Inter Pipeline Fund

Interim Consolidated Balance Sheets

(unaudited) (thousands of Canadian dollars)		**As at March 31 2013**		As at December 31 2012		As at January 1 2012
				(restated - see note 19)		*(restated - see note 19)*
ASSETS						
Current Assets						
Cash and cash equivalents (note 18)	**$**	**41,353**	$	64,979	$	50,817
Accounts receivable		**137,500**		146,746		109,567
Derivative financial instruments (note 15)		**18,036**		20,816		5,167
Prepaid expenses and other deposits		**32,176**		31,279		11,142
Total Current Assets		**229,065**		263,820		176,693
Non-Current Assets						
Derivative financial instruments (note 15)		**3,871**		4,865		9,772
Property, plant and equipment (note 4)		**5,162,829**		4,793,508		4,154,324
Goodwill and intangible assets (note 5)		**610,256**		620,202		513,396
Total Assets	**$**	**6,006,021**	$	5,682,395	$	4,854,185
LIABILITIES AND EQUITY						
Current Liabilities						
Distributions payable to unitholders (note 6)	**$**	**25,680**	$	25,452	$	23,114
Accounts payable and accrued liabilities (note 12)		**456,093**		292,999		162,503
Current income taxes payable		**14,674**		8,685		49,761
Derivative financial instruments (note 15)		**6,077**		8,336		25,746
Deferred revenue		**14,332**		6,143		4,606
Current portion of long-term debt (note 7)		**-**		-		90,989
Commercial paper (note 7)		**1,341,556**		1,351,132		1,464,369
Total Current Liabilities		**1,858,412**		1,692,747		1,821,088
Non-Current Liabilities						
Long-term debt (note 7)		**1,890,019**		1,760,902		1,102,288
Long-term payable		**3,871**		4,865		9,772
Derivative financial instruments (note 15)		**11**		-		11,035
Provisions (note 8)		**59,900**		59,953		37,025
Employee benefits (note 9)		**5,294**		9,631		6,989
Long-term deferred revenue and other liabilities		**15,929**		16,958		17,652
Deferred income taxes		**389,151**		384,531		342,474
Total Liabilities		**4,222,587**		3,929,587		3,348,323
Commitments (notes 4 and 13)						
Partners' Equity						
Partners' equity (note 10)		**1,730,201**		1,682,955		1,452,066
Total reserves (note 10)		**(43,337)**		(23,504)		(32,280)
Total Partners' Equity		**1,686,864**		1,659,451		1,419,786
Non-Controlling Interest (note 11)		**96,570**		93,357		86,076
Total Equity		**1,783,434**		1,752,808		1,505,862
Total Liabilities and Equity	**$**	**6,006,021**	$	5,682,395	$	4,854,185

See accompanying condensed notes to the interim consolidated financial statements.

Inter Pipeline Fund

Interim Consolidated Statements of Changes in Equity

(unaudited) (thousands of Canadian dollars)

	Attributable to Unitholders of Inter Pipeline Fund					
	Class A Limited Liability Partnership Units	Class B Unlimited Liability Partnership Units	Reserves *(note 10)*	Total Partners' Equity	Non-Controlling Interest *(note 11)*	Total Equity
Balance, January 1, 2013 *(restated)*	$1,681,274	$ 1,681	$ (23,504)	$1,659,451	$ 93,357	**$ 1,752,808**
Net income for the period	69,582	69	-	69,651	2,581	**72,232**
Other comprehensive loss	-	-	(19,833)	(19,833)	-	**(19,833)**
	1,750,856	1,750	(43,337)	1,709,269	95,938	**1,805,207**
Distributions declared to unitholders (note 6)	(76,737)	(77)	-	(76,814)	-	**(76,814)**
Issuance of Partnership units (note 10)						
Issued under Premium Distribution™ and Distribution Reinvestment Plan	54,354	55	-	54,409	-	**54,409**
Cash distributions paid by Cold Lake to non-controlling interest	-	-	-	-	(2,896)	**(2,896)**
Capital contributions received from Cold Lake non-controlling interest	-	-	-	-	3,528	**3,528**
Balance, March 31, 2013	$ 1,728,473	$ 1,728	$ (43,337)	$ 1,686,864	$ 96,570	**$ 1,783,434**
Balance, January 1, 2012	$ 1,450,617	$ 1,449	$ (32,280)	$ 1,419,786	$ -	$ 1,419,786
Opening IFRS 10 adjustment (note 19)	-	-	-	-	86,076	86,076
Balance, beginning of the period *(restated)*	1,450,617	1,449	(32,280)	1,419,786	86,076	1,505,862
Net income for the period	79,554	80	-	79,634	2,470	82,104
Other comprehensive income	-	-	10,505	10,505	-	10,505
	1,530,171	1,529	(21,775)	1,509,925	88,546	1,598,471
Distributions declared to unitholders (note 6)	(69,804)	(70)	-	(69,874)	-	(69,874)
Issuance of Partnership units (note 10)						
Issued under Premium Distribution™ and Distribution Reinvestment Plan	53,582	54	-	53,636	-	53,636
Cash distributions paid by Cold Lake to non-controlling interest	-	-	-	-	(2,519)	(2,519)
Capital contributions received from Cold Lake non-controlling interest	-	-	-	-	905	905
Balance, March 31, 2012 *(restated)*	$ 1,513,949	$ 1,513	$ (21,775)	$ 1,493,687	$ 86,932	$ 1,580,619

See accompanying condensed notes to the interim consolidated financial statements.

™ Denotes trademark of Canaccord Capital Corporation.

Inter Pipeline Fund

Interim Consolidated Statements of Net Income

(unaudited) (thousands of Canadian dollars)		Three Months Ended March 31 **2013**		2012
				(restated - see note 19)
REVENUES				
Operating revenues	**$**	**327,679**	$	301,689
EXPENSES				
Shrinkage gas		**61,594**		55,970
Midstream product purchases		**13,955**		-
Operating		**81,045**		69,404
Depreciation and amortization		**30,926**		28,027
Financing charges (note 17)		**23,878**		23,278
General and administrative		**16,248**		15,143
Unrealized change in fair value of derivative financial instruments (note 15)		**716**		(3,067)
Acquisition fee to General Partner (note 12)		**-**		4,591
Management and incentive fees to General Partner (note 12)		**4,182**		3,704
Loss on disposal of assets		**1,733**		-
		234,277		197,050
INCOME BEFORE INCOME TAXES		**93,402**		104,639
Provision for income taxes				
Current		**14,519**		15,676
Deferred		**6,651**		6,859
		21,170		22,535
NET INCOME	**$**	**72,232**	$	82,104
Net income attributable to				
Unitholders of Inter Pipeline Fund	**$**	**69,651**	$	79,634
Non-controlling interest (note 11)		**2,581**		2,470
	$	**72,232**	$	82,104
Net income per Partnership unit attributable to unitholders of Inter Pipeline Fund (note 10)				
Basic and diluted	**$**	**0.25**	$	0.30

See accompanying condensed notes to the interim consolidated financial statements.

