

Our Resources

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

People

Aggreko has 3,500 employees around the world, and they are united by a unique culture. Phrases such as ‘customer focused’, ‘can-do’, ‘completely dependable’ capture part of the ethos of Aggreko employees. We have captured our culture in three words: performance, passion and pace. This culture has developed through the years, and derives from the fact that very often Aggreko is helping people and businesses to recover from, or to avoid, emergencies or disruption. Customers are often dependent on Aggreko people to keep things running, sometimes under very difficult circumstances. Our people are highly skilled, and many of them have years of experience. They are used to reacting quickly, getting the job done professionally and safely, and they respond well in a crisis.

Taking into account the environment in which we operate, it is essential that our people are properly trained, given the correct level of responsibility and accountability to make decisions on a timely basis and are remunerated and incentivised appropriately. Each part of the business has training programmes in place to ensure that our employees have the necessary skills to perform their roles to a high level. This training is a combination of on-the-job learning and specific skill development through training courses. A major component of this training is related to Environmental Health and Safety (EH&S) issues. More detail of our EH&S policies is given on pages 40 to 41.

In the last few years Aggreko has taken a number of tangible steps to improve the capability of its people. A new talent management system has been introduced and the 140 senior managers in the business have attended a management education programme specifically tailored to Aggreko at IMD in Lausanne. This initiative, combined with various other activities such as the establishment of dedicated in-house training facilities in Dubai and Houston, will contribute significantly to the ongoing capability of the Aggreko team.

The Company’s remuneration policy, which is described on pages 54 to 56, is aligned with the key objectives of growing earnings and delivering strong returns on capital. To underline this point the Group’s long term incentive scheme, and many senior managers’ annual bonuses, are based on targets set against both earnings per share and returns on capital employed.

Physical assets

Many rental businesses provide standard products to their customers. The car or hammer-drill you rent is the same as the one you can buy. Aggreko’s equipment is different; manufacturers of generators, temperature control equipment and oil-free air compressors generally design their product to be installed and stay in the same location for its working life. For our business, however, this equipment has to be lifted and transported thousands of times during its working life. It must be able to work in extreme conditions – the same generator might be working in -40°C on an oil rig in Russia one week, and in +45°C in the Saudi Arabian desert the next. Designing and building equipment that can do this while remaining safe, quiet, reliable and compliant with environmental and safety regulations is a key skill of Aggreko. Unusually for a rental company we design and manufacture most of our equipment, and our specialist in-house teams based in Dumbarton, Scotland understand intimately the requirements of the environment in which the fleet operates. Not only do we have industry-leading equipment, we also have a great deal of it – £1,383 million worth at original cost as at 31 December 2008.

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

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

One measure of how we are doing in terms of managing our physical assets is the 'return on average capital employed'. This measure is one of the key performance indicators shown on page 28.

Financial resources

The Group maintains sufficient facilities to meet its normal funding requirements in respect of on-going working capital and capital expenditure over the medium term. These facilities are primarily in the form of committed bank facilities, totalling £510.4 million at 31 December 2008, arranged on a bilateral basis with a number of international banks. The financial covenants attached to these facilities are that operating profit should be no less than 3 times interest and net debt should be no more than 3 times EBITDA.

The Group does not consider that these covenants are restrictive to its operations. Since the year end the Group has refinanced or replaced £158.9 million of facilities due to mature in September 2009 with new facilities totalling £195.0 million. The maturity profile of the borrowings is detailed in Note 17 in the Financial Statements with the next maturity not due until 2011. The facilities now in place are currently anticipated to be ample for meeting the Group's requirements for the foreseeable future.

Net debt amounted to £364.0 million at 31 December 2008, and at that date, undrawn committed facilities were £141.1 million.

Supply Chain

During 2008, Aggreko's capital expenditure totalled £265.2 million. Of this, 73% was assembled by our design and assembly operation which is based in Dumbarton, Scotland. The remainder of the capital expenditure was sourced direct from third party manufacturers to Aggreko specification and managed by our supply chain team in Dumbarton. Aggreko's supply chain capability in managing suppliers of both finished product and components for assembly is a key part of our business capability. We have long standing relationships with many of our suppliers, notably Cummins, which supplies a number of engine ranges and alternators. We have also developed new supplier relationships in countries such as China where we work very closely with the supplier to ensure that the components produced comply with Aggreko's strict quality standards. Currently we are working closely with our supply chain to ensure that the current economic environment does not adversely impact our suppliers' ability to deliver the agreed product schedule.