For the year ended 31 December 2008

31 Company accounting policies

Accounting convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. A summary of the more important Company accounting policies is set out below.

Tangible fixed assets

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

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

Vehicles, plant and equipment	4 to 15 years.

Impairment of tangible fixed assets

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

Foreign currencies

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

Derivative financial instruments

The accounting policy is identical to that applied by the consolidated Group as set out on pages 76 and 77.

Borrowings

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

Cash flow statement and related party disclosures

The Company is included in the Group Accounts of Aggreko plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 'Cash Flow Statements (revised 1996)'. The Company is also exempt under the terms of Financial Reporting Standard 8 'Related Party Disclosures' from disclosing related party transactions with entities that are part of the Group.

Taxation

The charge for ordinary taxation is based on the profit/loss for the year and takes into account full provision for deferred tax, using the approach set out in FRS 19, 'Deferred Tax' in respect of timing differences on a non discounted basis. Such timing differences arise primarily from the differing treatment for taxation and accounting purposes of provisions and depreciation of fixed assets.

Pensions

The Company operates both a defined benefit pension scheme and a defined contribution pension scheme. The accounting policy is identical to that applied by the consolidated Group as set out on page 78.

Investments

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

Leases

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

31 Company accounting policies continued

Grants

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

Share-based payments

The accounting policy is identical to that applied by the consolidated Group as set out on page 78 with the exception that shares issued by the Company to employees of its subsidiaries for which no consideration is received are treated as an increase in the Company's investment in those subsidiaries.

Dividend distribution

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

32 Staff costs

	2008 £ million	2007 £ million
Wages and salaries	**10.4**	8.6
Social security costs	**0.9**	0.9
Other pension cost	**0.6**	0.5
Share-based payment	**1.9**	1.3
	13.8	11.3
Average number of employees	**115**	89

33 Dividends

Refer to Note 10 of the Group Accounts.

34 Auditors' remuneration

	2008 £000	2007 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**112**	111
Fees payable to the Company's auditor and its associates for other services:		
– Other services pursuant to legislation	**27**	26
– Tax services	**–**	31
– All other services	**11**	2
Fees in respect of the Aggreko plc pension scheme:		
– Audit	**6**	6

35 Tangible fixed assets

	Total £ million
Cost	
At 1 January 2008	17.8
Additions	1.1
Disposals	(0.5)
At 31 December 2008	**18.4**
Accumulated depreciation	
At 1 January 2008	8.2
Charge for the year	2.6
Disposals	(0.5)
At 31 December 2008	**10.3**
Net book values:	
At 31 December 2008	**8.1**
At 31 December 2007	9.6

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

36 Investments

	£ million
Cost of investments in subsidiary undertakings:	
At 1 January 2008	102.0
Share-based payments	0.6
Exchange	13.5
At 31 December 2008	**116.1**

Details of the Company's principal subsidiary undertakings are set out in Note 28 to the Group Accounts.

37 Debtors

	2008 £ million	2007 £ million
Prepayments and accrued income	**0.3**	0.1
Other receivables	**1.0**	0.8
Amounts due from subsidiary undertakings	**529.8**	328.2
	531.1	329.1

38 Borrowings

	2008 £ million	2007 £ million
Non-current		
Bank borrowings	**211.6**	212.2
Current		
Bank overdrafts	**0.2**	–
Bank borrowings	**157.7**	–
	157.9	–
Total borrowings	**369.5**	212.2

The bank overdrafts and borrowings are all unsecured.

(i) Maturity of financial liabilities
The maturity profile of the borrowings was as follows:

	2008 £ million	2007 £ million
Within 1 year, or on demand	**157.9**	–
Between 1 and 2 years	**–**	128.9
Between 2 and 3 years	**185.8**	–
Between 3 and 4 years	**–**	83.3
Between 4 and 5 years	**25.8**	–
	369.5	212.2

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

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

38 Borrowings continued

(iii) Interest rate risk profile of financial liabilities

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

	Floating rate £ million	Fixed rate £ million	Total £ million	Fixed rate debt: Weighted average interest rate %	Fixed rate debt: Weighted average period for which rate is fixed years
Currency:					
Sterling	36.5	–	36.5	–	–
US dollar	72.1	189.6	261.7	4.8	4.9
Euro	17.6	37.9	55.5	4.8	3.1
Canadian dollar	15.8	–	15.8	–	–
At 31 December 2008	**142.0**	**227.5**	**369.5**		
Sterling	20.0	–	20.0	–	–
US dollar	36.9	115.5	152.4	4.7	2.5
Euro	4.4	35.4	39.8	3.7	1.2
At 31 December 2007	**61.3**	**150.9**	**212.2**		

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

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

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

(iv) Preference share capital

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

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

For the year ended 31 December 2008

39 Financial instruments

(i) Fair values of financial assets and financial liabilities

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

	2008		2007	
	Book value £ million	**Fair value £ million**	Book value £ million	Fair value £ million
Primary financial instruments held or issued to finance the Company's operations:				
Current borrowings and overdrafts	**(157.9)**	**(157.9)**	–	–
Non-current borrowings	**(211.6)**	**(211.6)**	(212.2)	(212.2)
Derivative financial instruments held to manage the interest rate profile:				
Interest rate swaps	**(20.5)**	**(20.5)**	(2.6)	(2.6)
Forward foreign currency contracts	**–**	**–**	–	–

(ii) Summary of methods and assumptions

Interest rate swaps and forward foreign currency contracts

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

Current borrowings and overdrafts/liquid resources

The fair value of liquid resources and current borrowings and overdrafts approximates to the carrying amount because of the short maturity of these instruments.

