Inter Pipeline Fund

Condensed Interim Consolidated Balance Sheets

(unaudited) (thousands of Canadian dollars)		**As at June 30 2011**		As at December 31 2010
ASSETS				
Current Assets				
Cash and cash equivalents (note 19)	**$**	**18,525**	$	22,507
Accounts receivable		**100,050**		129,501
Derivative financial instruments (note 16)		**12,451**		8,916
Prepaid expenses and other deposits		**14,084**		13,118
Total Current Assets		**145,110**		174,042
Non-Current Assets				
Derivative financial instruments (note 16)		**10,997**		10,067
Employee benefits (note 10)		**4,431**		4,488
Property, plant and equipment (note 5)		**4,047,231**		4,011,754
Goodwill and intangible assets (note 6)		**508,708**		515,291
Total Assets	**$**	**4,716,477**	$	4,715,642
LIABILITIES AND PARTNERS' EQUITY				
Current Liabilities				
Cash distributions payable (note 7)	**$**	**20,726**	$	20,644
Accounts payable and accrued liabilities (note 13)		**146,834**		156,959
Current income taxes payable (note 11)		**26,946**		764
Derivative financial instruments (note 16)		**32,260**		25,144
Deferred revenue		**15,187**		6,339
Current portion of long-term debt (note 8)		**-**		386,584
Total Current Liabilities		**241,953**		596,434
Non-Current Liabilities				
Long-term debt (note 8)		**2,730,917**		2,409,029
Long-term payable		**7,984**		9,096
Derivative financial instruments (note 16)		**6,421**		4,169
Provisions (note 9)		**35,740**		34,725
Employee benefits (note 10)		**3,280**		6,500
Long-term deferred revenue and other liabilities		**14,016**		13,172
Deferred income taxes (note 11)		**329,498**		314,468
Total Liabilities		**3,369,809**		3,387,593
Commitments (notes 5 and 14)				
Partners' Equity				
Partners' equity (note 12)		**1,380,256**		1,363,685
Total reserves (note 12)		**(33,588)**		(35,636)
Total Partners' Equity		**1,346,668**		1,328,049
Total Liabilities and Partners' Equity	**$**	**4,716,477**	$	4,715,642

See accompanying notes to the condensed interim consolidated financial statements.

Inter Pipeline Fund

Condensed Interim Consolidated Statements of Changes in Partners' Equity

(unaudited) (thousands of Canadian dollars)

	Class A Limited Liability Partnership Units	Class B Unlimited Liability Partnership Units	Reserves *(note 12)*	Total Partners' Equity
Balance, January 1, 2011	$ 1,362,324	$ 1,361	$ (35,636)	**$ 1,328,049**
Net income for the period	125,378	125	-	**125,503**
Other comprehensive income	-	-	2,048	**2,048**
	1,487,702	1,486	(33,588)	**1,455,600**
Cash distributions declared (note 7)	(124,022)	(124)	-	**(124,146)**
Issuance of Partnership units (note 12)				
Issued under Premium Distribution™, Distribution Reinvestment and Optional Unit Purchase Plan	15,199	15	-	**15,214**
Balance, June 30, 2011	$ 1,378,879	$ 1,377	$ (33,588)	**$ 1,346,668**
Balance, January 1, 2010	$ 1,372,579	$ 1,372	$ (53,850)	$ 1,320,101
Opening IFRS adjustments	(51,832)	(52)	41,866	(10,018)
Balance, beginning of period *(restated)*	1,320,747	1,320	(11,984)	1,310,083
Net income for the period *(restated - note 21)*	129,258	129	-	129,387
Other comprehensive loss	-	-	(23,894)	(23,894)
	1,450,005	1,449	(35,878)	1,415,576
Cash distributions declared (note 7)	(115,272)	(116)	-	(115,388)
Issuance of Partnership units (note 12)				
Issued under Premium Distribution™, Distribution Reinvestment and Optional Unit Purchase Plan	24,264	24	-	24,288
Balance, June 30, 2010 *(restated - note 21)*	$ 1,358,997	$ 1,357	$ (35,878)	$ 1,324,476

See accompanying notes to the condensed interim consolidated financial statements.

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Inter Pipeline Fund

Condensed Interim Consolidated Statements of Net Income

(unaudited) (thousands of Canadian dollars)	Three Months Ended June 30 **2011**	Three Months Ended June 30 2010 (restated - note 21)	Six Months Ended June 30 **2011**	Six Months Ended June 30 2010 (restated - note 21)
REVENUES				
Operating revenue	**$ 273,292**	$ 241,437	**$ 576,282**	$ 512,970
EXPENSES				
Shrinkage gas	**70,783**	72,785	**148,762**	172,219
Operating	**65,338**	65,494	**137,348**	127,136
Depreciation and amortization	**25,065**	25,735	**49,471**	50,547
Financing charges (note 18)	**20,043**	9,935	**38,978**	19,527
General and administrative	**13,053**	9,177	**25,689**	20,139
Unrealized change in fair value of derivative financial instruments (note 16)	**(6,011)**	(13,340)	**4,289**	(20,442)
Management fee to General Partner (note 13)	**2,371**	1,884	**5,207**	3,906
Gain on disposal of assets	**(114)**	(20)	**(201)**	(37)
	190,528	171,650	**409,543**	372,995
INCOME BEFORE INCOME TAXES	**82,764**	69,787	**166,739**	139,975
Provision for income taxes (note 11)				
Current	**11,621**	467	**26,956**	1,166
Deferred	**10,121**	1,254	**14,280**	9,422
	21,742	1,721	**41,236**	10,588
NET INCOME	**$ 61,022**	$ 68,066	**$ 125,503**	$ 129,387
Net income per Partnership unit (note 12)				
Basic and diluted	**$ 0.24**	$ 0.26	**$ 0.49**	$ 0.50

Condensed Interim Consolidated Statements of Comprehensive Income

(unaudited) (thousands of Canadian dollars)	Three Months Ended June 30 **2011**	Three Months Ended June 30 2010 (restated - note 21)	Six Months Ended June 30 **2011**	Six Months Ended June 30 2010 (restated - note 21)
NET INCOME	**$ 61,022**	$ 68,066	**$ 125,503**	$ 129,387
OTHER COMPREHENSIVE (LOSS) INCOME				
Unrealized (loss) gain on translating financial statements of foreign operations	**(298)**	3,019	**1,817**	(24,298)
Foreign exchange movement associated with investments in foreign subsidiaries	**-**	(242)	**-**	-
Transfer of losses on derivatives previously designated as cash flow hedges to net income (note 16)	**202**	202	**404**	404
Deferred tax on pension reserve	**(173)**	-	**(173)**	-
	(269)	2,979	**2,048**	(23,894)
COMPREHENSIVE INCOME	**$ 60,753**	$ 71,045	**$ 127,551**	$ 105,493

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Cash Flows

(unaudited) (thousands of Canadian dollars)	Three Months Ended June 30 2011	Three Months Ended June 30 2010 *(restated - note 21)*	Six Months Ended June 30 2011	Six Months Ended June 30 2010 *(restated - note 21)*
OPERATING ACTIVITIES				
Net income	**$ 61,022**	$ 68,066	**$ 125,503**	$ 129,387
Items not involving cash:				
Depreciation and amortization	**25,065**	25,735	**49,471**	50,547
Gain on disposal of assets	**(114)**	(20)	**(201)**	(37)
Non-cash recovery (expense)	**1,807**	1,099	**(2,606)**	(515)
Unrealized change in fair value of derivative financial instruments	**(6,011)**	(13,340)	**4,289**	(20,442)
Deferred income tax expense	**10,121**	1,254	**14,280**	9,422
Proceeds from long-term deferred revenue and lease inducements	**-**	5,796	**1,480**	5,796
Funds from operations	**91,890**	88,590	**192,216**	174,158
Net change in non-cash working capital (note 19)	**8,486**	(279)	**44,942**	40,337
Cash provided by operating activities	**100,376**	88,311	**237,158**	214,495
INVESTING ACTIVITIES				
Expenditures on property, plant and equipment	**(32,213)**	(39,456)	**(75,847)**	(72,734)
Proceeds on disposal of assets	**114**	122	**201**	239
Net change in non-cash investing working capital (note 19)	**(717)**	(724)	**8,617**	(3,945)
Cash used in investing activities	**(32,816)**	(40,058)	**(67,029)**	(76,440)
FINANCING ACTIVITIES				
Cash distributions (note 7)	**(53,898)**	(51,074)	**(108,932)**	(91,213)
(Decrease) increase in long-term debt	**(24,103)**	8,298	**(63,379)**	(34,640)
Transaction costs on long-term debt	**-**	-	**(1,823)**	(840)
Issuance of Partnership units, net of issue costs	**-**	113	**-**	113
Net change in non-cash financing working capital (note 19)	**43**	47	**82**	172
Cash used in financing activities	**(77,958)**	(42,616)	**(174,052)**	(126,408)
Effect of foreign currency translation on foreign currency denominated cash	**(148)**	294	**(59)**	(739)
(Decrease) increase in cash and cash equivalents	**(10,546)**	5,931	**(3,982)**	10,908
Cash and cash equivalents, beginning of period	**29,071**	23,185	**22,507**	18,208
Cash and cash equivalents, end of period	**$ 18,525**	$ 29,116	**$ 18,525**	$ 29,116
Cash taxes paid	**$ 206**	$ 237	**$ 796**	$ 562
Cash interest paid	**$ 18,768**	$ 17,056	**$ 32,188**	$ 23,250

See accompanying notes to the condensed interim consolidated financial statements.

