



10 December 2010

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Sir, Madam

### **IFRS Exposure Draft on Leases (August 2010)**

Thank you for the opportunity to comment on the IFRS Exposure Draft on Leases. On behalf of Aggreko plc, we are pleased to provide you with comments on the exposure draft.

Aggreko provides temporary power and temperature control solutions to customers who need them either very quickly, or for a short or indeterminate length of time.

We do this on a global basis, with 144 service centres and offices in 34 countries; in 2009 we served customers in about 100 countries ranging from North America to France to Australia to Africa. The solutions we provide range from the simple to the very complex, for example:

- generating power for entire countries in times of severe power shortfall;
- multi-million pound projects to help increase production in petrochemical plants by providing additional power and liquid cooling;
- the design and operation of the temporary power infrastructure for major public events such as the Olympic Games;
- providing temperature control in an office after the air-conditioning has broken down;
- installing chillers to provide the cooling for temporary ice-rinks;
- renting a generator for a few days to a power utility while it carries out improvements to transmission lines.

We recognise the importance of developing a new standard on leasing and we agree with the majority of the views expressed in the exposure draft. We would however like the Board to consider further the following two items:

- Exclusion of short term leases and non core assets; and
- A long transition period for adoption.

#### **Exclusion of short term leases and non core assets**

The proposed model includes simplified accounting for short term leases which are defined as leases having a maximum term of 12 months or less. In reality, the majority of the short term leases would exceed a 12-month term and, consequently, this simplified approach would have limited value. In our opinion, these non-core or low value leases should be excluded from the scope since the information will be of little value to users of the financial statements but requires substantial effort to prepare. In addition, as a general point, the Board should consider setting a de minimis value for short term leases below which they should be excluded from the scope.

#### **Transition period**

We note and welcome the Board's paper, published in October 2010, on effective dates and transition methods. Specifically in relation to the Leases exposure draft, given the complexity in this exposure draft and the financial impact it will have on the balance sheet, we would request a long transition period for the potential new standard. The financial impact of this exposure draft would have to be communicated carefully to investors and providers of finance. There is a high possibility that funding covenants and documentation would have to be renegotiated as these items will be impacted by the proposed treatment of leases, i.e. as an additional form of financing.

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If you have any questions regarding this submission, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read "G. O'Connor". The signature is written in a cursive style with a large, sweeping initial "G".

Gerry O'Connor  
Group Reporting Manager  
Aggreko plc