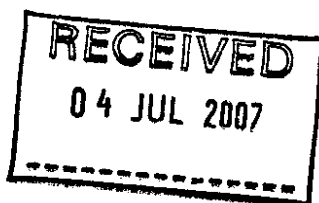


28 June 2007

Julian Rose
Secretary
Market Participants Group
Financial Reporting Council
5th Floor
71-91 Aldwych
LONDON WC2B 4HN



Dear Sir

Choice in the UK Audit Market – Interim Report of the Market Participants Group

Thank you for sending Aggreko plc a copy of the above report.

Our comments on the report are noted in the document attached to this letter.

If you have any queries or comments, please do not hesitate to contact me.

Yours faithfully

A handwritten signature in black ink, appearing to be "A. Cockburn". The signature is fluid and cursive, with a long horizontal stroke at the end.

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Choice in the UK Audit Market

Interim Report

Background

Aggreko plc is the world leader in the supply of temporary power, temperature control and oil-free compressed air services. It is currently ranked 167th in the FTSE with a market capitalisation of c£1.5 billion.

We recently put our audit out to tender, the outcome of which was supported by our shareholders.

We agree the need to address the important issue of auditor choice in view of developments over recent years and we welcome the initiatives and provisional recommendations set out in the report.

We support the three criteria for measuring the merits of the recommendations (effectiveness, quality and cost) as defined on page 11.

Our comments on each of the provisional recommendations are set out below.

In general, we are supportive of the conclusions and recommendations, although we have reservations on certain of them, for example on the potential for more formal shareholder engagement on the selection process.

Overall, we believe that some of the initiatives are likely to have more success than others and we have commented on these individually below.

We believe that the key areas to improve the current situation are :

1. Increase the number of big participants with international capabilities(by encouraging mergers or unions of existing non-big four firms, or attracting in new financial services companies currently not participating)
2. By ameliorating the liability issue and related insurance cover problems
3. Encouraging all companies to put their audits out to tender on a regular basis, e.g. every 7 or 8 years, so that selection is frequently addressed as a matter of course.

We also believe any solution needs to be an international one rather than purely UK or even European.

Please find below our detailed comments. If we can provide any clarification or further comments please do not hesitate to contact us.

Provisional recommendation 1

The FRC should promote wider understanding of the possible effects on audit choice of changes to audit firm ownership rules subject to there being sufficient safeguards to protect auditor independence and audit quality.

Stated objective

Increase the propensity of non-big four firms to audit public interest entities through increasing their capabilities.

Comments

We agree with the objective of finding ways of making the non-big four more capable of handling larger audits. As the report sets out, this is primarily the responsibility of the firms themselves, however we believe that a review of the regulations regarding ownership and the financing of audit firms, subject to the safeguards mentioned, would only be helpful to the matter of increasing choice.

We therefore agree with the recommendation as drafted.

Provisional recommendation 2

Audit firms should disclose the financial results of their work on statutory audits and directly related services on a comparable basis.

Stated objective

Increase the propensity of non-big four firms to audit public interest entities through encouraging new firms with required capabilities to enter the market.

Comments

We agree with the objective of encouraging new firms to enter the market and agree with the recommendation that this would be assisted by better and more consistent disclosure of the relevant financial results. Public companies and other bodies with major stakeholder interests are already required to give regular segmental details of their operations and, in view of the market's dependence on the services of auditors, this should also apply to audit firms. Guidance to the firms should be clear to ensure consistency and, whilst the allocation of costs may be difficult, this should not be an obstacle to pursuing this option.

An additional way to increase the critical mass of the non-big four firms would be to more actively encourage mergers and unions amongst them, thereby creating more actual large firms, though this is covered to some degree later in this report.

Provisional recommendation 3

In developing and implementing policy on auditor liability arrangements, regulators and legislators should seek to promote audit choice, subject to the overriding need to protect audit quality.

Stated objective

Increase propensity of non-big four to audit public interest entities through their becoming willing to take on more audit work.

Comments

The liability issue is probably the major one in this debate and the smaller firms are likely to be discouraged from taking on larger audits with larger exposures. We agree with the objective and the recommendation to review the current legal structures on liability, particularly to avoid 'catastrophic' liability, although, as mentioned, this is likely to be difficult to carry out on a UK, or even European, only basis.

We also believe there should be greater efforts to bring in more cover from the commercial insurance market.

There should be a balance between enough liability exposure to ensure the necessary focus on quality and governance (as there is for public companies) and the degree of protection from legal structure and insurance. We would also support the European Commission's looking at limitation of 'catastrophic' liability through the options mentioned.

Notwithstanding the above comments, we would not agree with the capping of any liability exposure according to the size of the firm. As a public company we would be completely against this.

Provisional recommendation 4

Regulatory organisations should encourage appropriate participation on standard setting bodies and committees by individuals from different sizes of firm.

Stated objective

Increase propensity of non-big four firms to audit public interest entities through achieving more accurate perceptions of their capabilities.

Comments

We agree with the objective and the recommendation.

Provisional recommendation 5

The FRC should continue its efforts to promote understanding of audit quality and should promote greater transparency of the capabilities of individual audit firms.

Stated objective

Increase propensity for public interest entities to select non-big firms as auditors through better understanding of audit quality and the capabilities of individual firms.

Comments

We agree, in principle, with the objective and recommendation. Their relative success, however, will be determined by the detail. It would be helpful for the FRC to provide more guidance on what we should expect of 'good quality' in a standard format. To make this work, disclosure by audit firms would have to be regulatory, not voluntary, and there would have to be clearly measurable yardsticks to enable comparisons between firms.

