2)**	(2)
Interest cost	**(4)**	(4)	**–**	–	**(4)**	(4)
Interest income	**–**	–	**4**	4	**4**	4
	(6)	(6)	**4**	4	**(2)**	(2)
Included in statement of comprehensive income						
Remeasurements						
– Effect of changes in financial assumptions	**(40)**	1	**–**	–	**(40)**	1
– Effect of experience adjustments	**–**	6	**–**	–	**–**	6
– Return on plan assets (excluding interest income)	**–**	–	**11**	(3)	**11**	(3)
	(40)	7	**11**	(3)	**(29)**	4
Other						
Employer contributions	**–**	–	**3**	3	**3**	3
Benefits paid	**3**	5	**(3)**	(5)	**–**	–
	3	5	**–**	(2)	**3**	3
Balance at 31 December	**(135)**	(92)	**105**	90	**(30)**	(2)

The Attained Age method has been used for valuation of the liabilities. Under this method an individual's attributed benefit for valuation purposes related to a particular exit date (e.g. expected date of retirement, leaving service or death) is the benefit described under the Scheme, determined using the projected compensation and service that would be used in the calculation of the benefit on the expected exit date, multiplied by the ratio of credited service as of the measurement date to credited service as of the expected exit date. The benefit obligation is the total present value (assessed using appropriate assumptions) of the individuals' attributed benefits for valuation purposes at the measurement date. The discount rate was derived using a yield curve approach and based on Scheme specific cash flow data from the last formal actuarial valuation to arrive at an appropriate single-equivalent rate.

The fair value of the assets is based on the underlying 'bid value' statements issued by the various investment managers. The manager statements reflect the relevant pricing basis of the units held in the underlying pooled funds.

An alternative method of valuation is the estimated cost of buying out benefits at 31 December 2016 with a suitable insurer. This amount represents the amount that would be required to settle the Scheme liabilities at 31 December 2016 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 2016 is around £211 million which gives a Scheme shortfall on a buyout basis of approximately £106 million.

Cumulative actuarial gains and losses recognised in equity

	2016 £ million	2015 £ million
At 1 January	**34**	38
Actuarial losses recognised in the year	**29**	(4)
At 31 December	**63**	34

The actual return on Scheme assets was a gain of £16 million (2015: £nil).

Notes to the Group accounts

For the year ended 31 December 2016

30.A5 Pensions continued

Risks to which the Pension Scheme exposes the Group

There is a risk of asset volatility leading to a deficit in the Scheme. Working with the Company, the Trustee has agreed investment derisking triggers which, when certain criteria are met, will decrease corporate bond and fixed interest gilt holdings and increase the holding of index linked bonds. Over time, this will result in an investment portfolio which better matches the liabilities of the Scheme thereby reducing the risk of asset volatility. However, there remains a significant level of investment mismatch in the Scheme. This is deliberate and is aimed at maximising the Scheme's long-term investment return whilst retaining adequate control of the funding risks.

Through the Scheme, the Group is exposed to a number of other risks:

- Changes in bond yields – a decrease in corporate bond yields will increase Scheme liabilities.
- Inflation risk – pension obligations are linked to inflation and higher inflation will lead to higher liabilities.
- Life expectancy – an increase in life expectancy will result in an increase in the Scheme liabilities.

The measurement of the defined benefit obligation is particularly sensitive to changes in key assumptions as described below:

- The discount rate has been selected following actuarial advice and taking into account the duration of the liabilities. A decrease in the discount rate of 0.5% per annum would result in a £21 million increase in the present value of the defined benefit obligation. The weighted average duration of the defined benefit obligation liabilities is around 28 years.
- The inflation assumption adopted is consistent with the discount rate used. It is used to set the assumptions for pension increases, salary increases and deferred revaluations. An increase in the inflation rate of 0.5% per annum would result in a £20 million increase in the present value of the defined benefit obligation.
- The longevity assumptions adopted are based on those recommended by the Scheme Actuary advising the Trustee of the Scheme and reflect the most recent mortality information available at the time of the Trustee actuarial valuation. The increase in the present value of the defined benefit obligation due to members living one year longer would be £5 million.

There is a risk that changes in the above assumptions could increase the deficit in the Scheme. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material.

