Inter Pipeline Fund

Condensed Interim Consolidated Balance Sheets

(unaudited) (thousands of Canadian dollars)	**As at March 31 2011**	As at December 31 2010 *(restated - see note 21)*	As at January 1 2010 *(restated - see note 21)*
ASSETS			
Current Assets			
Cash and cash equivalents (note 19)	**$ 29,071**	$ 22,507	$ 18,208
Accounts receivable	**105,390**	129,501	122,122
Derivative financial instruments (note 16)	**12,900**	8,916	3,738
Prepaid expenses and other deposits	**9,685**	13,118	17,927
Total Current Assets	**157,046**	174,042	161,995
Non-Current Assets			
Derivative financial instruments (note 16)	**9,854**	10,067	9,239
Employee benefits (note 10)	**4,450**	4,488	-
Property, plant and equipment (note 5)	**4,036,758**	4,011,754	3,774,830
Goodwill and intangible assets (note 6)	**512,260**	515,291	535,550
Total Assets	**$ 4,720,368**	$ 4,715,642	$ 4,481,614
LIABILITIES AND PARTNERS' EQUITY			
Current Liabilities			
Cash distributions payable (note 7)	**$ 20,683**	$ 20,644	$ 19,098
Accounts payable and accrued liabilities (note 13)	**145,000**	156,959	136,191
Current income taxes payable (note 11)	**15,519**	764	123
Derivative financial instruments (note 16)	**34,435**	25,144	16,655
Deferred revenue	**21,691**	6,339	3,621
Current portion of long-term debt (note 8)	**-**	386,584	123,600
Total Current Liabilities	**237,328**	596,434	299,288
Non-Current Liabilities			
Long-term debt (note 8)	**2,754,732**	2,409,029	2,487,315
Long-term payable	**7,046**	9,096	9,212
Derivative financial instruments (note 16)	**10,741**	4,169	4,081
Provisions (note 9)	**35,318**	34,725	34,852
Employee benefits (note 10)	**1,796**	6,500	13,459
Long-term deferred revenue and other liabilities	**14,384**	13,172	8,730
Deferred income taxes (note 11)	**319,210**	314,468	314,594
Total Liabilities	**3,380,555**	3,387,593	3,171,531
Commitments (notes 5 and 14)			
Partners' Equity			
Partners' equity (note 12)	**1,373,132**	1,363,685	1,322,067
Total reserves	**(33,319)**	(35,636)	(11,984)
Total Partners' Equity	**1,339,813**	1,328,049	1,310,083
Total Liabilities and Partners' Equity	**$ 4,720,368**	$ 4,715,642	$ 4,481,614

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	64,416	65	-	**64,481**
Other comprehensive income	-	-	2,317	**2,317**
	1,426,740	1,426	(33,319)	**1,394,847**
Cash distributions declared (note 7)	(61,946)	(62)	-	**(62,008)**
Issuance of Partnership units (note 12)				
Issued under Premium Distribution™, Distribution Reinvestment and Optional Unit Purchase Plan	6,967	7	-	**6,974**
Balance, March 31, 2011	$ 1,371,761	$ 1,371	$ (33,319)	**$ 1,339,813**
Balance, January 1, 2010	$ 1,372,579	$ 1,372	$ (53,850)	$ 1,320,101
Opening IFRS adjustments (note 21)	(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)*	61,260	61	-	61,321
Other comprehensive loss	-	-	(26,873)	(26,873)
	1,382,007	1,381	(38,857)	1,344,531
Cash distributions declared (note 7)	(57,568)	(58)	-	(57,626)
Issuance of Partnership units (note 12)				
Issued under Premium Distribution™, Distribution Reinvestment and Optional Unit Purchase Plan	17,469	18	-	17,487
Balance, March 31, 2010 *(restated)*	$ 1,341,908	$ 1,341	$ (38,857)	$ 1,304,392

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 March 31 2011	2010 (restated - see note 21)
REVENUES		
Operating revenue	$ 302,990	$ 271,533
EXPENSES		
Shrinkage gas	77,979	99,434
Operating	72,010	61,642
Depreciation and amortization	24,406	24,812
Financing charges (note 18)	18,935	9,592
General and administrative	12,636	10,962
Unrealized change in fair value of derivative financial instruments (note 16)	10,300	(7,102)
Management fee to General Partner (note 13)	2,836	2,022
Gain on disposal of assets	(87)	(17)
	219,015	201,345
INCOME BEFORE INCOME TAXES	83,975	70,188
Provision for income taxes (note 11)		
Current	15,335	699
Deferred	4,159	8,168
	19,494	8,867
NET INCOME	$ 64,481	$ 61,321
Net income per Partnership unit (note 12)		
Basic and diluted	$ 0.25	$ 0.24

Condensed Interim Consolidated Statements of Comprehensive Income

(unaudited) (thousands of Canadian dollars)	Three Months Ended March 31 2011	2010 (restated - see note 21)
NET INCOME	$ 64,481	$ 61,321
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized gain (loss) on translating financial statements of foreign operations	2,115	(27,317)
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
	2,317	(26,873)
COMPREHENSIVE INCOME	$ 66,798	$ 34,448

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 March 31 2011	2010 (restated - see note 21)
OPERATING ACTIVITIES		
Net income	**$ 64,481**	$ 61,321
Items not involving cash:		
Depreciation and amortization	**24,406**	24,812
Gain on disposal of assets	**(87)**	(17)
Non-cash recovery	**(4,413)**	(1,614)
Unrealized change in fair value of derivative financial instruments	**10,300**	(7,102)
Deferred income tax expense	**4,159**	8,168
Proceeds from long-term lease inducements	**1,480**	-
Funds from operations	**100,326**	85,568
Net change in non-cash working capital (note 19)	**36,456**	40,616
Cash provided by operating activities	**136,782**	126,184
INVESTING ACTIVITIES		
Expenditures on property, plant and equipment	**(43,634)**	(33,278)
Proceeds on sale of assets	**87**	117
Net change in non-cash investing working capital (note 19)	**9,334**	(3,222)
Cash used in investing activities	**(34,213)**	(36,383)
FINANCING ACTIVITIES		
Cash distributions (note 7)	**(55,034)**	(40,139)
Decrease in long-term debt	**(39,102)**	(42,921)
Transaction costs on long-term debt	**(1,997)**	(856)
Net change in non-cash financing working capital (note 19)	**39**	125
Cash used in financing activities	**(96,094)**	(83,791)
Effect of foreign currency translation on foreign currency denominated cash	**89**	(1,033)
Increase in cash and cash equivalents	**6,564**	4,977
Cash and cash equivalents, beginning of period	**22,507**	18,208
Cash and cash equivalents, end of period	**$ 29,071**	$ 23,185
Cash taxes paid	**$ 590**	$ 325
Cash interest paid	**$ 13,420**	$ 6,194

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 May 5, 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 has commenced reporting on this basis in these interim financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. These interim financial statements do not contain all disclosures required by IFRS for annual financial statements, and accordingly, should be read in conjunction with Inter Pipeline's consolidated financial statements and the notes thereto for the year ended December 31, 2010. Subject to certain transition elections disclosed in note 21, Inter Pipeline has consistently applied the same accounting policies in its opening IFRS balance sheet at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 21 discloses the impact of the transition to IFRS on Inter Pipeline's reported balance sheets, statements of net income, comprehensive income and cash flows, including the nature and effect of significant changes in accounting policies from those used in Inter Pipeline's consolidated financial statements for the year ended December 31, 2010. Comparative figures for 2010 in these financial statements previously reported under Canadian GAAP have been restated to give effect to these changes.

The policies applied to these interim financial statements are based on IFRS issued and outstanding as of May 5, 2011 (the date that Inter Pipeline's interim financial statements are approved), 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

a) *Measurement Basis*

The financial statements are prepared on a going concern basis, under the historical cost convention except for derivative financial assets and liabilities and long-term receivable/long-term payable that have been measured at fair value through profit or loss (FVTPL).

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying Inter Pipeline's significant accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2 (c).

b) *Basis of Consolidation*

The interim financial statements include the accounts of Inter Pipeline and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as Inter Pipeline, using consistent accounting policies.

Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting at the date control of a business is obtained. The cost of an acquisition is measured as the aggregate of the fair values of the assets given or equity instruments issued, net of liabilities incurred or assumed, and is allocated to the fair value of the acquiree's identifiable net assets acquired, including intangible assets. Goodwill is recognized when the cost of the acquisition exceeds the fair value of the identifiable net assets acquired. Costs directly associated with the acquisition are expensed.

Subsidiaries

Subsidiaries are fully consolidated from the date of acquisition, being the date on which Inter Pipeline obtained control, and continue to be consolidated until the date that such control ceases. Intercompany balances, transactions, and unrealized gains and losses from intercompany transactions, are eliminated on consolidation.

Interest in Joint Venture

Inter Pipeline has an indirect 85% interest in the Cold Lake Pipeline Limited Partnership (Cold Lake L.P.) and an 85% interest in its general partner, Cold Lake Pipeline Ltd. (collectively Cold Lake), a jointly controlled entity whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. Accordingly, the results of Cold Lake are consolidated in a manner that reflects Inter Pipeline's 85% interest in the individual income, expenses, assets, liabilities and cash flows of Cold Lake on a line by line basis in the consolidated results.

Interest in Jointly Controlled Assets

Inter Pipeline has a 50% interest in the Empress V NGL extraction plant which is accounted for as a jointly controlled asset. All strategic financial and operating decisions must be jointly agreed by all parties to the joint arrangement and all parties have direct exclusive rights to their joint interest share of the Empress V assets and the economic benefit generated from them. Accordingly, the results of Empress V are consolidated in a manner that reflects Inter Pipeline's 50% interest in the individual income, expenses, assets, liabilities and cash flows of Empress V on a line by line basis in the consolidated results.

c) *Critical Accounting Estimates and Judgments*

The preparation of the interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The amounts recorded for derivative financial instruments; goodwill and intangible assets; property, plant and equipment, including asset impairment, depreciation and amortization; provisions; employee benefits and deferred income taxes are based on estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future years could be material. Information about critical judgments, estimates and assumptions in applying accounting policies for these areas is included in the relevant sections of the notes to the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

d) *Segment Reporting*

Inter Pipeline determines its reportable segments based on the nature of its operations and geographic location, which is consistent with how the business is managed and results reported to the chief operating decision maker. Each operating segment also uses a measure of profit and loss that represents income before income taxes. Operating segment assets and liabilities are measured on the same basis as consolidated assets and liabilities.

Industry Segments

The oil sands transportation business consists of two pipeline systems that transport petroleum products and provide related blending and handling services in northern Alberta and a new diluent system currently in the early stages of development. The Corridor and Cold Lake pipeline systems operate under long-term contracts with a limited number of customers. The Polaris pipeline system is currently under development and not operating. The NGL extraction business consists of processing natural gas to extract natural gas liquids (NGLs) including ethane and a mixture of propane, butane and pentanes plus (collectively known as propane-plus). The conventional oil pipelines business primarily involves the transportation, storage and processing of hydrocarbons. The bulk liquid storage business involves the primary storage and handling of bulk liquid products through the operation of eight deep water bulk liquid storage terminals located in the United Kingdom, Germany and Ireland.