Inter Pipeline Fund

Interim Consolidated Statements of Comprehensive Income

(unaudited) (thousands of Canadian dollars)	Three Months Ended March 31 **2013**		2012
			(restated - see note 19)
NET INCOME	**$**	**72,232**	$ 82,104
OTHER COMPREHENSIVE (LOSS) INCOME (note 10)			
Item that may be reclassified subsequently to net income			
Unrealized (loss) gain on translating financial statements of foreign operations		**(20,076)**	10,618
Items that will not be reclassified to net income			
Actuarial gain on defined benefit pension plan		**322**	-
Income tax relating to defined benefit pension reserve		**(79)**	(113)
		(19,833)	10,505
COMPREHENSIVE INCOME	**$**	**52,399**	$ 92,609
Comprehensive income attributable to			
Unitholders of Inter Pipeline Fund	**$**	**49,818**	$ 90,139
Non-controlling interest (note 11)		**2,581**	2,470
	$	**52,399**	$ 92,609

See accompanying condensed notes to the interim consolidated financial statements.

Inter Pipeline Fund

Interim Consolidated Statements of Cash Flows

(unaudited) (thousands of Canadian dollars)	Three Months Ended March 31 **2013**	2012
		(restated - see note 19)
OPERATING ACTIVITIES		
Net income	**$ 72,232**	$ 82,104
Items not involving cash:		
Depreciation and amortization	**30,926**	28,027
Loss on disposal of assets	**1,733**	-
Non-cash recovery	**(2,902)**	(3,104)
Unrealized change in fair value of derivative financial instruments	**716**	(3,067)
Deferred income tax expense	**6,651**	6,859
Funds from operations	**109,356**	110,819
Net change in non-cash operating working capital (note 18)	**10,746**	(47,941)
Cash provided by operating activities	**120,102**	62,878
INVESTING ACTIVITIES		
Expenditures on property, plant and equipment	**(415,194)**	(46,594)
Proceeds on sale of assets	**8**	-
Acquisition of Inter Terminals	**-**	(509,873)
Assumption of cash on acquisition of Inter Terminals	**-**	48,293
Capital contributions received from Cold Lake non-controlling interest	**3,528**	905
Net change in non-cash investing working capital (note 18)	**174,715**	13,275
Cash used in investing activities	**(236,943)**	(493,994)
FINANCING ACTIVITIES		
Cash distributions paid to unitholders of Inter Pipeline Fund (note 6)	**(22,405)**	(16,238)
Cash distributions paid by Cold Lake to non-controlling interest	**(2,896)**	(2,519)
Increase in debt	**118,877**	472,815
Transaction costs on debt	**(152)**	(704)
Net change in non-cash financing working capital (note 18)	**228**	264
Cash provided by financing activities	**93,652**	453,618
Effect of foreign currency translation on foreign currency denominated cash	**(437)**	1,036
(Decrease) increase in cash and cash equivalents	**(23,626)**	23,538
Cash and cash equivalents, beginning of period	**64,979**	50,817
Cash and cash equivalents, end of period	**$ 41,353**	$ 74,355

Cash taxes paid	**$ 8,514**	$ 49,339
Cash interest paid	**$ 25,538**	$ 23,884

See accompanying condensed notes to the interim consolidated financial statements.

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements (interim financial statements) have been prepared in accordance with International Accounting Standards (IAS) 34 – *Interim Financial Reporting*. These interim financial statements do not contain all disclosures required by International Financial Reporting Standards (IFRS) for annual financial statements and accordingly, should be read in conjunction with Inter Pipeline Fund's (Inter Pipeline) audited consolidated financial statements and notes thereto for the year ended December 31, 2012.

Inter Pipeline has consistently applied the same accounting policies for all periods presented in these interim financial statements as those used in Inter Pipeline's audited consolidated financial statements for the year ended December 31, 2012, except as described in note 2 below. The accounting policies in note 2 have been applied consistently in preparing the interim financial statements for the three month periods ended March 31, 2013, and March 31, 2012, and the consolidated balance sheets as at December 31, 2012, March 31, 2012, and January 1, 2012. In preparing the interim financial statements for the three month period ended March 31, 2013, Inter Pipeline has adjusted comparative amounts reported previously. A reconciliation of the changes is provided in note 19.

These interim financial statements were authorized for issue by the Board of Directors of the General Partner on May 9, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) *Basis of Consolidation*

These 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.

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. Ownership interests in subsidiaries represented by other parties that do not control the entity are presented in the consolidated statements as balances and activities attributable to non-controlling interest.

Non-controlling interest

Inter Pipeline has an indirect 85% interest in the Cold Lake Pipeline Limited Partnership (Cold Lake LP) and an 85% interest in its general partner Cold Lake Pipeline Ltd. (collectively Cold Lake). Non-controlling interest represents a 15% ownership interest in Cold Lake attributable to a third party. The portion of equity in entities not owned by Inter Pipeline is reflected as non-controlling interest within total equity on the consolidated balance sheet.

b) *Accounting Policies Adopted in 2013*

Inter Pipeline has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10 Consolidated Financial Statements *(IFRS 10)*

IFRS 10 replaces IAS 27 *Consolidated and Separate Financial Statements* (IAS 27) and Standing Interpretations Committee (SIC) 12 *Consolidation-Special Purpose Entities*. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. Management has evaluated Inter Pipeline's investment in Cold Lake and determined that Inter Pipeline controls the relevant activities of this investment in accordance with IFRS 10. As a result, Inter Pipeline consolidates 100% of Cold Lake under IFRS 10, compared to proportionate consolidation of 85% of Cold Lake under IAS 31 *Interests in Joint Ventures* (IAS 31). A non-controlling interest is recorded to represent the 15% equity investment in Cold Lake that is not attributable to Inter Pipeline (refer to note 19 for a reconciliation of the changes).

IFRS 11 Joint Arrangements *(IFRS 11)*

IFRS 11 supersedes IAS 31 and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions to Venturers* and is applied to interests in joint arrangements where there is joint control. IFRS 11 requires joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement is no longer the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. For joint operations, an entity recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in *IAS 28 Investments in Associates and Joint Ventures (amended in 2011)*. The adoption of IFRS 11 did not result in any changes to the accounting for Inter Pipeline's only jointly controlled operation, its 50% investment in the Empress V NGL Extraction facility, which is accounted for as a joint operation.

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

IFRS 12 provides disclosure requirements for a reporting entity's interests held in other entities including: subsidiaries, joint arrangements, associates, or unconsolidated structured entities. Inter Pipeline has adopted IFRS 12 in its financial statement disclosure effective January 1, 2013, and for the comparative periods.

IFRS 13 Fair Value Measurement *(IFRS 13)*

IFRS 13 defines fair value and provides, in a single IFRS, a framework for measuring fair value when it is required or permitted within IFRS standards. The standard also provides consistent disclosure requirements about fair value measurements. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by Inter Pipeline to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

IAS 19 Employee Benefits (Revised) *(IAS 19)*

IAS 19 amends certain accounting requirements for defined benefit pension plans. The amendments included fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets. Effective January 1, 2013, the expected return on Inter Pipeline's pension plan assets is calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. The impact of the amended standard on Inter Pipeline's results was insignificant to prior periods and resulted in increased financing charges of approximately $0.3 million for the three months ended March 31, 2013.

