



**Aggreko UK Limited**

**Directors' report and accounts for the year ended 31 December 2018**

✓ Registered number SC051093

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## **Directors and advisers**

### **Directors**

The directors who served during the year and up to date of signing were:

Christopher Phillip Anthony Weston  
Christopher Andrew Rason  
Peter Dilworth Kennerley  
Alan Thomas McDonald (appointed 31st March 2018)  
Heath Stewart Drewett (appointed 5th January 2018)  
Daniel Frederick Ibbetson (appointed 15th February 2019)  
Stuart Parsons (resigned 31st March 2018)  
Alan Gerard Dunne (appointed 26th September 2018 & resigned 4th March 2019)

### **Company secretary**

Aggreko Generators Limited

### **Registered office**

Overburn Avenue  
Dumbarton  
Dunbartonshire  
G82 2RL

### **Independent auditor**

KPMG LLP  
St Vincent Plaza  
319 St Vincent Street  
Glasgow  
G2 5AS

### **Bankers**

The Royal Bank of Scotland plc  
36 St Andrew Square  
Edinburgh  
EH2 1YB

### **Solicitors**

Dickson Minto WS  
16 Charlotte Square  
Edinburgh  
EH2 4DF

## Strategic report

The directors present their Strategic report for Aggreko UK Limited ('the Company') for the year ended 31 December 2018.

### Review of business

The Company provides temporary power and temperature control solutions to customers who need them either quickly, or for a limited period of time. The Company also manufactures and sells temporary power and temperature control equipment to other group Companies.

The Company has continued to trade profitably. It is envisaged that this will continue in the future. The results for the year are set out in the profit and loss account. The financial condition for the Company is set out in the balance sheet and is considered to be satisfactory at 31 December 2018 with net assets of £222,111,000 (2017: £208,287,000). The Company incurred no exceptional costs in the year (2017: £1,142,000).

### Principal risks and uncertainties

The directors have carried out a robust assessment of the principal risks and uncertainties facing Aggreko, including those which would threaten our future performance, business model, solvency and liquidity. These are considered to relate to market dynamics, disruptive technology, talent management, new technology market introduction, equipment obsolescence, health & safety, cyber security, security, failure to conduct business dealings with honesty and integrity, failure to collect payments or to recover assets. Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 40 to 45 of Aggreko plc 2018 Annual Report and Accounts.

With respect to Brexit, at this point, we do not know whether the UK will leave the EU with a deal, without a deal or whether the decision to leave will be revoked. We have completed an impact analysis to try to identify the aspects of our business that might be affected most by the UK's withdrawal from the EU. We have taken some actions and developed contingency plans to reduce the potential impact on the Group of the UK leaving the EU without a deal at the end of March 2019. Delays in our supply chain and in the export of finished products, changes to customs duties on the movement of equipment, changes to tax legislation and the associated system changes have the potential to affect our business the most, on top of the impact of changes in the value of Sterling and GDP growth in our UK and EU markets. Further details on Brexit is provided on page 45 of the Aggreko plc Annual Report and Accounts 2018.

### Key performance indicators

There are four Key Performance Indicators (KPI's) which are used as measures of the longer-term health of the business and to monitor progress in implementing the Company's strategic objectives. They are:

Customer loyalty - Net promoter score

The Net Promoter Score (NPS) measures the proportion of our customers who think we do an excellent job against those who think we are average or worse. Our NPS for 2018 was 51% (2017:59.9%).

Employee turnover

We monitor permanent employee turnover as a reasonable proxy for how employees feel. It is measured as the number of employees who left the Company (other than through redundancy) during the period as a proportion of the total average employees during the period. We aim to keep permanent employee turnover below historic levels in order to retain the skill base that we have developed. Our employee turnover was 2.8% higher in 2018 at 18.5% (2017:18%).

## Strategic report *(continued)*

### Revenue growth

We look at revenue growth over time and compare this to how the market has performed. This is calculated as revenue growth over the previous year. The revenue growth in 2018 was -34% (2017:6%). The revenue decrease in 2018 is largely attributable to a decline in demand across the Aggreko group for equipment assembled and sold by the Company's manufacturing division.