Geographic Segments

Inter Pipeline has two geographic segments, Canada and Europe. The bulk liquid storage business is located in the United Kingdom, Germany and Ireland, while all other operating segments are in Canada.

e) *Revenue Recognition*

Oil Sands Transportation Business

Capital fee revenue on the Cold Lake pipeline system is recognized based on volumes transported and services provided to each shipper with an adjustment, if necessary, to reflect each shipper's minimum "ship-or-pay" revenue commitment. In addition, an operating fee equivalent to substantially all of the Cold Lake L.P.'s operating costs is recovered from the Cold Lake shippers.

Revenue on the Corridor pipeline system is recognized as services are provided in accordance with terms prescribed by the Firm Service Agreement (FSA) with the shippers. Under the terms of the FSA, revenues are determined by an agreed upon annual revenue requirement formula which allows for the recovery of prescribed expenditures and costs associated with the operation of the Corridor pipeline system, as well as a rate of return on the equity component of the Rate Base (as defined in the FSA) determined with reference to a spread over a long-term bond yield reported by the Bank of Canada.

NGL Extraction Business

Revenue is recognized when the earnings process is complete. This is as the service is provided or when products are shipped to the customer in accordance with the terms of the sales contract, title or risk of loss has been transferred, and pricing is either fixed or determinable.

Conventional Oil Pipelines Business

Revenues associated with the transportation, storage and processing of hydrocarbons on the conventional oil pipelines gathering systems are recognized as the services are provided.

Bulk Liquid Storage Business

Revenues derived from the storage and handling of bulk liquid products and provision of complementary services are recognized as the services are provided.

Deferred Revenue

Deferred revenue represents cash received in excess of revenues recognized.

f) *Cash and Cash Equivalents*

Cash and cash equivalents consist of bank accounts and overnight deposits with original maturities of three months or less.

g) *Long-Term Receivable and Long-Term Payable*

Inter Pipeline (Corridor) Inc. (Corridor) utilizes an interest rate derivative to manage a portion of its interest rate risk. Gains or losses arising on the interest rate swap contract are payable to, or recoverable from, the Corridor shippers, respectively; therefore the long-term portion of the unrealized gain or loss has been recorded as a long term liability or asset. The current portion is included in accounts receivable or accounts payable and accrued liabilities.

h) *Property, Plant and Equipment*

Residual values of the assets, estimated useful lives and depreciation and amortization methodology are reviewed annually with prospective application of any changes, if deemed appropriate.

The calculation of depreciation for property, plant and equipment includes assumptions related to useful lives and residual values. The assumptions are based on management’s experience with similar assets and corporate policies.

Oil Sands Transportation Business

Property, plant and equipment in the oil sands transportation business consist of pipelines and related facilities. Depreciation of capital costs is calculated on a straight-line basis over the estimated service life of the assets, which is 80 years. The cost of pipelines and facilities includes all expenditures directly attributable to bringing the pipeline to the location and condition necessary for its intended use, including costs incurred for system construction, expansion and betterments until the assets are available for use. Corridor pipeline system costs include an allocation of directly attributable overhead costs, capitalized interest, and amortization of transaction costs on debt. Capitalization of interest, financing costs and operating costs ceases when the property, plant and equipment is substantially complete and ready for its intended productive use.

Pipeline line fill and tank working inventory for the Cold Lake and Corridor pipeline systems represent petroleum based product purchased for the purpose of charging the pipeline system and partially filling the petroleum product storage tanks with an appropriate volume of petroleum products to enable a commercial operation of the facilities and pipeline. The cost of line fill includes all direct expenditures for acquiring the petroleum based products. Cold Lake line fill is carried at cost. Corridor line fill is carried at cost less accumulated depreciation. Depreciation is calculated on the same basis as the related property, plant and equipment.

These product volumes will be recovered upon the ultimate retirement and decommissioning of the pipeline system. Proceeds from the sale of Corridor's line fill will be used to fund the cost of any decommissioning obligations. To the extent Corridor's decommissioning obligations exceed the value of the line fill, Inter Pipeline will be obligated to fund the excess. To the extent the value of the line fill exceeds the decommissioning obligation; the excess funds will be refunded to the Corridor shippers.

NGL Extraction Plants and Equipment

Property, plant and equipment of the NGL extraction business are comprised primarily of three extraction plants and associated equipment. Expenditures on plant expansions or betterments are capitalized, while maintenance and repair costs are expensed as incurred. Depreciation of the extraction plants and additions thereto is charged once the assets are ready for their intended use, and is calculated on a straight-line basis over the 30 year estimated useful life of the assets.

Conventional Oil Pipelines Business

Expenditures on conventional oil pipelines system expansions and betterments are capitalized. Maintenance and repair costs are expensed as incurred. Pipeline integrity verification and repair costs are also expensed as incurred as Inter Pipeline schedules routine inspections and maintenance evenly over an inspection cycle of five to ten years. Depreciation of pipeline facilities and equipment commences when the pipelines are available for use. Depreciation of the capital costs is calculated on a straight-line basis over the estimated 80 year service life of the Bow River pipeline system assets and 30 year service life of the Central Alberta and Mid-Saskatchewan pipeline system assets. These estimates are connected to the estimated remaining life of the crude oil reserves expected to be gathered and shipped on these pipeline systems.

Storage Facilities and Equipment

The bulk liquid storage business' property, plant and equipment consist of storage facilities and associated equipment. Expenditures on expansion and betterments are capitalized, while maintenance and repair costs are expensed as incurred. Depreciation of the property, plant and equipment is calculated on a straight-line basis over the estimated service life of the assets, the majority of which ranges from 10 to 30 years.

i) *Goodwill and Intangible Assets*

Goodwill

Inter Pipeline has goodwill in two of its cash generating units (CGU's): the Corridor pipeline system and the bulk liquid storage business. Assets are grouped in CGU's which are the lowest levels for which there are separately identifiable cash inflows. Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets of the bulk liquid storage and Corridor CGU's. After initial recognition, goodwill is carried at cost less any write downs for impairment. If the carrying value of either the bulk liquid storage business or the Corridor pipeline system exceeds its recoverable value, an impairment loss is recognized to the extent that the carrying amount of the goodwill exceeds its recoverable value, determined on a fair value less cost to sell discounted cash flow basis. During each fiscal year and as economic events dictate, management conducts an impairment test taking into consideration any events or circumstances which might have impaired the recoverable value.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets

Transportation Services Agreement

The Cold Lake Transportation Services Agreement (TSA) is amortized on a straight-line basis over 30 years. The average remaining amortization period of the TSA is approximately 21 years.

Customer Contracts, Relationships and Tradename

The NGL extraction business' intangible assets consist of customer contracts for the sales of ethane and propane-plus. Contracts include fee-based contracts, cost-of-service contracts and commodity-based arrangements. The value of these contracts, calculated assuming anticipated renewals, is estimated to be realized over an average period of 30 years since the date of acquisition of July 28, 2004, which is the period over which amortization is being charged using the straight-line method. The average remaining amortization period of the customer contracts, relationships and tradenames is approximately 24 years.

The bulk liquid storage business' intangible assets consist of a customer contract for the storage and handling of bulk liquid products, customer relationships and tradename. These assets are being amortized over three to 30 years.

Patent

A patented operational process utilized in one of the extraction facilities is being amortized on a straight-line basis over 14 years from the acquisition of the NGL extraction business on July 28, 2004. The remaining amortization period of the patent is approximately eight years.

j) *Borrowing Costs*

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the related assets, until such time as the assets are substantially ready for their intended productive use. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs include interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs are amortized over the estimated service life of the assets to which the borrowings relate.

k) *Provisions*

A provision is recognized when it is determined that an obligation has arisen as a result of a past event, the obligation can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. Inter Pipeline's provisions represent legal or constructive obligations associated with decommissioning tangible long-lived assets at the end of their useful lives and loss contingencies, including environmental remediation costs arising from claims, assessments, litigation, fines and penalties, and other sources.

Decommissioning obligations and environmental liabilities are calculated based on current price estimates using current technologies in accordance with current legal or constructive requirements and are adjusted for inflation to when the decommissioning or remediation activity is anticipated. Where a range of estimates exists, the possible outcomes are weighted to determine a probable settlement value or the midpoint is used where all outcomes are equally likely. Inter Pipeline's decommissioning obligations are expected to occur when the assets are no longer economically viable. The economic lives of these assets are estimated based on future expectations involving the supply of petroleum, chemical and other products and demand for certain services and therefore the timing of decommissioning may change significantly in the future. Actual costs and cash outflows may differ from these estimates due to changes in laws or regulations, timing of projects, costs and technology. If the effect of the time value of money is material, provisions are discounted to their present value using a pre-tax risk-free rate. The provision will accrete to its full value over time through charges to income, or until Inter Pipeline settles the obligation. Recoveries from third parties which are virtually certain to be realized are recorded separately and are not offset against the related provision.

On initial recognition of a decommissioning obligation, an amount equal to the estimated fair value of the obligation is capitalized as part of the cost of the related long-lived asset and depreciated over the asset's estimated useful life. Any subsequent changes to the decommissioning cost estimate or discount rate will result in a similar adjustment to the cost of the related long-lived asset.

NGL Extraction Business and Bulk Liquid Storage Business

NGL extraction and the bulk liquid storage businesses consist mainly of three NGL extraction plants and eight leased bulk liquid storage facilities, respectively. Inter Pipeline's decommissioning obligation represents the present value of the expected cost to be incurred upon the termination of operations and closure of the NGL extraction facilities and leased bulk liquid storage sites. The estimated costs for decommissioning obligations include such activities as dismantling, demolition and disposal of the facilities and equipment, as well as remediation and restoration of the plant sites.

Conventional Oil Pipelines Business and Oil Sands Transportation Business

Property, plant and equipment related to the conventional oil pipelines and oil sands transportation businesses consist primarily of underground pipelines and above ground equipment and facilities. The potential cost of future decommissioning activities is a function of several factors, including regulatory requirements at the time of pipeline abandonment, the size of the pipeline and the pipeline's location. Decommissioning requirements can vary considerably, ranging from purging product from the pipeline, refilling with inert gas and capping all open ends to removal of the pipeline and reclamation of the right-of-way. Under current regulations, the estimated cost for the decommissioning obligation include: purging product from the pipeline, refilling with inert gas and capping all open ends; and removal of surface facilities and reclamation of the surface facility sites.

l) *Employee Benefits*

Long-term Incentive Plan

Under Inter Pipeline's long-term incentive plan (LTIP) awards are paid in cash, therefore a fair value basis of accounting is used whereby changes in the liability are recorded in each period based on the number of awards outstanding and the current market price of Inter Pipeline's units plus an amount equivalent to cash distributions declared to date. The expense is recognized over the vesting periods of the respective awards. Compensation expense and the long-term incentive liability are adjusted to reflect the use of actual historical forfeiture rates as well as estimated future forfeiture rates. The market-based value of the award approximates the intrinsic value as the awards have no exercise price.

