Inter Pipeline Fund

Condensed Interim Consolidated Balance Sheets

(unaudited) (thousands of Canadian dollars)	**As at September 30 2011**	As at December 31 2010
ASSETS		
Current Assets		
Cash and cash equivalents (note 19)	**$ 26,581**	$ 22,507
Accounts receivable	**132,524**	129,501
Derivative financial instruments (note 16)	**6,658**	8,916
Prepaid expenses and other deposits	**8,876**	13,118
Total Current Assets	**174,639**	174,042
Non-Current Assets		
Derivative financial instruments (note 16)	**18,770**	10,067
Employee benefits (note 10)	**1,013**	4,488
Property, plant and equipment (note 4)	**4,076,447**	4,011,754
Goodwill and intangible assets (note 6)	**508,100**	515,291
Total Assets	**$ 4,778,969**	$ 4,715,642
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities		
Cash distributions payable (note 7)	**$ 20,897**	$ 20,644
Accounts payable and accrued liabilities (note 13)	**145,926**	156,959
Current income taxes payable (note 11)	**41,331**	764
Derivative financial instruments (note 16)	**26,906**	25,144
Deferred revenue	**11,370**	6,339
Current portion of long-term debt (note 8)	**1,512,094**	386,584
Total Current Liabilities	**1,758,524**	596,434
Non-Current Liabilities		
Long-term debt (note 8)	**1,198,962**	2,409,029
Long-term payable	**11,185**	9,096
Derivative financial instruments (note 16)	**9,091**	4,169
Provisions (note 9)	**38,356**	34,725
Employee benefits (note 10)	**4,369**	6,500
Long-term deferred revenue and other liabilities	**14,541**	13,172
Deferred income taxes (note 11)	**339,515**	314,468
Total Liabilities	**3,374,543**	3,387,593
Commitments (notes 4 and 14)		
Partners' Equity		
Partners' equity (note 12)	**1,426,266**	1,363,685
Total reserves (note 12)	**(21,840)**	(35,636)
Total Partners' Equity	**1,404,426**	1,328,049
Total Liabilities and Partners' Equity	**$ 4,778,969**	$ 4,715,642

See accompanying notes to the condensed interim consolidated financial statements.

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	201,857	202	-	**202,059**
Other comprehensive income	-	-	13,796	**13,796**
	1,564,181	1,563	(21,840)	**1,543,904**
Cash distributions declared (note 7)	(186,412)	(186)	-	**(186,598)**
Issuance of Partnership units (note 12)				
Issued under Premium Distribution™, Distribution Reinvestment and Optional Unit Purchase Plan	47,073	47	-	**47,120**
Balance, September 30, 2011	$ 1,424,842	$ 1,424	$ (21,840)	**$ 1,404,426**
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 20)*	175,715	176	-	175,891
Other comprehensive loss *(restated - note 20)*	-	-	(14,499)	(14,499)
	1,496,462	1,496	(26,483)	1,471,475
Cash distributions declared (note 7)	(173,116)	(173)	-	(173,289)
Issuance of Partnership units (note 12)				
Issued under Premium Distribution™, Distribution Reinvestment and Optional Unit Purchase Plan	31,489	31	-	31,520
Balance, September 30, 2010 *(restated - note 20)*	$ 1,354,835	$ 1,354	$ (26,483)	$ 1,329,706

See accompanying notes to the condensed interim consolidated financial statements.

™ Denotes trademark of Canaccord Capital Corporation.

Inter Pipeline Fund

Condensed Interim Consolidated Statements of Net Income

(unaudited) (thousands of Canadian dollars)	Three Months Ended September 30 2011	Three Months Ended September 30 2010 (restated - note 20)	Nine Months Ended September 30 2011	Nine Months Ended September 30 2010 (restated - note 20)
REVENUES				
Operating revenue	**$ 302,129**	$ 231,663	**$ 878,411**	$ 744,633
EXPENSES				
Shrinkage gas	**67,639**	66,908	**216,401**	239,127
Operating	**74,093**	60,867	**211,441**	188,003
Depreciation and amortization	**24,871**	18,242	**74,342**	68,789
Financing charges (note 18)	**20,501**	10,384	**59,479**	29,911
General and administrative	**11,233**	11,744	**36,922**	31,883
Unrealized change in fair value of derivative financial instruments (note 16)	**224**	18,628	**4,513**	(1,814)
Management fee to General Partner (note 13)	**3,011**	1,881	**8,218**	5,787
Loss (gain) on disposal of assets	**187**	-	**(14)**	(37)
	201,759	188,654	**611,302**	561,649
INCOME BEFORE INCOME TAXES	**100,370**	43,009	**267,109**	182,984
Provision for (recovery of) income taxes (note 11)				
Current	**15,385**	290	**42,341**	1,456
Deferred	**8,429**	(3,785)	**22,709**	5,637
	23,814	(3,495)	**65,050**	7,093
NET INCOME	**$ 76,556**	$ 46,504	**$ 202,059**	$ 175,891
Net income per Partnership unit (note 12)				
Basic and diluted	**$ 0.29**	$ 0.19	**$ 0.78**	$ 0.69

Condensed Interim Consolidated Statements of Comprehensive Income

(unaudited) (thousands of Canadian dollars)	Three Months Ended September 30 2011	Three Months Ended September 30 2010 (restated - note 20)	Nine Months Ended September 30 2011	Nine Months Ended September 30 2010 (restated - note 20)
NET INCOME	**$ 76,556**	$ 46,504	**$ 202,059**	$ 175,891
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized gain (loss) on translating financial statements of foreign operations	**14,993**	9,193	**16,810**	(15,105)
Transfer of losses on derivatives previously designated as cash flow hedges to net income (note 16)	**202**	202	**606**	606
Actuarial loss on defined benefit pension plan	**(4,500)**	-	**(4,500)**	-
Deferred tax on pension reserve	**1,053**	-	**880**	-
	11,748	9,395	**13,796**	(14,499)
COMPREHENSIVE INCOME	**$ 88,304**	$ 55,899	**$ 215,855**	$ 161,392

See accompanying notes to the condensed interim consolidated financial statements.