### Operating profit margin

Our business has a large fixed cost base due to our fleet, therefore strong operating profit margins demonstrate variable cost control and leverage of the fixed asset base. This is calculated as operating profit divided by revenue. The operating profit margin in 2018 was 14% (2017:15%).

### Financial risk management

The Company's operations result in some credit risk exposure. The Company has implemented policies that require appropriate credit checks on potential customers before sales are made and the amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually.

The Company's operations also result in some foreign exchange risk as a result of foreign currency accounts receivable and accounts payable balances. The Group has a centralised treasury operation and one of the main objectives of this operation is to manage the financial risk arising from foreign exchange. Further details can be found on page 32 of the Aggreko plc 2018 Annual Report and Accounts.

### Future outlook

The Company fully expects to make progress in 2019, which will be to improve on market share in the rental division of the business and improve profitability with a focus on reducing both direct and indirect costs.

By order of the Board



Alan Thomas McDonald  
Director  
24th September 2019

## **Directors' report**

The directors present their report and the audited accounts of the Company for the year ended 31 December 2018.

### **Future developments**

The directors aim to maintain the management policies which have resulted in the company's success in recent years.

### **Results and dividends**

The profit before tax for the financial year was £21,083,000 (2017: £30,700,000 after exceptional items of £1,142,000). No dividend was paid in the current year (2017: nil). The total profit for the financial year was transferred to reserves.

### **Directors and their interests**

The directors of the Company during the year ended 31 December 2018, up to date of signing this report, are noted on page 1.

### **Employees**

The Company is committed to promoting equal opportunities for all, irrespective of disability, ethnic origin, gender or any other considerations that do not affect a person's ability to perform their job.

The Company's policies for recruitment, training, career development and promotion of employees are based on the suitability of the individual and give those who are disabled equal treatment with the able bodied. Where appropriate, employees disabled after joining the Company are given suitable training for alternative employment with the Company or elsewhere in the Group.

The Company continues to operate team briefings throughout its business to keep employees informed of developments and plans, both in the Company and in the Group as a whole. Employees have access to the 'My Aggreko', an intranet based system which provides them with a wide range of information on the activities of the Group around the world. The annual and interim results of the Group are publicised extensively throughout the business and are made available to all employees.

The Company has an externally facilitated whistle blowing hotline, which gives access for all employees to a confidential, multi-lingual service to report any cases of ethical non-compliance, bullying or discrimination.

It is the policy of the Company to consult employees and employee representatives wherever possible to support communication and thereby:

- provide information regarding the Company's performance;
- ensure that employees' views are known as part of the decision making process; and
- discuss matters of concern or importance, such as employment, personnel development and welfare.

The Aggreko Savings Related Share Option Scheme ('Sharesave') was launched in 1998 and a substantial number of employees have shareholding interests built up through this and other schemes.

**Directors' report** *(continued)*

**Disclosure of information to auditors**

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Independent auditor**

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



**Helen Middlemist**  
**For and on behalf of Aggreko Generators Limited**  
Company Secretary  
Overburn Avenue  
Dumbarton  
Dunbartonshire  
G82 2RL  
24th September 2019

## **Statement of Directors' responsibilities in respect of the strategic report, the directors' report and the financial statements**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## **Independent auditor's report to the members of Aggreko UK Limited**

### **Opinion**

We have audited the financial statements of Aggreko UK Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and Loss Account, the Balance Sheet and the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.

We have nothing to report in these respects.

### Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Gordon Herbertson (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
319 St Vincent Street  
Glasgow  
G2 5AS  
26th September 2019

**Profit and loss account**  
**Year ended 31 December 2018**

			Total before exceptional items	Exceptional items (Note 4)	
	Note	2018 £'000	2017 £'000	2017 £'000	2017 £'000
<b>Revenue</b>	2	<b>146,078</b>	220,577	-	220,577
Cost of sales		<b>(82,612)</b>	(149,016)	-	(149,016)
<b>Gross profit</b>		<b>63,466</b>	71,561	-	71,561
Distribution costs		<b>(60,769)</b>	(54,108)	-	(54,108)
Administrative expenses		<b>(20,515)</b>	(26,784)	(1,142)	(27,926)
Other income		<b>38,688</b>	40,243	-	40,243
<b>Operating profit / (loss)</b>	3	<b>20,870</b>	30,913	(1,142)	29,771
Finance income	6	<b>247</b>	1,004	-	1,004
Finance costs	7	<b>(34)</b>	(75)	-	(75)
Net finance income		<b>213</b>	929	-	929
<b>Profit/(loss) before income tax</b>		<b>21,083</b>	31,842	(1,142)	30,700
Income tax expense / income on profit	8	<b>(6,579)</b>	(8,482)	220	(8,262)
<b>Profit / (loss) for the year</b>		<b>14,504</b>	23,360	(922)	22,438

**Statement of comprehensive income**  
**Year ended 31 December 2018**

	2018 £'000	2017 £'000
<b>Profit for the year</b>	<b>14,504</b>	22,438
<b>Other comprehensive income: Items that may be reclassified to profit and loss</b>		
Fair value losses on foreign currency cash flow hedge (net of tax)	-	(156)
<b>Other comprehensive income for the year (net of tax)</b>	<b>-</b>	(156)
<b>Total comprehensive income</b>	<b>14,504</b>	22,282

The accompanying notes form an integral part of this profit and loss account.

The results for each year arise wholly from continuing operations.

**Balance Sheet**  
**As at 31 December 2018**

	Note	2018 £'000	2017 £'000
<b>Fixed Assets</b>			
Intangible assets	9	19,606	10,681
Property, plant and equipment	10	72,117	73,551
Investment in subsidiaries	11	3,678	3,678
		<b>95,401</b>	<b>87,910</b>
<b>Current assets</b>			
Inventory	12	18,335	20,772
Trade and other debtors	13	171,871	170,730
Cash and cash equivalents		1,934	168
		<b>192,140</b>	<b>191,670</b>
<b>Creditors - amounts falling due within one year</b>	14	<b>(61,421)</b>	<b>(67,621)</b>
<b>Net current assets</b>		<b>130,719</b>	<b>124,049</b>
<b>Total assets less current liabilities</b>		<b>226,120</b>	<b>211,959</b>
Creditors - amounts falling due after more than one year	15	(311)	(311)
Deferred tax	16	(3,698)	(3,361)
<b>Net assets</b>		<b>222,111</b>	<b>208,287</b>
<b>Capital and reserves</b>			
Called up share capital	17	20	20
Retained Earnings		219,456	204,952
Contributed capital	18	2,635	3,315
<b>Total shareholders funds</b>		<b>222,111</b>	<b>208,287</b>

The notes on pages 12 to 23 are an integral part of these financial statements.

The financial statements were authorised for issue by the board of directors on 24th September 2019 and were signed on its behalf by:



Alan Thomas McDonald  
Director  
24th September 2019

**Statement of changes in equity**  
**As at 31 December 2018**

	<b>Called-up share capital £'000</b>	<b>Contributed capital £'000</b>	<b>Hedging reserve £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
<b>Balance as at 1 January 2018</b>	20	3,315	-	204,952	208,287
Profit for the year	-	-	-	14,504	14,504
<b>Total comprehensive income for year</b>	-	-	-	14,504	14,504
Employee share awards (net of tax)	-	(680)	-	-	(680)
<b>Balance as at 31 December 2018</b>	<b>20</b>	<b>2,635</b>	<b>-</b>	<b>219,456</b>	<b>222,111</b>