IAS 1 Presentation of Financial Statements, Amendment *(IAS 1)*

Inter Pipeline has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required Inter Pipeline to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. These presentation changes did not result in any adjustments to other comprehensive income or comprehensive income.

c) *Critical Accounting Estimates and Judgments*

Consolidation of non-controlling interest

As discussed above IFRS 10 revises the definition of control from IAS 27 and establishes a single control model that focuses on an investor’s power to direct the activities of an investee that most significantly affect the investee’s returns (relevant activities), exposure to variable returns and the ability to use power to affect the amount of an investor’s returns. Compared with the requirements of IAS 27, IFRS 10 requires management to exercise significant judgment in its assessment of control including but not limited to; the determination of the investee’s relevant activities, the investor’s ability to direct those relevant activities, the investor’s exposure to returns of the investee, as well as rights of other parties. IFRS 10 also requires management to continuously assess control over an investee.

On January 2, 2003 Inter Pipeline acquired an additional 70% interest in Cold Lake which, combined with its initial 15% investment acquired on October 5, 2000, resulted in Inter Pipeline owning an 85% interest in Cold Lake. Inter Pipeline determined that it had control over Cold Lake since the acquisition of the additional 70% interest by considering factors such as its majority voting rights over Cold Lake’s relevant activities. The relevant activities include identification of expansion and other transportation service opportunities, performance of due diligence and economic feasibility studies and managing decisions to undergo capital projects. Management believes that Inter Pipeline has the current ability to direct these relevant activities and, as such, has control over Cold Lake.

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

3. SEGMENT REPORTING

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

Three Months Ended March 31, 2013

	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	$ 91,583	$ 129,398	$ 67,336	$ -	$ 288,317	$ 39,362	$ 327,679
Expenses							
Shrinkage gas	-	61,594	-	-	61,594	-	61,594
Midstream product purchases	-	-	13,955	-	13,955	-	13,955
Operating	27,585	24,616	12,571	-	64,772	16,273	81,045
Depreciation and amortization	11,187	6,722	2,435	584	20,928	9,998	30,926
Financing charges	8,747	67	157	14,340	23,311	567	23,878
General and administrative	2,478	-	-	11,431	13,909	2,339	16,248
Unrealized change in fair value of derivative financial instruments	-	808	(92)	-	716	-	716
Management and incentive fees to General Partner	-	-	-	4,182	4,182	-	4,182
Loss (gain) on disposal of assets	-	1,741	(8)	-	1,733	-	1,733
Total expenses	49,997	95,548	29,018	30,537	205,100	29,177	234,277
Income (loss) before income taxes	41,586	33,850	38,318	(30,537)	83,217	10,185	93,402
Provision for (recovery of) income taxes	6,615	-	-	14,951	21,566	(396)	21,170
Net income (loss)	$ 34,971	$ 33,850	$ 38,318	$ (45,488)	$ 61,651	$ 10,581	$ 72,232
Items not involving cash:							
Depreciation and amortization*	11,187	8,463	2,427	584	22,661	9,998	32,659
Non-cash (recovery) expense	(325)	(111)	(246)	(2,701)	(3,383)	481	(2,902)
Unrealized change in fair value of derivative financial instruments	-	808	(92)	-	716	-	716
Deferred income tax expense (recovery)	4,929	-	-	2,442	7,371	(720)	6,651
Funds from (used in) operations	$ 50,762	$ 43,010	$ 40,407	$ (45,163)	$ 89,016	$ 20,340	$ 109,356
Property, plant and equipment additions	$ 381,989	$ 12,950	$ 3,007	$ 1,677	$ 399,623	$ 13,830	$ 413,453

As at March 31, 2013

	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	$ 3,599,083	$ 415,093	$ 473,764	$ 11,351	$ 4,499,291	$ 663,538	$ 5,162,829
Goodwill and intangible assets - net book value	$ 228,109	$ 207,843	$ -	$ -	$ 435,952	$ 174,304	$ 610,256
Other assets	$ 75,196	$ 66,808	$ 34,714	$ 272	$ 176,990	$ 55,946	$ 232,936
Total assets	$ 3,902,388	$ 689,744	$ 508,478	$ 11,623	$ 5,112,233	$ 893,788	$ 6,006,021

* Includes loss (gain) on disposal of assets

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

Three Months Ended March 31, 2012 (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	$ 75,104	$ 136,656	$ 51,239	$ -	$ 262,999	$ 38,690	$ 301,689
Expenses							
Shrinkage gas	-	55,970	-	-	55,970	-	55,970
Operating	19,602	23,514	10,161	-	53,277	16,127	69,404
Depreciation and amortization	10,893	6,690	2,371	643	20,597	7,430	28,027
Financing charges	9,495	63	162	13,399	23,119	159	23,278
General and administrative	1,590	-	-	10,843	12,433	2,710	15,143
Unrealized change in fair value of derivative financial instruments	-	(3,664)	-	597	(3,067)	-	(3,067)
Acquisition fee to General Partner	-	-	-	4,591	4,591	-	4,591
Management and incentive fees to General Partner	-	-	-	3,704	3,704	-	3,704
Total expenses	41,580	82,573	12,694	33,777	170,624	26,426	197,050
Income (loss) before income taxes	33,524	54,083	38,545	(33,777)	92,375	12,264	104,639
Provision for (recovery of) income taxes	4,739	-	-	18,903	23,642	(1,107)	22,535
Net income (loss)	$ 28,785	$ 54,083	$ 38,545	$ (52,680)	$ 68,733	$ 13,371	$ 82,104
Items not involving cash:							
Depreciation and amortization	10,893	6,690	2,371	643	20,597	7,430	28,027
Non-cash (recovery) expense	(187)	(100)	(385)	(2,436)	(3,108)	4	(3,104)
Unrealized change in fair value of derivative financial instruments	-	(3,664)	-	597	(3,067)	-	(3,067)
Deferred income tax expense (recovery)	4,669	-	-	3,700	8,369	(1,510)	6,859
Funds from (used in) operations	$ 44,160	$ 57,009	$ 40,531	$ (50,176)	$ 91,524	$ 19,295	$ 110,819
Property, plant and equipment additions	$ 30,157	$ 5,253	$ 3,696	$ 550	$ 39,656	$ 6,938	$ 46,594

As at December 31, 2012 *(restated)*

Property, plant and equipment - net book value	$ 3,228,340	$ 406,313	$ 473,192	$ 9,251	$ 4,117,096	$ 676,412	$ 4,793,508
Goodwill and intangible assets - net book value	$ 229,057	$ 210,396	$ -	$ -	$ 439,453	$ 180,749	$ 620,202
Other assets	$ 68,451	$ 85,341	$ 51,811	$ 389	$ 205,992	$ 62,693	$ 268,685
Total assets	$ 3,525,848	$ 702,050	$ 525,003	$ 9,640	$ 4,762,541	$ 919,854	$ 5,682,395

As at January 1, 2012 *(restated)*

Property, plant and equipment - net book value	$ 2,997,655	$ 386,931	$ 448,463	$ 7,339	$ 3,840,388	$ 313,936	$ 4,154,324
Goodwill and intangible assets - net book value	$ 232,852	$ 220,606	$ -	$ -	$ 453,458	$ 59,938	$ 513,396
Other assets	$ 46,010	$ 64,859	$ 50,003	$ 321	$ 161,193	$ 25,272	$ 186,465
Total assets	$ 3,276,517	$ 672,396	$ 498,466	$ 7,660	$ 4,455,039	$ 399,146	$ 4,854,185