Inter Pipeline Fund

Condensed Interim Consolidated Statements of Cash Flows

(unaudited) (thousands of Canadian dollars)	Three Months Ended September 30 2011	Three Months Ended September 30 2010	Nine Months Ended September 30 2011	Nine Months Ended September 30 2010
		(restated - note 20)		*(restated - note 20)*
OPERATING ACTIVITIES				
Net income	**$ 76,556**	$ 46,504	**$ 202,059**	$ 175,891
Items not involving cash:				
Depreciation and amortization	**24,871**	18,242	**74,342**	68,789
Loss (gain) on disposal of assets	**187**	-	**(14)**	(37)
Non-cash recovery (expense)	**1,568**	1,918	**(1,038)**	1,403
Unrealized change in fair value of derivative financial instruments	**224**	18,628	**4,513**	(1,814)
Deferred income tax expense (recovery)	**8,429**	(3,785)	**22,709**	5,637
Proceeds from long-term deferred revenue and lease inducements	**-**	-	**1,480**	5,796
Pension plan payment	**-**	(4,052)	**-**	(4,052)
Funds from operations	**111,835**	77,455	**304,051**	251,613
Net change in non-cash operating working capital (note 19)	**(15,403)**	(5,437)	**29,539**	34,900
Cash provided by operating activities	**96,432**	72,018	**333,590**	286,513
INVESTING ACTIVITIES				
Expenditures on property, plant and equipment	**(34,750)**	(39,011)	**(110,597)**	(111,745)
Proceeds on disposal of assets	**152**	-	**353**	239
Net change in non-cash investing working capital (note 19)	**(4,048)**	217	**4,569**	(3,728)
Cash used in investing activities	**(38,646)**	(38,794)	**(105,675)**	(115,234)
FINANCING ACTIVITIES				
Cash distributions (note 7)	**(30,546)**	(50,713)	**(139,478)**	(141,921)
(Decrease) increase in long-term debt	**(18,868)**	17,146	**(82,247)**	(17,494)
Transaction costs on long-term debt	**(1,256)**	(9)	**(3,079)**	(849)
Issuance of Partnership units, net of issue costs	**-**	44	**-**	152
Net change in non-cash financing working capital (note 19)	**171**	65	**253**	237
Cash used in financing activities	**(50,499)**	(33,467)	**(224,551)**	(159,875)
Effect of foreign currency translation on foreign currency denominated cash	**769**	534	**710**	(205)
Increase in cash and cash equivalents	**8,056**	291	**4,074**	11,199
Cash and cash equivalents, beginning of period	**18,525**	29,116	**22,507**	18,208
Cash and cash equivalents, end of period	**$ 26,581**	$ 29,407	**$ 26,581**	$ 29,407
Cash taxes paid	**$ 1,044**	$ 26	**$ 1,840**	$ 508
Cash interest paid	**$ 20,104**	$ 11,779	**$ 52,292**	$ 35,029

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 and conventional oil pipelines business all operate in Canada, while the bulk liquid storage business operates in Europe. 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; 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 November 3, 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.

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 nine month periods ended September 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 November 3, 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 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.

Change in Estimate

During the period, the NGL extraction business recorded additional revenues, as a result of a price adjustment relating to propane-plus sales at the Cochrane NGL extraction plant from 2007 to 2011. The impact of this change was an increase in revenues and accounts receivable of $20.5 million.

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 the following pronouncements on its balance sheet and results of operations:

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. In August 2011, the IASB issued an exposure draft proposing to change the effective date to annual periods beginning on or after January 1, 2015, with early adoption permitted. IFRS 9 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 10 *Consolidated Financial Statements (IFRS 10)*

IFRS 10 replaces IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation-Special Purpose Entities* and shall be applied to annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 10 builds on existing principles and standards and indentifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard gives additional guidance to assist in the determination of control where it is difficult to make an assessment.

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.

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

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.

4. 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*	1,715,407	174,105	109,340	1,998,852
Disposals/completed construction*	(586)	-	(1,887,651)	(1,888,237)
Foreign currency translation adjustment	21,123	-	227	21,350
Balance, September 30, 2011	**$ 4,490,030**	**$ 248,138**	**$ 117,068**	**$ 4,855,236**
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	61,492	2,154	-	63,646
Disposals	(116)	-	-	(116)
Foreign currency translation adjustment	3,742	-	-	3,742
Balance, September 30, 2011	**$ 770,876**	**$ 7,913**	**$ -**	**$ 778,789**
Net Book Value				
As at December 31, 2010	$ 2,048,328	$ 68,274	$ 1,895,152	$ 4,011,754
As at September 30, 2011	**$ 3,719,154**	**$ 240,225**	**$ 117,068**	**$ 4,076,447**

* 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 $139.5 million at September 30, 2011, of which $84.1 million is due in under one year and $55.4 million is due in one to five years.

The amount of borrowing costs capitalized during the nine months ended September 30, 2011 was $0.7 million, (year ended December 31, 2010 – $17.9 million). The nine month weighted average rate used to determine the amount of borrowing costs eligible for capitalization was 1.58% (year ended December 31, 2010 – 1.14%).