	2016 £ million	2015 £ million
Defined benefit obligation by participant status		
Actives	**57**	37
Deferreds	**51**	35
Pensioners	**27**	20
	135	92

The duration of the liabilities is approximately 29 years.

Expected cash flows in future years

Expected employer contributions for the year ended 31 December 2017 are £3 million. Expected total benefit payments: approximately £4 million per year for the next 10 years.

Company balance sheet (Company number: SC177553)

As at 31 December 2016

	Notes	2016 £ million	2015 £ million
Fixed assets			
Property, plant and equipment	35	**12**	7
Investments	36	**683**	684
		695	691
Current assets			
Other receivables	37	**921**	610
Cash and cash equivalents		**33**	5
Deferred tax asset	41	**7**	2
Current tax asset		**10**	14
		971	631
Creditors: amounts falling due within one year			
Borrowings	38	**(10)**	(3)
Other payables	39	**(501)**	(351)
Derivative financial instruments		**(1)**	–
Provisions	40	**–**	(1)
Net current assets		**459**	276
Total assets less current liabilities		**1,154**	967
Creditors: amounts falling due after one year			
Borrowings	38	**(633)**	(506)
Derivative financial instruments		**(5)**	(6)
Retirement benefit obligation	30.A5	**(30)**	(2)
Net assets		**486**	453
Shareholders' equity			
Share capital	42	**42**	42
Share premium		**20**	20
Treasury shares		**(14)**	(9)
Capital redemption reserve		**13**	13
Hedging reserve		**(3)**	(4)
Retained earnings		**428**	391
Total Shareholders' equity		**486**	453

The financial statements on pages 169 to 175 were approved by the Board of Directors on 7 March 2017 and signed on its behalf by:

K Hanna
Chairman

C Cran
Chief Financial Officer

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Company statement of comprehensive income

For the year ended 31 December 2016

	2016 £ million	2015 £ million
Profit for the year	125	89
Other comprehensive (loss)/income		
Items that will not be reclassified to profit or loss		
– Remeasurement of retirement benefits	(29)	4
– Taxation on remeasurement of retirement benefits	5	(1)
Items that may be reclassified subsequently to profit or loss		
– Cash flow hedges (net of tax)	1	1
– Taxation on cash flow hedges	–	–
Other comprehensive (loss)/income for the year (net of tax)	(23)	4
Total comprehensive income for the year	102	93

Company statement of changes in equity
For the year ended 31 December 2016

As at 31 December 2016

	Attributable to equity holders of the Company						
	Ordinary Share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Hedging reserve £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2016	42	20	(9)	13	(4)	391	453
Profit for the year	–	–	–	–	–	125	125
Other comprehensive (loss)/income:							
Fair value gains on interest rate swaps	–	–	–	–	1	–	1
Remeasurement of retirement benefits (net of tax)	–	–	–	–	–	(24)	(24)
Total comprehensive income for the year ended 31 December 2016	**–**	**–**	**–**	**–**	**1**	**101**	**102**
Transactions with owners:							
Purchase of Treasury Shares	–	–	(8)	–	–	–	(8)
Employee share awards	–	–	–	–	–	8	8
Issue of Ordinary Shares to employees under share option schemes	–	–	3	–	–	(3)	–
Dividends paid during 2016	–	–	–	–	–	(69)	(69)
	–	–	(5)	–	–	(64)	(69)
Balance at 31 December 2016	**42**	**20**	**(14)**	**13**	**(3)**	**428**	**486**

As at 31 December 2015

	Attributable to equity holders of the Company						
	Ordinary Share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Hedging reserve £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2015	42	20	(14)	13	(5)	364	420
Profit for the year	–	–	–	–	–	89	89
Other comprehensive (loss)/income:							
Fair value gains on interest rate swaps	–	–	–	–	1	–	1
Remeasurement of retirement benefits (net of tax)	–	–	–	–	–	3	3
Total comprehensive income for the year ended 31 December 2015	**–**	**–**	**–**	**–**	**1**	**92**	**93**
Transactions with owners:							
Employee share awards	–	–	–	–	–	8	8
Issue of Ordinary Shares to employees under share option schemes	–	–	5	–	–	(3)	2
Return of capital to Shareholders	–	–	–	–	–	(1)	(1)
Dividends paid during 2015	–	–	–	–	–	(69)	(69)
	–	–	5	–	–	(65)	(60)
Balance at 31 December 2015	**42**	**20**	**(9)**	**13**	**(4)**	**391**	**453**