Pension Plans

The cost of pension benefits earned by certain employees in the United Kingdom, Ireland and Germany covered by the defined benefit pension plans is actuarially determined using the projected unit credit method. The determination of benefit expense requires assumptions such as the expected return on assets available to fund pension obligations, the discount rate used to measure obligations, expected mortality and the expected rate of future compensation. There is measurement uncertainty inherent in the actuarial valuation process because the determination of the cost and obligations associated with employee future benefits requires the use of various assumptions. Actual results will differ from results which are estimated based on assumptions.

Plan assets are measured at fair value for the purpose of determining the expected return on plan assets. Adjustments for plan amendments are expensed over the vesting period of the employee benefits. Actuarial gains and losses arise from changes in assumptions and differences between assumptions and the actual experience of the pension plans. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Past service costs are recognized as an expense on a straight line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognized immediately.

m) *Income Taxes*

Current Income Taxes

The limited partners and the General Partner are subject to tax on their proportionate interests of taxable income allocated by Inter Pipeline.

Certain of Inter Pipeline's subsidiaries are taxable corporations in Canada, the United Kingdom, Germany and Ireland.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in countries where Inter Pipeline and its subsidiaries operate and

generate taxable income. The actual amount of income tax expense is final only when the tax return is filed and accepted by relevant tax authorities, which occurs subsequent to the issuance of the annual financial statements.

Management periodically evaluates positions taken in Inter Pipeline's entity tax returns with respect to situations in which applicable tax regulations are subject to interpretation. Provisions are established if appropriate.

Current income tax relating to items recognized directly in partners' equity is recognized in equity and not the income statement.

Deferred Income Taxes

Inter Pipeline uses the liability method where deferred income taxes are recognized based on temporary differences between the carrying amounts of assets and liabilities recorded for financial reporting purposes and their tax bases.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carried forward tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured using the tax rates that have been enacted or substantially enacted at the reporting date. The tax rates are those that are expected to apply in the year the asset is to be realized or the liability is to be settled.

Deferred tax relating to items recognized outside net income is recognized outside net income. Deferred tax items are recognized in correlation to the underlying transaction either in comprehensive income or directly in partners' equity.

Deferred tax assets and liabilities have been offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred taxes are related to the same taxable entity and the same taxation authority.

n) *Foreign Currency Translation*

Foreign Currency Transactions

Items included in the financial statements of each of Inter Pipeline's subsidiaries are measured using the functional currency of that subsidiary being the primary economic environment in which that subsidiary operates. Transactions that are in a currency other than the functional currency of the subsidiary are translated at exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency at the reporting date are retranslated to the functional currency at the exchange rate in effect at the reporting date with the resulting exchange gains or losses recognized in the income statement.

Foreign Operations

The results of all of Inter Pipeline's subsidiaries that have a functional currency other than Canadian dollars are translated into Canadian dollars as follows:

a. All assets and liabilities, including goodwill and other fair value adjustments arising on business combinations, at reporting period exchange rates; and

b. All income and expenses at monthly average exchange rates over the reporting periods.

The resulting translation gains and losses are included in other comprehensive (loss) income (OCI) as foreign currency translation adjustments.

Currently only Inter Pipeline Europe Limited (IPEL) and its respective subsidiaries have functional currencies that differ from the Canadian dollar. Neither IPEL nor any of its subsidiaries operate in hyperinflationary economies. IPEL comprises all of the operations in the bulk liquids storage business.

o) *Asset Impairment*

Non-financial Assets

Property, plant and equipment and intangible assets with definite lives are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill and non-financial assets with indefinite lives are tested at least annually for impairment regardless of whether indicators of impairment exist. For the purpose of measuring recoverable amounts, assets are grouped in CGU's. The recoverable amount is the higher of a CGU's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, the best evidence of fair value is the value obtained from recent market transactions or the value stated in a binding sale agreement. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Inter Pipeline calculates the fair value less cost to sell using a projected cash flow model applying a fair value less cost to sell discounted cash flow methodology. After-tax cash flows are discounted using a weighted average cost of capital discount rate.

An impairment test is performed by comparing a CGU's carrying amount to its recoverable amount. An impairment loss is recognized to the extent a CGU's carrying amount exceeds its recoverable amount.

Goodwill acquired through a business combination is allocated to each CGU, or group of CGUs, that are expected to benefit from the business combination. A group of CGU's represents the lowest level within the entity at which goodwill is monitored for internal management purposes, which may not be higher than an operating segment. Inter Pipeline has goodwill in two of its CGU's, the Corridor pipeline system and the bulk liquid storage business.

An impairment loss is recognized in the period it occurs. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then on a pro-rata basis to reduce the carrying amount of other assets in the CGU with an offset to net income. Impairment losses, other than goodwill impairment, are subsequently evaluated for potential reversal when events or circumstances warrant such consideration.

Impairment indicators include a significant decline in an asset's market value, significant adverse changes in the technological, market, economic or legal environment in which the assets are operated, evidence of obsolescence or physical damage of an asset, significant changes in the planned use of an asset, or ongoing under-performance of an asset. Application of these factors to the facts and circumstances of a particular asset requires a significant amount of judgment.

The determination of the magnitude of impairment involves the use of estimates, assumptions and judgments on highly uncertain matters particularly with respect to determining fair value less costs to sell and value in use. Such estimates, assumptions and judgments include, but are not limited to, the choice of discount rates that reflect appropriate asset-specific risks, timing of revenue and customer turnover, inflation factors for projected operating and maintenance capital expenditures and commodity prices.

Financial Assets

Financial assets carried at amortized cost are assessed by Inter Pipeline at each reporting date to determine whether objective evidence of impairment exists. Significant assets are tested for impairment individually then assessed collectively in a group of assets with similar credit risk characteristics. A financial asset is considered to be impaired if one or more events have occurred that would impact the estimated future cash flows of that asset. If evidence of impairment exists, an entity recognizes an impairment loss, the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is then reduced by this amount with an offsetting entry to net income. Impairment losses on financial assets carried at amortized cost may be reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

p) *Financial Instruments*

Inter Pipeline utilizes derivative financial instruments to manage its exposure to market risks relating to commodity prices, foreign exchange and interest rates. Inter Pipeline has a risk management policy that defines and specifies the controls and responsibilities associated with those activities managing market exposure to changing commodity prices (crude oil, natural gas, NGL's and power) as well as changes within the financial market relating to interest rates and foreign exchange exposure for Inter Pipeline. Inter Pipeline's risk management policy prohibits the use of derivative financial instruments for speculative purposes.

Determination of the fair value of financial assets and liabilities requires the use of valuation techniques that involve many estimates, assumptions and judgments including the timing and magnitude of cash flows, discount rates and reference prices.

Financial Instruments – Recognition and Measurement

Financial assets and financial liabilities at FVTPL include financial assets and financial liabilities "held-for-trading" or designated as FVTPL on initial recognition. Financial assets or financial liabilities are classified as "held-for-trading" if they are acquired for the purpose of selling in the near term. Financial assets or financial liabilities are designated as FVTPL if Inter Pipeline manages such investments and makes purchases and sales decisions based on their fair value in accordance with Inter Pipeline's documented risk management policy, or if such designation eliminates or significantly reduces a measurement or recognition inconsistency. Financial assets and financial liabilities FVTPL are measured at fair value with changes in those fair values recognized in net income. Financial assets "available for sale" are measured at fair value, with changes in those fair values recognized in OCI. Financial assets "held-to-maturity", "cash, loans and receivables" and "other financial liabilities" are measured at amortized cost using the effective interest method of amortization. Investments in equity instruments classified as "available-for-sale" that do not have a quoted market price in an active market are measured at cost.

Inter Pipeline has classified its financial instruments as follows. Certain components of prepaid expenses and other deposits are classified as "held-for-trading" and measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Cash and cash equivalents and the majority of accounts receivable are classified as "cash, loans and receivables". Cash distributions payable, the majority of accounts payable and accrued liabilities, certain components of deferred revenue, and long-term debt are classified as "other liabilities". Derivative financial instruments and the related current and long-term payable/receivable are classified as FVTPL. Inter Pipeline has chosen to designate the related current and long-term payable/receivable as FVTPL as it represents unrealized gains or losses on interest rate swaps that are classified as FVTPL (note 2g).

The fair values of derivative financial instruments are calculated by Inter Pipeline using a discounted cash flow methodology with reference to actively quoted forward prices and/or published price quotations in an observable market and market valuations provided by counterparties. Forward prices for NGL swaps are less transparent because they are less actively traded. These forward prices are assessed based on available market information for the time frames for which there are derivative financial instruments in place. These fair values are discounted using a risk free rate plus a credit premium that takes into account the credit quality of the instrument.

Inter Pipeline capitalizes long-term debt transaction costs, premiums and discounts within long-term debt.

Financial Instruments – Fair Value Hierarchy

Financial instruments recorded at fair value in the consolidated balance sheet are categorized based on the fair value hierarchy of inputs. The three levels of the fair value hierarchy are described as follows:

Level 1 inputs involve limited use of judgments as fair value inputs are based on unadjusted quoted prices in active markets for identical assets and liabilities. Inter Pipeline does not use level 1 inputs for any of its fair value measurements.

Level 2 inputs require slightly more judgment than level 1 but still involve observable and corroborated, either directly or indirectly, market factors. Inter Pipeline's level 2 inputs include quoted market prices for commodities, foreign exchange, interest rates and credit risk premiums. Financial instruments in this category include non-exchange traded derivatives

such as over-the-counter physical forwards, interest rate swaps, and fixed rate debt. Inter Pipeline obtains information from sources including independent price publications, third party pricing services, market exchanges and investment dealer quotes. Inter Pipeline uses level 2 inputs for all of its derivative financial instruments and fixed rate debt fair value measurements.

Level 3 inputs require the most significant judgments and consist primarily of unobservable or non-market based inputs. Level 3 inputs include longer-term transactions, transactions in less active markets or transactions at locations for which pricing information is not available. In these instances, internally developed methodologies are used to determine fair value which primarily includes extrapolation of observable future prices to similar locations, similar instruments or later time periods. Level 3 inputs may include items based on pricing services or broker quotes, but the inputs are not observable and cannot be verified. Inter Pipeline does not use level 3 inputs for any of its fair value measurements.

q) *Financial Guarantees*

Financial guarantees are issued contracts that require a payment to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognized as a liability at their fair value and subsequently measured at the higher of the unamortized balance of the related fees received and the amount expected to settle at the balance sheet date.

r) *Reserves*

Foreign Currency Translation Reserve

The foreign currency translation reserve includes exchange differences arising from the translation of the financial statements of foreign operations.

Defined Benefit Pension Reserve

The defined benefit pension reserve includes actuarial gains and losses on defined pension benefit obligations.

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, however it is not anticipated that any of these changes will have a material impact. The standards impacted are as follows:

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

IFRS 1 was amended for severe hyperinflation and removal of fixed dates for first-time adopters and is effective for annual periods beginning on or after July 1, 2011.

IFRS 7 *Financial Instruments: Disclosures (IFRS 7)*

IFRS 7 was amended for additional disclosure requirements related to the transfer of financial assets and is effective for annual periods beginning on or after July 1, 2011. The amendments require an entity to provide the required disclosures for all transferred financial assets that are not derecognized and for any continuing involvement in a transferred asset.