STRUCTURE OF THE PARTNERSHIP

Inter Pipeline Fund (Inter Pipeline) was formed as a limited partnership under the laws of Alberta pursuant to a Limited Partnership Agreement (LPA) dated October 9, 1997. Inter Pipeline's Class A limited liability partnership units (Class A units) are listed on the Toronto Stock Exchange and are classified as Partners' Equity in the consolidated balance sheets. Pursuant to the LPA, Pipeline Management Inc. (the General Partner) is required to maintain a minimum 0.1% interest in Inter Pipeline. Inter Pipeline is dependent on the General Partner for administration and management of all matters relating to the operation of Inter Pipeline. Inter Pipeline is comprised of four industry operating segments located in two geographic segments: oil sands transportation business, NGL extraction business, conventional oil pipelines business, and bulk liquid storage business, operating in Canada and Europe, as discussed below in the segment reporting policy. The head office, principal address and records office of Inter Pipeline are located in Calgary, Alberta, Canada.

Under the LPA, the General Partner is entitled to recover all direct and indirect expenses, including general and administrative expenses, incurred on behalf of Inter Pipeline. The General Partner also receives an annual base fee equal to 2% of Inter Pipeline's annual "Operating Cash" as defined in the LPA. In addition, the General Partner is entitled to earn an annual incentive fee of between 15% and 35% of Inter Pipeline's annual Distributable Cash as defined in the LPA (LPA Distributable Cash) in excess of $1.01 per unit to $1.19 per unit respectively; an acquisition fee of 1.0% of the purchase price of any assets acquired by Inter Pipeline (excluding the pipeline assets originally acquired); and a disposition fee of 0.5% of the sale price of any assets sold by Inter Pipeline.

Inter Pipeline currently makes monthly cash distributions to holders of the Class A units and Class B unlimited liability partnership units (Class B units) (collectively Partnership units) as discussed in note 7.

The General Partner holds a 0.1% partnership interest in Inter Pipeline represented by Class B units. Public investors hold the remaining 99.9% partnership interest as limited partners represented by Class A units. The General Partner's 0.1% partnership interest is controlled by Pipeline Assets Corp. (PAC).

The General Partner is a wholly owned subsidiary of PAC, a corporation controlled solely by the Chairman of the Board of the General Partner. Certain officers and directors of the General Partner have non-voting shares in PAC that entitle them to dividends.

These unaudited condensed interim consolidated financial statements (interim financial statements) were authorized for issue by the Board of Directors on August 4, 2011.

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 – *Interim Financial Reporting* (IAS 34) and International Financial Reporting Standard (IFRS) 1 – *First-time Adoption of IFRS* (IFRS 1), using accounting policies consistent with International Financial Reporting Standards (IFRS or GAAP) as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that Inter Pipeline expects to adopt in its first annual IFRS financial statements for the year ended December 31, 2011.

Inter Pipeline formerly prepared its financial statements in accordance with Canadian generally accepted accounting principles (Canadian GAAP) as set out in the Handbook of the Canadian Institute of Chartered Accountants (CICA Handbook). In 2010, the CICA Handbook was revised to incorporate IFRS, and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, Inter Pipeline commenced reporting on this basis in its March 31, 2011 interim financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP prior to the adoption of IFRS.

These interim financial statements for the three and six month periods ended June 30, 2011 have been prepared in accordance with IAS 34 and IFRS 1. The same accounting policies and methods of computation were followed in the preparation of these interim financial statements as were followed in the condensed interim consolidated financial statements for the three month period ended March 31, 2011. In addition, the condensed interim consolidated financial statements for the three month period ended March 31, 2011 contain certain incremental annual IFRS disclosures not included in the annual financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian GAAP. Accordingly, these interim financial statements for the three and six month periods ended June 30, 2011 should be read together with the annual consolidated financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian GAAP as well as the condensed interim consolidated financial statements for the three month period ended March 31, 2011.

The policies applied to these interim financial statements are based on IFRS issued and outstanding as of August 4, 2011 (the date that Inter Pipeline's interim financial statements are approved by the General Partner's Board of Directors), with effective dates for periods ending on December 31, 2011. Any subsequent changes to IFRS, that are given effect in Inter Pipeline's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim financial statements, including the transition adjustments recognized on transition to IFRS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements are presented in accordance with IAS 34 and IFRS 1 and have been prepared by management following the same accounting policies and methods of computation as disclosed in the interim financial statements for the three month period ended March 31, 2011.

3. FUTURE ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations and amendments to existing standards were issued by the IASB that are mandatory for accounting periods beginning after January 1, 2011 or later periods. Inter Pipeline is currently assessing the impact of these pronouncements on its balance sheet and results.

The standards impacted are as follows:

IFRS 9 *Financial Instruments (IFRS 9)*

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* and shall be applied to annual periods beginning on or after January 1, 2013 with early adoption permitted. The standard establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

IFRS 11 *Joint Arrangements (IFRS 11)*

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities-Non-Monetary Contributions by Venturers* and shall be applied to annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 11 will apply to interests in joint arrangements where there is joint control. IFRS 11 requires joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement is no longer the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. In addition, the option to account for joint ventures (previously called jointly controlled entities) using proportionate consolidation has been removed and equity accounting is required. Venturers would transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item.

IFRS 12 *Disclosure of Interests in Other Entities (IFRS 12)*

IFRS 12 shall be applied to annual periods beginning on or after January 1, 2013, with early adoption permitted. The standard provides disclosure requirements for a reporting entity's interests held in other entities including: subsidiaries, joint arrangements, associates, or unconsolidated structured entities. The standard's disclosure requirements help identify the net income or loss and cash flows available to the reporting entity and determine the value of a current or future investment in the reporting entity.

IFRS 13 *Fair Value Measurement (IFRS 13)*

IFRS 13 shall be applied to annual periods beginning on or after January 1, 2013. The standard defines fair value and provides, in a single IFRS, a framework for measuring fair value when it is required or permitted within IFRS standards. The standard also provides disclosure requirements about fair value measurements.

(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

4. SEGMENT REPORTING

Inter Pipeline operates its business under the following principal business segments:

Three Months Ended June 30, 2011

	Canada					Europe	
	Oil Sands Transportation Business	NGL Extraction Business	Conventional Oil Pipelines Business	Corporate	Total Canadian Operations	Bulk Liquid Storage Business	Total Canadian and European Operations
Revenues	$ 67,757	$ 137,469	$ 42,008	$ -	$ 247,234	$ 26,058	$ 273,292
Expenses							
Shrinkage gas	-	70,783	-	-	70,783	-	70,783
Operating	17,236	24,021	10,737	-	51,994	13,344	65,338
Depreciation and amortization	10,486	6,635	2,354	575	20,050	5,015	25,065
Financing charges	7,837	61	155	11,896	19,949	94	20,043
General and administrative	1,532	-	-	8,110	9,642	3,411	13,053
Unrealized change in fair value of derivative financial instruments	-	(5,798)	39	(252)	(6,011)	-	(6,011)
Management fee to General Partner	-	-	-	2,371	2,371	-	2,371
Gain on disposal of assets	-	(12)	-	-	(12)	(102)	(114)
Total expenses	37,091	95,690	13,285	22,700	168,766	21,762	190,528
Income (loss) before income taxes	30,666	41,779	28,723	(22,700)	78,468	4,296	82,764
Provision for income taxes	4,910	-	-	16,084	20,994	748	21,742
Net income (loss)	$ 25,756	$ 41,779	$ 28,723	$ (38,784)	$ 57,474	$ 3,548	$ 61,022
Expenditures on property, plant and equipment	$ 20,957	$ 3,037	$ 1,318	$ 217	$ 25,529	$ 6,684	$ 32,213
							As at June 30, 2011
Property, plant and equipment - net book value	$ 2,895,945	$ 386,815	$ 448,195	$ 8,600	$ 3,739,555	$ 307,676	$ 4,047,231
Goodwill and intangible assets - net book value	$ 223,078	$ 225,711	$ -	$ -	$ 448,789	$ 59,919	$ 508,708
Other assets	$ 41,498	$ 61,571	$ 22,700	$ 137	$ 125,906	$ 34,632	$ 160,538
Total assets	$ 3,160,521	$ 674,097	$ 470,895	$ 8,737	$ 4,314,250	$ 402,227	$ 4,716,477

(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

Three Months Ended June 30, 2010 (restated)

