

(D) Rate Reconciliation

The following table reconciles the expected income tax expense using the statutory tax rate to the expense:

| | For the year ended | |
|---|--------------------|--------------|
| | Dec 31, 2013 | Dec 31, 2012 |
| Income (loss) before income taxes | 75,420 | 56,751 |
| Statutory income tax rate | 25.9% | 25.5% |
| Income tax expense based on statutory income tax rate | 19,534 | 14,472 |
| Permanent differences | 492 | (1,461) |
| Tax rate differentials | (14,812) | (7,076) |
| Unrecognized losses arising in the year | 2,018 | 4,075 |
| Impact on attributes renounced to shareholders | 1,200 | — |
| Part XII.6 taxes and penalties | 294 | — |
| Other | (516) | 788 |
| Total income tax recovery | 8,210 | 10,798 |

The statutory income tax rate of 25.9% (2012 – 25.5%) increased due to changes in Capstone's allocation of provincial taxable income.

(E) Current Income Taxes

Current income taxes payable of \$2,581 are included in accounts payable and other liabilities on the statement of financial position (see note 17(a)).

NOTE 17. ACCOUNTS PAYABLE AND OTHER LIABILITIES

(A) Current Payables and Accrued Liabilities

| | Dec 31, 2013 | Dec 31, 2012 |
|--|--------------|--------------|
| Dividends payable | 7,833 | 6,302 |
| Income taxes payable | 2,581 | 2,186 |
| Other accounts payable and accrued liabilities | 106,438 | 98,279 |
| | 116,852 | 106,767 |

Income taxes payable primarily comprised \$318 (2012 - \$1,099) for Part V.1 on preferred dividends and \$1,494 (2012 - Nil) for Part XII.6 for Canadian Renewable and Conservation Expense ("CRCE") CRCE penalties, as well as potential claims which may arise as a result of possible reassessments denying personal tax deductions to the investors. Part XII.6 taxes arose from the acquisition of ReD as a result of obligations to incur qualifying CRCE for previously issued flow-through shares. The remaining \$769 are attributable to current income taxes payable (2012 - \$1,087).

(B) Deferred Revenue

Deferred revenue represents grants and contributions received by the utilities – water segment in respect of assets that are not related to the water network less amounts amortized to the statement of income:

| | 2013 | 2012 |
|----------------------------------|--------|-------|
| As at January 1 | 6,298 | 1,363 |
| Contributions received | 7,933 | 4,856 |
| Amortized to statement of income | (290) | (55) |
| Net foreign exchange difference | 1,648 | 134 |
| As at December 31 | 15,589 | 6,298 |

NOTE 18. FINANCE LEASE OBLIGATIONS

| | Interest Rate | Maturity | Dec 31, 2013 | Dec 31, 2012 |
|-------------------------------------|---------------|-------------|--------------|--------------|
| Utilities – water: equipment leases | 3.61 - 4.10% | 2014 – 2020 | 4,370 | 7,201 |
| | | | 4,370 | 7,201 |
| Less: current portion | | | (609) | (3,502) |
| Non-current portion | | | 3,761 | 3,699 |

For the year ended December 31, 2013, the Corporation repaid \$3,339 (December 31, 2012 - \$5,172) on finance leases, including interest of \$126 (December 31, 2012 – \$221).