IAS 12 *Income Taxes (IAS 12)*

IAS 12 was amended for deferred tax and specifically the recovery of underlying assets and is effective for annual periods beginning on or after January 1, 2012. The amendments provide guidance on the measurement of deferred tax assets and liabilities arising from either non-depreciable assets measured using the revaluation model in IAS 16 *Property, Plant and Equipment* or deferred tax assets and liabilities arising from investment property that is measured using the fair value model in IAS 40 *Investment Property*.

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.

4. SEGMENT REPORTING

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

Three Months Ended March 31, 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	$ 72,756	$ 159,880	$ 43,752	$ -	$ 276,388	$ 26,602	$ 302,990
Expenses							
Shrinkage gas	-	77,979	-	-	77,979	-	77,979
Operating	19,846	28,681	10,168	-	58,695	13,315	72,010
Depreciation and amortization	10,449	6,421	2,365	550	19,785	4,621	24,406
Financing charges	8,075	61	328	10,331	18,795	140	18,935
General and administrative	1,420	-	-	9,523	10,943	1,693	12,636
Unrealized change in fair value of derivative financial instruments	-	10,960	(384)	(276)	10,300	-	10,300
Management fee to General Partner	-	-	-	2,836	2,836	-	2,836
Gain on disposal of assets	-	-	-	-	-	(87)	(87)
Total expenses	39,790	124,102	12,477	22,964	199,333	19,682	219,015
Income (loss) before income taxes	32,966	35,778	31,275	(22,964)	77,055	6,920	83,975
Provision for (recovery of) income taxes	4,925	-	-	15,208	20,133	(639)	19,494
Net income (loss)	$ 28,041	$ 35,778	$ 31,275	$ (38,172)	$ 56,922	$ 7,559	$ 64,481
Expenditures on property, plant and equipment	$ 36,181	$ 2,247	$ 388	$ 652	$ 39,468	$ 4,166	$ 43,634
							As at March 31, 2011
Property, plant and equipment - net book value	$ 2,884,617	$ 387,861	$ 449,211	$ 8,939	$ 3,730,628	$ 306,130	$ 4,036,758
Goodwill and intangible assets - net book value	$ 223,884	$ 228,264	$ -	$ -	$ 452,148	$ 60,112	$ 512,260
Other assets	$ 44,375	$ 70,758	$ 22,586	$ 230	$ 137,949	$ 33,401	$ 171,350
Total assets	$ 3,152,876	$ 686,883	$ 471,797	$ 9,169	$ 4,320,725	$ 399,643	$ 4,720,368

Inter Pipeline Fund
Notes to Condensed Interim Consolidated Financial Statements
(unaudited)
March 31, 2011
(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

Three Months Ended March 31, 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	$ 34,870	$ 173,074	$ 37,609	$ -	$ 245,553	$ 25,980	$ 271,533
Expenses							
Shrinkage gas	-	99,434	-	-	99,434	-	99,434
Operating	13,340	25,995	8,809	-	48,144	13,498	61,642
Depreciation and amortization	9,613	6,393	4,544	369	20,919	3,893	24,812
Financing charges	1,985	58	314	7,122	9,479	113	9,592
General and administrative	773	-	-	8,716	9,489	1,473	10,962
Unrealized change in fair value of derivative financial instruments	-	(6,750)	117	(469)	(7,102)	-	(7,102)
Management fee to General Partner	-	-	-	2,022	2,022	-	2,022
Gain on disposal of assets	-	-	(17)	-	(17)	-	(17)
Total expenses	25,711	125,130	13,767	17,760	182,368	18,977	201,345
Income (loss) before income taxes	9,159	47,944	23,842	(17,760)	63,185	7,003	70,188
Provision for income taxes	766	-	-	7,112	7,878	989	8,867
Net income (loss)	$ 8,393	$ 47,944	$ 23,842	$ (24,872)	$ 55,307	$ 6,014	$ 61,321
Expenditures on property, plant and equipment	$ 25,610	$ 1,004	$ 2,617	$ 1,279	$ 30,510	$ 3,146	$ 33,656

As at December 31, 2010 ***(restated)***

	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	$ 2,858,128	$ 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

As at January 1, 2010 ***(restated)***

	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	$ 2,586,573	$ 398,169	$ 458,000	$ 5,514	$ 3,448,256	$ 326,574	$ 3,774,830
Goodwill and intangible assets - net book value	$ 227,917	$ 241,027	$ -	$ -	$ 468,944	$ 66,606	$ 535,550
Other assets	$ 48,831	$ 73,031	$ 24,495	$ 371	$ 146,728	$ 24,506	$ 171,234
Total assets	$ 2,863,321	$ 712,227	$ 482,495	$ 5,885	$ 4,063,928	$ 417,686	$ 4,481,614

5. PROPERTY, PLANT AND EQUIPMENT

	Pipelines, Facilities & Equipment	Pipeline Line fill	Construction Work in Progress	Total
Cost				
Balance at January 1, 2010 *(restated)*	$ 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 at December 31, 2010 *(restated)*	2,754,086	74,033	1,895,152	4,723,271
Additions/transfers from construction*	1,702,686	170,024	43,533	1,916,243
Disposals/completed construction*	-	-	(1,872,659)	(1,872,659)
Foreign currency translation adjustment	2,246	-	137	2,383
Balance at March 31, 2011	**$ 4,459,018**	**$ 244,057**	**$ 66,163**	**$ 4,769,238**
Accumulated Depreciation				
Balance at January 1, 2010 *(restated)*	$ 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 at December 31, 2010 *(restated)*	705,758	5,759	-	711,517
Depreciation	20,160	714	-	20,874
Disposals	-	-	-	-
Foreign currency translation adjustment	89	-	-	89
Balance at March 31, 2011	**$ 726,007**	**$ 6,473**	**$ -**	**$ 732,480**
Net Book Value				
At January 1, 2010 *(restated)*	$ 2,021,191	$ 69,524	$ 1,684,115	$ 3,774,830
At December 31, 2010 *(restated)*	$ 2,048,328	$ 68,274	$ 1,895,152	$ 4,011,754
At March 31, 2011	**$ 3,733,011**	**$ 237,584**	**$ 66,163**	**$ 4,036,758**

* 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 $221.7 million at March 31, 2011, of which $133.9 million is due in one year and $87.8 million is due in one to five years.

The amount of borrowing costs capitalized during the three months ended March 31, 2011 was $0.2 million (year ended December 31, 2010 – $17.9 million). The weighted average rate used to determine the amount of borrowing costs eligible for capitalization was 1.58% (March 31, 2010 - 0.86%).

6. GOODWILL AND INTANGIBLE ASSETS

		Intangible Assets				
	Goodwill	Customer Contracts & Relationships	Patent	Tradename	Total Intangible Assets	Total Goodwill & Intangible Assets
Cost						
Balance, January 1, 2010	$ 215,947	$ 385,828	$ 8,727	$ 4,365	$ 398,920	$ 614,867
Foreign currency translation adjustment	(5,511)	(386)	-	(363)	(749)	(6,260)
Balance, December 31, 2010	210,436	385,442	8,727	4,002	398,171	608,607
Foreign currency translation adjustment	480	12	-	11	23	503
Balance, March 31, 2011	**$ 210,916**	**$ 385,454**	**$ 8,727**	**$ 4,013**	**$ 398,194**	**$ 609,110**
Accumulated Amortization						
Balance, January 1, 2010	$ -	$ 75,323	$ 3,376	$ 618	$ 79,317	$ 79,317
Amortization	-	13,376	624	137	14,137	14,137
Foreign currency translation adjustment	-	(83)	-	(55)	(138)	(138)
Balance, December 31, 2010	$ -	$ 88,616	$ 4,000	$ 700	$ 93,316	$ 93,316
Amortization	-	3,346	156	30	3,532	3,532
Foreign currency translation adjustment	-	1	-	1	2	2
Balance, March 31, 2011	**$ -**	**$ 91,963**	**$ 4,156**	**$ 731**	**$ 96,850**	**$ 96,850**
Net Book Value						
At January 1, 2010	$ 215,947	$ 310,505	$ 5,351	$ 3,747	$ 319,603	$ 535,550
At December 31, 2010	$ 210,436	$ 296,826	$ 4,727	$ 3,302	$ 304,855	$ 515,291
At March 31, 2011	**$ 210,916**	**$ 293,491**	**$ 4,571**	**$ 3,282**	**$ 301,344**	**$ 512,260**

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 months ended March 31, 2011, Inter Pipeline declared cash distributions totaling $62.0 million, or $0.24 per unit, of which $7.0 million was settled with the issuance of Class A units under the Premium Distribution™ and Distribution Reinvestment Plan (Plan) (three months ended March 31, 2010 - $57.6 million, $0.225 per unit and $17.5 million, respectively). As at March 31, 2011 distributions of $20.7 million were payable on 258.3 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. January 1, 2010 - $19.1 million payable on 254.3 million outstanding Class A units and 0.3 million outstanding Class B units at $0.075 per unit).

On April 6, 2011, Inter Pipeline declared cash distributions of $0.08 per unit. The distributions will be paid on or about May 16, 2011 to all unitholders of record on April 25, 2011. The total estimated distributions to be paid are $20.7 million.

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8. LONG-TERM DEBT

	March 31 2011	December 31 2010	January 1 2010
$1,681 million Unsecured Revolving Credit Facility (a) (b)	**$ 1,491,800**	$ 1,964,384	$ 1,709,900
$750 million Unsecured Revolving Credit Facility (a)	**265,800**	157,000	230,000
Loan Payable to General Partner	**379,800**	379,800	379,800
Corridor Debentures (c)	**300,000**	300,000	300,000
4.967% Unsecured Medium-Term Notes, Series 1 (a)	**325,000**	-	-
Long-term debt (excluding transaction costs and discounts)	**2,762,400**	2,801,184	2,619,700
Less: Current portion of long-term debt	**-**	(386,584)	(123,600)
	2,762,400	2,414,600	2,496,100
Transaction costs	**(15,983)**	(13,986)	(13,137)
Accumulated amortization of transaction costs	**10,555**	10,337	5,479
Discount, net of accumulated amortization	**(2,240)**	(1,922)	(1,127)
Long-term debt	**2,754,732**	2,409,029	2,487,315
Current portion of long-term debt	**-**	386,584	123,600
Long-term debt (including current portion)	**$ 2,754,732**	$ 2,795,613	$ 2,610,915

(a) 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 FSA.

(b) At March 31, 2011, letters of credit valued at $0.3 million were issued by Corridor.