	Canada					Europe	
	Oil Sands Transportation Business	NGL Extraction Business	Conventional Oil Pipelines Business	Corporate	Total Canadian Operations	Bulk Liquid Storage Business	Total Canadian and European Operations
Revenues	$ 36,372	$ 143,437	$ 37,692	$ -	$ 217,501	$ 23,936	$ 241,437
Expenses							
Shrinkage gas	-	72,785	-	-	72,785	-	72,785
Operating	14,247	28,429	10,115	-	52,791	12,703	65,494
Depreciation and amortization	9,635	6,397	4,559	431	21,022	4,713	25,735
Financing charges	2,564	59	317	7,026	9,966	(31)	9,935
General and administrative	717	-	-	7,109	7,826	1,351	9,177
Unrealized change in fair value of derivative financial instruments	-	(12,945)	(282)	(113)	(13,340)	-	(13,340)
Management fee to General Partner	-	-	-	1,884	1,884	-	1,884
Gain on disposal of assets	-	(15)	(5)	-	(20)	-	(20)
Total expenses	27,163	94,710	14,704	16,337	152,914	18,736	171,650
Income (loss) before income taxes	9,209	48,727	22,988	(16,337)	64,587	5,200	69,787
Provision for (recovery of) income taxes	793	-	-	1,260	2,053	(332)	1,721
Net income (loss)	$ 8,416	$ 48,727	$ 22,988	$ (17,597)	$ 62,534	$ 5,532	$ 68,066
Expenditures on property, plant and equipment	$ 29,589	$ 874	$ 2,090	$ 2,275	$ 34,828	$ 5,007	$ 39,835
							As at December 31, 2010
Property, plant and equipment - net book value	$ 2,858,128	$ 389,482	$ 451,188	$ 8,838	$ 3,707,636	$ 304,118	$ 4,011,754
Goodwill and intangible assets - net book value	$ 224,691	$ 230,816	$ -	$ -	$ 455,507	$ 59,784	$ 515,291
Other assets	$ 57,778	$ 74,458	$ 25,568	$ 292	$ 158,096	$ 30,501	$ 188,597
Total assets	$ 3,140,597	$ 694,756	$ 476,756	$ 9,130	$ 4,321,239	$ 394,403	$ 4,715,642

(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

Six Months Ended June 30, 2011

	Canada					Europe	
	Oil Sands Transportation Business	NGL Extraction Business	Conventional Oil Pipelines Business	Corporate	Total Canadian Operations	Bulk Liquid Storage Business	Total Canadian and European Operations
Revenues	$ 140,513	$ 297,349	$ 85,760	$ -	$ 523,622	$ 52,660	$ 576,282
Expenses							
Shrinkage gas	-	148,762	-	-	148,762	-	148,762
Operating	37,082	52,702	20,905	-	110,689	26,659	137,348
Depreciation and amortization	20,935	13,056	4,719	1,125	39,835	9,636	49,471
Financing charges	15,912	122	310	22,400	38,744	234	38,978
General and administrative	2,952	-	-	17,633	20,585	5,104	25,689
Unrealized change in fair value of derivative financial instruments	-	5,162	(345)	(528)	4,289	-	4,289
Management fee to General Partner	-	-	-	5,207	5,207	-	5,207
Gain on disposal of assets	-	(12)	-	-	(12)	(189)	(201)
Total expenses	76,881	219,792	25,589	45,837	368,099	41,444	409,543
Income (loss) before income taxes	63,632	77,557	60,171	(45,837)	155,523	11,216	166,739
Provision for income taxes	9,835	-	-	31,292	41,127	109	41,236
Net income (loss)	$ 53,797	$ 77,557	$ 60,171	$ (77,129)	$ 114,396	$ 11,107	$ 125,503
Expenditures on property, plant and equipment	$ 57,138	$ 5,284	$ 1,706	$ 869	$ 64,997	$ 10,850	$ 75,847

(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

Six Months Ended June 30, 2010 (restated)

	Canada					Europe	
	Oil Sands Transportation Business	NGL Extraction Business	Conventional Oil Pipelines Business	Corporate	Total Canadian Operations	Bulk Liquid Storage Business	Total Canadian and European Operations
Revenues	$ 71,242	$ 316,511	$ 75,301	$ -	$ 463,054	$ 49,916	$ 512,970
Expenses							
Shrinkage gas	-	172,219	-	-	172,219	-	172,219
Operating	27,587	54,424	18,924	-	100,935	26,201	127,136
Depreciation and amortization	19,248	12,790	9,103	800	41,941	8,606	50,547
Financing charges	4,549	117	631	14,148	19,445	82	19,527
General and administrative	1,490	-	-	15,825	17,315	2,824	20,139
Unrealized change in fair value of derivative financial instruments	-	(19,695)	(165)	(582)	(20,442)	-	(20,442)
Management fee to General Partner	-	-	-	3,906	3,906	-	3,906
Gain on disposal of assets	-	(15)	(22)	-	(37)	-	(37)
Total expenses	52,874	219,840	28,471	34,097	335,282	37,713	372,995
Income (loss) before income taxes	18,368	96,671	46,830	(34,097)	127,772	12,203	139,975
Provision for income taxes	1,559	-	-	8,372	9,931	657	10,588
Net income (loss)	$ 16,809	$ 96,671	$ 46,830	$ (42,469)	$ 117,841	$ 11,546	$ 129,387
Expenditures on property, plant and equipment	$ 55,199	$ 1,878	$ 4,707	$ 3,554	$ 65,338	$ 8,153	$ 73,491

(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

5. PROPERTY, PLANT AND EQUIPMENT

	Pipelines, Facilities & Equipment	Pipeline Line fill	Construction Work in Progress	Total
Cost				
Balance, January 1, 2010	$ 2,659,144	$ 74,033	$ 1,684,115	$ 4,417,292
Additions/transfers from construction*	129,175	-	339,523	468,698
Disposals/completed construction*	(963)	-	(128,601)	(129,564)
Foreign currency translation adjustment	(33,270)	-	115	(33,155)
Balance, December 31, 2010	2,754,086	74,033	1,895,152	4,723,271
Additions/transfers from construction*	1,704,600	170,024	75,080	1,949,704
Disposals/completed construction*	-	-	(1,874,258)	(1,874,258)
Foreign currency translation adjustment	2,819	-	(256)	2,563
Balance, June 30, 2011	**$ 4,461,505**	**$ 244,057**	**$ 95,718**	**$ 4,801,280**
Accumulated Depreciation				
Balance, January 1, 2010	$ 637,953	$ 4,509	$ -	$ 642,462
Depreciation	72,166	1,250	-	73,416
Disposals	(504)	-	-	(504)
Foreign currency translation adjustment	(3,857)	-	-	(3,857)
Balance, December 31, 2010	705,758	5,759	-	711,517
Depreciation	40,873	1,427	-	42,300
Disposals	-	-	-	-
Foreign currency translation adjustment	232	-	-	232
Balance, June 30, 2011	**$ 746,863**	**$ 7,186**	**$ -**	**$ 754,049**
Net Book Value				
As at December 31, 2010	$ 2,048,328	$ 68,274	$ 1,895,152	$ 4,011,754
As at June 30, 2011	**$ 3,714,642**	**$ 236,871**	**$ 95,718**	**$ 4,047,231**

* The majority of capital asset additions are related to constructed assets and are initially recorded as construction work in progress before being transferred to pipelines, facilities and equipment or line fill when the related asset is available for use.

Inter Pipeline has committed to additional expenditures on property, plant and equipment totaling approximately $208.5 million at June 30, 2011, of which $104.6 million is due in under one year and $103.9 million is due in one to five years.

The amount of borrowing costs capitalized during the six months ended June 30, 2011 was $0.4 million, (year ended December 31, 2010 – $17.9 million). The six month weighted average rate used to determine the amount of borrowing costs eligible for capitalization was 1.55% (year ended December 31, 2010 – 1.14%).

6. GOODWILL AND INTANGIBLE ASSETS

	June 30 2011	December 31 2010
Goodwill	**$ 210,916**	$ 210,436
Intangible assets	**297,792**	304,855
Goodwill and intangible assets	**$ 508,708**	$ 515,291

(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

7. CASH DISTRIBUTIONS

Section 5.2 of the LPA specifies the terms for Inter Pipeline to make distributions of LPA Distributable Cash on a monthly basis, provided that Inter Pipeline has cash available for such payment (thereby excluding any cash withheld as a reserve). LPA Distributable Cash is defined to generally mean cash from operating, investing and financing activities, less certain items, including any cash withheld as a reserve that the General Partner determines to be necessary or appropriate for the proper management of Inter Pipeline and its assets. As a result of the General Partner's discretion to establish reserves under the LPA, cash distributed to unitholders is always equal to LPA Distributable Cash.

For the three and six months ended June 30, 2011, Inter Pipeline declared cash distributions totaling $62.1 million and $124.1 million, respectively, or $0.24 per unit and $0.48 per unit, respectively (three and six months ended June 30, 2010 - $57.8 million and $115.4 million, respectively and $0.225 per unit and $0.45 per unit, respectively). Of the total cash distributions, $8.2 million and $15.2 million were settled with the issuance of Class A units under the Premium Distribution[TM] and Distribution Reinvestment Plan (Plan) for the three and six months ended June 30, 2011, respectively (three and six months ended June 30, 2010 – $6.7 million and $24.2 million, respectively). As at June 30, 2011, distributions of $20.7 million were payable on 258.8 million outstanding Class A units and 0.3 million outstanding Class B units at $0.08 per unit (December 31, 2010 - $20.6 million payable on 257.8 million outstanding Class A units and 0.3 million outstanding Class B units at $0.08 per unit).