We believe that there are more important factors in this debate (i.e. liability issues and critical mass of individual firms) – however the above, if not over burdensome and complicated, should help the market.

Provisional recommendation 6

The accounting profession should establish mechanisms to improve access by the incoming auditor to information relevant to the audit held by the outgoing auditor.

Stated objective

Increase the propensity for public interest entities to select non-big four firms by reducing the risk and cost of changing auditors.

Comments

We agree that the risk and cost attached to changing auditors should be kept to a minimum and not be factors in making a change. Whether this would encourage more use of the non-big four is debatable but it would clearly not discourage it. We believe that plc's should be encouraged to put their audit out to tender on a regular basis (say every 7 or 8 years) which would help the process of change.

In terms of the handover of information from one firm to the other there should be agreed practices by which the new firm obtains familiarity with the key issues without full disclosure of details of judgements made by the outgoing firm – indeed it is important that the new firm arrives independently at its own judgements.

Provisional recommendation 7

The FRC should provide independent guidance for audit committees and other market participants on considerations relevant to the use of firms from more than one network.

Stated objective

Increase the propensity for public interest entities to select non-big four firms through companies becoming more willing to appoint auditors from more than one network.

Comments

We believe the decision to use firms from one (international) network or more is wholly that of the using company. There may be, and usually are, good commercial and efficiency reasons for using one network and this should not be over-ridden by FRC guidance. Similarly, we believe that the use of joint-auditors is a decision for the using company and not the market.

Provisional recommendation 8

The FRC should amend the section of the Smith Guidance dealing with communications with shareholders to include a requirement for the provision of information relevant to the auditor selection decision.

Stated objective

Increase propensity for public interest entities to select non-big four firms through improved explanation of auditor appointment decisions.

Comments

We are, in principle, not against giving limited more disclosure on auditor selection, although we do not believe this will necessarily achieve the objective of more non-big four firms being used. We therefore have reservations on the relevance of the objective.

We strongly believe that the process and decision of which audit firm to use is that of the audit committee and board and not of the shareholders. Shareholders should have adequate opportunity to ask questions and have them addressed by the company based on information disclosed in the annual report.

To that extent we would be happy to encourage clear and appropriate disclosure in the annual report on auditor selection provided it is simple.

We agree with the comment in page 32 from the IOD on a 'comply or explain' light-touch approach to tendering. As stated before, we also believe companies should be encouraged to put the audit out to tender on a regular basis.

We strongly agree that any changes should be approved by the FRC only following public consultation.

Provisional recommendation 9

When explaining auditor selection decisions, Boards should disclose any contractual obligations to appoint certain types of audit firms.

Stated objective

Increase propensity for public interest entities to select non-big four firms through corporate advisers becoming more willing for their clients to use them.

Comments

We do not disagree with either the objective or recommendation.

Provisional recommendation 10

Investor groups, corporate representatives and the FRC should develop good practices for shareholder engagement on auditor appointment and reappointment and should consider the option of having a shareholder vote on audit committee reports

Stated objective

Increase propensity for public interest entities to select non-big four firms through increased shareholder engagement on choice of auditor.

Comments

As stated before, we are happy to receive and process input from shareholders on choice of auditors through the channels of communication already in place. We do not agree with making shareholders more central to the decision-making process. If there was a regular tendering of the audit, coupled with clear and simple disclosure in the annual report of policy on audit change, shareholders would have adequate opportunity to express their views to the company, the Board and Audit Committee. In practice there can be many shareholders who often have very divergent views and we believe more formal engagement procedures would only complicate the process with little benefit. We also believe the current voting procedures to be adequate.

Provisional recommendation 11

Authorities with responsibility for ethical standards for auditors should consider whether any rules could have a disproportionately adverse impact on auditor choice when compared to the benefits to auditor objectivity and independence.

Stated objective

Increase choice of auditor within the big four through minimising factors constraining supply.

Comments

We agree with the objective and recommendation. We also agree with the KPMG comment that any approach to independence should be on a global basis.

Provisional recommendation 12

The FRC should review the independence section of the Smith Guidance to ensure that it is consistent with the relevant ethical standards for auditors.

Stated objective

Increase choice of auditor within the big four through minimising factors currently constraining their use by major public interest entities.

Comments

We agree with the objective and recommendation.

Provisional recommendation 13

Regulators should develop protocols for a more consistent response to audit firm issues based on their seriousness.

Stated objective

Reduce risk of a firm leaving the market without good reason through appropriate response by the market when issues arise.

Comments

We agree with the objective and recommendation.

Provisional recommendation 14

Every firm that audits public interest entities should comply with the provision of the Combined Code on Corporate Governance with appropriate adaptations or give a considered explanation if it departs from the Code provisions.

Stated objective

Reduce risk of firm leaving the market without good reason through reduced value of meritorious claims against market firms.

Comments

We agree with the objective and recommendation. Firms should be required to apply the Combined Code on Governance with as few adaptations as possible.

Provisional recommendation 15

Major public interest entities should consider the need to include the risk of the withdrawal of their auditor from the market in their risk evaluation and planning.

Stated objective

Reduce uncertainty and disruption costs in the event of a firm leaving the market through actions taken before loss of the audit firm.

Comments

We agree with the objective and recommendation. We also believe it important to ensure that at least one other capable firm does work for and is thereby familiar with the Group and could step in with minimum start-up if needed.

Angus Cockburn

28 June 2007