(c) 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

The following table shows the movement in the long-term liability for provisions:

	Decommissioning Obligations	Environmental Liabilities	Total
Balance at January 1, 2010 *(restated)*	$ 19,247	$ 15,605	$ 34,852
Revisions to estimated amount of liabilities	988	(1,021)	(33)
Obligations discharged	-	(20)	(20)
Accretion expense	782	515	1,297
Foreign currency adjustments	(896)	(475)	(1,371)
Balance at December 31, 2010 *(restated)*	$ 20,121	$ 14,604	$ 34,725
Revisions to estimated amount of liabilities	-	39	39
Accretion expense	244	137	381
Foreign currency adjustments	105	68	173
Balance at March 31, 2011	**$ 20,470**	**$ 14,848**	**$ 35,318**

The following estimates of expected economic life and inflation rates were used to calculate the undiscounted amount of estimated expenditures expected to be incurred on decommissioning of active pipeline systems, NGL extraction plants and leased bulk liquid storage sites and remediation of known environmental liabilities. The long-term risk-free rates were used to discount the future cash flows for decommissioning obligations and the 5 to 10 year risk-free rates were used to discount the future cash flows for environmental liabilities:

	Expected Economic Life (years)*	Inflation Rate	Long-Term Risk-Free Discount Rate	5 to 10 Year Risk-Free Discount Rate
Oil sands transportation business	80 to 500**	2.0%	4.1%	3.5% to 3.6%
NGL extraction business	40	2.0%	4.1%	3.5% to 3.6%
Conventional oil pipelines business	40 to 500**	2.0%	4.1%	3.5% to 3.6%
Bulk liquid storage business	40	1.5% to 3.0%	4.1% to 4.5%	2.8% to 3.6%

* Environmental liabilities are being accreted over 5 to 10 years.
** The expected economic life of oil sands assets and the Bow River pipeline system is 80 to 500 years. The midpoint value of 290 years is used in the decommissioning obligation assessment.

At March 31, 2011, $2.0 million is included in accounts payable and accrued liabilities for the current portion of these obligations (December 31, 2010 - $1.9 million, January 1, 2010 - $2.1 million).

10. EMPLOYEE BENEFITS

	March 31 2011	December 31 2010 *(restated)*	January 1 2010 *(restated)*
Pension (asset) liability	**$ (4,450)**	$ (4,488)	$ 8,872
Long-term incentive plan liability	**1,796**	6,500	4,587
Employee benefits	**$ (2,654)**	$ 2,012	$ 13,459

For the three months ended March 31, 2011 employee benefits expense recognized in net income was $16.0 million (March 31, 2010 - $14.7 million).

a) *Long-Term Incentive Plan and Unit Incentive Options*

Effective January 1, 2006, Inter Pipeline implemented an LTIP for its employees, officers, and directors of the General Partner. The LTIP is governed by a Deferred Unit Rights Plan (DURP) document that defines how awards made under the DURP will be determined and administered. A Deferred Unit Right (DUR), as granted under the DURP, is valued based on Inter Pipeline’s unit price plus credit for cash distributions paid to unit holders during the period the DURs are held. Unless otherwise provided in an individual grant agreement, the DUR will vest one-third on each of the successive anniversary dates from the date of grant. Upon exercise of a DUR, the amount owing will be paid out in cash net of applicable withholding taxes. At March 31, 2011, the current portion of the liability included in accounts payable and accrued liabilities is $21.6 million (December 31, 2010 - $14.8 million, January 1, 2010 - $9.0 million). At March 31, 2011, 717,613 DURs are exercisable.

The following table summarizes the status of Inter Pipeline's DURs as at March 31, 2011 and December 31, 2010 and changes during the three 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	689,096
Exercised	(149,562)
Forfeitures	(78,653)
Balance outstanding, March 31, 2011	**2,258,701**

The weighted average remaining contractual life of the outstanding DURs as at March 31, 2011 was 1.67 years.

For the three months ended March 31, 2011, operating expenses included $1.1 million and general and administrative expenses included $3.7 million related to DURs (three months ended March 31, 2010 - $1.3 million and $3.2 million, respectively).

In 2003, the Board of Directors of the General Partner established an Option Plan whereby 7.3 million Class A units were reserved for issuance under the Option Plan. There have been no new grants related to this Option Plan since July 28, 2005 and the remaining options were exercised on July 26, 2010.

b) Pension Asset/Liability

Inter Pipeline provides retirement benefits for its UK, Ireland and German employees under three separate defined benefit pension plans. These plans provide benefits based primarily on a combination of years of service and an estimate of final pensionable salary. Inter Pipeline's policy is to fund the amount of benefit as required by governing legislation. Independent professionally qualified actuaries perform the required calculations to determine the pension expense in accordance with GAAP. The most recent actuarial valuation of the United Kingdom plan was carried out as at April 6, 2010; the Ireland plan as at September 1, 2010; and the German plan as at December 31, 2010 and the valuations were then adjusted and updated to December 31, 2010.

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.

The components of income before income taxes are summarized below:

	Three months ended March 31	
	2011	2010 *(restated)*
Canada	**$ 77,055**	$ 63,185
Europe	**6,920**	7,003
	$ 83,975	$ 70,188

Income tax expense varies from amounts computed by applying the Canadian federal and provincial statutory income tax rates to income before income taxes as shown in the following table:

	Three months ended March 31	
	2011	2010 *(restated)*
Income before income taxes per financial statements	**$ 83,975**	$ 70,188
Less: non taxable Canadian partnership income	**-**	(60,420)
Adjusted income before taxes	**83,975**	9,768
Tax rate	**26.5%**	28.0%
	22,253	2,735
Deferred income taxes on temporary differences related to non-taxable Canadian partnership income	**-**	6,937
Deductible intercompany interest expense	**(936)**	(953)
Impact of rate reductions	**(1,664)**	-
Other	**(159)**	148
Tax expense	**$ 19,494**	$ 8,867

The tax rates used in the reconciliation above are the combined Federal and Provincial rates payable by Inter Pipeline and its corporate subsidiaries in Canada.

The provision for income taxes is summarized as follows:

	Three months ended March 31	
	2011	2010 *(restated)*
Current		
Canada	**$ 14,426**	$ 46
Europe	**909**	653
	15,335	699
Deferred		
Canada	**5,707**	7,832
Europe	**(1,548)**	336
	4,159	8,168
	$ 19,494	$ 8,867

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 as at January 1, 2011	257,785,596	258,291	258,043,887
Issued under Premium Distribution™ and Distribution Reinvestment Plan	488,750	491	489,241
Balance as at March 31, 2011	**258,274,346**	**258,782**	**258,533,128**

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

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 March 31	
	2011	2010 *(restated)*
Net income attributable to unitholders – Basic and diluted	**$ 64,481**	$ 61,321
Weighted average units outstanding – Basic	**258,287,974**	255,835,922
Effect of Premium Distribution™ and Distribution Reinvestment Plan	**101,237**	147,255
Effect of Unit Incentive Option Plan	**-**	16,418
Weighted average units outstanding – Diluted	**258,389,211**	255,999,595
Net income per Partnership unit – Basic and diluted	**$ 0.25**	$ 0.24

™ Denotes trademark of Canaccord Capital Corporation.

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	202	2,115	-	2,317
Balance, March 31, 2011	**$ (606)**	**$ (26,281)**	**$ (6,432)**	**$ (33,319)**
Balance, January 1, 2010	$ (1,617)	$ (52,233)	$ -	$ (53,850)
Opening IFRS adjustments (note 21)	-	52,233	(10,367)	41,866
Balance, beginning of period *(restated)*	(1,617)	-	(10,367)	(11,984)
Other comprehensive income (loss)	202	(27,075)	-	(26,873)
Balance, March 31, 2010 *(restated)*	$ (1,415)	$ (27,075)	$ (10,367)	$ (38,857)

13. RELATED PARTY TRANSACTIONS

No revenue was earned from related parties for the three months ended March 31, 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 March 31, 2011, accounts payable includes $1.0 million owing to the General Partner by Inter Pipeline (December 31, 2010 - $0.8 million, January 1, 2010 - $0.5 million).

Management fees of $2.8 million were earned by the General Partner in the period ended March 31, 2011 (March 31, 2010 - $2.0 million). No acquisition fees or disposition fees were earned by the General Partner in the period ended March 31, 2011 (March 31, 2010 - nil).

In 2004, Inter Pipeline entered into a loan agreement with the General Partner for $379.8 million. At March 31, 2011, accounts payable includes interest payable to the General Partner on the loan of $9.9 million (December 31, 2010 - $4.1 million, January 1, 2010 - $4.3 million). The General Partner has earned $0.1 million from Inter Pipeline in interest income during the period ended March 31, 2011 (March 31, 2010 - $0.1 million) on a net basis, after paying interest expense to the ultimate note holders.

In the period ending March 31, 2011, certain of the officers and directors of the General Partner received a total of $0.3 million in dividends from PAC pursuant to their non-voting shares (March 31, 2010 - $0.2 million).

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

Key Management Personnel

Total key management personnel compensation consists of the following:

	Three Months Ended March 31	
	2011	2010
Short-term employee benefits*	**$ 523**	$ 497
Unit-based payments**	**2,940**	1,590
Total compensation***	**$ 3,463**	$ 2,087

* Short-term employee benefits consist of base salary, annual earned bonuses and employer contributions for non-monetary benefits.

** Unit-based payments consist of the compensation expense recognized for DURs outstanding at the period end and DUR's exercised by key management personnel during the period (see note 10a for a discussion of the plan).

*** Post employment benefits, other long-term benefits and termination benefits are not applicable for Inter Pipeline's key management personnel in the three months ended March 31, 2011 and 2010.

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 may be exercised if the purchaser fails to fulfill its payment obligations.

At March 31, 2011, Inter Pipeline's total guaranteed lease obligations are approximately $92.2 million.

Inter Pipeline has committed to additional expenditures on property, plant and equipment and purchase obligations totaling approximately $221.7 million and $104.0 million, respectively, at March 31, 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.

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 March 31, 2011, Inter Pipeline had access to committed credit facilities totaling $2,431.5 million, of which $673.9 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.

	March 31 2011	December 31 2010 *(restated)*	January 1 2010 *(restated)*
Long-term debt (excluding transaction costs and discounts, per note 8)			
Recourse debt	$ 970,600	$ 923,384	$ 733,400
Non-recourse debt	1,791,800	1,877,800	1,886,300
	2,762,400	2,801,184	2,619,700
Partners' equity	1,339,813	1,328,049	1,310,083
Total capitalization	$ 4,102,213	$ 4,129,233	$ 3,929,783
Capitalization (excluding non-recourse debt)	$ 2,310,413	$ 2,251,433	$ 2,043,483
Recourse debt to capitalization	42.0%	41.0%	35.9%

	Twelve Months Ended March 31 2011	December 31 2010 *(restated)*
Net income	$ 239,113	$ 235,953
Add:		
Depreciation and amortization	87,147	87,553
Gain on disposal of assets	653	723
Financing charges	49,642	40,298
Non-cash recovery	(6,546)	(3,702)
Unrealized change in fair value of derivative financial instruments	20,970	3,568
Provision for income taxes	16,693	6,066
Proceeds from long-term deferred revenue and other liabilities	7,276	5,796
EBITDA*	$ 414,948	$ 376,255
Recourse debt to EBITDA*	2.3	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 period.