On July 6, 2011, Inter Pipeline declared cash distributions of $0.08 per unit. The distributions will be paid on or about August 15, 2011 to all unitholders of record on July 22, 2011. The total estimated distributions to be paid are $20.7 million.

8. LONG-TERM DEBT

	June 30 2011	December 31 2010
$1,681 million Unsecured Revolving Credit Facility (a) (b) (c)	**$ 1,483,800**	$ 1,964,384
$750 million Unsecured Revolving Credit Facility (b)	**249,600**	157,000
Loan Payable to General Partner	**379,800**	379,800
Corridor Debentures (d)	**300,000**	300,000
4.967% Unsecured Medium-Term Notes, Series 1 (b)	**325,000**	-
Long-term debt (excluding transaction costs and discounts)	**2,738,200**	2,801,184
Less: Current portion of long-term debt	**-**	(386,584)
	2,738,200	2,414,600
Transaction costs	**(15,809)**	(13,986)
Accumulated amortization of transaction costs	**10,843**	10,337
Discount, net of accumulated amortization	**(2,317)**	(1,922)
Long-term debt	**2,730,917**	2,409,029
Current portion of long-term debt	**-**	386,584
Long-term debt (including current portion)	**$ 2,730,917**	$ 2,795,613

(a) The credit facility is comprised of the following tranches:

i) $190 million non-recourse tranche expiring on August 14, 2012.

ii) $1,464 million non-recourse tranche expiring on August 14, 2012. Effective August 2, 2011, this tranche was permanently reduced by $73.4 million to $1,391 million as a result of Corridor achieving the first expansion commencement date on August 1, 2011.

iii) $27.5 million recourse to Inter Pipeline, this tranche expires on the earlier of August 14, 2012, the Corridor first expansion commencement date or the suspension true-up date. On August 2, 2011, this tranche was cancelled as a result of Corridor achieving the first expansion commencement date on August 1, 2011.

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(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

(b) On February 2, 2011, Inter Pipeline issued $325 million of 4.967% Unsecured Medium-Term Notes, Series 1 (MTN Series 1) due February 2, 2021, in the Canadian public debt market. The MTN Series 1 notes were issued under Inter Pipeline's short form base shelf prospectus dated November 30, 2010, a related prospectus supplement dated January 19, 2011 and a related pricing supplement dated January 28, 2011. The MTN Series 1 notes bear interest at the rate of 4.967% per annum, payable semi-annually. Proceeds from the offering were used to pay down a portion of Inter Pipeline's $750 million Unsecured Revolving Credit Facility which had increased in January 2011 following an approximate $460 million equity contribution to Corridor, pursuant to the terms of the Corridor Firm Service Agreement.

(c) At June 30, 2011, letters of credit of $0.3 million were issued by Corridor.

(d) Corridor Debentures are defined as the $150 million 5.033% Series B debentures due February 2, 2015 and the $150 million 4.897% Series C debentures due February 3, 2020.

9. PROVISIONS

	June 30 2011	December 31 2010
Decommissioning obligations	**$ 20,694**	$ 20,121
Environmental liabilities	**15,046**	14,604
Provisions	**$ 35,740**	$ 34,725

10. EMPLOYEE BENEFITS

	June 30 2011	December 31 2010
Pension asset	**$ (4,431)**	$ (4,488)
Long-term incentive plan liability	**3,280**	6,500
Employee benefits	**$ (1,151)**	$ 2,012

For the three and six months ended June 30, 2011, employee benefits expense recognized in net income was $13.8 million and $29.8 million, respectively (three and six months ended June 30, 2010 - $12.0 million and $26.7 million, respectively).

Long-Term Incentive Plan

The following table summarizes the status of Inter Pipeline's Deferred Unit Rights (DURs) as at June 30, 2011 and December 31, 2010 and changes during the six months and year then ended:

	DURs Number
Balance outstanding, January 1, 2010	1,752,744
Granted	851,118
Exercised	(748,423)
Forfeitures	(57,619)
Balance outstanding, December 31, 2010	1,797,820
Granted	698,449
Exercised	(269,866)
Forfeitures	(83,793)
Balance outstanding, June 30, 2011	**2,142,610**

At June 30, 2011, the current portion of the long-term incentive plan liability included in accounts payable and accrued liabilities is $20.4 million (December 31, 2010 - $14.8 million).

(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

For the three months ended June 30, 2011, operating expenses included $0.6 million and general and administrative expenses included $1.7 million related to DURs (three months ended June 30, 2010 - $0.8 million and $2.0 million, respectively). For the six months ended June 30, 2011, operating expenses included $1.7 million and general and administrative expenses included $5.4 million related to DURs (six months ended June 30, 2010 - $2.1 million and $5.2 million, respectively).

At June 30, 2011, 597,309 DURs were exercisable. The weighted average remaining contractual life of the outstanding DURs as at June 30, 2011, was 1.45 years.

11. INCOME TAXES

In June 2007, the Government of Canada enacted legislation imposing income taxes upon publicly traded income trusts and limited partnerships, including Inter Pipeline, effective January 1, 2011. As a result, Inter Pipeline is subject to income tax on its Canadian partnership taxable income for the first time in the 2011 taxation year.

In the bulk liquid storage business, the 2011 results recognize recent tax legislative changes which have impacted deferred income taxes. In the United Kingdom (UK), tax legislation has been passed which reduced the effective income tax rate from 27% to 26%, effective April 1, 2011. The effect of recognizing this change in UK income tax rates is a $1.7 million reduction in deferred income tax liabilities.

12. PARTNERS' EQUITY

Units Issued, Fully Paid and Outstanding

Authorized

Unlimited number of Class A limited liability units, with no par value.
Unlimited number of Class B unlimited liability units, with voting rights and no par value.

Each unit is subject to the transfer restrictions within the LPA. All unitholders are entitled to receive distributions in accordance with the LPA and, in the event of the dissolution of Inter Pipeline, any of Inter Pipeline's remaining assets will be distributed to unitholders.

Issued, Fully Paid and Outstanding

	Class A Units	Class B Units	Total
Balance, January 1, 2011	257,785,596	258,291	258,043,887
Issued under Premium Distribution™ and Distribution Reinvestment Plan (a)	1,035,441	1,040	1,036,481
Balance, June 30, 2011	**258,821,037**	**259,331**	**259,080,368**

	Class A Units	Class B Units	Total
Balance, January 1, 2010	254,393,244	254,886	254,648,130
Issued under Premium Distribution™ and Distribution Reinvestment Plan (a)	3,360,852	3,369	3,364,221
Issued under Unit Incentive Option Plan	31,500	36	31,536
Balance, December 31, 2010	257,785,596	258,291	258,043,887

a) In July 2011 Inter Pipeline reintroduced the Premium Distribution™ component of the Plan. Under the Distribution Reinvestment component of the Plan, eligible unitholders may reinvest their cash distributions to purchase additional Class A units issued from treasury at a 5% discount to the weighted-average trading price of Inter Pipeline units. Under the Premium Distribution™ component of the Plan, eligible unit holders may elect to exchange these additional units for cash payment equal to 102% of the regular cash distribution on the applicable distribution payment date.

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Calculation of Net Income per Partnership Unit

Partnership units share equally on a pro rata basis in the allocation of net income. The number of diluted units outstanding is calculated using the Treasury Stock method based on the weighted average number of units outstanding for the period as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010 *(restated)*	**2011**	2010 *(restated)*
Net income attributable to unitholders – Basic and diluted	**$ 61,022**	$ 68,066	**$ 125,503**	$ 129,387
Weighted average units outstanding – Basic	**258,816,168**	256,619,999	**258,553,530**	256,230,126
Effect of Premium Distribution™ and Distribution Reinvestment Plan	**129,774**	154,856	**115,584**	151,076
Effect of Unit Incentive Option Plan	**-**	14,700	**-**	15,552
Weighted average units outstanding – Diluted	**258,945,942**	256,789,555	**258,669,114**	256,396,754
Net income per Partnership unit – Basic and diluted	**$ 0.24**	$ 0.26	**$ 0.49**	$ 0.50

Reserves

Reserves are summarized as follows:

	Hedging Reserve	Foreign Currency Translation Reserve	Defined Benefit Pension Reserve	Total Reserves
Balance, January 1, 2011	$ (808)	$ (28,396)	$ (6,432)	$ (35,636)
Other comprehensive income (loss)	404	1,817	(173)	2,048
Balance, June 30, 2011	**$ (404)**	**$ (26,579)**	**$ (6,605)**	**$ (33,588)**
Balance, January 1, 2010	$ (1,617)	$ (52,233)	$ -	$ (53,850)
Opening IFRS adjustments	-	52,233	(10,367)	41,866
Balance, beginning of period	(1,617)	-	(10,367)	(11,984)
Other comprehensive income (loss)	404	(24,298)	-	(23,894)
Balance, June 30, 2010 *(restated)*	$ (1,213)	$ (24,298)	$ (10,367)	$ (35,878)

13. RELATED PARTY TRANSACTIONS

No revenue was earned from related parties for the three and six months ended June 30, 2011 and 2010.

General Partner

Amounts due from/to the General Partner and its affiliates related to their services are non-interest bearing and have no fixed repayment terms, with the exception of the loan payable to the General Partner (note 8). At June 30, 2011, accounts payable includes $0.8 million owing to the General Partner by Inter Pipeline (December 31, 2010 - $0.8 million).