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

5. SEGMENT REPORTING

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

Three Months Ended September 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	$ 72,950	$ 158,201	$ 45,707	$ -	$ 276,858	$ 25,271	$ 302,129
Expenses							
Shrinkage gas	-	67,639	-	-	67,639	-	67,639
Operating	21,258	28,006	11,090	-	60,354	13,739	74,093
Depreciation and amortization	10,543	6,641	2,323	602	20,109	4,762	24,871
Financing charges	8,531	61	155	12,290	21,037	(536)	20,501
General and administrative	1,391	-	-	7,854	9,245	1,988	11,233
Unrealized change in fair value of derivative financial instruments	-	195	275	(246)	224	-	224
Management fee to General Partner	-	-	-	3,011	3,011	-	3,011
Loss (gain) on disposal of assets	304	-	2	(8)	298	(111)	187
Total expenses	42,027	102,542	13,845	23,503	181,917	19,842	201,759
Income (loss) before income taxes	30,923	55,659	31,862	(23,503)	94,941	5,429	100,370
Provision for (recovery of) income taxes	4,622	-	-	20,105	24,727	(913)	23,814
Net income (loss)	$ 26,301	$ 55,659	$ 31,862	$ (43,608)	$ 70,214	$ 6,342	$ 76,556
Expenditures on property, plant and equipment	$ 23,937	$ 3,299	$ 1,709	$ 642	$ 29,587	$ 5,163	$ 34,750

As at September 30, 2011

	Oil Sands Transportation Business	NGL Extraction Business	Conventional Oil Pipelines Business	Corporate	Total Canadian Operations	Bulk Liquid Storage Business	Total Canadian and European Operations
Property, plant and equipment - net book value	$ 2,909,779	$ 386,026	$ 447,917	$ 8,330	$ 3,752,052	$ 324,395	$ 4,076,447
Goodwill and intangible assets - net book value	$ 222,272	$ 223,159	$ -	$ -	$ 445,431	$ 62,669	$ 508,100
Other assets	$ 48,626	$ 93,656	$ 23,306	$ 44	$ 165,632	$ 28,790	$ 194,422
Total assets	$ 3,180,677	$ 702,841	$ 471,223	$ 8,374	$ 4,363,115	$ 415,854	$ 4,778,969

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

Three Months Ended September 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	$ 36,440	$ 128,783	$ 41,388	$ -	$ 206,611	$ 25,052	$ 231,663
Expenses							
Shrinkage gas	-	66,908	-	-	66,908	-	66,908
Operating	14,494	21,638	11,546	-	47,678	13,189	60,867
Depreciation and amortization	4,532	6,399	2,373	479	13,783	4,459	18,242
Financing charges	2,814	58	319	7,114	10,305	79	10,384
General and administrative	802	-	-	9,486	10,288	1,456	11,744
Unrealized change in fair value of derivative financial instruments	-	18,601	202	(175)	18,628	-	18,628
Management fee to General Partner	-	-	-	1,881	1,881	-	1,881
Total expenses	22,642	113,604	14,440	18,785	169,471	19,183	188,654
Income (loss) before income taxes	13,798	15,179	26,948	(18,785)	37,140	5,869	43,009
Provision for (recovery of) income taxes	1,288	-	-	(3,936)	(2,648)	(847)	(3,495)
Net income (loss)	$ 12,510	$ 15,179	$ 26,948	$ (14,849)	$ 39,788	$ 6,716	$ 46,504
Expenditures on property, plant and equipment	$ 27,128	$ 4,078	$ 942	$ 196	$ 32,344	$ 7,045	$ 39,389

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)

Nine Months Ended September 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	$ 213,463	$ 455,550	$ 131,467	$ -	$ 800,480	$ 77,931	$ 878,411
Expenses							
Shrinkage gas	-	216,401	-	-	216,401	-	216,401
Operating	58,340	80,708	31,995	-	171,043	40,398	211,441
Depreciation and amortization	31,478	19,697	7,042	1,727	59,944	14,398	74,342
Financing charges	24,443	183	465	34,690	59,781	(302)	59,479
General and administrative	4,343	-	-	25,487	29,830	7,092	36,922
Unrealized change in fair value of derivative financial instruments	-	5,357	(70)	(774)	4,513	-	4,513
Management fee to General Partner	-	-	-	8,218	8,218	-	8,218
Loss (gain) on disposal of assets	304	(12)	2	(8)	286	(300)	(14)
Total expenses	118,908	322,334	39,434	69,340	550,016	61,286	611,302
Income (loss) before income taxes	94,555	133,216	92,033	(69,340)	250,464	16,645	267,109
Provision for (recovery of) income taxes	14,457	-	-	51,397	65,854	(804)	65,050
Net income (loss)	$ 80,098	$ 133,216	$ 92,033	$ (120,737)	$ 184,610	$ 17,449	$ 202,059
Expenditures on property, plant and equipment	$ 81,075	$ 8,583	$ 3,415	$ 1,511	$ 94,584	$ 16,013	$ 110,597

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

Nine Months Ended September 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	$ 107,682	$ 445,294	$ 116,689	$ -	$ 669,665	$ 74,968	$ 744,633
Expenses							
Shrinkage gas	-	239,127	-	-	239,127	-	239,127
Operating	42,081	76,062	30,470	-	148,613	39,390	188,003
Depreciation and amortization	23,780	19,189	11,476	1,279	55,724	13,065	68,789
Financing charges	7,363	175	950	21,262	29,750	161	29,911
General and administrative	2,292	-	-	25,311	27,603	4,280	31,883
Unrealized change in fair value of derivative financial instruments	-	(1,094)	37	(757)	(1,814)	-	(1,814)
Management fee to General Partner	-	-	-	5,787	5,787	-	5,787
Gain on disposal of assets	-	(15)	(22)	-	(37)	-	(37)
Total expenses	75,516	333,444	42,911	52,882	504,753	56,896	561,649
Income (loss) before income taxes	32,166	111,850	73,778	(52,882)	164,912	18,072	182,984
Provision for (recovery of) income taxes	2,847	-	-	4,436	7,283	(190)	7,093
Net income (loss)	$ 29,319	$ 111,850	$ 73,778	$ (57,318)	$ 157,629	$ 18,262	$ 175,891
Expenditures on property, plant and equipment	$ 82,327	$ 5,956	$ 5,649	$ 3,750	$ 97,682	$ 15,198	$ 112,880