**As at 31 December 2017**

	<b>Called-up share capital £'000</b>	<b>Contributed capital £'000</b>	<b>Hedging reserve £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
<b>Balance as at 1 January 2017</b>	20	1,761	156	182,514	184,451
Profit for the year	-	-	-	22,438	22,438
<b>Other comprehensive income/(loss) for the year:</b>					
Fair value loss on foreign currency cash flow hedge (net of tax)	-	-	(156)	-	(156)
<b>Total comprehensive income for year</b>	-	-	(156)	22,438	22,282
Employee share awards (net of tax)	-	1,554	-	-	1,554
<b>Balance as at 31 December 2017</b>	<b>20</b>	<b>3,315</b>	<b>-</b>	<b>204,952</b>	<b>208,287</b>

## Notes to the accounts for the year ended 31 December 2018

### 1. Accounting policies

Aggreko UK Ltd is a private company incorporated, domiciled and registered in Scotland in the UK. The registered number is SC051093 and the registered address is Overburn Avenue, Dumbarton, G82 2RL

#### a. Basis of preparation

The 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, in accordance with the Companies Act 2006. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods in these financial statements. 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 and the budgets and cashflows show that the company is a going concern.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- disclosures in respect of transactions with wholly owned subsidiaries ;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of Key Management Personnel; and
- disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Aggreko PLC include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

On the grounds of materiality, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments

#### b. Consolidation

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated accounts as it and its subsidiaries are included by full consolidation in the consolidated accounts of its ultimate parent Aggreko plc, a company registered in Scotland.

#### c. 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 Company.

Exceptional items for the year ended 31 December 2018 were nil (2017: £1,142,000). These costs are explained in Note 4 to the accounts.

**Notes to the accounts  
for the year ended 31 December 2018 (continued)**

**1. Accounting policies (continued)**

**d. Revenue Recognition**

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control over a service to a customer as detailed below. Revenue arising from the assembly and sale of equipment is recognised at the point of delivery to the customer.

The Company's performance obligation is to provide rental contracts for the supply of temporary power, temperature control, oil-free compressed air and related services. In relation to this performance obligation revenue is recognised over time and can comprise a fixed rental charge and a variable charge related to the usage of assets or other services (including pass-through fuel).

The Company 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 Company 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.

A receivable is recognised by the Company when the service is provided to the customer. The majority of receivables are paid within or close to the payment terms.

*Variable consideration*

The Company is liable to penalties on certain contracts if we fail to fulfil the relevant performance obligation. If our assessment of these penalties means that it is highly probable that a significant reversal of the revenue recognised will occur they are netted against revenue.

*Disaggregation of revenue*

In Note 2 to the Accounts revenue from contracts with customers is disaggregated by geography and activity.

**e. Intangible fixed assets and amortisation**

Intangible fixed assets are stated at historic purchase cost less accumulated amortisation.

Intangible assets acquired as part of a business combination are capitalised, separate 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 the estimated useful life as follows:

Customer relationships :	10 years
Non-compete agreements:	over the life of the non-compete agreement

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

**f. Property, Plant and Equipment**

Property, plant and equipment are stated at historical purchase cost less accumulated depreciation.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on all property, plant and equipment, other than freehold land and assets in the course of construction, at rates calculated to write-off the cost of each asset over its expected useful life. The principal periods of depreciation used are:

Freehold land and buildings:	25 years
Short leasehold land and buildings:	25 years or over life of lease when less than 25 years
Plant and Machinery:	1 to 25 years

**Notes to the accounts  
for the year ended 31 December 2018 (continued)**

**1. Accounting policies (continued)**

**g. Grants**

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

**h. Inventories**

Inventories and work in progress 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. 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.

**i. Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, 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.

**j. Foreign currencies**

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange on the day the transaction occurs. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate ruling at the balance sheet date.

**k. Leased assets**

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.



**Notes to the accounts  
for the year ended 31 December 2018 (continued)**

**1. Accounting policies (continued)**

**l. Other operating income**

Other operating income includes royalties receivable from Aggreko plc and central management recharges and is accrued or deferred at the balance sheet date depending on the date of the most recent invoice and contractual terms. Royalties are accounted for in the period they become payable or receivable.

