The increase in the provision for impairment of trade receivables at Bristol Water comprised:

	2012	2011
As at January 1	**(21,438)**	—
As at business acquisition	**—**	(21,262)
Charge to statement of income	**(6,181)**	(1,206)
Amounts written off during the year as uncollectable	**6,225**	447
Net foreign exchange difference	**(513)**	583
As at December 31	**(21,907)**	(21,438)

Charges for impaired receivables have been included in the consolidated statement of income as part of operating expenses.

The other classes within trade and other receivables do not contain impaired assets.

Bristol Water has created an IAS 39 portfolio provision, but cannot identify which receivables are specifically impaired. Bristol Water policy is to consider a receivables impairment to be allocated on a collective basis and only impaired for the purposes of IFRS 7 disclosures when the loss can be specifically identified with the receivable.

Bristol Water is required to continue providing residential customers with water regardless of payment.

NOTE 7. OTHER ASSETS

	Dec 31, 2012	Dec 31, 2011
Prepaid expenses	3,665	4,140
Inventory of spare parts and consumable supplies	3,553	3,308
	7,218	7,448

The cost of inventories recognized in operating expenses for the year ended December 31, 2012 was$1,232 (December 31, 2011 – $1,289).

NOTE 8. LOANS RECEIVABLE

The following table summarizes the loans receivable from Värmevärden and Chapais:

	Maturity	Interest Rate	**Dec 31, 2012**	Dec 31, 2011
Värmevärden	2021	7.944%	**34,768**	81,587
Chapais:				
Tranche A (original principal $ 9,391)	2015	10.8%	**3,675**	4,659
Tranche B (original principal $ 3,624)	2019	4.9%	**562**	562
Tranche C (original principal $ 2,558)	2016	—%	**—**	—
			39,005	86,808
Less: current portion			**(1,096)**	(984)
Total long-term loans receivable			**37,909**	85,824

Accrued interest on the loans receivable in the amount of $63 for the year ended December 31, 2012 is included in accounts receivable (December 31, 2011 – $42).

The estimated fair value of the loans receivable as at December 31, 2012 and 2011 approximates their carrying values.

The following table summarizes the change in the loan receivable from Värmevärden during the years ended:

For the year ended	Dec 31, 2012		Dec 31, 2011	
	SEK	$	SEK	$
Opening balance	551,808	81,587	—	—
Balance on origination as at March 31, 2011	—	—	551,808	84,828
Principal repayment	(324,267)	(47,959)	—	—
Unrealized foreign exchange gain (loss)		1,140	—	(3,241)
Ending balance	227,541	34,768	551,808	81,587

During the first quarter of 2012, Värmevärden's parent company, Sefyr Värme AB, in which Capstone holds a 33.3% indirect investment, completed an approximately $150,000 (1,000,000 SEK) offering of senior secured bonds to select institutional investors. The bonds have a five-year term, are non-amortizing and carry a coupon of 7.0%.

Proceeds from the bond issuance were distributed to the owners of Sefyr Värme AB, with Capstone receiving approximately $49,400, which was used to repay a portion of the senior credit facility. The distribution of $49,400 was comprised of a $48,100 shareholder loan repayment and a payment of $1,300 of accrued interest. Refer to note 18 (Long-term debt).

In March 2012, the shareholder loan receivable from Värmevärden was amended. The annual interest rate is 7.944%, effective January 1, 2012 (2011 – 7.965%).

Expected repayments of the Chapais loan receivable for the next five years and thereafter were as follows:

Year	Amount
2013	1,096
2014	1,220
2015	1,359
2016	—
2017	—
Thereafter	562
Total	4,237

NOTE 9. FINANCIAL INSTRUMENTS

(A) Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, restricted cash, short-term deposits, accounts receivable, loans receivable, accounts payable and other liabilities, loans payable, finance lease obligations, long-term debt, interest rate swap contracts and foreign currency contracts. The Corporation also has embedded derivatives on one of its commodity contracts.

Financial instruments designated as held-for-trading

The Corporation invests its cash and cash equivalents and restricted cash balances in financial instruments of highly rated financial institutions and government securities with original maturities of 90 days or less. Short-term deposits have original maturities of greater than 90 days.

As at December 31, 2012, the carrying values of cash and cash equivalents, restricted cash and short-term deposits are considered to be approximately at their fair value due to their short-term nature, which is consistent with the prior year.

Derivative financial instruments and hedging instruments

Gas swap

In 2011, the Corporation held a gas swap contract that effectively fixed the price for a portion of the revenue derived from the sales of excess gas. The contract mitigated exposure to natural gas price fluctuations for sales of excess natural gas in 2011. The Corporation no longer holds any gas swap contracts due to the current market conditions for gas.

Interest rate swap

The Corporation has several interest rate swap contracts to effectively fix the interest cost on its long-term debt with variable rates, summarized in the following list:

- CPC-Cardinal facility swap had a notional amount of $85,000 which expired in June 2012.
- Erie Shores project debt had a residual interest rate swap contract on a notional amount of $20,000 originally entered into to mitigate the refinancing risk associated with the Erie Shores Tranche C project debt which was refinanced on April 1, 2011.

  The Corporation pays a fixed rate of 5.63% for a period of five years from December 1, 2011 to December 1, 2016. In return, the Corporation receives a floating rate equal to the then current three-month BA rate.