Notes to the Company accounts
For the year ended 31 December 2016

31 COMPANY ACCOUNTING POLICIES

31.1 Basis of preparation
These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair values in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - Paragraph 79(a)(iv) of IAS 1;
  - Paragraph 73(e) of IAS 16 'Property, plant and equipment'
  - Paragraph 188(e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows)
  - 10(f)(a) (statement of financial position as at the beginning of the preceding period)
  - 16 (statement of compliance with all IFRS)
  - 38A (requirement for minimum of two primary statements, including cash flow statements)
  - 38B-D (additional comparative information)
  - 40A-D (requirements for a third statement of financial position)
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirements for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

31.1.1 Going concern
Given the going concern disclosures in the Group Accounts on page 132, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

31.1.2 Changes in accounting policy and disclosures

New and amended standards adopted by the Company
There are no new standards that are effective for the first time this year that have a material impact on the Company.

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 assets into the location and condition where it is capable for use. Borrowings costs are not capitalised.

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

Vehicles, plant and equipment	4 to 8 years.

Impairment of property, plant and equipment
Property, plant and equipment is 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 cash flows. These are discounted using an appropriate long-term pre-tax interest rate. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (income-generating units).

31 COMPANY ACCOUNTING POLICIES CONTINUED

Foreign currencies

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

Derivative financial instruments

The accounting policy is identical to that applied by the consolidated Group as set out on page 158.

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.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in Shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in Shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employee benefits

The Company operates both a defined benefit pension scheme and a defined contribution pension scheme. The accounting policy is identical to that applied by the consolidated Group as set out on page 135.

Investments

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

Leases

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

Share-based payments

The accounting policy is identical to that applied by the consolidated Group as set out on page 158 with the exception that shares issued by the Company to employees of its subsidiaries for which no consideration is received are treated as an increase in the Company's investment in those subsidiaries.

Dividend distribution

Dividend distribution to the Company's Shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Shareholders.

32 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Taxation

This is explained in Note 1 to the Group Accounts on page 136.

33 DIVIDENDS

Refer to Note 11 of the Group Accounts.

Notes to the Company accounts

For the year ended 31 December 2016

34 AUDITORS' REMUNERATION

	2016 £000	2015 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	224	283
Fees payable to the Company's auditor and its associates for other services:		
– Other assurance related services	72	36
– Other (Note (ii))	230	–

(i) In the year ended 31 December 2016, KPMG LLP replaced PricewaterhouseCoopers as Company Auditors, therefore the 2016 fees above relate to KPMG LLP and the 2015 fees relate to PricewaterhouseCoopers.

(ii) Other relates to Investor Relation Services (this work has stopped from 1 January 2017).

35 PROPERTY, PLANT AND EQUIPMENT

	Total £ million
Cost	
At 1 January 2016	12
Additions	7
At 31 December 2016	**19**
Accumulated depreciation	
At 1 January 2016	5
Charge for the year	2
At 31 December 2016	**7**
Net book values:	
At 31 December 2016	**12**
At 31 December 2015	7

The property, plant and equipment of the Company comprise vehicles, plant and equipment.

36 INVESTMENTS

	£ million
Cost of investments in subsidiary undertakings:	
At 1 January 2016	684
Net impact of share-based payments	(1)
At 31 December 2016	**683**

Details of the Company's subsidiary undertakings are set out in Note 28 to the Group Accounts. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

37 OTHER RECEIVABLES

	2016 £ million	2015 £ million
Amounts due from subsidiary undertakings	917	608
Other receivables	4	2
	921	610

38 BORROWINGS

	2016 £ million	2015 £ million
Non-current		
Bank borrowings	329	253
Private placement notes	304	253
	633	506
Current		
Bank overdrafts	–	2
Bank borrowings	10	1
	10	3
Total borrowings	**643**	509

The bank overdrafts and borrowings are all unsecured.