16. FINANCIAL INSTRUMENTS

Classification of Financial Assets and Financial Liabilities

The carrying value of Inter Pipeline's financial assets and liabilities recorded at March 31, 2011 are classified as follows:

	FVTPL	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	$ -	$ 29,071	$ -	$ 29,071	$ -	$ 29,071
Accounts receivable	-	95,551	-	95,551	9,839	105,390
Prepaid expenses and other deposits	-	331	-	331	9,354	9,685
Derivative financial instruments***	22,754	-	-	22,754	-	22,754
Liabilities						
Cash distributions payable	-	-	20,683	20,683	-	20,683
Accounts payable and accrued liabilities	3,354	-	106,998	110,352	34,648	145,000
Derivative financial instruments***	45,176	-	-	45,176	-	45,176
Deferred revenue and other liabilities	-	-	16,237	16,237	19,838	36,075
Long-term debt (note 8)	-	-	2,762,400	2,762,400	-	2,762,400
Long-term payable	7,046	-	-	7,046	-	7,046

* 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 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 March 31, 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	$ 408,760
Corridor Debentures	$ 300,000	$ 314,099
4.967% Unsecured Medium-Term Notes, Series 1	$ 325,000	$ 327,421

* 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:

	March 31 2011	December 31 2010	January 1 2010
Current asset	**$ 12,900**	$ 8,916	$ 3,738
Non-current asset	**9,854**	10,067	9,239
Current liability	**(34,435)**	(25,144)	(16,655)
Non-current liability	**(10,741)**	(4,169)	(4,081)
	$ (22,422)	$ (10,330)	$ (7,759)

Derivative financial instruments carried at fair value are as follows:

	March 31 2011	December 31 2010	January 1 2010
Frac-spread risk management			
NGL swaps	**$ (35,263)**	$ (16,762)	$ (9,313)
Natural gas swaps	**(8,208)**	(10,911)	(5,975)
Foreign exchange swaps	**8,452**	4,519	(854)
	(35,019)	(23,154)	(16,142)
Interest rate risk management			
Interest rate swaps	**8,959**	10,474	8,385
	8,959	10,474	8,385
Power price risk management			
Electricity price swaps	**663**	279	(43)
Heat rate swaps	**2,975**	2,071	41
	3,638	2,350	(2)
	$ (22,422)	$ (10,330)	$ (7,759)

b) Net Gains or Losses

Realized and Unrealized (Loss) Gain on Derivative Instruments - Held-for-Trading

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 March 31	
	2011	2010
Revenues		
NGL swaps	**$ (7,051)**	$ (1,444)
Foreign exchange swaps (frac-spread)	**1,523**	95
	(5,528)	(1,349)
Shrinkage gas expense		
Natural gas swaps	**(3,070)**	(2,093)
	(3,070)	(2,093)
Operating expenses		
Electricity price swaps	**337**	(71)
Heat rate swaps	**1,367**	(94)
	1,704	(165)
Financing charges		
Interest rate swaps	**688**	1,361
	688	1,361
Net realized loss on derivative financial instruments	**$ (6,206)**	$ (2,246)

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

	Three Months Ended March 31	
	2011	2010
Frac-spread risk management		
NGL swaps	**$ (18,500)**	$ 14,609
Natural gas swaps	**2,704**	(13,661)
Foreign exchange swaps	**3,932**	4,305
	(11,864)	5,253
Interest rate risk management		
Interest rate swaps	**478**	671
	478	671
Power price risk management		
Electricity price swaps	**384**	(116)
Heat rate swaps	**904**	1,496
	1,288	1,380
Transfer of gains and losses on derivatives previously designated as cash flow hedges from accumulated other comprehensive income	**(202)**	(202)
Unrealized change in fair value of derivative financial instruments	**$ (10,300)**	$ 7,102

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 three months ended March 31, 2011:

	Fair Market Value	Total Unrealized (Loss) Gain
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 *	(18,298)	(17,498)
Fair value of contracts realized during period *	6,206	7,400
Changes in values attributable to other comprehensive income	-	(202)
Fair value of derivative financial instruments, end of period	**$ (22,422)**	**$ (10,300)**

* 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 March 31, 2011, represented approximately 60% of forecast propane-plus volumes at the Cochrane extraction plant for the period April to December 2011 at average frac-spread prices of approximately $0.84 CAD/US gallon, 37% of forecast volumes for the period January to December 2012 at average frac-spread prices of approximately $0.88 CAD/US gallon and 13% of forecast volumes for the period January to December 2013 at average frac-spread prices of approximately $0.93 CAD/US gallon. These average prices approximated $0.87 US/US gallon, $0.90 US/US gallon and $0.94 US/US gallon, respectively, based on the average US$/CAD$ forward curve as at March 31, 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*	$ (35,263)	$ (18,072)	$ 18,072
AECO natural gas	(8,208)	4,665	(4,665)
Foreign exchange	8,452	(15,574)	15,574
Frac-spread risk management	$ (35,019)		

* 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 March 31, 2011, a 1% change in interest rates at this date could affect interest expense on credit facilities by approximately $4.3 million, assuming all other variables remain constant. Of this amount, $3.7 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 $0.5 million. A 1% change in interest rates at March 31, 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 March 31, 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 $0.4 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 $0.2 million.

Based on electricity price swap agreements outstanding in the conventional oil pipelines business at March 31, 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 March 31, 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 March 31, 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 March 31, 2011, accounts receivable associated with these two business segments were $74 million or 71% 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 March 31, 2011, on an undiscounted basis:

	Total	Less Than One Year	One to Five Years	After Five Years
Cash distributions payable	$ 20,683	$ 20,683	$ -	$ -
Accounts payable and accrued liabilities	145,000	145,000	-	-
Deferred revenue and other liabilities	36,075	21,691	7,418	6,966
Derivative financial instruments*	45,993	34,845	11,148	-
Long-term debt	2,762,400	-	2,287,400	475,000
Long-term payable*	7,673	-	7,673	-
	$ 3,017,824	$ 222,219	$ 2,313,639	$ 481,966

* 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 March 31, 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 March 31	
	2011	2010 *(restated)*
Interest expense on credit facilities	**$ 7,719**	$ 4,800
Interest on Loan Payable to General Partner	**5,771**	5,771
Interest on Corridor Debentures	**2,479**	1,616
Interest on MTN Series 1 notes	**2,604**	-
Total interest	**18,573**	12,187
Capitalized interest	**(237)**	(3,149)
Amortization of transaction costs on long-term debt	**218**	226
Accretion of decommissioning and environmental obligations	**381**	328
Total financing charges	**$ 18,935**	$ 9,592

19. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in Non-Cash Working Capital

	Three Months Ended March 31	
	2011	2010 *(restated)*
Accounts receivable	**$ 24,111**	$ 14,044
Prepaid expense and other deposits	**3,433**	1,197
Cash distributions payable	**39**	125
Accounts payable and accrued liabilities	**(12,012)**	7
Deferred revenue	**15,352**	21,014
Current income taxes payable	**14,750**	345
Impact of foreign exchange rate differences and other	**156**	787
Changes in non-cash working capital	**$ 45,829**	$ 37,519
These changes relate to the following activities:		
Operating	**$ 36,456**	$ 40,616
Investing	**9,334**	(3,222)
Financing	**39**	125
Changes in non-cash working capital	**$ 45,829**	$ 37,519

Cash and Cash Equivalents

	March 31 2011	December 31 2010	January 1 2010
Cash on hand and at banks	**$ 15,382**	$ 10,936	$ 8,472
Short-term deposits	**13,689**	11,571	9,736
	$ 29,071	$ 22,507	$ 18,208

20. JOINT ARRANGEMENTS

85% Interest in Cold Lake

Summarized information on the results of operations and financial position relating to Inter Pipeline's 85% interest in Cold Lake L.P. and Cold Lake Pipeline Ltd. are:

	Three Months Ended March 31	
	2011	2010 (restated)
Revenues	**$ 27,470**	$ 18,576
Expenses	**(13,706)**	(12,203)
Provision for income taxes	**(43)**	(46)
Proportionate share of net income	**$ 13,721**	$ 6,327

	March 31 2011	December 31 2010 (restated)	January 1 2010 (restated)
Current assets	**$ 23,473**	$ 29,020	$ 33,148
Non-current assets	**479,833**	477,727	458,192
Current liabilities	**(6,701)**	(11,017)	(3,823)
Non-current liabilities	**(134)**	(302)	(238)
Proportionate share of net assets	**$ 496,471**	$ 495,428	$ 487,279

At March 31, 2011, there were $21.6 million of commitments to purchase property, plant and equipment and $36.0 million of purchase obligations related to Inter Pipeline's interest in the jointly controlled Cold Lake entity. Cold Lake's commitments and purchase obligations are included in total commitments and contingencies disclosed in note 14.

50% Interest in Empress V Extraction Plant

Summarized information on the results of operations and financial position relating to Inter Pipeline's 50% interest in the Empress V extraction plant are:

	Three Months Ended March 31	
	2011	2010 (restated)
Revenues	**$ 31,827**	$ 32,306
Expenses	**28,580**	29,741
Proportionate share of net income	**$ 3,247**	$ 2,565

	March 31 2011	December 31 2010 (restated)	As at January 1 2010 (restated)
Current assets	**$ 13,550**	$ 13,786	$ 10,681
Non-current assets	**107,388**	108,413	112,586
Current liabilities	**(9,571)**	(10,952)	(9,219)
Non-current liabilities	**(628)**	(628)	603
Proportionate share of net assets	**$ 110,739**	$ 110,619	$ 114,651

At March 31, 2011, there were $0.3 million commitments to purchase property, plant and equipment and no purchase obligations related to Inter Pipeline's interest in the jointly controlled EV NGL extraction plant asset. EV's commitments and purchase obligations are included in total commitments and contingencies disclosed in note 14.

21. TRANSITION TO IFRS

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent consolidated annual financial statements for the year ended December 31, 2010, except as described below. The accounting policies in Note 2 have been applied consistently in preparing the interim financial statements for the three month period ended March 31, 2011, the interim financial statements for the three month period ended March 31, 2010, and the IFRS consolidated balance sheets as at December 31, 2010 and March 31, 2011. The accounting policies in Note 2 were also applied in preparing the opening IFRS consolidated balance sheet as at January 1, 2010 (the Transition Date) except where certain IFRS 1 exemptions where utilized. Inter Pipeline's IFRS adoption date is January 1, 2011.

In preparing the opening January 1, 2010 IFRS consolidated balance sheet and the interim financial statements for the three month period ended March 31, 2011, Inter Pipeline has adjusted comparative amounts reported previously in the consolidated financial statements prepared in accordance with its previous basis of accounting, Canadian GAAP.

IFRS 1 sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the Transition Date with all adjustments to assets and liabilities taken to retained earnings unless certain mandatory exceptions and optional exemptions are applied. Inter Pipeline elected to take the following IFRS 1 optional exemptions:

Exemption	**Application of Exemption**
Decommissioning Obligation	The requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (IAS 37) and IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* are applied at the Transition Date. Inter Pipeline has remeasured its provisions at this date, estimating the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose using best estimates of the historical risk-free discount rates, and recalculating the accumulated depreciation under IFRS.
Borrowing Costs	The transitional provisions in IAS 23 *Borrowing Costs* are applied to borrowing costs on qualifying assets. There is no impact on Inter Pipeline's interim financial statements as borrowing costs were previously capitalized under Canadian GAAP.
Business Combinations	The requirements of IFRS 3 *Business Combinations* (IFRS 3) are applied prospectively from the Transition Date.
Lease Arrangements	Arrangements that were already assessed under Canadian GAAP EIC 150 *Determining Whether an Arrangement Contains a Lease* are not reassessed under IFRIC 4 *Determining Whether an Arrangement Contains a Lease* at the Transition Date.