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

6. GOODWILL AND INTANGIBLE ASSETS

	September 30 2011	December 31 2010
Goodwill	$ 213,507	$ 210,436
Intangible assets	294,593	304,855
Goodwill and intangible assets	$ 508,100	$ 515,291

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 nine months ended September 30, 2011, Inter Pipeline declared cash distributions totaling $62.5 million and $186.6 million, respectively, or $0.24 per unit and $0.72 per unit, respectively (three and nine months ended September 30, 2010 - $57.9 million and $173.3 million, respectively and $0.225 per unit and $0.675 per unit, respectively). Of the total cash distributions, $31.9 million and $47.1 million were settled with the issuance of Class A units under the Premium Distribution[TM] and Distribution Reinvestment Plan (Plan) for the three and nine months ended September 30, 2011, respectively (three and nine months ended September 30, 2010 – $7.2 million and $31.4 million, respectively). As at September 30, 2011, distributions of $20.9 million were payable on 261.0 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 October 4, 2011, Inter Pipeline declared cash distributions of $0.08 per unit. The distributions will be paid on or about November 15, 2011 to all unitholders of record on October 21, 2011. The total estimated distributions to be paid are $21.0 million.

8. LONG-TERM AND SHORT-TERM DEBT

	September 30 2011	December 31 2010
$1,581 million Unsecured Revolving Credit Facility (a) (b) (c)	$ 1,479,300	$ 1,964,384
$750 million Unsecured Revolving Credit Facility (b) (d)	35,000	157,000
Loan Payable to General Partner	379,800	379,800
Corridor Debentures (e)	300,000	300,000
Unsecured Medium-Term Notes (b)	525,000	-
Long and short-term debt (excluding transaction costs and discounts)	2,719,100	2,801,184
Less: Current portion of long-term debt (a) (d)	(1,514,300)	(386,584)
	1,204,800	2,414,600
Transaction costs	(17,065)	(13,986)
Accumulated amortization of transaction costs	11,106	10,337
Discount, net of accumulated amortization	(2,085)	(1,922)
Add: Current portion of transaction costs and discounts	2,206	-
Long-term debt	1,198,962	2,409,029
Current portion of long-term debt including transaction costs and discounts	1,512,094	386,584
Total debt	$ 2,711,056	$ 2,795,613

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

(a) The $1,581 million Unsecured Revolving Credit Facility is comprised of the following tranches:

i) $190 million non-recourse tranche expiring on August 14, 2012. This tranche is included within the current portion of long-term debt.

ii) $1,391 million non-recourse tranche expiring on August 14, 2012. Effective August 2, 2011, this tranche was permanently reduced from $1,464 million to $1,391 million as a result of Corridor achieving the first expansion commencement date on August 1, 2011. This tranche is included within the current portion of long-term debt.

iii) Effective August 2, 2011, the $27.5 million recourse to Inter Pipeline tranche was cancelled as a result of Corridor achieving the first expansion commencement date on August 1, 2011.

(b) The Unsecured Medium-Term Notes are comprised of the following:

i) 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.

ii) 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 the same short form base shelf prospectus and related prospectus supplement as the MTN Series 1 notes 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.

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

(d) The $750 million Unsecured Revolving Credit Facility has a maturity date of September 29, 2012 and is included within the current portion of long-term debt.

(e) 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

	September 30 2011	December 31 2010
Decommissioning obligations	**$ 22,315**	$ 20,121
Environmental liabilities	**16,041**	14,604
Provisions	**$ 38,356**	$ 34,725

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

10. EMPLOYEE BENEFITS

	September 30 2011	December 31 2010
Pension asset	$ (1,013)	$ (4,488)
Long-term incentive plan liability	4,369	6,500
Employee benefits	$ 3,356	$ 2,012

Inter Pipeline recognized a decrease in the pension asset of $3.7 million at September 30, 2011. This reduction reflects a fall in the market value of the invested assets, partially offset by changes in the present value of defined benefit obligations, as a result of revised corporate bond yields and inflation rates. A full actuarial valuation was not performed.

For the three and nine months ended September 30, 2011, employee benefits expense recognized in net income was $16.4 million and $46.2 million, respectively (three and nine months ended September 30, 2010 - $17.9 million and $44.6 million, respectively).

Long-Term Incentive Plan

The following table summarizes the status of Inter Pipeline's Deferred Unit Rights (DURs) as at September 30, 2011 and December 31, 2010 and changes during the nine 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	725,740
Exercised	(323,296)
Forfeitures	(93,657)
Balance outstanding, September 30, 2011	**2,106,607**

At September 30, 2011, the current portion of the long-term incentive plan liability included in accounts payable and accrued liabilities is $21.9 million (December 31, 2010 - $14.8 million).

For the three months ended September 30, 2011, operating expenses included $0.9 million, and general and administrative expenses included $2.7 million, related to DURs (three months ended September 30, 2010 - $1.7 million and $4.2 million, respectively). For the nine months ended September 30, 2011, operating expenses included $2.6 million and general and administrative expenses included $8.1 million related to DURs (nine months ended September 30, 2010 - $3.8 million and $9.4 million, respectively).

At September 30, 2011, 543,879 DURs were exercisable. The weighted average remaining contractual life of the outstanding DURs as at September 30, 2011, was 1.23 years.