(i) Maturity of financial liabilities

The maturity profile of the borrowings was as follows:

	2016 £ million	2015 £ million
Within 1 year, or on demand	10	3
Between 1 and 2 years	97	–
Between 2 and 3 years	150	195
Between 3 and 4 years	127	70
Between 4 and 5 years	178	56
Greater than 5 years	81	185
	643	509

(ii) Borrowing facilities

The Company has the following undrawn committed floating rate borrowing facilities available at 31 December 2016 in respect of which all conditions precedent had been met at that date:

	2016 £ million	2015 £ million
Expiring within 1 year	–	30
Expiring between 1 and 2 years	178	–
Expiring between 2 and 3 years	1	117
Expiring between 3 and 4 years	189	78
Expiring between 4 and 5 years	34	160
Expiring after 5 years	–	–
	402	385

39 OTHER PAYABLES

	2016 £ million	2015 £ million
Amounts owed to subsidiary undertakings	491	343
Accruals and deferred income	10	8
	501	351

40 PROVISIONS

	Reorganisation £ million
At 1 January 2016	1
Utilised	(1)
At 31 December 2016	**–**

41 DEFERRED TAX

	2016 £ million	2015 £ million
At 1 January	**2**	3
Credit/(debit) to statement of comprehensive income	**5**	(1)
At 31 December	**7**	2

Deferred tax is provided in the accounts as follows:

Deferred tax assets

	Other timing differences £ million	Derivative financial liabilities £ million	Relating to retirement benefit obligation £ million	Total £ million
At 1 January 2015	–	2	1	3
Deferred tax debit in statement of comprehensive income	–	–	(1)	(1)
At 1 January 2016	–	2	–	2
Deferred tax credit in statement of comprehensive income	–	–	5	5
At 31 December 2016	**–**	**2**	**5**	**7**

The net deferred tax asset due after more than one year is £7 million (2015: asset of £2 million).

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

42 SHARE CAPITAL

Refer to Note 23 of the Group Accounts.

43 PROFIT AND LOSS ACCOUNT

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own income statement and related notes. The profit for the financial year of the Company was £125 million (2015: £89 million).

Shareholder information

Financial calendar

20 April 2017	Ex-dividend date – Final dividend
21 April 2017	Record date to be eligible for the final dividend
27 April 2017	Annual General Meeting
27 April 2017	Q1 Trading Update for the year to 31 December 2017
24 May 2017	Final dividend payment for the year to 31 December 2016
2 August 2017	Half Year Results announcement for the year to 31 December 2017
early September 2017	Ex-dividend date – Interim dividend
early September 2017	Record date to be eligible for the interim dividend
late September/early October 2017	Interim dividend payment for the year to 31 December 2017
mid November 2017	Q3 Trading Update for the year to 31 December 2017

OUR WEBSITE

Our corporate website provides access to share price and dividend information as well as sections on managing your shareholding online, corporate governance and other investor relations information. To access the website, please visit ir.aggreko.com/investors

MANAGING YOUR SHARES ONLINE

Shareholders can manage their holding online by registering to use our Shareholder portal at https://shares.aggreko.com. This service is provided by our Registrar, Capita, giving quick and easy access to your shareholding, allowing you to manage all aspects of your shareholding online, with a useful FAQ section.

ELECTRONIC COMMUNICATIONS

We encourage Shareholders to consider receiving their communications electronically. Choosing to receive your communications electronically means you receive information quickly and securely and allows us to communicate in a more environmentally friendly and cost-effective way. You can register for this service online using our share portal at https://shares.aggreko.com.

PAYMENT OF DIVIDENDS

Shareholders whose dividends are not currently paid directly into their bank accounts may wish to consider setting this service up. We encourage Shareholders to have dividends paid direct to their bank accounts as this has a number of advantages, including ensuring efficient payment to receive cleared funds on the payment date.

If Shareholders would like to receive their dividends directly to their bank account, they should call the Registrar, Capita, using the details opposite.

UK Shareholders may also register using the share portal at https://shares.aggreko.com.

Overseas Shareholders may also be able to have the dividend converted to local currency before payment to your bank account using the international payment service. Please call the Registrar, Capita, using the details opposite, or visit www.capitaregistrars.com/international.

DIVIDEND REINVESTMENT PLAN

Our Dividend Reinvestment Plan (DRIP) is available for eligible Shareholders. This allows Shareholders to purchase additional shares in Aggreko with their dividend payment. Further information and a mandate can be obtained from our Registrars, Capita, using the contact details opposite, or by using the share portal at https://shares.aggreko.com.

