

40 JOINT VENTURES AND ASSOCIATES

The Group has the following significant investments in joint ventures and associates.

Name and nature of business	Country of incorporation, registration and operation	Accounting period end	Type of share	Group effective shareholding
Joint ventures				
EA – IPR Retail Partnership*	Australia	31 December	Partners' Capital	50%
South East Australia Gas Pty Limited* (gas pipeline)	Australia	30 June	Ordinary Shares	33%
EcoEléctrica LP* (power generation)	Bermuda**	31 December	Partners' Capital	35%
Prázká Teplárenská A.S.* (power generation)	Czech Republic	31 December	Ordinary Shares	49%
Hartwell Energy Limited Partnership* (power generation)	US	31 December	Partners' Capital	50%
Oyster Creek Limited Partnership* (power generation)	US	31 December	Partners' Capital	50%
Associates				
Derwent Cogeneration Limited* (power generation)	England and Wales	31 March	Ordinary Shares	23%
PT Paiton Energy* (power generation)	Indonesia	31 December	Ordinary Shares	31%
ISAB Energy Srl* (power generation)	Italy	31 December	Ordinary Shares	34%
Malakoff Berhad* (power generation)	Malaysia	31 August	Ordinary Shares	18%
Kot Addu Power Company Limited* (power generation)	Pakistan	30 June	Ordinary Shares	36%
Uch Power Limited* (power generation)	Pakistan	31 December	Ordinary Shares	40%
The Hub Power Company Limited* (power generation)	Pakistan	30 June	Ordinary Shares	17%
Carbopego – Abastecimento de Combustiveis, S.A.* (fuel supplies)	Portugal	31 December	Ordinary Shares	50%
Pegop – Energia Electrica, S.A.* (power station operations)	Portugal	31 December	Ordinary Shares	50%
Tejo Energia - Producao e Distribuicao de Energia Electrica, S.A.* (power generation)	Portugal	31 December	Ordinary Shares	50%
Q Power QSC*	Qatar	31 December	Ordinary Shares	40%
Uni-Mar Enerji Yatirimlari A.S.* (power generation)	Turkey	31 December	Ordinary Shares	33%
Arabian Power Company PJSC* (power generation)	UAE	31 December	Ordinary Shares	20%
Shuweihat CMS International Power Company PJSC* (power generation)	UAE	31 December	Ordinary Shares	20%

International Power continues to equity account for Malakoff and HUBCO, despite its shareholdings being less than 20%, as it continues to exert and has the power to exert significant influence over both assets. At both HUBCO and Malakoff, International Power continues to have significant board representation.

* Held by an intermediate subsidiary

** Operates in Puerto Rico

41 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group's accounting policies are set out in note 1 to these financial statements. Management is required to exercise significant judgement in the application of these policies. Areas which Management believes require the most critical accounting judgements are as follows (apart from those policies involving estimation which are outlined in (b) below).

a) Critical accounting judgements in applying the Group's accounting policies

Cash flow hedge accounting

The Group enters into various types of hedging or forward contracts for the buying and selling of commodities: principally sales of electricity and the purchase of fuel for its own power plants. In merchant markets these contracts typically fall within the definition of derivative financial instruments and accordingly have to be marked to market. Accounting for these contracts as cash flow hedges allows, to the extent the hedge is effective, the changes in value of the derivatives to be deferred in equity. In order to achieve cash flow hedge accounting it is necessary for the Group to determine, on an on-going basis, whether a forecast transaction is both highly probable and whether the hedge is effective. This requires both subjective and objective measures of determination.

Income recognition from long-term PPAs

When power plants sell their output under long-term PPAs it is usual for the power plant owning company to receive payment (known as a 'capacity payment') for the provision of electrical capacity whether or not the off-taker requests electrical output. In these situations, where there is a long-term contract to purchase electricity output and electrical capacity, it is necessary for the Group to evaluate the contractual arrangements and determine whether they constitute a form of lease or a service contract.