**m. Research and development costs**

All research expenditure is charged to the profit and loss account in the period in which it is incurred.

Development expenditure is charged to the profit and loss account 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 company 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 profit and loss account over the expected useful life of the resulting product or technology, which is currently deemed to be between three to six years.

**n. Pensions and other post retirement benefits**

The Company participates in the Group pension scheme operated by Aggreko plc, the Company's ultimate parent company. The pension 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 pension scheme is subject to valuations at intervals of not more than three years by independent actuaries.

A valuation of the Group scheme was carried out as at 31 December 2014. In the intervening years, the actuary reviews the continuing appropriateness of the rates. Particulars of the valuation of the Group schemes are provided on page 129-132 of Aggreko plc 2018 annual report. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is another member of the group.

The defined benefit scheme was closed to new employees joining the Company after 1 April 2002. For new employees joining after 1 April 2002, a defined contribution scheme has been introduced. Contributions to defined contribution plans are charged to the profit and loss account in the period in which they fall due. The Company provides no other post retirement benefits to its employees.

**o. Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

**Trade and other debtors**

Trade and other debtors are recognised initially at fair value. The trade debtors impairment policy is discussed on page 16 in the impact of IFRS 9 section.

**Trade and other creditors**

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

**Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

**Notes to the accounts  
for the year ended 31 December 2018 (continued)**

**1. Accounting policies (continued)**

**p. 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.

The Company evaluates the carrying value of investments in each financial year to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the income statement.

**q. Changes in accounting policy**

In these financial statements the Company has changed its accounting policies in the following areas:

The company has adopted the following IFRSs in these financial statements:

- IFRS 15: Revenue from Contract with Customers
- IFRS 9: Financial Instruments

**r. Change in significant accounting policies**

*IFRS 15 Revenue from Contract with Customers*

The Company has applied IFRS 15 using the retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 15.

The impact of the transition to IFRS 15 is not considered to be material to Aggreko UK. As a result, there is no disclosure note detailing the impact of the transition.

*IFRS 9 Financial Instruments*

IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities. The Company has adopted IFRS 9 using the cumulative effect method and therefore comparatives have not been restated.

The nature and effects of the key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarised below:

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. Under IFRS 9 credit losses tend to be recognised earlier than under IAS 39. Receivables (including accrued income) are required to be considered immediately for impairment to reflect the possibility of future default or non-collectability.

The Company has taken advantage of the practical expedient in IFRS 9 to use a provision matrix to simplify the calculation where accounts receivable are split into various risk categories (e.g. based on Credit Rating Agencies) and then a percentage is applied to each category to obtain the impairment allowances. An example of the provision matrix is detailed on page 100 of the plc accounts.

The impact of the transition to IFRS 9 is not considered to be material to Aggreko UK. As a result, there is no disclosure note detailing the impact of the transition.

**Notes to the accounts  
for the year ended 31 December 2018 (continued)**

**2. Revenue**

Analysis of revenue by geography:	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
UK	86,984	88,619
Continental Europe	18,727	13,071
North America	5,095	899
Latin America	640	1,460
Middle East	24,287	99,061
Australasia	8,642	9,316
Africa	254	150
Asia	1,449	8,001
<b>Total Revenue</b>	<b>146,078</b>	<b>220,577</b>

Analysis of revenue by activity:	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Power Revenue	36,518	36,668
Temperature Control Rental	12,668	9,570
Service Revenue	8,199	7,474
Freight Revenue	5,414	5,628
Fuel Revenue	11,602	15,185
Other Revenue	10,873	14,266
Sale of equipment to Aggreko Group entities	60,804	131,786
<b>Total Revenue</b>	<b>146,078</b>	<b>220,577</b>

Included in the above is accrued income of £41,300,000 (2017: £59,336,000)

**3. Operating profit / (loss)**

Operating profit / (loss) is stated after charging/(crediting):	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation of property, plant and equipment	13,981	13,383
Amortisation of intangible assets	155	2
Gain on sale of property, plant and equipment	(1,390)	(1,536)
Operating leases		
- plant and machinery	1,629	1,705
- land and buildings	1,264	1,259
Services provided by the company's auditor		
- fees payable for the audit	46	29

**4. Exceptional Items**

The definition of exceptional items is contained within Note 1. There was no exceptional charge in the year (2017: £1,142,000). The charge in 2017, before taxation, related to the implementation of the business priorities programme and is all employee related costs.