DUPLICATE DOCUMENTS

Some Shareholders find that they receive duplicate documentation and split dividend payments due to having more than one account on the share register. If you think you fall into this group and would like to combine your accounts, please contact our Registrar, Capita.

CHANGES OF ADDRESS

To avoid missing important correspondence relating to your shareholding, it is important that you inform our Registrar, Capita, of your new address as soon as possible.

SHAREGIFT

If you have a very small shareholding that is uneconomical to sell, you may want to consider donating it to Sharegift (Registered Charity no.10526886), a charity that specialises in the donation of small, unwanted shareholdings to good causes. You can find out more by visiting www.sharegift.org or by calling +44 (0) 207 930 3737.

SHAREHOLDER QUERIES

Our share register is maintained by our Registrar, Capita. Shareholders with queries relating to their shareholding should contact Capita directly using one of the methods listed opposite. For more general queries, Shareholders can look at our website at ir.aggreko.com/investors

USEFUL CONTACTS

Registrar

Capita Asset Services, Shareholder Solutions
The Registry, 34 Beckenham Road
Beckenham, Kent BR3 4TU
United Kingdom
Telephone 0371 664 0300

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. Lines are open between 9.00am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales.

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Stockbrokers

Bank of America Merrill Lynch – London
Citigroup Global Markets – London

Auditors

KPMG – Glasgow
Chartered Accountants

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Group Legal Director & Company Secretary

Peter Kennerley

Additional documents

The Annual Report is available for download in pdf format at ir.aggreko.com/investors

Unsolicited mail and Shareholder fraud

Shareholders are advised to be wary of unsolicited mail or telephone calls offering free advice, to buy shares at a discount or offering free company reports. To find more detailed information on how Shareholders can be protected from investment scams visit www.fca.org.uk/consumers/scams/investment-scams/share-fraud-and-boiler-room-scams.

Definition and calculation of non GAAP measures

ADJUSTED RETURN ON AVERAGE CAPITAL EMPLOYED (ROCE)

Definition:

Calculated by dividing operating profit pre-exceptional items for a period by the average net operating assets at 1 January, 30 June and 31 December.

Calculation:

	Accounts reference	December 2016 £ million	December 2015 £ million
Operating profit pre-exceptional items	Income statement	**248**	275
Average net operating assets			
1 January	Note 4(h) of 2016 & Note 4(g) of 2015 Accounts	**1,707**	1,690
30 June	Refer to Note (a) below	**1,991**	1,650
31 December	Note 4(h) of 2016 & Note 4(g) of 2015 Accounts	**2,124**	1,707
Average (i.e. total of 1 Jan, 30 June and 31 Dec divided by 3)		**1,941**	1,682
ROCE (operating profit pre-exceptional items divided by average operating assets)		**13%**	16%

Note (a):		
Per June 2016 Interim Accounts		
Note 5(e)		
Assets	**2,286**	1,976
Liabilities	**(295)**	(326)
Net operating assets	**1,991**	1,650

ADJUSTED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION (EBITDA)

Calculation:

	Accounts reference	December 2016 £ million	December 2015 £ million
Operating profit pre-exceptional items (Earnings Before Interest and Taxation)	Income statement	**248**	275
Depreciation	Note 5	**281**	277
Amortisation	Note 5	**4**	4
EBITDA		**533**	556

ADJUSTED INTEREST COVER: EBITDA DIVIDED BY NET FINANCE COSTS

Calculation:

	Accounts reference	December 2016	December 2015
EBITDA (£ million)	Per above	533	556
Net finance cost (£ million)	Income statement	27	23
Interest cover (times)		20	24

ADJUSTED NET DEBT TO EBITDA

Calculation:

	Accounts reference	December 2016	December 2015
Net debt (£ million)	Cash flow statement	649	489
EBITDA (£ million)	Per above	533	556
Net debt/EBITDA (times)		1.2	0.9

ADJUSTED DIVIDEND COVER

Definition:

Basic earnings per share (EPS) pre-exceptional items divided by full year declared dividend.