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

4. PROPERTY, PLANT AND EQUIPMENT

	Pipelines, Facilities and Equipment	Pipeline Line fill	Construction Work in Progress	Total
Cost				
Balance, January 1, 2012 *(restated)*	$ 4,578,128	$ 249,971	$ 143,077	$ 4,971,176
Acquisition of Inter Terminals	340,881	-	1,278	342,159
Additions/transfers from construction* *(restated)*	171,052	23,858	368,736	563,646
Disposals/completed construction* *(restated)*	(8,625)	-	(169,968)	(178,593)
Foreign currency translation adjustment	11,474	-	275	11,749
Balance, December 31, 2012 *(restated)*	5,092,910	273,829	343,398	5,710,137
Additions/transfers from construction*	33,448	-	412,890	446,338
Disposals/completed construction*	(38)	-	(32,886)	(32,924)
Foreign currency translation adjustment	(22,675)	-	(468)	(23,143)
Balance, March 31, 2013	**$ 5,103,645**	**$ 273,829**	**$ 722,934**	**$ 6,100,408**
Accumulated Depreciation				
Balance, January 1, 2012 *(restated)*	$ 808,213	$ 8,639	$ -	$ 816,852
Depreciation *(restated)*	94,815	3,359	-	98,174
Disposals	(430)	-	-	(430)
Foreign currency translation adjustment	2,033	-	-	2,033
Balance, December 31, 2012 *(restated)*	904,631	11,998	-	916,629
Depreciation	24,538	726	-	25,264
Disposals	(38)	-	-	(38)
Foreign currency translation adjustment	(4,276)	-	-	(4,276)
Balance, March 31, 2013	**$ 924,855**	**$ 12,724**	**$ -**	**$ 937,579**
Net Book Value				
At January 1, 2012 *(restated)*	$ 3,769,915	$ 241,332	$ 143,077	$ 4,154,324
At December 31, 2012 *(restated)*	$ 4,188,279	$ 261,831	$ 343,398	$ 4,793,508
At March 31, 2013	**$ 4,178,790**	**$ 261,105**	**$ 722,934**	**$ 5,162,829**

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

At March 31, 2013, Inter Pipeline expects to spend approximately $2,350.5 million on property, plant and equipment, of which $1,185.6 million is due within one year and $1,164.9 million is due in one to five years. These amounts do not include expenditures related to the 15% non-controlling interest in Cold Lake.

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

5. GOODWILL AND INTANGIBLE ASSETS

	March 31 2013	December 31 2012 *(restated)*	January 1 2012 *(restated)*
Goodwill	**$ 320,134**	$ 324,077	$ 211,150
Intangible assets	**290,122**	296,125	302,246
Goodwill and intangible assets	**$ 610,256**	$ 620,202	$ 513,396

As a result of the transition to IFRS 10, intangible assets increased $10.8 million at December 31, 2012 related to the 15% non-controlling interest in Cold Lake (January 1, 2012 - $11.4 million).

6. DISTRIBUTIONS TO UNITHOLDERS

Section 5.2 of the Limited Partnership Agreement (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, 2013, Inter Pipeline declared distributions totaling $76.8 million, or $0.2775 per unit, of which $54.4 million was settled with the issuance of units under the Premium Distribution[TM] and Distribution Reinvestment Plan (Plan) (three months ended March 31, 2012 - $69.9 million, $0.2625 per unit and $53.6 million, respectively). As at March 31, 2013, distributions of $25.7 million were payable on 277.3 million outstanding Class A units and 0.3 million outstanding Class B units at $0.0925 per unit (December 31, 2012 - $25.5 million payable on 274.9 million outstanding Class A units and 0.3 million outstanding Class B units at $0.0925 per unit, January 1, 2012 - $23.1 million payable on 263.9 million outstanding Class A units and 0.3 million outstanding Class B units at $0.0875 per unit).

On April 4, 2013, Inter Pipeline declared distributions of $0.0925 per unit. The distributions will be paid on May 15, 2013, to all unitholders of record on April 22, 2013. The total estimated declared distributions are approximately $25.8 million.

[TM] Denotes trademark of Canaccord Capital Corporation

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

7. LONG-TERM DEBT, SHORT-TERM DEBT AND COMMERCIAL PAPER

	March 31 2013	December 31 2012	January 1 2012
$1,550 million Unsecured Revolving Credit Facility (a)	**$ 1,344,350**	$ 1,353,950	$ 1,467,300
$750 million Unsecured Revolving Credit Facility (b)	**388,600**	260,000	-
Loan payable to General Partner	**288,648**	288,648	379,800
Corridor Debentures (c)	**300,000**	300,000	300,000
Senior Unsecured Medium-Term Notes (d)	**925,000**	925,000	525,000
Long-term debt, short-term debt and commercial paper (excluding transaction costs and discounts)	**3,246,598**	3,127,598	2,672,100
Less: Current portion of long-term debt and commercial paper*	**(1,344,350)**	(1,353,950)	(1,558,452)
	1,902,248	1,773,648	1,113,648
Transaction costs, net of accumulated amortization	**(12,797)**	(13,461)	(12,447)
Discount, net of accumulated amortization	**(2,226)**	(2,103)	(2,007)
Add: Current portion of transaction costs and discounts	**2,794**	2,818	3,094
Long-term debt	**1,890,019**	1,760,902	1,102,288
Current portion of long-term debt including transaction costs and discounts	**-**	-	90,989
Commercial paper including transaction costs and discounts* (a)	**1,341,556**	1,351,132	1,464,369
	$ 3,231,575	$ 3,112,034	$ 2,657,646

* Commercial paper issued by Corridor is fully supported and management expects that it will continue to be supported by the Unsecured Revolving Credit Facility that has no repayment requirements until December 2016.

(a) At March 31, 2013, letters of credit of $0.2 million were issued by Corridor.

(b) On April 19, 2013, Inter Pipeline increased the size of its Unsecured Revolving Credit Facility from $750 million to $1,250 million. The term of the credit facility remains unchanged with a maturity date of December 5, 2017, which can be extended further upon certain conditions.

(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.

(d) Senior Unsecured Medium-Term Notes are defined as the $325 million 4.967% Series 1 notes due February 2, 2021, the $200 million 3.839% Series 2 notes due July 30, 2018, and the $400 million 3.776% Series 3 notes due May 30, 2022.

8. PROVISIONS

	March 31 2013	December 31 2012 *(restated)*	January 1 2012 *(restated)*
Decommissioning obligations	**$ 41,587**	$ 41,914	$ 20,281
Environmental liabilities	**18,313**	18,039	16,744
Provisions	**$ 59,900**	$ 59,953	$ 37,025

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

9. EMPLOYEE BENEFITS

	March 31 2013	December 31 2012	January 1 2012
Pension liability	**$ 2,313**	$ 2,396	$ 758
Long-term incentive plan liability	**2,981**	7,235	6,231
Employee benefits	**$ 5,294**	$ 9,631	$ 6,989

For the three months ended March 31, 2013, employee benefits expense recognized in net income was $19.8 million (three months ended March 31, 2012 - $19.3 million).