**Notes to the accounts  
for the year ended 31 December 2018 (continued)**

**5. Employees and directors**

**Employees**

	2018 £'000	2017 £'000
Wages and Salaries	44,215	36,537
Social security costs	3,657	3,408
Other pension costs	2,603	3,162
Share-based payments	1,961	1,277
<b>Staff Costs</b>	<b>52,436</b>	<b>44,384</b>

The average number of persons (including executive directors) employed by the Company during the year was:

<b>By activity:</b>	2018 No.	2017 No.
Administrative	280	285
Sales	59	58
Service and repair	195	192
Production	85	96
Technical development	39	27
	<b>658</b>	<b>658</b>

**Directors**

The directors' emoluments were as follows:

	2018 £'000	2017 £'000
Aggregate emoluments	514	653

**Highest paid director**

	2018 £'000	2017 £'000
Highest paid director's emoluments	281	342

The number of directors who exercised share options during the year of office was none (2017: none). The gain (before transaction costs and taxes) on options exercised by directors during the year was £nil (2017: £nil).

Directors' emoluments above relate to Alan Thomas McDonald, Christopher Andrew Rason, Alan Gerard Dunne and Stuart Parsons for the period during which they held office.

Christopher Phillip Anthony Weston and Heath Stewart Drewett are directors of Aggreko plc, the ultimate parent company and the details of their emoluments were disclosed in the Aggreko plc 2018 Annual Report and Accounts, pages 64 - 78. Their services to the Company were of a non-executive nature and their emoluments are deemed to be wholly attributable to their services as director of the ultimate parent company. Peter Dilworth Kennerley's service to the company was of a non-executive nature and his emoluments are deemed to be wholly attributable to his services as Company Secretary of the ultimate parent company.

**6. Finance income**

	2018 £'000	2017 £'000
<b>Finance income</b>		
Loan interest	247	1,004

**7. Finance cost**

	2018 £'000	2017 £'000
<b>Finance costs</b>		
Bank borrowings	(34)	(75)

**Notes to the accounts  
for the year ended 31 December 2018 (continued)**

**8. Income Tax expense**

<b>Tax included in profit or loss</b>	<b>2018 £000</b>	<b>2017 £000</b>
Current tax:		
UK corporation tax on profits for the year	5,574	8,743
Overseas tax	33	47
Adjustment in respect of prior periods	635	(1,408)
Total current tax expense for the year	6,242	7,382
Deferred tax:		
Origination and reversal of temporary differences	(192)	(90)
Adjustment in respect of prior periods	529	970
Total deferred tax	337	880
<b>Tax expense on profit</b>	<b>6,579</b>	<b>8,262</b>
<b>Tax expense included in other comprehensive income</b>	<b>2018 £000</b>	<b>2017 £000</b>
Deferred tax:		
Origination and reversal of temporary differences		(32)
<b>Total tax expense included in other comprehensive income</b>	<b>-</b>	<b>(32)</b>

The tax charge for the period is higher (2017: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19% (2017: 19.25%). The differences are explained below:

	<b>£000</b>	Total before exceptional items 2017 £000	Exceptional items 2017 £000	Total 2017 £000
Profit before tax	21,083	31,842	(1,142)	30,700
Profit multiplied by the standard rate of tax in the UK of 19% (2017: 19.25%)	4,006	6,130	(220)	5,910
Effects of:				
-Permanent differences	1,376	2,743		2,743
-Impact of change in UK tax rate	-	-		-
-Adjustments to tax charge in respect of prior years	1,164	(438)		(438)
-Overseas tax	33	47		47
<b>Tax charge</b>	<b>6,579</b>	<b>8,482</b>	<b>(220)</b>	<b>8,262</b>