Management fees of $2.4 million and $5.2 million were earned by the General Partner in the three and six months ended June 30, 2011 (three and six months ended June 30, 2010 - $1.9 million and $3.9 million, respectively). No acquisition fees or disposition fees were earned by the General Partner in the three and six months ended June 30, 2011 (three and six months ended June 30, 2010 - nil).

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In 2004, Inter Pipeline entered into a loan agreement with the General Partner for $379.8 million. At June 30, 2011, accounts payable includes interest payable to the General Partner on the loan of $4.1 million (December 31, 2010 - $4.1 million).

In the three and six months ending June 30, 2011, certain of the officers and directors of the General Partner received a total of $0.5 million and $0.8 million in dividends, respectively, from PAC pursuant to their non-voting shares (three and six months ended June 30, 2010 - $0.3 million and $0.5 million, respectively).

All transactions and balances with related parties are established and agreed to by the various parties and approximate the exchange amount.

14. COMMITMENTS AND CONTINGENCIES

On June 15, 2007, Inter Pipeline entered into an agreement with the shippers to guarantee the payment and performance of all obligations, other than repayment of borrowed amounts or similar financial obligations, of Corridor, the General Partner, or the operator (if the operator was not Inter Pipeline) in favour of the shippers under the FSA and other related agreements. The guarantee may be exercised in the event that Corridor, the General Partner or the operator (if the operator was not Inter Pipeline) fails to pay or perform such obligations for any reason.

As a result of the sale of Lewis Tankers Limited in 2009, Inter Pipeline provided third party guarantees for minimum payments under commercial vehicle lease agreements that expire between July 2010 and December 2013. The guarantees of approximately $0.8 million may be exercised if the purchaser fails to fulfill its payment obligations.

At June 30, 2011, Inter Pipeline's total operating lease obligations are approximately $92.2 million.

Inter Pipeline has committed to additional expenditures on property, plant and equipment and purchase obligations totaling approximately $208.5 million and $102.9 million, respectively, at June 30, 2011.

Inter Pipeline is also committed to investing capital in the bulk liquid storage business to comply with the United Kingdom's post Buncefield regulations. Potential solutions are being evaluated and the amount and timing of expenditures are estimated to be in the range of $4.7 million and $9.3 million over the next eight years.

Acquisition of Danish Storage Business

On June 20, 2011, Inter Pipeline announced that it entered into an agreement to acquire four petroleum storage terminals in Denmark from a subsidiary of DONG Energy A/S. The transaction will involve cash consideration of €354 million or approximately $500 million and is expected to close in October 2011. Certain closing conditions and purchase price adjustments apply to the transaction. Funding for the acquisition will be provided from Inter Pipeline's available sources of credit.

Pursuant to the terms of the LPA, Inter Pipeline will pay an acquisition fee of 1% of the consideration transferred for the assets acquired to the General Partner. The amount of the acquisition fee will be determined at closing.

(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

15. CAPITAL DISCLOSURES

Consistent with the year ended December 31, 2010, capital under management includes long-term debt (excluding discounts and transaction costs) and partners' equity.

At June 30, 2011, Inter Pipeline had access to committed credit facilities totaling $2,431.5 million, of which $698.1 million remains unutilized. Inter Pipeline also had access to unutilized demand facilities of $59.7 million. Certain unutilized amounts under these facilities are available to specific subsidiaries of Inter Pipeline.

Management's objectives are to remain well below its maximum target ratio of 65% recourse debt to capitalization and maximum senior recourse debt to EBITDA* rate of 4.25 stipulated in the terms of Inter Pipeline's credit facilities. The recourse debt to capitalization** and senior recourse debt to EBITDA* measures below are substantially the same as the coverage ratio terms contained in Inter Pipeline's credit facilities.

	June 30 2011	December 31 2010 *(restated)*
Long-term debt (excluding transaction costs and discounts, per note 8)		
Recourse debt	**$ 954,400**	$ 923,384
Non-recourse debt	**1,783,800**	1,877,800
	2,738,200	2,801,184
Partners' equity	**1,346,668**	1,328,049
Total capitalization	**$ 4,084,868**	$ 4,129,233
Capitalization (excluding non-recourse debt)	**$ 2,301,068**	$ 2,251,433
Recourse debt to capitalization**	**41.5%**	41.0%

** Total recourse debt to capitalization is a non-GAAP measure and is calculated by dividing the sum of debt facilities outstanding with recourse to Inter Pipeline (excluding discounts and debt transaction costs) by total capitalization excluding outstanding debt facilities with no recourse to Inter Pipeline. Non-GAAP measures do not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities.

	Twelve Months Ended	
	June 30 2011	December 31 2010 *(restated)*
Net income	**$ 232,069**	$ 235,953
Add:		
Depreciation and amortization	**86,478**	87,553
Gain on disposal of assets	**559**	723
Financing charges	**59,749**	40,298
Non-cash recovery	**(5,936)**	(3,702)
Unrealized change in fair value of derivative financial instruments	**28,299**	3,568
Provision for income taxes	**36,714**	6,066
Proceeds from long-term deferred revenue and other liabilities	**1,480**	5,796
EBITDA*	**$ 439,412**	$ 376,255
Recourse debt to EBITDA*	**2.2**	2.5

* EBITDA is a non-GAAP measure whose nearest GAAP measure is net income. Non-GAAP measures do not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities.

Inter Pipeline was compliant with all covenants throughout the periods presented.

(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

16. FINANCIAL INSTRUMENTS

Classification of Financial Assets and Financial Liabilities

The carrying value of Inter Pipeline's financial assets and liabilities recorded at June 30, 2011 are classified as follows:

	Fair Value Through Profit or Loss	Cash, Loans and Receivables	Other Financial Liabilities	Carrying Value of Financial Asset or Liability	Non Financial Asset or Liability*	Carrying Value of Asset or Liability
Assets**						
Cash and cash equivalents	$ -	$ 18,525	$ -	$ 18,525	$ -	$ 18,525
Accounts receivable	-	90,777	-	90,777	9,273	100,050
Prepaid expenses and other deposits	-	1,037	-	1,037	13,047	14,084
Derivative financial instruments***	23,448	-	-	23,448	-	23,448
Liabilities						
Cash distributions payable	-	-	20,726	20,726	-	20,726
Accounts payable and accrued liabilities	3,391	-	113,053	116,444	30,390	146,834
Derivative financial instruments***	38,681	-	-	38,681	-	38,681
Deferred revenue and other liabilities	-	-	9,231	9,231	19,972	29,203
Long-term debt (note 8)	-	-	2,738,200	2,738,200	-	2,738,200
Long-term payable	7,984	-	-	7,984	-	7,984

* Not all components of assets and liabilities meet the definition of a financial asset or liability.
** Inter Pipeline does not have any assets that meet the definition of "available-for-sale" or "held-to-maturity."
*** Financial instruments at Fair Value Through Profit or Loss (FVTPL) are recorded at fair value using a discounted cash flow methodology.

a) Fair Value of Financial Instruments

The fair value of long-term debt and derivative financial instruments are discussed in the following paragraphs. The long-term portion of unrealized gains arising from the interest rate swap contracts payable to the shippers is designated as FVTPL and is carried at fair value. The carrying value of all other financial assets and liabilities approximate their fair value due to the relatively short-term maturity.

Due to the short-term maturity of instruments under long-term variable rate revolving credit facilities, it is assumed that the carrying amounts of these financial instruments approximate their fair values. At June 30, 2011, the carrying values of fixed rate debt compared to fair values are as follows:

	Carrying Value*	Fair Value
Loan Payable to General Partner	**$ 379,800**	**$ 413,072**
Corridor Debentures	**$ 300,000**	**$ 316,894**
4.967% Unsecured Medium-Term Notes, Series 1	**$ 325,000**	**$ 332,128**

* Carrying values exclude transaction costs, discount and accumulated amortization.

