

NOTE 11. EQUITY ACCOUNTED INVESTMENTS

(A) Equity Accounted Investments

As at	Dec 31, 2012		Dec 31, 2011	
	Ownership %	Carrying Value	Ownership %	Carrying Value
Macquarie Long Term Care L.P. ("MLTCLP")	45.0%	87	45.0%	106
Värmevärden	33.3%	16,903	33.3%	15,887
Chapais	31.3%	—	31.3%	—
		<u>16,990</u>		<u>15,993</u>

See note 8 for detail on loans receivable with Värmevärden and Chapais.

The changes in the Corporation's total equity accounted investments for the years ended were as follows:

For the year ended	Opening Balance	Acquisition, Plus Costs, Less Return of Capital	Equity Accounted Income (Loss)	Equity Share of OCI	Distributions Received	Other	Ending Balance
Dec 31, 2012	15,993	—	2,294	702	(2,001)	2	16,990
Dec 31, 2011	54,789	21,882	(5,276)	(724)	(54,666) ⁽¹⁾	(12)	15,993

(1) 2011 were part of a non-cash distribution.

(B) Summarized Information for Equity Accounted Investments

The Corporation has summarized the information of its equity accounted investments at their gross values as follows:

As at	Dec 31, 2012		Dec 31, 2011	
	Assets	Liabilities	Assets	Liabilities
MLTCLP	212	—	227	—
Värmevärden ⁽¹⁾	391,208	336,586	383,367	332,344
Chapais	26,744	42,285	27,963	45,757

For the year ended	Dec 31, 2012			Dec 31, 2011		
	Revenue	Income	Capstone's Income	Revenue	Income	Capstone's Income
MLTCLP	—	(15)	(21)	—	(46)	(6)
Värmevärden ⁽¹⁾	97,182	6,947	2,315	65,875	(15,776)	(5,270)
Chapais	19,390	2,252	—	18,730	2,933	—
	<u>116,572</u>	<u>9,184</u>	<u>2,294</u>	<u>84,605</u>	<u>(12,889)</u>	<u>(5,276)</u>

(1) Includes purchase accounting adjustments.

NOTE 12. CAPITAL ASSETS

(A) Continuity

	Jan 1, 2012	Additions	Disposals	Foreign Exchange	Transfers	Dec 31, 2012
Cost						
Land	2,707	—	—	59	—	2,766
Equipment and vehicles	8,389	1,001	(637)	534	6,363	15,650
Property and plant	790,178	4,517	(4,729)	9,906	51,854	851,726
Water network	271,485	59,571	—	9,542	5,932	346,530
Construction in progress	35,750	80,984	—	1,162	(66,687)	51,209
	<u>1,108,509</u>	<u>146,073</u>	<u>(5,366)</u>	<u>21,203</u>	<u>(2,538)</u>	<u>1,267,881</u>
Accumulated depreciation						
Equipment and vehicles	(3,568)	(1,847)	608	(353)	—	(5,160)
Property and plant	(126,465)	(40,516)	2,978	(4,413)	—	(168,416)
Water network	(1,020)	(5,069)	—	(1,809)	—	(7,898)
Net carrying value	<u>977,456</u>	<u>98,641</u>	<u>(1,780)</u>	<u>14,628</u>	<u>(2,538)</u>	<u>1,086,407</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Jan 1, 2011	Business Acquisition	Additions	Disposals	Foreign Exchange	Transfers	Dec 31, 2011
Cost							
Land	235	2,540	—	—	(68)	—	2,707
Equipment and vehicles	4,375	3,617	344	—	(102)	155	8,389
Property and plant	469,665	202,218	2,454	—	(5,485)	121,326	790,178
Water network	—	270,931	7,963	—	(7,409)	—	271,485
Construction in progress	34,535	23,512	100,290	—	(859)	(121,728)	35,750
	<u>508,810</u>	<u>502,818</u>	<u>111,051</u>	<u>—</u>	<u>(13,923)</u>	<u>(247)</u>	<u>1,108,509</u>
Accumulated depreciation							
Equipment and vehicles	(3,000)	—	(576)	—	8	—	(3,568)
Property and plant	(97,187)	—	(29,378)	—	100	—	(126,465)
Water network	—	—	(1,052)	—	32	—	(1,020)
Net carrying value	<u>408,623</u>	<u>502,818</u>	<u>80,045</u>	<u>—</u>	<u>(13,783)</u>	<u>(247)</u>	<u>977,456</u>

(B) Reconciliation to Cash Additions

Year ended	Dec 31, 2012	Dec 31, 2011
Additions	146,073	111,051
Adjustment for change in capital amounts included in accounts payable and accrued liabilities	(18,919)	10,298
Net foreign exchange difference	787	1,036
Cash additions	127,941	122,385

(C) Construction in Progress

The net book value of property, plant and equipment includes \$2,292 (£1,417) of capitalized borrowing costs at Bristol Water in accordance with IAS 23. Capstone has used 5.8% as the interest rate to determine the amount of borrowing costs capitalized.

Amounts were transferred from construction in progress to the appropriate asset class as the asset became available for use at which time amortization over the asset useful life began. Until such time, assets within construction in progress were not amortized.

(D) Capital Assets Under Finance Leases

As at	Land	Equipment and Vehicles	Property and Plant	Water Network	Total
Dec 31, 2012	—	4	16,924	1,315	18,243
Dec 31, 2011	—	29	18,242	1,820	20,091

(E) Impairments

At the end of each reporting period, Capstone reviews its capital assets and amortizing intangible assets to determine if any indicators of impairment exist. As at December 31, 2012, Capstone identified the deficit of market capitalization to the carrying amount of owners' equity as an indicator of impairment. Consequently, Capstone performed a comprehensive analysis, which confirmed that the fair value of its assets was greater than the carrying amounts included in these financial statements. As a result, no impairments were recognized at December 31, 2012.

Capstone's determination of fair value was based on a discounted cash flow analysis of the expected future cash flows for each cash generating unit ("CGU"). The analysis then compared the recoverable amount of each CGU with the carrying amount included in the consolidated statement of financial position. For the purposes of this analysis, the recoverable amount was based on the present value of cash flows, which relies on management's current best estimate of the underlying cash flows and discount rate.