Long-Term Incentive Plan

The following table summarizes the status of Inter Pipeline's deferred unit rights (DURs) as at March 31, 2013, and December 31, 2012 and the changes during the three months and year then ended, respectively:

	DURs Number
Balance, January 1, 2012	1,370,679
Granted	682,476
Exercised	(723,922)
Forfeitures	(34,748)
Balance, December 31, 2012	1,294,485
Granted	623,123
Exercised	(46,902)
Forfeitures	(11,117)
Balance, March 31, 2013	**1,859,589**

At March 31, 2013, the current portion of the liability included in accounts payable and accrued liabilities was $23.4 million (December 31, 2012 - $16.2 million, January 1, 2012 - $12.7 million). At March 31, 2013, 573,116 DURs are exercisable. Inter Pipeline's closing Class A unit price at March 31, 2013, was $23.83.

The total intrinsic value of DURs vested and not exercised as at March 31, 2013, was $14.7 million (December 31, 2012 - $15.5 million, January 1, 2012 - $13.2 million).

The weighted average remaining contractual life of the outstanding DURs as at March 31, 2013, was 1.76 years.

For the three months ended March 31, 2013, operating expenses included $0.8 million and general and administrative expenses included $3.4 million related to DURs (three months ended March 31, 2012 - $1.2 million and $4.1 million, respectively).

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

10. PARTNERS' EQUITY

Units Issued, Fully Paid and Outstanding

Authorized

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

Issued, Fully Paid and Outstanding

	Class A Units	Class B Units	Total
Balance, January 1, 2012	263,892,445	264,413	264,156,858
Issued under Premium Distribution™ and Distribution Reinvestment Plan	10,987,873	11,009	10,998,882
Balance, December 31, 2012	274,880,318	275,422	275,155,740
Issued under Premium Distribution™ and Distribution Reinvestment Plan	2,459,484	2,466	2,461,950
Balance, March 31, 2013	**277,339,802**	**277,888**	**277,617,690**

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	
	2013	2012
Net income attributable to unitholders – basic and diluted	**$ 69,651**	$ 79,634
Weighted average units outstanding – basic	**276,395,638**	265,675,934
Effect of Premium Distribution™ and Distribution Reinvestment Plan	**598,954**	756,352
Weighted average units outstanding – diluted	**276,994,592**	266,432,286
Net income per Partnership unit attributable to unitholders – basic and diluted	**$ 0.25**	$ 0.30

Reserves

Reserves are summarized as follows:

	Foreign Currency Translation Reserve	Defined Benefit Pension Reserve	Total Reserves
Balance, January 1, 2012	$ (23,923)	$ (8,357)	$ (32,280)
Other comprehensive income (loss)	10,618	(113)	10,505
Balance, March 31, 2012	$ (13,305)	$ (8,470)	$ (21,775)
Balance, January 1, 2013	$ (13,437)	$ (10,067)	$ (23,504)
Other comprehensive (loss) income	(20,076)	243	(19,833)
Balance, March 31, 2013	**$ (33,513)**	**$ (9,824)**	**$ (43,337)**

TM Denotes trademark of Canaccord Capital Corporation.

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

11. NON-CONTROLLING INTEREST

As a result of adopting IFRS 10, Inter Pipeline consolidates 100% of Cold Lake and a non-controlling interest is recorded to represent the 15% equity investment in Cold Lake that is not attributable to Inter Pipeline.

Summarized information on the balance sheets and results of operations relating to the non-controlling interest's 15% ownership interest in Cold Lake are:

	March 31 2013	December 31 2012 *(restated)*	January 1 2012 *(restated)*
Current assets	**$ 4,248**	$ 2,498	$ 1,443
Non-current assets	**91,437**	89,699	84,675
Current liabilities	**897**	1,172	(35)
Non-current liabilities	**(12)**	(12)	(7)
Proportionate share of net assets	**$ 96,570**	$ 93,357	$ 86,076

	Three Months Ended March 31	
	2013	2012 *(restated)*
Revenues	**$ 4,848**	$ 4,465
Expenses	**2,256**	1,984
Current income tax	**11**	11
Proportionate share of net income and comprehensive income	**$ 2,581**	$ 2,470

12. RELATED PARTY TRANSACTIONS

No revenue was earned from related parties for the three months ended March 31, 2013 and 2012.

Amounts due from or 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 7). At March 31, 2013, accounts payable includes $2.2 million owing to the General Partner by Inter Pipeline (December 31, 2012 - $2.7 million, January 1, 2012 - $0.9 million).

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 15% of Inter Pipeline's annual distributable cash, as defined in the LPA (LPA Distributable Cash), in excess of $1.01 per unit annually but less than or equal to $1.10 per unit annually, 25% of available Distributable Cash in excess of $1.10 per unit annually but less than or equal to $1.19 per unit annually, and 35% of available Distributable Cash in excess of $1.19 per unit annually; 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.

Management fees of $3.1 million were earned by the General Partner in the three months ended March 31, 2013 (three months ended March 31, 2012 - $3.3 million). Incentive fees of $1.1 million were accrued to the General Partner as Inter Pipeline's annual Distributable Cash is expected to be in excess of $1.01 per unit annually (three months ended March 31, 2012 - $0.4 million). Acquisition fees of $nil and disposition fees of $nil were earned by the General Partner in the three months ended March 31, 2013 (three months ended March 31, 2012 – $4.6 million and $nil respectively).

In 2004, Inter Pipeline entered into a loan agreement with the General Partner for $379.8 million, of which $288.6 million is outstanding at March 31, 2013 (December 31, 2012 - $288.6 million, January 1, 2012 - $379.8 million). At March 31, 2013, accounts payable includes interest payable to the General Partner on the loan of $7.6 million (December 31, 2012 - $3.2 million, January 1, 2012 - $4.1 million).

In the three months ended March 31, 2013, 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 (three months ended March 31, 2012 - $0.9 million).

13. COMMITMENTS AND CONTINGENCIES

On June 15, 2007, Inter Pipeline entered into an agreement with the Corridor 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 is not Inter Pipeline) in favour of the shippers under the Firm Service Agreement (FSA) and other related agreements. The guarantee may be exercised in the event that Corridor, the General Partner or the operator (if the operator is not Inter Pipeline) fails to pay or perform such obligations for any reason.

As a result of the sale of Lewis Tankers Limited in November 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, 2013, the guaranteed lease obligations are approximately $0.2 million.

Inter Pipeline has entered into lease agreements for office space, storage, land and property, plant and equipment for periods ranging from 2013 to 2090. At March 31, 2013, the future minimum lease obligations are approximately $227.1 million.

Inter Pipeline has committed to purchase obligations totaling approximately $187.8 million at March 31, 2013 (refer to note 4 for expected property, plant and equipment expenditures). 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 expenditures are estimated to be in the range of $5.0 million to $7.0 million over the next eight years.

14. CAPITAL DISCLOSURES

Capital under management includes long-term debt, short-term debt and commercial paper (excluding discounts and transaction costs) and partners’ equity.

At March 31, 2013, Inter Pipeline had access to committed credit facilities totaling $2,300.0 million, of which $567.1 million remains unutilized. Inter Pipeline also had access to unutilized demand facilities of $45.0 million, of which $44.8 million remains unutilized. Certain unutilized amounts under these facilities are available to specific subsidiaries of Inter Pipeline. On April 19, 2013, Inter Pipeline increased the size of its Unsecured Revolving Credit Facility from $750.0 million to $1,250.0 million (note 7).