The fair values of derivatives and other financial instruments used for risk management activities are recorded in the consolidated balance sheets as follows:

	June 30 2011	December 31 2010
Current asset	**$ 12,451**	$ 8,916
Long-term asset	**10,997**	10,067
Current liability	**(32,260)**	(25,144)
Long-term liability	**(6,421)**	(4,169)
	$ (15,233)	$ (10,330)

(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

Derivative financial instruments carried at fair value are as follows:

	June 30 2011	December 31 2010
Frac-spread risk management		
NGL swaps	$ (28,814)	$ (16,762)
Natural gas swaps	(7,952)	(10,911)
Foreign exchange swaps	7,971	4,519
	(28,795)	(23,154)
Interest rate risk management		
Interest rate swaps	10,389	10,474
	10,389	10,474
Power price risk management		
Electricity price swaps	624	279
Heat rate swaps	2,549	2,071
	3,173	2,350
	$ (15,233)	$ (10,330)

b) Net Gains or Losses

Realized and Unrealized (Loss) Gain on Derivative Instruments – Fair Value Through Profit or Loss

Realized (losses) gains represent actual settlements under derivative contracts during the period. The realized (losses) gains on derivative financial instruments recognized in net income were:

	Three Months Ended June 30 2011	Three Months Ended June 30 2010	Six Months Ended June 30 2011	Six Months Ended June 30 2010
Revenues				
NGL swaps	$ (8,570)	$ 1,586	$ (15,621)	$ 142
Foreign exchange swaps (frac-spread)	1,784	438	3,307	533
	(6,786)	2,024	(12,314)	675
Shrinkage gas expense				
Natural gas swaps	(3,039)	(4,908)	(6,109)	(7,001)
	(3,039)	(4,908)	(6,109)	(7,001)
Operating expenses				
Electricity price swaps	78	281	415	210
Heat rate swaps	598	1,288	1,965	1,194
	676	1,569	2,380	1,404
Financing charges				
Interest rate swaps	696	829	1,384	2,190
	696	829	1,384	2,190
Net realized (loss) gain on derivative financial instruments	$ (8,453)	$ (486)	$ (14,659)	$ (2,732)

(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

The unrealized change in fair value related to derivative financial instruments recognized in net income was:

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	**2011**	2010
Frac-spread risk management				
NGL swaps	**$ 6,448**	$ 14,429	**$ (12,052)**	$ 29,038
Natural gas swaps	**255**	5,474	**2,959**	(8,187)
Foreign exchange swaps	**(480)**	(7,735)	**3,452**	(3,430)
	6,223	12,168	**(5,641)**	17,421
Interest rate risk management				
Interest rate swaps	**455**	272	**933**	943
	455	272	**933**	943
Power price risk management				
Electricity price swaps	**(39)**	324	**345**	208
Heat rate swaps	**(426)**	778	**478**	2,274
	(465)	1,102	**823**	2,482
Transfer of gains and losses on derivatives previously designated as cash-flow hedges from accumulated other comprehensive income	**(202)**	(202)	**(404)**	(404)
Unrealized change in fair value of derivative financial instruments	**$ 6,011**	$ 13,340	**$ (4,289)**	$ 20,442

The following table presents a reconciliation of the change in the fair market value of derivative financial instruments used for risk management activities during the six months ended June 30, 2011:

	Fair Market Value	Total Unrealized Gain (Loss)
Fair value of derivative financial instruments, beginning of period	**$ (10,330)**	**$ -**
Changes in fair values of contracts in place at beginning of period and contracts entered into during period attributable to market price and other market changes *	**(19,562)**	**(20,945)**
Fair value of contracts realized during period *	**14,659**	**17,060**
Changes in values attributable to other comprehensive income	**-**	**(404)**
Fair value of derivative financial instruments, end of period	**$ (15,233)**	**$ (4,289)**

* Gains or losses arising on the Corridor interest rate swaps are recoverable from the shippers resulting in no net income statement impact. Therefore, the changes in fair value of the interest rate swaps have been recorded as an asset or liability and are excluded from the total unrealized loss shown here.

Realized and Unrealized Gain (Loss) on Other Classes of Financial Instruments

Inter Pipeline had no significant gains (losses) or impairment losses on other classes of financial instruments.

(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

17. RISK MANAGEMENT

Inter Pipeline is exposed to a number of inherent financial risks arising in the normal course of operations which include market price risk related to commodity prices, foreign currency exchange rates and interest rates, credit risk and liquidity risk.

a) Market Risk

Frac-Spread Risk Management

Contracts outstanding at June 30, 2011, represented approximately 59.8% of forecast propane-plus volumes at the Cochrane extraction plant for the period July to December 2011 at average frac-spread prices of approximately $0.85 CAD/US gallon, 55.8% of forecast volumes for the period January to December 2012 at average frac-spread prices of approximately $0.95 CAD/US gallon and 29.3% of forecast volumes for the period January to December 2013 at average frac-spread prices of approximately $0.95 CAD/US gallon. These average prices approximated $0.88 US/US gallon, $0.98 US/US gallon and $0.98 US/US gallon, respectively, based on the average US$/CAD$ forward curve as at June 30, 2011.

The following table illustrates how a 10% change in NGL and AECO natural gas commodity prices and foreign exchange rates in isolation could individually impact the mark-to-market valuation of Inter Pipeline's derivative financial instruments used to manage frac-spread risk and consequently after-tax income assuming rates associated with each of the other components and all other variables remain constant:

	Fair Value of Derivative Financial Instruments	Change in Net Income Based on 10% Increase in Prices/Rates**	Change in Net Income Based on 10% Decrease in Prices/Rates**
NGL*	$ (28,814)	$ (19,297)	$ 19,297
AECO natural gas	(7,952)	4,891	(4,891)
Foreign exchange	7,971	(17,319)	17,319
Frac-spread risk management	$ (28,795)		

* Assumes that a commodity price change will impact all propane, normal butane, isobutane and pentanes plus products linearly.
** Negative amounts represent a liability increase or asset decrease.

Interest Rate Risk Management

Based on the variable rate debt obligations outstanding at June 30, 2011, a 1% change in interest rates at this date could affect interest expense on credit facilities by approximately $8.6 million, assuming all other variables remain constant. Of this amount, $7.4 million relates to the $1.7 billion Unsecured Revolving Credit Facility (note 8) and is recoverable through the terms of the Corridor FSA, therefore the after-tax income impact would be $0.9 million. A 1% change in interest rates at June 30, 2011 could affect the mark-to-market valuation of Inter Pipeline's derivative financial instruments used to manage interest rate risk, and consequently after-tax income, by approximately $0.2 million, assuming all other variables remain constant.

Power Price Risk Management

Based on heat rate swaps outstanding in the NGL extraction business at June 30, 2011, a 10% change in Alberta power pool commodity prices in isolation with all other variables held constant, could potentially change the mark-to-market valuation of Inter Pipeline's derivative financial instruments used to manage power price risk, and consequently after-tax income, by approximately $0.3 million. A 10% change in AECO natural gas prices in isolation with all other variables held constant, could potentially change the mark-to-market valuation of Inter Pipeline's derivative financial instruments used to manage power price risk, and consequently after-tax income, by approximately $0.1 million.

(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

Based on electricity price swap agreements outstanding in the conventional oil pipelines business at June 30, 2011, a 10% change in Alberta power pool commodity prices in isolation with all other variables held constant, could potentially change the mark-to-market valuation of Inter Pipeline's derivative financial instruments used to manage power price risk and consequently after-tax income by approximately $0.1 million.

Foreign Exchange Risk Management

Transactional foreign currency risk exposures have not been significant historically, therefore are generally not hedged; however, Inter Pipeline may decide to hedge this risk in the future.

b) Credit Risk

With respect to credit risk arising from cash, deposits and derivative financial instruments, Inter Pipeline believes the risks of non-performance of counterparties are minimal as cash, deposits and derivative financial instruments outstanding are predominately held with major financial institutions or investment grade corporations.

At June 30, 2011, Inter Pipeline considers that the risk of non-performance of its customers is minimal based on Inter Pipeline's credit approval, ongoing monitoring procedures and historical experience.

At June 30, 2011, accounts receivable outstanding meeting the definition of past due and impaired are immaterial. Concentrations of credit risk associated with accounts receivable relate to a limited number of principal customers in the oil sands transportation and NGL extraction business segments, the majority of which are affiliated with investment grade corporations in the energy and chemical industry sectors. At June 30, 2011, accounts receivable associated with these two business segments were $69 million or 69% of total accounts receivable outstanding. Inter Pipeline believes the credit risk associated with the remainder of accounts receivable is minimized due to diversity across business units and customers.

c) Liquidity Risk

The table below summarizes the contractual maturity profile of Inter Pipeline's financial liabilities at June 30, 2011, on an undiscounted basis:

	Total	Less Than One Year	One to Five Years	After Five Years
Cash distributions payable	$ 20,726	$ 20,726	$ -	$ -
Accounts payable and accrued liabilities	146,834	146,834	-	-
Deferred revenue and other liabilities	29,203	15,187	7,338	6,678
Derivative financial instruments*	39,323	32,670	6,653	-
Long-term debt	2,738,200	-	2,263,200	475,000
Long-term payable*	8,581	-	8,581	-
	$ 2,982,867	$ 215,417	$ 2,285,772	$ 481,678

* Derivative financial instruments are shown on a net basis. Derivative financial instruments and the long-term payable represent an estimate of the fair value liability on an undiscounted basis for financially net settled derivative contracts outstanding at June 30, 2011, based upon contractual maturity dates. Fair values of derivative financial instruments and the long-term payable reported on the balance sheets are shown on a discounted basis.