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

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 and from 26% to 25%, effective April 1, 2012. The effect of recognizing these changes in UK income tax rates is a $3.6 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)	3,166,750	3,176	3,169,926
Balance, September 30, 2011	**260,952,346**	**261,467**	**261,213,813**

	Class A Units	Class B Units	Total
Balance, January 1, 2010	254,393,244	254,886	254,648,130
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 unitholders 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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(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

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 September 30		Nine Months Ended September 30	
	2011	2010 *(restated)*	**2011**	2010 *(restated)*
Net income attributable to unitholders – Basic and diluted	**$ 76,556**	$ 46,504	**$ 202,059**	$ 175,891
Weighted average units outstanding – Basic	**259,858,091**	257,239,335	**258,993,163**	256,570,226
Effect of Premium Distribution™ and Distribution Reinvestment Plan	**630,027**	150,269	**297,161**	150,804
Effect of Unit Incentive Option Plan	**-**	5,936	**-**	14,670
Weighted average units outstanding – Diluted	**260,488,118**	257,395,540	**259,290,324**	256,735,700
Net income per Partnership unit – Basic and diluted	**$ 0.29**	$ 0.19	**$ 0.78**	$ 0.69

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)	606	16,810	(3,620)	13,796
Balance, September 30, 2011	**$ (202)**	**$ (11,586)**	**$ (10,052)**	**$ (21,840)**
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)	606	(15,105)	-	(14,499)
Balance, September 30, 2010 *(restated)*	$ (1,011)	$ (15,105)	$ (10,367)	$ (26,483)

13. RELATED PARTY TRANSACTIONS

No revenue was earned from related parties for the three and nine months ended September 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 September 30, 2011, accounts payable includes $1.3 million owing to the General Partner by Inter Pipeline (December 31, 2010 - $0.8 million).

Management fees of $3.0 million and $8.2 million were earned by the General Partner in the three and nine months ended September 30, 2011 (three and nine months ended September 30, 2010 - $1.9 million and $5.8 million, respectively). No acquisition fees or disposition fees were earned by the General Partner in the three and nine months ended September 30, 2011 (three and nine months ended September 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 September 30, 2011, accounts payable includes interest payable to the General Partner on the loan of $9.9 million (December 31, 2010 - $4.1 million).

In the three and nine months ending September 30, 2011, certain of the officers and directors of the General Partner received a total of nil and $0.8 million in dividends, respectively, from PAC pursuant to their non-voting shares (three and nine months ended September 30, 2010 - $0.2 million and $0.7 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 Corridor Firm Services Agreement (Corridor 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 $0.7 million may be exercised if the purchaser fails to fulfill its payment obligations.

At September 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 $139.5 million and $119.8 million, respectively, at September 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 $4.9 million and $9.8 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 November 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 September 30, 2011, Inter Pipeline had access to committed credit facilities totaling $2,330.6 million, of which $816.3 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.

	September 30 2011	December 31 2010 *(restated)*
Long and short-term debt (excluding transaction costs and discounts, per note 8)		
Recourse debt	**$ 939,800**	$ 923,384
Non-recourse debt	**1,779,300**	1,877,800
	2,719,100	2,801,184
Partners' equity	**1,404,426**	1,328,049
Total capitalization	**$ 4,123,526**	$ 4,129,233
Capitalization (excluding non-recourse debt)	**$ 2,344,226**	$ 2,251,433
Recourse debt to capitalization**	**40.1%**	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	
	September 30 2011	December 31 2010 *(restated)*
Net income	**$ 262,121**	$ 235,953
Add:		
Depreciation and amortization	**93,106**	87,553
Gain on disposal of assets	**746**	723
Financing charges	**69,867**	40,298
Non-cash recovery	**(5,717)**	(3,702)
Unrealized change in fair value of derivative financial instruments	**9,895**	3,568
Provision for income taxes	**64,022**	6,066
Proceeds from long-term deferred revenue and other liabilities	**1,480**	5,796
EBITDA*	**$ 495,520**	$ 376,255
Recourse debt to EBITDA*	**1.9**	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 September 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	$ -	$ 26,581	$ -	$ 26,581	$ -	$ 26,581
Accounts receivable	-	123,043	-	123,043	9,481	132,524
Prepaid expenses and other deposits	-	997	-	997	7,879	8,876
Derivative financial instruments***	25,428	-	-	25,428	-	25,428
Liabilities						
Cash distributions payable	-	-	20,897	20,897	-	20,897
Accounts payable and accrued liabilities	4,875	-	105,995	110,870	35,056	145,926
Derivative financial instruments***	35,997	-	-	35,997	-	35,997
Deferred revenue and other liabilities	-	-	5,968	5,968	19,943	25,911
Long-term and short-term debt (note 8)	-	-	2,719,100	2,719,100	-	2,719,100
Long-term payable	11,185	-	-	11,185	-	11,185

* 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 September 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**	**$ 414,194**
Corridor Debentures	**$ 300,000**	**$ 325,232**
Unsecured Medium-Term Notes, Series 1 and Series 2	**$ 525,000**	**$ 549,713**

* 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:

	September 30 2011	December 31 2010
Current asset	**$ 6,658**	$ 8,916
Long-term asset	**18,770**	10,067
Current liability	**(26,906)**	(25,144)
Long-term liability	**(9,091)**	(4,169)
	$ (10,569)	$ (10,330)

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

Derivative financial instruments carried at fair value are as follows:

