

Other Income (Expense)

\$Millions	2013	2012	Change	% Change
Interest income	0.3	0.4	(0.1)	(25%)
Interest expense	(0.1)	0.0	(0.1)	N/A
Gain on sale of joint venture interests in rigs and other assets	0.1	1.1	(1.0)	(91%)
Net other gains	0.4	0.0	0.4	N/A
Total other income	0.7	1.5	(0.8)	(53%)

The Company invests any cash balances in excess of its ongoing operating requirements in bank guaranteed highly liquid investments. Interest income decreased to \$345,000 in 2013 from \$385,000 in 2012 as a result of reduced cash and term deposit balances for most of 2013. The Company has undertaken significant capital expenditures related to the construction of new rigs and the conversion of conventional rigs into pad rigs, thereby reducing cash balances over time.

Interest expense of \$108,000 (2012 – \$4,000) has been accrued primarily to reflect the future cost of the Company's unfunded defined benefit pension plan.

During 2012, the Company disposed of its interests in its remaining two arctic drilling camps and other non-core assets resulting in a \$1,082,000 gain. AKITA disposed of several minor assets in 2013, resulting in \$106,000 in gains.

In 2013, amounts reported as "Net Other Gains" of \$385,000 include unrealized amounts related to forward exchange contracts purchased to provide a hedge for foreign rig equipment commitments for a rig under construction (\$235,000), an unrealized cost related to loan guarantees that the Company has provided on behalf of certain joint venture partners (\$106,000) and other (\$44,000).

Other than the foreign currency hedge on major capital expenditures noted above, readers should be aware that in 2013 the Company conducted all of its operations in Canada, thereby reducing its exposure to foreign currency fluctuations.

Income Tax Expense

\$Millions, except income tax rate (%)	2013	2012	Change	% Change
Current tax	5.4	3.0	2.4	80%
Deferred tax	3.8	6.7	(2.9)	(43%)
Total income tax expense	9.2	9.7	(0.5)	(5%)
Effective income tax rate	25.7%	25.1%		

Income tax expense decreased to \$9,167,000 in 2013 from \$9,658,000 in 2012, due to lower pre-tax income which was partially offset by an increase in the Canadian federal income tax rate as a result of a change in provincial allocations of revenue and expenses. AKITA's proportion of income taxes that are deferred to future years has declined as a result of lower capital expenditures in 2013 when compared to the previous year.