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

Management's long-term objectives are to remain well below its maximum permitted ratio of 65% recourse debt to capitalization* and maximum senior recourse debt to EBITDA** ratio of 4.25 times. In March 2013, terms under an amended note purchase agreement became effective, which enabled the permitted recourse debt to EBITDA** ratio to increase from 4.25 to 5.5 times. The higher ratio provides Inter Pipeline with greater financial flexibility to fund its oil sands transportation expansion projects. Once the debt issued under the note purchase agreement matures in October 2014, the recourse debt to EBITDA** covenant will no longer exist. The recourse debt to capitalization* and senior recourse debt to EBITDA** measures below are similar to the coverage ratio terms contained in Inter Pipeline's credit agreements. EBITDA** calculated below includes the 15% non-controlling interest in Cold Lake and all net income associated with non-recourse subsidiaries, while the credit agreements only include distributed earnings attributable to unitholders of Inter Pipeline.

	March 31 2013	December 31 2012	January 1 2012
Long-term debt, short-term debt and commercial paper (excluding transaction costs and discounts, per note 7)			
Recourse debt	**$ 1,602,248**	$ 1,473,648	$ 904,800
Non-recourse debt	**1,644,350**	1,653,950	1,767,300
	3,246,598	3,127,598	2,672,100
Partners' equity	**1,686,864**	1,659,451	1,419,786
Total capitalization	**$ 4,933,462**	$ 4,787,049	$ 4,091,886
Capitalization (excluding non-recourse debt)	**$ 3,289,112**	$ 3,133,099	$ 2,324,586
Recourse debt to capitalization*	**48.7%**	47.0%	38.9%

	Twelve Months Ended **March 31 2013**	December 31 2012 *(restated)*
Net income	**$ 307,110**	$ 316,982
Add:		
Depreciation and amortization	**127,492**	124,593
Loss on disposal of assets	**1,908**	175
Financing charges	**98,204**	97,604
Non-cash recovery	**(355)**	(234)
Unrealized change in fair value of derivative financial instruments	**(40,580)**	(44,363)
Provision for income taxes	**87,930**	89,295
EBITDA**	**$ 581,709**	$ 584,052
Recourse debt to EBITDA**	**2.8**	2.5

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

* Recourse debt to capitalization is an additional GAAP measure and is calculated by dividing the sum of debt facilities outstanding with recourse to Inter Pipeline (excluding discounts and debt transaction costs) by total capitalization excluding outstanding debt facilities with no recourse to Inter Pipeline.

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

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

15. FINANCIAL INSTRUMENTS

Classification of Financial Assets and Financial Liabilities

The carrying value of Inter Pipeline's financial assets and liabilities recorded at March 31, 2013, are classified as follows:

	Fair Value Through Profit or Loss	Cash, Loans and Receivables	Other Financial Liabilities	Carrying Value of Financial Asset or Liability	Non-Financial Asset or Liability*	Carrying Value of Asset or Liability
Assets**						
Cash and cash equivalents	$ -	$ 41,353	$ -	$ 41,353	$ -	$ 41,353
Accounts receivable	-	121,695	-	121,695	15,805	137,500
Prepaid expenses and other deposits	-	18,116	-	18,116	14,060	32,176
Derivative financial instruments***	21,907	-	-	21,907	-	21,907
Liabilities						
Distributions payable to unitholders	-	-	25,680	25,680	-	25,680
Accounts payable and accrued liabilities	4,754	-	412,904	417,658	38,435	456,093
Derivative financial instruments***	6,088	-	-	6,088	-	6,088
Deferred revenue and other liabilities	-	-	8,533	8,533	21,728	30,261
Long-term debt and commercial paper (note 7)****	-	-	3,246,598	3,246,598	-	3,246,598
Long-term payable	3,871	-	-	3,871	-	3,871

* Not all components of assets and liabilities meet the definition of a financial asset or liability.
** Inter Pipeline does not have any assets that meet the definition of "available-for-sale" or "held-to-maturity."
*** Financial instruments at fair value through profit or loss (FVTPL) are recorded at fair value using a discounted cash flow methodology.
**** Carrying values include commercial paper and exclude discounts and transaction costs with the respective accumulated amortization.

a) Fair Value of Financial Instruments

The fair values 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 contract payable to the Corridor 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, 2013, the carrying values of fixed rate debt compared to fair values are as follows:

	Carrying Value*	Fair Value
Loan Payable to General Partner	$ 288,648	$ 307,536
Corridor Debentures	$ 300,000	$ 329,659
Senior Unsecured Medium-Term Notes	$ 925,000	$ 1,004,343

* Carrying value excludes transaction costs, discount and accumulated amortization.

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

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 2013	December 31 2012	January 1 2012
Current asset	**$ 18,036**	$ 20,816	$ 5,167
Non-current asset	**3,871**	4,865	9,772
Current liability	**(6,077)**	(8,336)	(25,746)
Non-current liability	**(11)**	-	(11,035)
	$ 15,819	$ 17,345	$ (21,842)

Derivative financial instruments carried at fair value are as follows:

	March 31 2013	December 31 2012	January 1 2012
Frac-spread risk management			
NGL swaps	**$ 13,204**	$ 16,246	$ (13,691)
Natural gas swaps	**(3,380)**	(6,776)	(15,573)
Foreign exchange swaps	**(2,697)**	(1,535)	(7,189)
	7,127	7,935	(36,453)
Interest rate risk management			
Interest rate swaps	**8,625**	9,435	14,611
	8,625	9,435	14,611
Power price risk management			
Electricity price swap	**67**	(25)	-
	67	(25)	-
	$ 15,819	$ 17,345	$ (21,842)

Net Gains or Losses

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

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

	Three Months Ended March 31	
	2013	2012
Revenues		
NGL swaps	**$ 5,241**	$ (2,043)
Foreign exchange swaps (frac-spread)	**(661)**	(33)
	4,580	(2,076)
Shrinkage gas expense		
Natural gas swaps	**(1,943)**	(3,496)
	(1,943)	(3,496)
Operating expenses		
Electricity price swaps	**25**	-
	25	-
Financing charges		
Interest rate swap	**1,159**	1,196
	1,159	1,196
Net realized gain (loss) on derivative financial instruments	**$ 3,821**	$ (4,376)

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

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

	Three Months Ended March 31	
	2013	2012
Frac-spread risk management		
NGL swaps	**$ (3,042)**	$ 4,225
Natural gas swaps	**3,396**	(4,910)
Foreign exchange swaps	**(1,162)**	4,349
	(808)	3,664
Power price risk management		
Electricity price swaps	**92**	-
	92	-
Foreign exchange risk management		
Foreign exchange swaps	**-**	(597)
	-	(597)
Unrealized change in fair value of derivative financial instruments	**$ (716)**	$ 3,067

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.

16. 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, 2013, represented approximately 42% of forecast propane-plus volumes at the Cochrane extraction facility for the period April 1, 2013 to December 31, 2013, at an average frac-spread price of approximately $0.97 CAD/US gallon. This average price approximated $0.95 USD/US gallon, based on the average USD/CAD forward curve as at March 31, 2013.