	September 30 2011	December 31 2010
Frac-spread risk management		
NGL swaps	**$ (8,530)**	$ (16,762)
Natural gas swaps	**(6,929)**	(10,911)
Foreign exchange swaps	**(12,414)**	4,519
	(27,873)	(23,154)
Interest rate risk management		
Interest rate swaps	**15,522**	10,474
	15,522	10,474
Power price risk management		
Electricity price swaps	**349**	279
Heat rate swaps	**1,433**	2,071
	1,782	2,350
	$ (10,569)	$ (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 September 30		Nine Months Ended September 30	
	2011	2010	**2011**	2010
Revenues				
NGL swaps	**$ (9,427)**	$ 2,307	**$ (25,048)**	$ 2,449
Foreign exchange swaps (frac-spread)	**1,395**	135	**4,702**	668
	(8,032)	2,442	**(20,346)**	3,117
Shrinkage gas expense				
Natural gas swaps	**(3,015)**	(5,683)	**(9,124)**	(12,684)
	(3,015)	(5,683)	**(9,124)**	(12,684)
Operating expenses				
Electricity price swaps	**457**	(117)	**872**	93
Heat rate swaps	**1,743**	130	**3,708**	1,324
	2,200	13	**4,580**	1,417
Financing charges				
Interest rate swaps	**699**	809	**2,083**	2,999
	699	809	**2,083**	2,999
Net realized loss on derivative financial instruments	**$ (8,148)**	$ (2,419)	**$ (22,807)**	$ (5,151)

(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 September 30		Nine Months Ended September 30	
	2011	2010	**2011**	2010
Frac-spread risk management				
NGL swaps	**$ 20,284**	$ (19,421)	**$ 8,232**	$ 9,617
Natural gas swaps	**1,024**	(3,102)	**3,983**	(11,289)
Foreign exchange swaps	**(20,385)**	4,515	**(16,933)**	1,085
	923	(18,008)	**(4,718)**	(587)
Interest rate risk management				
Interest rate swaps	**446**	377	**1,379**	1,320
	446	377	**1,379**	1,320
Power price risk management				
Electricity price swaps	**(275)**	(202)	**70**	6
Heat rate swaps	**(1,116)**	(593)	**(638)**	1,681
	(1,391)	(795)	**(568)**	1,687
Transfer of gains and losses on derivatives previously designated as cash-flow hedges from accumulated other comprehensive income	**(202)**	(202)	**(606)**	(606)
Unrealized change in fair value of derivative financial instruments	**$ (224)**	$ (18,628)	**$ (4,513)**	$ 1,814

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 nine months ended September 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*	**(23,046)**	**(30,333)**
Fair value of contracts realized during period*	**22,807**	**26,426**
Changes in values attributable to other comprehensive income	**-**	**(606)**
Fair value of derivative financial instruments, end of period	**$ (10,569)**	**$ (4,513)**

* 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.

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 September 30, 2011, represented approximately 71.9% of forecast propane-plus volumes at the Cochrane extraction plant for the period October to December 2011 at average frac-spread prices of approximately $0.84 CAD/US gallon, 60.7% of forecast volumes for the period January to December 2012 at average frac-spread prices of approximately $0.95 CAD/US gallon and 46.1% of forecast volumes for the period January to December 2013 at average frac-spread prices of approximately $0.97 CAD/US gallon. These average prices approximated $0.80 USD/US gallon, $0.91 USD/US gallon and $0.92 USD/US gallon, respectively, based on the average USD/CAD forward curve as at September 30, 2011.

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

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*	$ (8,530)	$ (19,065)	$ 19,065
AECO natural gas	(6,929)	4,568	(4,568)
Foreign exchange	(12,414)	(18,551)	18,551
Frac-spread risk management	$ (27,873)		

* 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 September 30, 2011, a 1% change in interest rates at this date could affect interest expense on credit facilities by approximately $11.1 million, assuming all other variables remain constant. The entire $11.1 million relates to the $1.6 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 nil. A 1% change in interest rates at September 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 $0.1 million, assuming all other variables remain constant.

Power Price Risk Management

Based on heat rate swaps outstanding in the NGL extraction business at September 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 $0.2 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.

Based on electricity price swap agreements outstanding in the conventional oil pipelines business at September 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.

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

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 September 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 September 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 September 30, 2011, accounts receivable associated with these two business segments were $96.3 million or 75% 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 September 30, 2011, on an undiscounted basis:

	Total	Less Than One Year	One to Five Years	After Five Years
Cash distributions payable	$ 20,897	$ 20,897	$ -	$ -
Accounts payable and accrued liabilities	145,926	145,926	-	-
Deferred revenue and other liabilities	25,911	11,370	7,769	6,772
Derivative financial instruments*	36,428	27,072	9,356	-
Long-term and short-term debt	2,719,100	1,514,300	529,800	675,000
Long-term payable*	11,747	-	11,747	-
	$ 2,960,009	$ 1,719,565	$ 558,672	$ 681,772

* 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 September 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.

18. FINANCING CHARGES

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010 *(restated)*	**2011**	2010 *(restated)*
Interest expense on credit facilities	**$ 7,211**	$ 6,630	**$ 22,211**	$ 16,274
Interest on Loan Payable to General Partner	**5,771**	5,771	**17,313**	17,313
Interest on Corridor Debentures	**2,536**	2,371	**7,521**	6,269
Interest on MTN Series 1 and Series 2 notes	**5,337**	-	**11,973**	-
Total interest	**20,855**	14,772	**59,018**	39,856
Capitalized interest	**(331)**	(4,934)	**(747)**	(11,579)
Amortization of transaction costs on long and short-term debt	**263**	221	**769**	662
Accretion of provisions and pension plan financing charges	**(286)**	325	**439**	972
Total financing charges	**$ 20,501**	$ 10,384	**$ 59,479**	$ 29,911

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

19. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in Non-Cash Working Capital