**Notes to the accounts  
for the year ended 31 December 2018 (continued)**

**9. Intangible assets**

	Software £'000	Development expenditure £'000	Total £'000
<b>Cost</b>			
At 1 January 2018	35	10,648	10,683
Additions	268	8,812	9,080
<b>At 31 December 2018</b>	<b>303</b>	<b>19,460</b>	<b>19,763</b>
<b>Accumulated amortisation and impairment</b>			
At 1 January 2018	(2)	-	(2)
Amortisation	(63)	(92)	(155)
<b>At 31 December 2018</b>	<b>(65)</b>	<b>(92)</b>	<b>(157)</b>
<b>Net book value</b>			
<b>At 31 December 2018</b>	<b>238</b>	<b>19,368</b>	<b>19,606</b>
At 1 January 2018	33	10,648	10,681

**10. Property, plant and equipment**

	Land and buildings £'000	Plant and machinery £'000	Total £'000
<b>Cost:</b>			
At 1 January 2018	32,314	148,264	180,578
Additions	234	11,096	11,330
Disposals	-	(4,156)	(4,156)
Transfers*	-	12,855	12,855
Reclassifications	(223)	223	-
<b>At 31 December 2018</b>	<b>32,325</b>	<b>168,282</b>	<b>200,607</b>
<b>Accumulated depreciation:</b>			
At 1 January 2018	(12,897)	(94,130)	(107,027)
Charge for the year	(992)	(12,989)	(13,981)
Disposals	-	3,753	3,753
Transfers*	-	(11,235)	(11,235)
Reclassifications	223	(223)	-
<b>At 31 December 2018</b>	<b>(13,666)</b>	<b>(114,824)</b>	<b>(128,490)</b>
<b>Net Book Value</b>			
<b>At 31 December 2018</b>	<b>18,659</b>	<b>53,458</b>	<b>72,117</b>
At 31 December 2017	19,417	54,134	73,551

\*Assets are transferred between group companies to meet local operating requirements.

The net book value of land and buildings comprises	<b>2018</b>	<b>2017</b>
	£'000	£'000
Freehold	17,214	18,061
Short leasehold	1,445	1,356
<b>Net book value</b>	<b>18,659</b>	<b>19,417</b>

**Notes to the accounts  
for the year ended 31 December 2018 (continued)**

**11. Investments**

Shares in subsidiary undertakings	£'000
At 1 January 2018 and 31 December 2018	3,678

The subsidiary undertakings of Aggreko UK Limited at the year end, and main countries in which they operate are shown below.  
All companies are wholly owned and incorporated 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 Ireland Limited	Ireland	Riverside one, Sir John Rogerson's Quay, Dublin 2, D02 X576, Ireland
Golden Triangle Generators Limited	UK	Aggreko House Orbital 2, Voyager Drive, Cannock, Staffordshire, WS11 8XP, England, United Kingdom
Aggreko Eurasia LLC *	Russia	Building 1, House 8, 2nd km Stariy Tobolsky Trakt, Tyumen, 625000, Russian Federation
Aggreko South East Europe S.R.L. **	Romania	Soseaua de Centura 7A, Tunari, Ilfov, 077180, Romania

\* 1% holding in the ordinary share capital of Aggreko Eurasia LLC

\*\*1% holding in the ordinary share capital of Aggreko South East Europe S.R.L.

The directors believe that the carrying value of the investments are supported by their underlying net assets.

**12. Inventory**

	2018 £'000	2017 £'000
Raw materials and consumables	17,450	17,314
Work in progress	885	3,458
	<b>18,335</b>	<b>20,772</b>

Inventories are stated after provisions for impairment of £1,402,447 (2017: £1,441,103).