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*	$ 13,204	$ (4,116)	$ 4,116
AECO natural gas	(3,380)	1,120	(1,120)
Foreign exchange	(2,697)	(5,123)	5,123
Frac-spread risk management	$ 7,127		

* 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, 2013, a 1% change in interest rates at this date could affect interest expense on credit facilities by approximately $4.3 million for the three months ended March 31, 2013, assuming all other variables remain constant. Of this amount, $3.3 million relates to the $1.55 billion Unsecured Revolving Credit Facility (note 7) and is recoverable through the terms of Corridor's FSA, therefore the after-tax income impact would be $0.7 million.

Power Price Risk Management

Inter Pipeline enters into electricity price swap contracts to manage power price risk exposure in the conventional oil pipelines business. During the three months ended March 31, 2013, Inter Pipeline entered into an electricity price swap agreement in the conventional oil pipelines business in addition to the existing electricity price swap agreement entered into in 2012. Inter Pipeline may also enter into financial heat rate swap contracts to manage power price risk exposure in the NGL extraction business. As at March 31, 2013, there are no heat rate price swap agreements outstanding.

At March 31, 2013, a 10% change in Alberta power pool commodity prices in isolation with all other variables held constant could potentially change the mark-to-market valuation of Inter Pipeline's derivative financial instruments used to manage power price risk, and consequently after-tax income, by approximately $0.2 million.

Foreign Exchange Risk Management

Inter Pipeline is exposed to currency risk resulting from the translation of assets and liabilities of its European bulk liquid storage operations and transactional currency exposures arising from purchases in currencies other than Inter Pipeline's functional currency, the Canadian dollar. 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 predominantly held with major financial institutions or investment grade corporations.

At March 31, 2013, 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, 2013, accounts receivable outstanding meeting the definition of past due and impaired are insignificant.

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, 2013, accounts receivable associated with these two business segments were $85.1 million or 61.9% 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.

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

c) Liquidity Risk

The table below summarizes the contractual maturity profile of Inter Pipeline's financial liabilities at March 31, 2013, on an undiscounted basis:

	Total	Less Than One Year	One to Five Years	After Five Years
Distributions payable to unitholders	$ 25,680	$ 25,680	$ -	$ -
Accounts payable and accrued liabilities	456,093	456,093	-	-
Deferred revenue and other liabilities	30,261	14,332	9,808	6,121
Derivative financial instruments*	6,127	6,116	11	-
Long-term debt and commercial paper**	3,246,598	1,344,350	827,248	1,075,000
Long-term payable*	4,009	-	4,009	-
	$ 3,768,768	$ 1,846,571	$ 841,076	$ 1,081,121

* 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, 2013, based upon contractual maturity dates. Fair values of derivative financial instruments and the long-term payable reported on the consolidated balance sheets are shown on a discounted basis.

** Commercial paper issued by Corridor is fully supported and management expects that it will continue to be supported by the Unsecured Revolving Credit Facility that has no repayment requirements until December 2016.

17. FINANCING CHARGES

	Three Months Ended March 31	
	2013	2012 *(restated)*
Interest expense on credit facilities	**$ 8,200**	$ 9,568
Interest on loan payable to General Partner	**4,438**	5,771
Interest on Corridor Debentures	**2,514**	2,518
Interest on Senior Unsecured Medium-Term Notes	**9,731**	5,955
Total interest	**24,883**	23,812
Capitalized interest	**(2,637)**	(1,843)
Amortization of transaction costs on long-term debt, short-term debt and commercial paper	**817**	831
Accretion of provisions and pension plan financing charges	**815**	478
Financing charges	**$ 23,878**	$ 23,278

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

18. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in Non-Cash Working Capital

	Three Months Ended March 31	
	2013	2012
		(restated)
Accounts receivable	**$ 9,246**	$ (578)
Prepaid expense and other deposits	**(897)**	(13,656)
Distributions payable to unitholders	**228**	264
Accounts payable and accrued liabilities	**162,910**	(13,863)
Deferred revenue	**8,189**	11,950
Current income taxes payable	**5,989**	(33,658)
Working capital acquired	**-**	14,932
Impact of foreign exchange rate differences and other	**24**	207
Changes in non-cash working capital	**$ 185,689**	$ (34,402)
These changes relate to the following activities:		
Operating	**$ 10,746**	$ (47,941)
Investing	**174,715**	13,275
Financing	**228**	264
Changes in non-cash working capital	**$ 185,689**	$ (34,402)

Cash and Cash Equivalents

	March 31 2013	December 31 2012	January 1 2012
		(restated)	*(restated)*
Cash on hand and at banks	**$ 29,086**	$ 53,604	$ 38,675
Short-term deposits	**12,267**	11,375	12,142
	$ 41,353	$ 64,979	$ 50,817

19. TRANSITION TO IFRS 10

Inter Pipeline has re-assessed its consolidation conclusions at January 1, 2013, in accordance with IFRS 10 and concluded that it has controlled Cold Lake since the acquisition of its additional 70% ownership interest on January 2, 2003, and that 100% of Cold Lake should be consolidated. The 15% ownership interest in Cold Lake that is not attributable to Inter Pipeline is presented in the consolidated financial statements as activities and balances attributable to a non-controlling interest. Inter Pipeline's 85% ownership interest in Cold Lake was previously accounted for as a joint venture and was consolidated in a manner that reflected Inter Pipeline's 85% ownership interest in the individual income, expenses, assets, liabilities and cash flows of Cold Lake on a line by line basis in the consolidated results.

Inter Pipeline has accounted for this change in accounting policy using the relevant transitional provisions of IFRS 10 by accounting for its acquisition of Cold Lake using IFRS 3 *Business Combinations*, as at the acquisition date of January 2, 2003, and consolidating Cold Lake since the acquisition date. The adjustments for each financial statement line item affected are presented in the following tables:

(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, 2012

	Three months ended March 31, 2012		
	As Previously Reported	IFRS 10 Adjustment	**As Restated**
REVENUES			
Operating revenues	**$ 297,224**	$ 4,465	**$ 301,689**
EXPENSES			
Shrinkage gas	**55,970**	-	**55,970**
Operating	**67,782**	1,622	**69,404**
Depreciation and amortization	**27,662**	365	**28,027**
Financing charges	**23,281**	(3)	**23,278**
General and administration	**15,143**	-	**15,143**
Unrealized change in fair value of derivative financial instruments	**(3,067)**	-	**(3,067)**
Acquisition fee to General Partner	**4,591**	-	**4,591**
Management and incentive fees to General Partner	**3,704**	-	**3,704**
	195,066	1,984	**197,050**
INCOME BEFORE INCOME TAXES	**102,158**	2,481	**104,639**
Provision for income taxes			
Current	**15,665**	11	**15,676**
Deferred	**6,859**	-	**6,859**
	22,524	11	**22,535**
NET INCOME	**$ 79,634**	$ 2,470	**$ 82,104**
Net income attributable to			
Unitholders of Inter Pipeline Fund	**$ 79,634**	$ -	**$ 79,634**
Non-controlling interest	**-**	-	**2,470**
	$ 79,634	$ -	**$ 82,104**
Net income per Partnership unit attributable to unitholders of Inter Pipeline Fund			
Basic and diluted	**$ 0.30**	$ -	**$ 0.30**

Reconciliation of Consolidated Statement of Comprehensive Income for the three months ended March 31, 2012

IFRS 10 had no impact on Inter Pipeline's other comprehensive income for the three months ended March 31, 2012. Comprehensive income increased by $2.5 million as a result of the IFRS 10 changes recorded in the consolidated statement of net income.