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010 *(restated)*	**2011**	2010 *(restated)*
Accounts receivable	**$ (32,474)**	$ 13,819	**$ (3,023)**	$ 34,517
Prepaid expense and other deposits	**5,208**	9,720	**4,242**	5,809
Cash distributions payable	**171**	65	**253**	237
Accounts payable and accrued liabilities	**(2,392)**	(18,519)	**(12,612)**	(16,611)
Deferred revenue	**(3,817)**	(10,434)	**5,031**	5,766
Current income taxes payable	**14,385**	289	**40,567**	955
Impact of foreign exchange rate differences and other	**(361)**	(95)	**(97)**	736
Changes in non-cash working capital	**$ (19,280)**	$ (5,155)	**$ 34,361**	$ 31,409
These changes relate to the following activities:				
Operating	**$ (15,403)**	$ (5,437)	**$ 29,539**	$ 34,900
Investing	**(4,048)**	217	**4,569**	(3,728)
Financing	**171**	65	**253**	237
Changes in non-cash working capital	**$ (19,280)**	$ (5,155)	**$ 34,361**	$ 31,409

Cash and Cash Equivalents

	September 30 2011	December 31 2010
Cash on hand and at banks	**$ 10,795**	$ 10,936
Short-term deposits	**15,786**	11,571
	$ 26,581	$ 22,507

20. 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 nine month periods ended September 30, 2011, the interim financial statements for the three and nine month periods ended September 30, 2010, and the IFRS consolidated balance sheets as at September 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 September 30, 2010 and for the three and nine 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 September 30, 2010

	September 30, 2010									
	Canadian GAAP	Presentation Differences	**Canadian GAAP IFRS presentation**	Decommissioning Obligation	Environmental Liabilities	Defined Benefit Pensions	Share Based Payments	Foreign Currency Translation	**Total IFRS adjustments**	**IFRS**
		(a)		(b)	(c)	(d)	(e)	(f)		
Current Assets										
Cash and cash equivalents	$ 29,407	$ -	$ 29,407	$ -	$ -	$ -	$ -	$ -	$ -	$ 29,407
Accounts receivable	87,605	-	87,605	-	-	-	-	-	-	87,605
Derivative financial instruments	7,725	-	7,725	-	-	-	-	-	-	7,725
Prepaid expenses and other deposits	12,118	-	12,118	-	-	-	-	-	-	12,118
Current portion of future income taxes	5,243	(5,243)	-	-	-	-	-	-	-	-
Total Current Assets	142,098	(5,243)	136,855	-	-	-	-	-	-	136,855
Derivative financial instruments	13,306	-	13,306	-	-	-	-	-	-	13,306
Property, plant and equipment	3,804,896	-	3,804,896	9,120	-	-	-	-	9,120	3,814,016
Intangible assets	308,665	(308,665)	-	-	-	-	-	-	-	-
Goodwill	212,863	(212,863)	-	-	-	-	-	-	-	-
Goodwill and intangible assets	-	521,528	521,528	-	-	-	-	-	-	521,528
Total Assets	$ 4,481,828	$ (5,243)	$ 4,476,585	$ 9,120	$ -	$ -	$ -	$ -	$ 9,120	$ 4,485,705
LIABILITIES AND PARTNERS' EQUITY										
Current Liabilities										
Cash distributions payable	$ 19,335	$ -	$ 19,335	$ -	$ -	$ -	$ -	$ -	$ -	$ 19,335
Accounts payable and accrued liabilities	123,785	(1,078)	122,707	-	-	-	(1,244)	-	(1,244)	121,463
Current income taxes payable	-	1,078	1,078	-	-	-	-	-	-	1,078
Derivative financial instruments	18,845	-	18,845	-	-	-	-	-	-	18,845
Deferred revenue	9,387	-	9,387	-	-	-	-	-	-	9,387
Current portion of long-term debt	191,000	-	191,000	-	-	-	-	-	-	191,000
Total Current Liabilities	362,352	-	362,352	-	-	-	(1,244)	-	(1,244)	361,108
Long-term debt	2,403,369	-	2,403,369	-	-	-	-	-	-	2,403,369
Long-term payable	12,152	-	12,152	-	-	-	-	-	-	12,152
Derivative financial instruments	3,297	-	3,297	-	-	-	-	-	-	3,297
Asset retirement obligation	5,223	(5,223)	-	-	-	-	-	-	-	-
Environmental liabilities	12,021	(12,021)	-	-	-	-	-	-	-	-
Provisions	-	17,244	17,244	14,968	3,639	-	-	-	18,607	35,851
Employee benefits	3,131	-	3,131	-	-	6,636	(517)	-	6,119	9,250
Long-term deferred revenue	13,977	-	13,977	-	-	-	-	-	-	13,977
Deferred income taxes **(g)**	326,625	(5,243)	321,382	(1,560)	(967)	(1,783)	(77)	-	(4,387)	316,995
Total Liabilities	3,142,147	(5,243)	3,136,904	13,408	2,672	4,853	(1,838)	-	19,095	3,155,999
Partners' Equity										
Partners' equity	1,408,330	-	1,408,330	(4,337)	(2,713)	5,304	1,838	(52,233)	(52,141)	1,356,189
Total Reserves	(68,649)	-	(68,649)	49	41	(10,157)	-	52,233	42,166	(26,483)
Total Partners' Equity	1,339,681	-	1,339,681	(4,288)	(2,672)	(4,853)	1,838	-	(9,975)	1,329,706
Total Liabilities and Partners' Equity	$ 4,481,828	$ (5,243)	$ 4,476,585	$ 9,120	$ -	$ -	$ -	$ -	$ 9,120	$ 4,485,705