**13. Trade and other debtors**

	2018 £'000	2017 £'000
Trade debtors	14,310	13,654
Amounts owed by group undertakings	103,380	86,288
Other debtors	3,946	5,241
Prepayments and accrued income	50,235	65,547
	<b>171,871</b>	<b>170,730</b>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**Notes to the accounts  
for the year ended 31 December 2018 (continued)**

**14. Creditors: amounts falling due within one year**

	2018 £'000	2017 £'000
Trade creditors	23,442	30,230
Amounts owed to group undertakings	5,777	1,073
Other creditors and social security	16,735	14,088
Corporation tax	3,679	7,221
Accruals and deferred income	11,788	15,009
Bank overdraft	-	-
	<b>61,421</b>	<b>67,621</b>

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**15. Creditors: amounts falling due after more than one year**

	2018 £'000	2017 £'000
Amounts owed to group undertakings	311	311

Debt has been provided on a long term basis with no fixed repayment date. Interest is charged at a floating rate on the loan payable to Aggreko UK Finance Ltd ("AUFL").

**16. Deferred Tax**

Deferred tax is provided for in the accounts as follows:

	Accelerated capital allowances £000	Other temporary differences £000	Derivative financial instruments £000	Total £000
<b>Deferred tax liabilities / (assets)</b>				
<b>At 1 January 2017</b>	3,071	(590)	32	2,513
Charged / (credited) to income statement	970	(90)	-	880
Credited directly to other comprehensive income	-	-	(32)	(32)
<b>At 1 January 2018</b>	4,041	(680)	-	3,361
Charged / (credited) to income statement	115	222	-	337
Credited directly to other comprehensive income	-	-	-	-
<b>At 31 December 2018</b>	4,156	(458)	-	3,698

The net deferred tax liability due after more than one year is £3,698,000 (2017: £3,361,000).

**17. Called up share capital**

	2018 £'000	2017 £'000
<i>Allotted and fully paid:</i>		
<b>Equity</b>		
200 (2017: 200) ordinary shares of 1p each	-	-
20,000 (2017: 20,000) deferred shares of £1 each	20	20
	<b>20</b>	<b>20</b>

**Rights of deferred shares:**

Deferred shares of £1 each:

- a) holders have no right to receive any dividend in respect of such holding.
- b) on a return of capital on a winding up or otherwise, will carry the right to a repayment of capital; but only after the holders of the ordinary shares have been paid the sum of £10,000 per share, or assets up to that amount per share.
- c) have no right to receive notice of or to be present or to vote either in person or by proxy at any meeting of the Company.



**Notes to the accounts  
for the year ended 31 December 2018 (continued)**

**18. Contributed capital**

	£'000
At 1 January 2018	3,315
Net impact of share based payments - value of services performed	(680)
<b>At 31 December 2018</b>	<b>2,635</b>

**19. Capital and other commitments**

At 31 December, the Company had the following capital commitments

	2018 £'000	2017 £'000
Contracts for future capital expenditure not provided in the financial statements	734	2,573

**20. Operating leases**

The Company had the following minimum lease payments

	2018 £'000	2017 £'000
<b>Land and buildings</b>		
<i>Commitments under non-cancellable operating leases expiring:</i>		
Less than one year	1,143	777
Between one and five years	3,666	2,427
More than five years	13,449	9,101
	<b>18,258</b>	<b>12,305</b>
<b>Other operating leases</b>		
<i>Commitments under non-cancellable operating leases expiring:</i>		
Less than one year	1,375	1,429
Between one and five years	2,590	1,809
More than five years	-	-
	<b>3,965</b>	<b>3,238</b>

**21. Related party transactions**

During the year to 31 December 2018 there were no (2017: £nil) related party transactions with companies outside the Aggreko Group.

**22. Controlling parties**

The company's immediate parent company is Aggreko Holdings Ltd. The company's ultimate parent company and controlling party is Aggreko plc, a company incorporated in Scotland, which heads the only group into which the results of the company are consolidated. Copies of the group accounts of Aggreko plc are available to the public and may be obtained from 120 Bothwell Street, Glasgow, G2 7JS.