Cumulative Translation Differences	Cumulative currency translation differences for all foreign operations have been reset to zero as at the Transition Date.
Employee Benefits	The disclosure requirements of IAS 19 – *Employee Benefits* are applied prospectively from the Transition Date, if disclosure differences between IFRS and Canadian GAAP are considered to be material.
Share Based Payments	The impact associated with estimating DUR forfeiture rates has only been applied retrospectively for DURs not vested at January 1, 2010. All Unit Incentive Options were vested at the Transition Date and the exemption was applied with no adjustment required.

An explanation of how the transition from Canadian GAAP to IFRS has affected Inter Pipeline's consolidated balance sheets, consolidated net income, consolidated comprehensive income, consolidated cash flows and consolidated partners' equity is set out in the following reconciliations and notes that accompany the reconciliations.

Reconciliation of Consolidated Balance Sheet as at January 1, 2010

January 1, 2010

	Canadian GAAP	Presentation Differences	**Canadian GAAP IFRS Presentation**	Decommissioning Obligations	Environmental Liabilities	Defined Benefit Pensions	Share Based Payments	Foreign Currency Translation	**Total IFRS Adjustments**	**IFRS**
ASSETS		**(a)**		**(b)**	**(c)**	**(d)**	**(e)**	**(f)**		
Current Assets										
Cash and cash equivalents	**$ 18,208**	$ -	**$ 18,208**	$ -	$ -	$ -	$ -	$ -	**$ -**	**$ 18,208**
Accounts receivable	**122,122**	-	**122,122**	-	-	-	-	-	**-**	**122,122**
Derivative financial instruments	**3,738**	-	**3,738**	-	-	-	-	-	**-**	**3,738**
Prepaid expenses and other deposits	**17,927**	-	**17,927**	-	-	-	-	-	**-**	**17,927**
Total Current Assets	**161,995**	-	**161,995**	-	-	-	-	-	**-**	**161,995**
									-	
Derivative financial instruments	**9,239**	-	**9,239**	-	-	-	-	-	**-**	**9,239**
Property, plant and equipment	**3,765,930**	-	**3,765,930**	8,900	-	-	-	-	**8,900**	**3,774,830**
Intangible assets	**319,603**	(319,603)	**-**	-	-	-	-	-	**-**	**-**
Goodwill	**215,947**	(215,947)	**-**	-	-	-	-	-	**-**	**-**
Goodwill and intangible assets	**-**	535,550	**535,550**	-	-	-	-	-	**-**	**535,550**
Total Assets	**$ 4,472,714**	$ -	**$ 4,472,714**	$ 8,900	$ -	$ -	$ -	$ -	**$ 8,900**	**$ 4,481,614**
LIABILITIES AND PARTNERS' EQUITY										
Current Liabilities										
Cash distributions payable	**$ 19,098**	$ -	**$ 19,098**	$ -	$ -	$ -	$ -	$ -	**$ -**	**$ 19,098**
Accounts payable and accrued liabilities	**136,909**	(123)	**136,786**	-	-	-	(595)	-	**(595)**	**136,191**
Current income taxes payable	**-**	123	**123**	-	-	-	-	-	**-**	**123**
Derivative financial instruments	**16,655**	-	**16,655**	-	-	-	-	-	**-**	**16,655**
Deferred revenue	**3,621**	-	**3,621**	-	-	-	-	-	**-**	**3,621**
Current portion of long-term debt	**123,600**	-	**123,600**	-	-	-	-	-	**-**	**123,600**
Total Current Liabilities	**299,883**	-	**299,883**	-	-	-	(595)	-	**(595)**	**299,288**
Long-term debt	**2,487,315**	-	**2,487,315**	-	-	-	-	-	**-**	**2,487,315**
Long-term payable	**9,212**	-	**9,212**	-	-	-	-	-	**-**	**9,212**
Derivative financial instruments	**4,081**	-	**4,081**	-	-	-	-	-	**-**	**4,081**
Asset retirement obligation	**5,036**	(5,036)	**-**	-	-	-	-	-	**-**	**-**
Environmental liabilities	**12,299**	(12,299)	**-**	-	-	-	-	-	**-**	**-**
Provisions	**-**	17,335	**17,335**	14,211	3,306	-	-	-	**17,517**	**34,852**
Employee benefits	**7,061**	-	**7,061**	-	-	6,939	(541)	-	**6,398**	**13,459**
Long-term deferred revenue	**8,730**	-	**8,730**	-	-	-	-	-	**-**	**8,730**
Deferred income taxes **(g)**	**318,996**	-	**318,996**	(1,441)	(880)	(1,943)	(138)	-	**(4,402)**	**314,594**
Total Liabilities	**3,152,613**	-	**3,152,613**	12,770	2,426	4,996	(1,274)	-	**18,918**	**3,171,531**
Partners' Equity									**-**	
Partners' equity	**1,373,951**	-	**1,373,951**	(3,870)	(2,426)	5,371	1,274	(52,233)	**(51,884)**	**1,322,067**
Total reserves	**(53,850)**	-	**(53,850)**	-	-	(10,367)	-	52,233	**41,866**	**(11,984)**
Total Partners' Equity	**1,320,101**	-	**1,320,101**	(3,870)	(2,426)	(4,996)	1,274	-	**(10,018)**	**1,310,083**
Total Liabilities and Partners' Equity	**$ 4,472,714**	$ -	**$ 4,472,714**	$ 8,900	$ -	$ -	$ -	$ -	**$ 8,900**	**$ 4,481,614**

Inter Pipeline Fund
Notes to Condensed Interim Consolidated Financial Statements
(unaudited)
March 31, 2011
(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

Reconciliation of Consolidated Balance Sheet as at March 31, 2010

	March 31, 2010									
	Canadian GAAP	Presentation Differences	**Canadian GAAP IFRS presentation**	Opening Balance Sheet Adjustments	Decommissioning Obligations	Environmental Liabilities	Defined Benefit Pensions	Share Based Payments	**Total IFRS adjustments**	**IFRS**
ASSETS		(a)			(b)	(c)	(d)	(e)		
Current Assets										
Cash and cash equivalents	**$ 23,185**	$ -	**$ 23,185**	$ -	$ -	$ -	$ -	$ -	**$ -**	**$ 23,185**
Accounts receivable	**108,078**	-	**108,078**	-	-	-	-	-	**-**	**108,078**
Derivative financial instruments	**10,407**	-	**10,407**	-	-	-	-	-	**-**	**10,407**
Prepaid expenses and other deposits	**16,730**	-	**16,730**	-	-	-	-	-	**-**	**16,730**
Total Current Assets	**158,400**	-	**158,400**	-	-	-	-	-	**-**	**158,400**
Derivative financial instruments	**11,457**	-	**11,457**	-	-	-	-	-	**-**	**11,457**
Property, plant and equipment	**3,749,823**	-	**3,749,823**	8,900	211	-	-	-	**9,111**	**3,758,934**
Intangible assets	**315,402**	(315,402)	**-**	-	-	-	-	-	**-**	**-**
Goodwill	**210,641**	(210,641)	**-**	-	-	-	-	-	**-**	**-**
Goodwill and intangible assets	**-**	526,043	**526,043**	-	-	-	-	-	**-**	**526,043**
Total Assets	**$ 4,445,723**	$ -	**$ 4,445,723**	$ 8,900	$ 211	$ -	$ -	$ -	**$ 9,111**	**$ 4,454,834**
LIABILITIES AND PARTNERS' EQUITY										
Current Liabilities										
Cash distributions payable	**$ 19,223**	$ -	**$ 19,223**	$ -	$ -	$ -	$ -	$ -	**$ -**	**$ 19,223**
Accounts payable and accrued liabilities	**138,501**	(468)	**138,033**	(595)	-	-	-	(163)	**(758)**	**137,275**
Current income taxes payable	**-**	468	**468**	-	-	-	-	-	**-**	**468**
Derivative financial instruments	**18,697**	-	**18,697**	-	-	-	-	-	**-**	**18,697**
Deferred revenue	**24,635**	-	**24,635**	-	-	-	-	-	**-**	**24,635**
Current portion of long-term debt	**138,200**	-	**138,200**	-	-	-	-	-	**-**	**138,200**
Total Current Liabilities	**339,256**	-	**339,256**	(595)	-	-	-	(163)	**(758)**	**338,498**
Long-term debt	**2,429,543**	-	**2,429,543**	-	-	-	-	-	**-**	**2,429,543**
Long-term payable	**7,666**	-	**7,666**	-	-	-	-	-	**-**	**7,666**
Derivative financial instruments	**4,687**	-	**4,687**	-	-	-	-	-	**-**	**4,687**
Asset retirement obligation	**4,990**	(4,990)	**-**	-	-	-	-	-	**-**	**-**
Environmental liabilities	**11,981**	(11,981)	**-**	-	-	-	-	-	**-**	**-**
Provisions	**-**	16,971	**16,971**	17,517	228	66	-	-	**17,811**	**34,782**
Employee benefits	**4,297**	-	**4,297**	6,398	-	-	(613)	301	**6,086**	**10,383**
Long-term deferred revenue	**7,835**	-	**7,835**	-	-	-	-	-	**-**	**7,835**
Deferred income taxes **(g)**	**321,311**	-	**321,311**	(4,402)	4	(13)	175	(27)	**(4,263)**	**317,048**
Total Liabilities	**3,131,566**	-	**3,131,566**	18,918	232	53	(438)	111	**18,876**	**3,150,442**
Partners' Equity										
Partners' equity	**1,395,498**	-	**1,395,498**	(51,884)	(157)	(97)	-	(111)	**(52,249)**	**1,343,249**
Total reserves	**(81,341)**	-	**(81,341)**	41,866	136	44	438	-	**42,484**	**(38,857)**
Total Partners' Equity	**1,314,157**	-	**1,314,157**	(10,018)	(21)	(53)	438	(111)	**(9,765)**	**1,304,392**
Total Liabilities and Partners' Equity	**$ 4,445,723**	$ -	**$ 4,445,723**	$ 8,900	$ 211	$ -	$ -	$ -	**$ 9,111**	**$ 4,454,834**