Calculation:

	Accounts reference	December 2016	December 2015
Basic EPS pre-exceptional items (pence)	Income statement	61.98	71.73
Full year declared dividend			
Interim dividend (pence)	Note 11	9.38	9.38
Final dividend (pence)	Note 11	17.74	17.74
		27.12	27.12
Dividend cover (times)		2.3	2.6

Financial summary

Revenue £m

16	1,515
15	1,561
14	1,577
13	1,573
12	1,583

Adjusted Operating Profit[2] £m

16	248
15	275
14	310
13	358
12	385

Adjusted Operating Profit Margin[2] %

16	16
15	18
14	20
13	23
12	24

Dividend per Share[1] Pence

16	27.12
15	27.12
14	27.12
13	26.30
12	23.91

Adjusted Profit Before Tax[2] £m

16	221
15	252
14	289
13	333
12	360

Adjusted Diluted EPS[2] Pence

16	61.95
15	71.68
14	82.49
13	92.03
12	100.40

Average Number of Employees

16	6,090
15	6,433
14	6,112
13	5,749
12	5,316

Net Operating Assets £m

16	2,124
15	1,707
14	1,690
13	1,598
12	1,708

Adjusted Return on Average Capital Employed[2] %

16	13
15	16
14	19
13	21
12	24

Capital Expenditure £m

16	263
15	254
14	251
13	228
12	440

Net Debt £m

16	649
15	489
14	494
13	363
12	593

Shareholders' Funds £m

16	1,368
15	1,115
14	1,078
13	1,140
12	1,045

1 The Board is recommending a final dividend of 17.74 pence per Ordinary Share, which, when added to the interim dividend of 9.38 pence, gives a total for the year of 27.12 pence per Ordinary Share.
2 Adjusted excludes exceptional items in 2016, 2015 and 2012.

Glossary

CEO
Chief Executive Officer.

CFO
Chief Financial Officer.

CFM
Cubic feet per minute. A unit of volumetric capacity.

CO_2
Carbon dioxide.

Diluted earnings per share
Profit after tax divided by the diluted weighted average number of Ordinary Shares ranking for dividend during the relevant period, i.e. including the impact of share options.

EPA
Environmental Protection Agency.

GHG
Greenhouse gas emissions.

g/kWh
Emissions in grams per kilowatt hour.

HFO
Heavy fuel oil.

kVA
A thousand volt amperes.

Load shedding
Load shedding is an intentional power shutdown, where electricity is stopped for a period of time over different parts of the distribution region. They are a last-resort measure to avoid a total blackout of the power system and are a demand response where the demand for electricity exceeds the supply capability of the network.

LWA
Sound power level at source.

Market potential estimation calculation
1. In a market (say, oil-refining in the US) in which we are well-established and have high market share, calculate our rental revenues (a known number) in the sector as a proportion of the total economic output of oil refineries in the US (another known number). This produces a very small number, like 0.00001.
2. Make the assumption that if we can achieve, say, 0.00001 of the economic output of refineries in the US as revenues, we should, in theory, be able to achieve the same in oil refineries everywhere else. Therefore if we take the total economic output of oil refineries in, say China, and then apply the same multiple to that which we achieve in the US, that tells us how big the potential market is.
3. Take this same technique, and apply it to about 20 segments in around 30 countries, and we have an estimate for the market potential and a number for our revenues in the sector (an accurate number), and therefore an estimate of our share of 'market potential'.

MW
Megawatt – a million watts of electricity.

NOx
Oxides of nitrogen.

On-hire & Off-hire
When a contract is put out on rent, the equipment is referred to as on-hire. When a contract comes off rent, the equipment is referred to as off-hiring. The on and off-hire rates are calculated as the number of MW of equipment that either on or off-hire in the period, divided by the MW of equipment on-hire at the beginning of that period.

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

Particulate
In general this term relates to visible smoke.

Power Solutions business
The part of our business which operates in emerging markets. It has two divisions, Utility which handles very large power contracts, typically for utilities and Industrial which offers solutions from our local service centres to industrial customers.

pp
Percentage points.

Profit after tax
Profit attributable to equity Shareholders.

Rental Solutions business
The part of our business operating in North America, Europe and Australasia, looking after customers local to our service centres.

tCO_2e
Tonnes of carbon dioxide equivalent.

Temperature control
The temperature control fleet includes chillers, air conditioners, cooling towers, boilers, heat exchangers, heaters, and the required ancillary products. It provides HVAC and moisture control equipment that helps customers minimise losses, manage risks and capture windows of economic opportunity. Applications include seasonal limitations or catastrophic failure of critical cooling equipment, planned and unplanned maintenance, process improvements, and temporary structures.

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