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

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

	Three months ended September 30, 2010								
	Canadian GAAP	Presentation differences	**Canadian GAAP IFRS presentation**	Decommissioning Obligation	Environmental Liabilities	Defined Benefit Pensions	Share Based Payments	**Total IFRS adjustments**	**IFRS**
		(a)		(b)	(c)	(d)	(e)		
Revenues									
Operating revenue	$ 231,663	$ -	$ 231,663	$ -	$ -	$ -	$ -	$ -	$ 231,663
	231,663	-	231,663	-	-	-	-	-	231,663
EXPENSES									
Shrinkage gas	66,908	-	66,908	-	-	-	-	-	66,908
Operating	60,960	-	60,960	-	-	-	(93)	(93)	60,867
Depreciation and amortization	18,235	(84)	18,151	91	-	-	-	91	18,242
Financing charges	10,059	84	10,143	113	128	-	-	241	10,384
General and administration	11,982	-	11,982	-	-	-	(238)	(238)	11,744
Unrealized change in fair value of derivative financial instruments	18,628	-	18,628	-	-	-	-	-	18,628
Management fee to General Partner	1,881	-	1,881	-	-	-	-	-	1,881
	188,653	-	188,653	204	128	-	(331)	1	188,654
INCOME BEFORE INCOME TAXES	43,010	-	43,010	(204)	(128)	-	331	(1)	43,009
(RECOVERY OF) PROVISION FOR INCOME TAXES									
Current	290	-	290	-	-	-	-	-	290
Deferred **(g)**	(3,841)	-	(3,841)	(42)	(33)	67	64	56	(3,785)
	(3,551)	-	(3,551)	(42)	(33)	67	64	56	(3,495)
NET INCOME	$ 46,561	$ -	$ 46,561	$ (162)	$ (95)	$ (67)	$ 267	$ (57)	$ 46,504

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

Reconciliation of Consolidated Statement of Net Income for the Nine Months Ended September 30, 2010

	Nine months ended September 30, 2010								
	Canadian GAAP	Presentation differences	**Canadian GAAP IFRS presentation**	Decommissioning Obligation	Environmental Liabilities	Defined Benefit Pensions	Share Based Payments	**Total IFRS adjustments**	**IFRS**
		(a)		**(b)**	**(c)**	**(d)**	**(e)**		
Revenues									
Operating revenue	**$ 744,633**	$ -	**$ 744,633**	$ -	$ -	$ -	$ -	**$ -**	**$ 744,633**
	744,633	-	**744,633**	-	-	-	-	**-**	**744,633**
EXPENSES									
Shrinkage gas	**239,127**	-	**239,127**	-	-	-	-	**-**	**239,127**
Operating	**188,213**	-	**188,213**	-	-	-	(210)	**(210)**	**188,003**
Depreciation and amortization	**68,759**	(247)	**68,512**	277	-	-	-	**277**	**68,789**
Financing charges	**28,939**	247	**29,186**	339	386	-	-	**725**	**29,911**
General and administration	**32,298**	-	**32,298**	-	-	-	(415)	**(415)**	**31,883**
Unrealized change in fair value of derivative financial instruments	**(1,814)**	-	**(1,814)**	-	-	-	-	**-**	**(1,814)**
Management fee to General Partner	**5,787**	-	**5,787**	-	-	-	-	**-**	**5,787**
Gain on disposal of assets	**(37)**	-	**(37)**	-	-	-	-	**-**	**(37)**
	561,272	-	**561,272**	616	386	-	(625)	**377**	**561,649**
INCOME BEFORE INCOME TAXES	**183,361**	-	**183,361**	(616)	(386)	-	625	**(377)**	**182,984**
PROVISION FOR (RECOVERY OF) INCOME TAXES									
Current	**1,456**	-	**1,456**	-	-	-	-	**-**	**1,456**
Deferred **(g)**	**5,757**	-	**5,757**	(149)	(99)	67	61	**(120)**	**5,637**
	7,213	-	**7,213**	(149)	(99)	67	61	**(120)**	**7,093**
NET INCOME	**$ 176,148**	$ -	**$ 176,148**	$ (467)	$ (287)	$ (67)	$ 564	**$ (257)**	**$ 175,891**

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

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

	Three months ended September 30, 2010				
	Canadian GAAP	Total IFRS Adjustments to Net Income	Foreign Currency Translation (f)	**Total IFRS Adjustments**	**IFRS**
NET INCOME	**$ 46,561**	$ (57)	$ -	**$ (57)**	**$ 46,504**
OTHER COMPREHENSIVE INCOME (LOSS)					
Unrealized gain (loss) on translating financial statements of foreign operations	**9,424**	-	(231)	**(231)**	**9,193**
Transfer of losses on derivatives previously designated as cash flow hedges to net income	**202**	-	-	**-**	**202**
	9,626	-	(231)	**(231)**	**9,395**
COMPREHENSIVE INCOME	**$ 56,187**	$ (57)	$ (231)	**$ (288)**	**$ 55,899**

Reconciliation of Comprehensive Income for the Nine Months Ended September 30, 2010

	Nine months ended September 30, 2010				
	Canadian GAAP	Total IFRS Adjustments to Net Income	Foreign Currency Translation (f)	**Total IFRS Adjustments**	**IFRS**
NET INCOME	**$ 176,148**	$ (257)	$ -	**$ (257)**	**$ 175,891**
OTHER COMPREHENSIVE (LOSS) INCOME					
Unrealized (loss) gain on translating financial statements of foreign operations	**(15,405)**	-	300	**300**	**(15,105)**
Transfer of losses on derivatives previously designated as cash flow hedges to net income	**606**	-	-	**-**	**606**
	(14,799)	-	300	**300**	**(14,499)**
COMPREHENSIVE INCOME	**$ 161,349**	$ (257)	$ 300	**$ 43**	**$ 161,392**

Reconciliation of Consolidated Statement of Cash Flows September 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* as at January 1, 2010 (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.