Non-current borrowings

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

(iii) Financial instruments

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

	2008		2007	
	Assets £ million	**Liabilities £ million**	Assets £ million	Liabilities £ million
Less than one year:				
Interest rate swaps – cash flow hedge	**–**	**(1.4)**	0.1	–
Forward foreign currency contracts – cash flow hedge	**14.5**	**(14.5)**	2.1	(2.1)
More than one year:				
Interest rate swaps – cash flow hedge	**–**	**(19.1)**	–	(2.7)
	14.5	**(35.0)**	2.2	(4.8)

Net fair values of derivative financial instruments

The net fair value of derivative financial instruments and designated for cash flow hedges at the balance sheet date were:

	2008 £ million	2007 £ million
Contracts with positive fair values:		
Interest rate swaps	**–**	0.1
Forward foreign currency contracts	**14.5**	2.1
Contracts with negative fair values:		
Interest rate swaps	**(20.5)**	(2.7)
Forward foreign currency contracts	**(14.5)**	(2.1)
	(20.5)	(2.6)

39 Financial instruments continued

The net fair value losses at 31 December 2008 on open interest rate swaps that hedge interest risk are £20.5 million (2007: losses of £2.6 million). These will be debited to the income statement interest charge over the remaining life of each interest rate swap.

(iv) The exposure of the Company to interest rate changes when borrowings reprice is as follows:
As at 31 December 2008

	<1 year £ million	1-5 years £ million	>5 years £ million	Total £ million
Total borrowings	157.9	211.6	–	369.5
Effect of interest rate swaps	(44.0)	(115.9)	(67.6)	(227.5)
	113.9	95.7	(67.6)	142.0

As at 31 December 2007

	<1 year £ million	1-5 years £ million	>5 years £ million	Total £ million
Total borrowings	–	212.2	–	212.2
Effect of interest rate swaps	(45.9)	(105.0)	–	(150.9)
	(45.9)	107.2	–	61.3

As at 31 December 2008 and 31 December 2007 all of the Company's debt was exposed to repricing within 3 months of the balance sheet date.

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

	2008	2007
Bank overdraft	**4.3%**	–
Bank borrowings	**3.4%**	5.5%

40 Other creditors: amounts falling due within one year

	2008 £ million	2007 £ million
Accruals and deferred income	**19.1**	10.5
Amounts owed to subsidiary undertakings	**127.4**	105.5
	146.5	116.0

41 Deferred tax

	2008 £ million	2007 £ million
At 1 January	**(0.7)**	(0.1)
Credit to the income statement	**(0.1)**	(0.5)
Credit to equity	**(5.0)**	(0.1)
At 31 December	**(5.8)**	(0.7)

Deferred tax provided in the Accounts is as follows:		
Accelerated capital allowances	**0.9**	0.8
Other timing differences	**(6.7)**	(1.5)
	(5.8)	(0.7)

42 Pension commitments

	2008 £ million	2007 £ million
FRS 17 Deficit in the scheme (Refer to Note 27 of the Group Accounts)	**(8.0)**	(8.1)
Related deferred tax asset	**2.2**	2.3
	(5.8)	(5.8)

Notes to the Company Accounts continued

For the year ended 31 December 2008

43 Share capital

	2008 Number	2008 £000	2007 Number	2007 £000
Authorised:				
Ordinary shares of 20p each	**349,750,010**	**69,950**	349,750,010	69,950
Allotted, called up and fully paid:				
Ordinary shares of 20p each	**272,116,594**	**54,424**	270,923,649	54,185

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

44 Reconciliation of movements in shareholders' funds

	Called up share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Hedging reserve £ million	Profit and loss account £ million	Capital and reserves £ million
1 January 2008	54.2	8.8	(10.5)	0.1	(1.6)	55.0	106.0
Profit for the financial year	–	–	–	–	–	57.4	57.4
Dividends	–	–	–	–	–	(23.7)	(23.7)
Net movement on interest rate swaps	–	–	–	–	(17.8)	–	(17.8)
Credit in respect of employee share awards	–	–	–	–	–	7.8	7.8
Issue of ordinary shares to employees under share option schemes	–	–	2.8	–	–	(2.8)	–
Actuarial losses on retirement benefits	–	–	–	–	–	(4.0)	(4.0)
Deferred tax on items taken to equity	–	–	–	–	5.0	1.1	6.1
New share capital subscribed	0.2	1.4	–	–	–	–	1.6
Sale of own shares by Employee Benefit Trust	–	–	0.4	–	–	0.5	0.9
Purchase of treasury shares	–	–	(13.2)	–	–	–	(13.2)
31 December 2008	**54.4**	**10.2**	**(20.5)**	**0.1**	**(14.4)**	**91.3**	**121.1**

45 Operating lease commitments – minimum lease payments

	2008 Land and buildings £ million	2007 Land and buildings £ million
Commitments under operating leases expiring:		
Within 1 year	**–**	–
Later than 1 year and less than 5 years	**0.2**	0.2
After 5 years	**0.2**	0.2
Total	**0.4**	0.4

46 Profit and loss account

As permitted by Section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account and related notes. The profit for the financial year of the Company was £57.4 million (2007: £31.3 million).