(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

18. FINANCING CHARGES

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	**2011**	2010
		(restated)		*(restated)*
Interest expense on credit facilities	**$ 7,281**	$ 4,844	**$ 15,000**	$ 9,644
Interest on Loan Payable to General Partner	**5,771**	5,771	**11,542**	11,542
Interest on Corridor Debentures	**2,506**	2,282	**4,985**	3,898
Interest on MTN Series 1 notes	**4,032**	-	**6,636**	-
Total interest	**19,590**	12,897	**38,163**	25,084
Capitalized interest	**(179)**	(3,496)	**(416)**	(6,645)
Amortization of transaction costs on long-term debt	**288**	215	**506**	441
Accretion of decommissioning and environmental obligations	**344**	319	**725**	647
Total financing charges	**$ 20,043**	$ 9,935	**$ 38,978**	$ 19,527

19. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in Non-Cash Working Capital

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	**2011**	2010
		(restated)		*(restated)*
Accounts receivable	**$ 5,340**	$ 6,654	**$ 29,451**	$ 20,698
Prepaid expense and other deposits	**(4,399)**	(5,108)	**(966)**	(3,911)
Cash distributions payable	**43**	47	**82**	172
Accounts payable and accrued liabilities	**1,797**	1,901	**(10,220)**	1,908
Deferred revenue	**(6,504)**	321	**8,848**	666
Current income taxes payable	**11,427**	(4,814)	**26,182**	16,200
Impact of foreign exchange rate differences and other	**108**	43	**264**	831
Changes in non-cash working capital	**$ 7,812**	$ (956)	**$ 53,641**	$ 36,564
These changes relate to the following activities:				
Operating	**$ 8,486**	$ (279)	**$ 44,942**	$ 40,337
Investing	**(717)**	(724)	**8,617**	(3,945)
Financing	**43**	47	**82**	172
Changes in non-cash working capital	**$ 7,812**	$ (956)	**$ 53,641**	$ 36,564

Cash and Cash Equivalents

	June 30	December 31
	2011	2010
Cash on hand and at banks	**$ 2,618**	$ 10,936
Short-term deposits	**15,907**	11,571
	$ 18,525	$ 22,507

20. SUBSEQUENT EVENT

On July 29, 2011, Inter Pipeline issued $200 million of 3.839% Unsecured Medium-Term Notes, Series 2 (MTN Series 2) due July 30, 2018, in the Canadian public debt market. The MTN Series 2 notes were issued under Inter Pipeline's short form base shelf prospectus dated November 30, 2010, a related prospectus supplement dated January 19, 2011 and a related pricing supplement dated July 26, 2011. The MTN Series 2 notes bear interest at a rate of 3.839% per annum, payable semi-annually in equal instalments in arrears on July 30 and January 30 of each year, except for the first interest payment on January 30, 2012 which will be calculated from and including July 29, 2011 to and excluding January 30, 2012. Proceeds from the offering were used to repay a portion of Inter Pipeline's $750 million Unsecured Revolving Credit Facility.

21. TRANSITION TO IFRS

The accounting policies described in Note 2 of the condensed interim consolidated financial statements for the three month period ended March 31, 2011 have been applied consistently in preparing the interim financial statements for the three and six month periods ended June 30, 2011, the interim financial statements for the three and six month periods ended June 30, 2010, and the IFRS consolidated balance sheets as at June 30, 2011 and December 31, 2010.

An explanation of how the transition from Canadian GAAP to IFRS has affected Inter Pipeline's consolidated balance sheets, net income, comprehensive income, cash flows and partners' equity as at June 30, 2010 and for the three and six month periods then ended is set out in the following reconciliations and notes that accompany the reconciliations.

(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

Reconciliation of Consolidated Balance Sheet as at June 30, 2010

	June 30, 2010									
	Canadian GAAP	Presentation Differences **(a)**	**Canadian GAAP IFRS presentation**	Decommissioning Obligation **(b)**	Environmental Liabilities **(c)**	Defined Benefit Pensions **(d)**	Share Based Payments **(e)**	Foreign Currency Translation **(f)**	**Total IFRS adjustments**	**IFRS**
Current Assets										
Cash and cash equivalents	**$ 29,116**	$ -	**$ 29,116**	$ -	$ -	$ -	$ -	$ -	**$ -**	**$ 29,116**
Accounts receivable	**101,424**	-	**101,424**	-	-	-	-	-	**-**	**101,424**
Derivative financial instruments	**18,234**	-	**18,234**	-	-	-	-	-	**-**	**18,234**
Prepaid expenses and other deposits	**21,838**	-	**21,838**	-	-	-	-	-	**-**	**21,838**
Total Current Assets	**170,612**	-	**170,612**	-	-	-	-	-	**-**	**170,612**
Derivative financial instruments	**16,383**	-	**16,383**	-	-	-	-	-	**-**	**16,383**
Property, plant and equipment	**3,770,307**	-	**3,770,307**	8,973	-	-	-	-	**8,973**	**3,779,280**
Intangible assets	**312,056**	(312,056)	**-**	-	-	-	-	-	**-**	**-**
Goodwill	**210,919**	(210,919)	**-**	-	-	-	-	-	**-**	**-**
Goodwill and intangible assets	**-**	522,975	**522,975**	-	-	-	-	-	**-**	**522,975**
Total Assets	**$ 4,480,277**	$ -	**$ 4,480,277**	$ 8,973	$ -	$ -	$ -	$ -	**$ 8,973**	**$ 4,489,250**
LIABILITIES AND PARTNERS' EQUITY										
Current Liabilities										
Cash distributions payable	**$ 19,270**	$ -	**$ 19,270**	$ -	$ -	$ -	$ -	$ -	**$ -**	**$ 19,270**
Accounts payable and accrued liabilities	**140,657**	(789)	**139,868**	-	-	-	(1,036)	-	**(1,036)**	**138,832**
Current income taxes payable	**-**	789	**789**	-	-	-	-	-	**-**	**789**
Derivative financial instruments	**16,708**	-	**16,708**	-	-	-	-	-	**-**	**16,708**
Deferred revenue	**19,821**	-	**19,821**	-	-	-	-	-	**-**	**19,821**
Current portion of long-term debt	**165,300**	-	**165,300**	-	-	-	-	-	**-**	**165,300**
Total Current Liabilities	**361,756**	-	**361,756**	-	-	-	(1,036)	-	**(1,036)**	**360,720**
Long-term debt	**2,411,333**	-	**2,411,333**	-	-	-	-	-	**-**	**2,411,333**
Long-term payable	**9,448**	-	**9,448**	-	-	-	-	-	**-**	**9,448**
Derivative financial instruments	**4,449**	-	**4,449**	-	-	-	-	-	**-**	**4,449**
Asset retirement obligation	**5,110**	(5,110)	**-**	-	-	-	-	-	**-**	**-**
Environmental liabilities	**11,780**	(11,780)	**-**	-	-	-	-	-	**-**	**-**
Provisions	**-**	16,890	**16,890**	14,499	3,454	-	-	-	**17,953**	**34,843**
Employee benefits	**5,296**	-	**5,296**	-	-	6,498	(394)	-	**6,104**	**11,400**
Long-term deferred revenue	**13,945**	-	**13,945**	-	-	-	-	-	**-**	**13,945**
Deferred income taxes **(g)**	**322,997**	-	**322,997**	(1,499)	(928)	(1,793)	(141)	-	**(4,361)**	**318,636**
Total Liabilities	**3,146,114**	-	**3,146,114**	13,000	2,526	4,705	(1,571)	-	**18,660**	**3,164,774**
Partners' Equity										
Partners' equity	**1,412,438**	-	**1,412,438**	(4,175)	(2,618)	5,371	1,571	(52,233)	**(52,084)**	**1,360,354**
Total Reserves	**(78,275)**	-	**(78,275)**	148	92	(10,076)	-	52,233	**42,397**	**(35,878)**
Total Partners' Equity	**1,334,163**	-	**1,334,163**	(4,027)	(2,526)	(4,705)	1,571	-	**(9,687)**	**1,324,476**
Total Liabilities and Partners' Equity	**$ 4,480,277**	$ -	**$ 4,480,277**	$ 8,973	$ -	$ -	$ -	$ -	**$ 8,973**	**$ 4,489,250**

(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

Reconciliation of Consolidated Statement of Net Income for the Three Months Ended June 30, 2010

	Canadian GAAP	Presentation differences	Canadian GAAP IFRS presentation	Decommissioning Provision	Environmental Liabilities	Defined Benefit Pensions	Share Based Payments	Total IFRS adjustments	IFRS
		(a)		(b)	(c)	(d)	(e)		
Revenues									
Operating revenue	$ 241,437	$ -	$ 241,437	$ -	$ -	$ -	$ -	$ -	$ 241,437
	241,437	-	241,437	-	-	-	-	-	241,437
EXPENSES									
Shrinkage gas	72,785	-	72,785	-	-	-	-	-	72,785
Operating	65,639	-	65,639	-	-	-	(145)	(145)	65,494
Depreciation and amortization	25,725	(81)	25,644	91	-	-	-	91	25,735
Financing charges	9,616	81	9,697	110	128	-	-	238	9,935
General and administration	9,463	-	9,463	-	-	-	(286)	(286)	9,177
Unrealized change in fair value of derivatives	(13,340)	-	(13,340)	-	-	-	-	-	(13,340)
Management fee to General Partner	1,884	-	1,884	-	-	-	-	-	1,884
Gain on disposal of assets	(20)	-	(20)	-	-	-	-	-	(20)
	171,752	-	171,752	201	128	-	(431)	(102)	171,650
INCOME BEFORE TAXES	69,685	-	69,685	(201)	(128)	-	431	102	69,787
PROVISION FOR (RECOVERY OF) INCOME TAX									
Current	467	-	467	-	-	-	-	-	467
Deferred **(g)**	1,317	-	1,317	(53)	(33)	-	23	(63)	1,254
	1,784	-	1,784	(53)	(33)	-	23	(63)	1,721
NET INCOME	$ 67,901	$ -	$ 67,901	$ (148)	$ (95)	$ -	$ 408	$ 165	$ 68,066