Reconciliation of Consolidated Balance Sheet as at December 31, 2010

December 31, 2010

	Canadian GAAP	Presentation Differences	**Canadian GAAP IFRS presentation**	Decommissioning Obligations	Environmental Liabilities	Defined Benefit Pensions	Share Based Payments	Foreign Currency Translation	Business Combinations	**Total IFRS adjustments**	**IFRS**
ASSETS		**(a)**		**(b)**	**(c)**	**(d)**	**(e)**	**(f)**	**(h)**		
Current Assets											
Cash and cash equivalents	**$ 22,507**	$ -	**$ 22,507**	$ -	$ -	$ -	$ -	$ -	$ -	**$ -**	**$ 22,507**
Accounts receivable	**129,501**	-	**129,501**	-	-	-	-	-	-	**-**	**129,501**
Derivative financial instruments	**8,916**	-	**8,916**	-	-	-	-	-	-	**-**	**8,916**
Prepaid expenses and other deposits	**13,955**	-	**13,955**	-	-	-	-	-	(837)	**(837)**	**13,118**
Current portion of future income taxes	**9,152**	(9,152)	**-**	-	-	-	-	-	-	**-**	**-**
Total Current Assets	**184,031**	(9,152)	**174,879**	-	-	-	-	-	(837)	**(837)**	**174,042**
Derivative financial instruments	**10,067**	-	**10,067**	-	-	-	-	-	-	**-**	**10,067**
Employee benefits	**-**	2,228	**2,228**	-	-	2,260	-	-	-	**2,260**	**4,488**
Property, plant and equipment	**4,002,796**	-	**4,002,796**	8,958	-	-	-	-	-	**8,958**	**4,011,754**
Intangible assets	**304,855**	(304,855)	**-**	-	-	-	-	-	-	**-**	**-**
Goodwill	**210,436**	(210,436)	**-**	-	-	-	-	-	-	**-**	**-**
Goodwill and intangible assets	**-**	515,291	**515,291**	-	-	-	-	-	-	**-**	**515,291**
Total Assets	**$ 4,712,185**	$ (6,924)	**$ 4,705,261**	$ 8,958	$ -	$ 2,260	$ -	$ -	$ (837)	**$ 10,381**	**$ 4,715,642**
LIABILITIES AND PARTNERS' EQUITY											
Current Liabilities											
Cash distributions payable	**$ 20,644**	$ -	**$ 20,644**	$ -	$ -	$ -	$ -	$ -	$ -	**$ -**	**$ 20,644**
Accounts payable and accrued liabilities	**157,856**	(764)	**157,092**	-	-	-	(133)	-	-	**(133)**	**156,959**
Current income taxes payable	**-**	764	**764**	-	-	-	-	-	-	**-**	**764**
Derivative financial instruments	**25,144**	-	**25,144**	-	-	-	-	-	-	**-**	**25,144**
Deferred revenue	**6,339**	-	**6,339**	-	-	-	-	-	-	**-**	**6,339**
Current portion of long-term debt	**386,584**	-	**386,584**	-	-	-	-	-	-	**-**	**386,584**
Total Current Liabilities	**596,567**	-	**596,567**	-	-	-	(133)	-	-	**(133)**	**596,434**
Long-term debt	**2,409,029**	-	**2,409,029**	-	-	-	-	-	-	**-**	**2,409,029**
Long-term payable	**9,096**	-	**9,096**	-	-	-	-	-	-	**-**	**9,096**
Derivative financial instruments	**4,169**	-	**4,169**	-	-	-	-	-	-	**-**	**4,169**
Asset retirement obligation	**5,266**	(5,266)	**-**	-	-	-	-	-	-	**-**	**-**
Environmental liabilities	**11,163**	(11,163)	**-**	-	-	-	-	-	-	**-**	**-**
Provisions	**-**	16,429	**16,429**	14,857	3,439	-	-	-	-	**18,296**	**34,725**
Employee benefits	**4,936**	2,228	**7,164**	-	-	-	(664)	-	-	**(664)**	**6,500**
Long-term deferred revenue	**13,172**	-	**13,172**	-	-	-	-	-	-	**-**	**13,172**
Deferred income taxes **(g)**	**325,824**	(9,152)	**316,672**	(1,596)	(935)	650	(323)	-	-	**(2,204)**	**314,468**
Total Liabilities	**3,379,222**	(6,924)	**3,372,298**	13,261	2,504	650	(1,120)	-	-	**15,295**	**3,387,593**
Partners' Equity											
Partners' equity	**1,414,385**	-	**1,414,385**	(4,473)	(2,555)	8,278	1,120	(52,233)	(837)	**(50,700)**	**1,363,685**
Total reserves	**(81,422)**	-	**(81,422)**	170	51	(6,668)	-	52,233	-	**45,786**	**(35,636)**
Total Partners' Equity	**1,332,963**	-	**1,332,963**	(4,303)	(2,504)	1,610	1,120	-	(837)	**(4,914)**	**1,328,049**
Total Liabilities and Partners' Equity	**$ 4,712,185**	$ (6,924)	**$ 4,705,261**	$ 8,958	$ -	$ 2,260	$ -	$ -	$ (837)	**$ 10,381**	**$ 4,715,642**

Inter Pipeline Fund
Notes to Condensed Interim Consolidated Financial Statements
(unaudited)
March 31, 2011
(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

Reconciliation of Consolidated Statement of Net Income for the three months ended March 31, 2010

	Three months ended March 31, 2010								
	Canadian GAAP	Presentation Differences (a)	**Canadian GAAP IFRS Presentation**	Decommissioning Obligations (b)	Environmental Liabilities (c)	Defined Benefit Pensions (d)	Share Based Payments (e)	**Total IFRS Adjustments**	**IFRS**
REVENUES									
Operating revenue	$ 271,533	$ -	$ 271,533	$ -	$ -	$ -	$ -	$ -	$ 271,533
	271,533	-	271,533	-	-	-	-	-	271,533
EXPENSES									
Shrinkage gas	99,434	-	99,434	-	-	-	-	-	99,434
Operating	61,614	-	61,614	-	-	-	28	28	61,642
Depreciation and amortization	24,799	(82)	24,717	95	-	-	-	95	24,812
Financing charges	9,264	82	9,346	116	130	-	-	246	9,592
General and administration	10,853	-	10,853	-	-	-	109	109	10,962
Unrealized change in fair value of derivatives	(7,102)	-	(7,102)	-	-	-	-	-	(7,102)
Management fee to General Partner	2,022	-	2,022	-	-	-	-	-	2,022
(Gain) loss on disposal of assets	(17)	-	(17)	-	-	-	-	-	(17)
	200,867	-	200,867	211	130	-	137	478	201,345
INCOME BEFORE TAXES	70,666	-	70,666	(211)	(130)	-	(137)	$ (478)	70,188
PROVISION FOR (RECOVERY OF) INCOME TAXES									
Current	699	-	699	-	-	-	-	-	699
Deferred **(g)**	8,281	-	8,281	(54)	(33)	-	(26)	(113)	8,168
	8,980	-	8,980	(54)	(33)	-	(26)	(113)	8,867
NET INCOME	$ 61,686	$ -	$ 61,686	$ (157)	$ (97)	$ -	$ (111)	$ (365)	$ 61,321
Net income per Partnership unit									
Basic and diluted	$ 0.24		$ 0.24					$ -	$ 0.24

Reconciliation of Consolidated Statement of Net Income for the year ended December 31, 2010

	Year ended December 31, 2010									
	Canadian GAAP	Presentation differences	**Canadian GAAP IFRS presentation**	Decommissioning Obligations	Environmental Liabilities	Defined Benefit Pensions	Share Based Payments	Business Combinations	**Total IFRS adjustments**	**IFRS**
		(a)		**(b)**	**(c)**	**(d)**	**(e)**	**(h)**		
REVENUES										
Operating revenue	$ 997,063	$ -	$ 997,063	$ -	$ -	$ -	$ -	$ -	$ -	$ 997,063
	997,063	-	997,063	-	-	-	-	-	-	997,063
EXPENSES										
Shrinkage gas	317,065	-	317,065	-	-	-	-	-	-	317,065
Operating	255,865	-	255,865	-	(314)	(3,115)	105	-	(3,324)	252,541
Depreciation and amortization	87,535	(352)	87,183	370	-	-	-	-	370	87,553
Financing charges	39,282	352	39,634	430	515	(281)	-	-	664	40,298
General and administration	45,087	-	45,087	-	-	(697)	233	837	373	45,460
Unrealized change in fair value of derivatives	3,568	-	3,568	-	-	-	-	-	-	3,568
Management fee to General Partner	7,836	-	7,836	-	-	-	-	-	-	7,836
Loss (gain) on disposal of assets	723	-	723	-	-	-	-	-	-	723
	756,961	-	756,961	800	201	(4,093)	338	837	(1,917)	755,044
INCOME BEFORE TAXES	240,102	-	240,102	(800)	(201)	4,093	(338)	(837)	1,917	242,019
PROVISION FOR (RECOVERY OF) INCOME TAXES										
Current	1,440	-	1,440	-	-	-	-	-	-	1,440
Deferred **(g)**	3,893	-	3,893	(197)	(72)	1,187	(185)	-	733	4,626
	5,333	-	5,333	(197)	(72)	1,187	(185)	-	733	6,066
NET INCOME	$ 234,769	$ -	$ 234,769	$ (603)	$ (129)	$ 2,906	$ (153)	$ (837)	$ 1,184	$ 235,953
Net income per Partnership unit										
Basic and diluted	$ 0.91		$ 0.91						$ 0.01	$ 0.92

Reconciliation of Comprehensive Income for the three months ended March 31, 2010

	Three months ended March 31, 2010					
	Canadian GAAP	Total IFRS Adjustments to Net Income	Foreign Currency Translation **(f)**	Defined Benefit Pensions **(d)**	**Total IFRS Adjustments**	**IFRS**
NET INCOME	**$ 61,686**	$ (365)	$ -	$ -	**$ (365)**	**$ 61,321**
OTHER COMPREHENSIVE LOSS						
Unrealized (loss) gain on translating financial statements of foreign operations	**(27,935)**	-	618	-	**618**	**(27,317)**
Foreign exchange movement associated with investments in foreign subsidiaries	**242**	-	-	-	**-**	**242**
Actuarial gain/(loss) on defined pension benefit obligation	**-**	-	-	-	**-**	**-**
Transfer of losses on derivatives previously designated as cash flow hedges to net income	**202**	-	-	-	**-**	**202**
Income tax relating to components of other comprehensive income	**-**	-	-	-	**-**	**-**
	(27,491)	-	618	-	**618**	**(26,873)**
COMPREHENSIVE INCOME (LOSS)	**$ 34,195**	$ (365)	$ 618	$ -	**$ 253**	**$ 34,448**

Reconciliation of Comprehensive Income for the year ended December 31, 2010

	Year ended December 31, 2010					
	Canadian GAAP	Total IFRS Adjustments to Net Income	Foreign Currency Translation	Defined Benefit Pensions	**Total IFRS Adjustments**	**IFRS**
			(f)	(d)		
NET INCOME	**$ 234,769**	$ 1,184	$ -	$ -	**$ 1,184**	**$ 235,953**
OTHER COMPREHENSIVE LOSS						
Unrealized (loss) gain on translating financial statements of foreign operations	**(28,380)**	-	(15)	-	**(15)**	**(28,395)**
Foreign exchange movement associated with investments in foreign subsidiaries	**-**	-	-	-	**-**	**-**
Actuarial loss on defined pension benefit obligation	**-**	-	-	5,390	**5,390**	**5,390**
Transfer of losses on derivatives previously designated as cash flow hedges to net income	**808**	-	-	-	**-**	**808**
Income tax relating to components of other comprehensive income	**-**	-	-	(1,455)	**(1,455)**	**(1,455)**
	(27,572)	-	(15)	3,935	**3,920**	**(23,652)**
COMPREHENSIVE INCOME (LOSS)	**$ 207,197**	$ 1,184	$ (15)	$ 3,935	**$ 5,104**	**$ 212,301**

Reconciliation of Consolidated Statement of Cash Flows March 31, 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 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 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 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 Deferred Unit Rights 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.

(h) Business Combinations

In accordance with IFRS transitional provisions, Inter Pipeline elected to apply IFRS related to business combinations prospectively from January 1, 2010. As such, Canadian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward without adjustment. In accordance with IFRS, transaction costs that were previously deferred under Canadian GAAP subsequent to January 1, 2010 have been expensed as required by IFRS 3.