Inter Pipeline Fund
Notes to Condensed Interim Consolidated Financial Statements
(unaudited)
June 30, 2011
(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

Reconciliation of Consolidated Statement of Net Income for the Six Months Ended June 30, 2010

	Canadian GAAP	Presentation differences (a)	Canadian GAAP IFRS presentation	Decommissioning Provision (b)	Environmental Liabilities (c)	Defined Benefit Pensions (d)	Share Based Payments (e)	Total IFRS adjustments	IFRS
Revenues									
Operating revenue	$ 512,970	$ -	$ 512,970	$ -	$ -	$ -	$ -	$ -	$ 512,970
	512,970	-	512,970	-	-	-	-	-	512,970
EXPENSES									
Shrinkage gas	172,219	-	172,219	-	-	-	-	-	172,219
Operating	127,253	-	127,253	-	-	-	(117)	(117)	127,136
Depreciation and amortization	50,524	(163)	50,361	186	-	-	-	186	50,547
Financing charges	18,880	163	19,043	226	258	-	-	484	19,527
General and administration	20,316	-	20,316	-	-	-	(177)	(177)	20,139
Unrealized change in fair value of derivatives	(20,442)	-	(20,442)	-	-	-	-	-	(20,442)
Management fee to General Partner	3,906	-	3,906	-	-	-	-	-	3,906
Gain on disposal of assets	(37)	-	(37)	-	-	-	-	-	(37)
	372,619	-	372,619	412	258	-	(294)	376	372,995
INCOME BEFORE TAXES	140,351	-	140,351	(412)	(258)	-	294	(376)	139,975
PROVISION FOR (RECOVERY OF) INCOME TAX									
Current	1,166	-	1,166	-	-	-	-	-	1,166
Deferred **(g)**	9,598	-	9,598	(107)	(66)	-	(3)	(176)	9,422
	10,764	-	10,764	(107)	(66)	-	(3)	(176)	10,588
NET INCOME	$ 129,587	$ -	$ 129,587	$ (305)	$ (192)	$ -	$ 297	$ (200)	$ 129,387

(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

Reconciliation of Comprehensive Income for the Three Months Ended June 30, 2010

	Canadian GAAP	Total IFRS Adjustments to Net Income	Foreign Currency Translation (f)	Total IFRS Adjustments	IFRS
NET INCOME	$ 67,901	$ 165	$ -	$ 165	$ 68,066
OTHER COMPREHENSIVE INCOME (LOSS)					
Unrealized gain (loss) on translating financial statements of foreign operations	3,106	-	(87)	(87)	3,019
Foreign exchange movement associated with investments in foreign subsidiaries	(242)	-	-	-	(242)
Transfer of losses on derivatives previously designated as cash flow hedges to net income	202	-	-	-	202
	3,066	-	(87)	(87)	2,979
COMPREHENSIVE INCOME (LOSS)	$ 70,967	$ 165	$ (87)	$ 78	$ 71,045

Reconciliation of Comprehensive Income for the Six Months Ended June 30, 2010

	Canadian GAAP	Total IFRS Adjustments to Net Income	Foreign Currency Translation (f)	Total IFRS Adjustments	IFRS
NET INCOME	$ 129,587	$ (200)	$ -	$ (200)	$ 129,387
OTHER COMPREHENSIVE (LOSS) INCOME					
Unrealized (loss) gain on translating financial statements of foreign operations	(24,829)	-	531	531	(24,298)
Foreign exchange movement associated with investments in foreign subsidiaries	-	-	-	-	-
Transfer of losses on derivatives previously designated as cash flow hedges to net income	404	-	-	-	404
	(24,425)	-	531	531	(23,894)
COMPREHENSIVE INCOME (LOSS)	$ 105,162	$ (200)	$ 531	$ 331	$ 105,493

Reconciliation of Consolidated Statement of Cash Flows June 30, 2010

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by Inter Pipeline. Cash flows relating to interest are classified as operating under both Canadian GAAP and IFRS.

Explanation of Reconciling Items

(a) Presentation Differences

The adjustments to the presentation of the consolidated balance sheets and the consolidated statements of net income reflect the new financial statement classifications used under IFRS. Specifically, goodwill and intangible assets are presented as one line item and decommissioning obligations and environmental liabilities are combined and presented as provisions on the consolidated balance sheets. Accretion of decommissioning obligations was previously recorded within depreciation and amortization under Canadian GAAP, however under IFRS it is recorded within financing charges on the consolidated statements of net income.

(b) Decommissioning Obligation

Under Canadian GAAP, Inter Pipeline did not record a decommissioning obligation for the pipelines and related facilities in the oil sands transportation and conventional oil pipelines business units under the rationale that insufficient information was available to determine the probability of estimate with respect to the timing of settlement and the magnitude of the potential obligation.

IFRS requires, in the case where a range of possible outcomes is determinable with no one outcome being more likely than another, the midpoint of the estimated range should be used. As a result, Inter Pipeline has developed a methodology for estimating the costs associated with pipeline decommissioning, including applying ranges and probabilities of outcomes, to determine a decommissioning obligation. The obligations are discounted to their present value using a pre-tax risk-free rate under IFRS, whereas under Canadian GAAP a credit-adjusted risk-free rate was used.

The IFRS 1 transition rules have been utilized and the adjustment to the decommissioning liability has been calculated in accordance with IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets* at the Transition Date. The offsetting adjustment to property, plant and equipment was calculated by discounting the revised decommissioning liability back to when the liability first arose using the best estimate of the historical discount rates and applying depreciation to that amount up to the Transition Date. This was calculated using the existing depreciation policy for the underlying assets.

(c) Environmental Liabilities

Under Canadian GAAP, Inter Pipeline recorded its best estimate of specific environmental remediation costs arising from claims, assessments, litigation and penalties as contingent liabilities on an undiscounted basis.

Under IFRS, these environmental remediation costs are considered a provision, requiring calculation of present value using a discount rate to factor in the associated time value of money for those costs expected to be incurred in future years. IFRS also requires a midpoint to be used to calculate the settlement value if all outcomes are equally likely. The adjustment reflects the difference between the minimum value under Canadian GAAP compared to the midpoint under IFRS as well as the undiscounted environmental liability under Canadian GAAP and the revised discounted liability under IFRS at the Transition Date, offset entirely to opening partners' equity. The 2010 adjustment reflects the present value of the liability, with the accretion of the liability included in financing charges.

(d) Defined Benefit Pensions

Under Canadian GAAP, Inter Pipeline recognized actuarial gains and losses using the "corridor" approach. The excess of accumulated actuarial gains and losses over 10% of the greater of the accrued benefit obligation and the fair value of plan assets was amortized as a component of pension expense over the expected average remaining service period of the employee group.

Upon initial adoption of IFRS, Inter Pipeline has retrospectively applied IAS 19 - *Employee Benefits* and has elected to recognize all actuarial gains and losses immediately in other comprehensive income as they arise without recycling to the income statement in subsequent periods.

Inter Pipeline has chosen not to utilize the IFRS 1 exemption option to recognize all cumulative actuarial gains and losses that existed at the Transition Date in opening partners' equity for all of its employee benefit plans, and therefore has retroactively restated the impact associated with immediate recognition of actuarial gains and losses in other comprehensive income. Consequently, all previously unrecognized actuarial gains and losses under Canadian GAAP are recognized in other comprehensive income and reserves.

In addition, under Canadian GAAP, Inter Pipeline expensed past service costs over the weighted average service life of active employees remaining in the plan. Under IFRS, Inter Pipeline expenses the cost of past service benefits awarded to employees under post-employment benefit plans over the periods in which the benefits vest, which usually corresponds to the period in which the benefits are granted.

Subsequent to the Transition Date, the pension expense, pension reserve and pension asset/liability have been adjusted to reflect the new accounting policy adopted for the treatment of actuarial gains and losses and past service costs.

(e) Share-Based Payments

Under Canadian GAAP, the liability and related compensation expense of Inter Pipeline's DUR Plan was calculated assuming all DURs would vest, with the effect of forfeitures included as they actually occurred. Under IFRS, the expense related to share-based payments must be accrued using an estimated forfeiture rate, trued up for the number of awards actually vested at each vesting date.

Inter Pipeline has chosen to utilize the IFRS 1 exemption associated with share based payments, and therefore has retroactively restated the impact associated with estimating DUR forfeiture rates for DURs not vested at January 1, 2010. Consequently, opening partners' equity and the LTIP liability have been adjusted to reflect the use of estimated forfeiture rates for unvested DURs at January 1, 2010.

(f) Cumulative Translation Differences

In accordance with IFRS transitional provisions, Inter Pipeline has elected to reset the cumulative translation adjustment account, which includes gains and losses arising from the translation of foreign operations, to zero at the Transition Date. Adjustments recognized subsequent to the Transition Date reflect the translation of all Canadian GAAP and IFRS differences arising in foreign operations.

(g) Income Taxes

The deferred income tax effect of the individual IFRS adjustments described above is captured in the tax provision line item for those adjustments. The income tax adjustment reflects all Canadian GAAP and IFRS differences described above affecting temporary differences in the calculation of the income tax provision.