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

Reconciliation of Consolidated Statement of Net Income for the year ended December 31, 2012

	Year ended December 31, 2012		
	As Previously Reported	IFRS 10 Adjustment	**As Restated**
REVENUES			
Operating revenues	**$ 1,187,023**	$ 18,968	**$ 1,205,991**
EXPENSES			
Shrinkage gas	**206,525**	-	**206,525**
Midstream product purchases	**31,905**	-	**31,905**
Operating	**293,150**	7,656	**300,806**
Depreciation and amortization	**123,132**	1,461	**124,593**
Financing charges	**97,618**	(14)	**97,604**
General and administration	**64,046**	-	**64,046**
Unrealized change in fair value of derivative financial intruments	**(44,363)**	-	**(44,363)**
Acquisition fee to General Partner	**4,591**	-	**4,591**
Management and acquisition fees to General Partner	**13,832**	-	**13,832**
Loss (gain) on disposal of assets	**179**	(4)	**175**
	790,615	9,099	**799,714**
INCOME BEFORE INCOME TAXES	**396,408**	9,869	**406,277**
Provision for income taxes			
Current	**57,002**	40	**57,042**
Deferred	**32,253**	-	**32,253**
	89,255	40	**89,295**
NET INCOME	**$ 307,153**	$ 9,829	**$ 316,982**
Net income attributable to			
Unitholders of Inter Pipeline Fund	**$ 307,153**	$ -	**$ 307,153**
Non-controlling interest	**-**	-	**9,829**
	$ 307,153	$ -	**$ 316,982**
Net income per Partnership unit attributable to unitholders of Inter Pipeline Fund			
Basic and diluted	**$ 1.14**	$ -	**$ 1.14**

Reconciliation of Consolidated Statement of Comprehensive Income for the year ended December 31, 2012

IFRS 10 had no impact on Inter Pipeline's other comprehensive income for the year ended December 31, 2012. Comprehensive income increased by $9.8 million as a result of the IFRS 10 changes recorded in the consolidated statement of net income.

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

Reconciliation of Consolidated Statement of Cash Flows for the three months ended March 31, 2012

	Three months ended March 31, 2012		
	As Previously Reported	IFRS 10 Adjustment	**As Restated**
OPERATING ACTIVITIES			
Net income	**$ 79,634**	$ 2,470	**$ 82,104**
Items not involving cash:			
Depreciation and amortization	**27,662**	365	**28,027**
Non-cash recovery	**(3,104)**	-	**(3,104)**
Unrealized change in fair value of derivative financial instruments	**(3,067)**	-	**(3,067)**
Deferred income tax expense	**6,859**	-	**6,859**
Funds from operations	**107,984**	2,835	**110,819**
Net change in non-cash operating working capital	**(46,927)**	(1,014)	**(47,941)**
Cash provided by operating activities	**61,057**	1,821	**62,878**
INVESTING ACTIVITIES			
Expenditures on property, plant and equipment	**(45,903)**	(691)	**(46,594)**
Acquisition of Inter Terminals	**(509,873)**	-	**(509,873)**
Assumption of cash on acquisition of Inter Terminals	**48,293**	-	**48,293**
Capital contribution received from Cold Lake non-controlling interest	**-**	905	**905**
Net change in non-cash investing working capital	**13,171**	104	**13,275**
Cash (used in) provided by investing activities	**(494,312)**	318	**(493,994)**
FINANCING ACTIVITIES			
Cash distributions paid to unitholders of Inter Pipeline Fund	**(16,238)**	-	**(16,238)**
Cash distributions paid by Cold Lake to non-controlling interest	**-**	(2,519)	**(2,519)**
Increase in debt	**472,815**	-	**472,815**
Transaction costs on debt	**(704)**	-	**(704)**
Net change in non-cash financing working capital	**264**	-	**264**
Cash provided by (used in) financing activities	**456,137**	(2,519)	**453,618**
Effect of foreign currency translation on foreign currency denominated cash	**1,036**	-	**1,036**
Increase (decrease) in cash and cash equivalents	**23,918**	(380)	**23,538**
Cash and cash equivalents, beginning of period	**50,021**	796	**50,817**
Cash and cash equivalents, end of period	**$ 73,939**	$ 416	**$ 74,355**

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

Reconciliation of Consolidated Statement of Cash Flows for the year ended December 31, 2012

	Year ended December 31, 2012		
	As Previously Reported	IFRS 10 Adjustment	**As Restated**
OPERATING ACTIVITIES			
Net income	**$ 307,153**	$ 9,829	**$ 316,982**
Items not involving cash:			
Depreciation and amortization	**123,132**	1,461	**124,593**
Loss (gain) on disposal of assets	**179**	(4)	**175**
Non-cash expense	**4,236**	-	**4,236**
Unrealized change in fair value of derivative financial instruments	**(44,363)**	-	**(44,363)**
Deferred income tax expense	**32,253**	-	**32,253**
Funds from operations	**422,590**	11,286	**433,876**
Net change in non-cash operating working capital	**(47,338)**	(1,005)	**(48,343)**
Cash provided by operating activities	**375,252**	10,281	**385,533**
INVESTING ACTIVITIES			
Expenditures on property, plant and equipment	**(378,010)**	(6,481)	**(384,491)**
Proceeds on sale of assets	**356**	4	**360**
Acquisition of Inter Terminals	**(509,713)**	-	**(509,713)**
Assumption of cash on acquisition of Inter Terminals	**48,293**	-	**48,293**
Capital contribution received from Cold Lake non-controlling interest	**-**	7,238	**7,238**
Net change in non-cash investing working capital	**100,489**	(976)	**99,513**
Cash used in investing activities	**(738,585)**	(215)	**(738,800)**
FINANCING ACTIVITIES			
Cash distributions paid to unitholders of Inter Pipeline Fund	**(76,264)**	-	**(76,264)**
Cash distributions paid by Cold Lake to non-controlling interest	**-**	(9,785)	**(9,785)**
Increase in debt	**455,402**	-	**455,402**
Transaction costs on debt	**(1,924)**	-	**(1,924)**
Net change in non-cash financing working capital	**412**	-	**412**
Cash provided by (used in) financing activities	**377,626**	(9,785)	**367,841**
Effect of foreign currency translation on foreign currency denominated cash	**(412)**	-	**(412)**
Increase in cash and cash equivalents	**13,881**	281	**14,162**
Cash and cash equivalents, beginning of period	**50,021**	796	**50,817**
Cash and cash equivalents, end of period	**$ 63,902**	$ 1,077	**$ 64,979**

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

Reconciliation of Consolidated Balance Sheets

	January 1, 2012			March 31, 2012			December 31, 2012		
	As Previously Reported	IFRS 10 Adjustment	**As Restated**	**As Previously Reported**	IFRS 10 Adjustment	**As Restated**	**As Previously Reported**	IFRS 10 Adjustment	**As Restated**
ASSETS									
Current Assets									
Cash and cash equivalents	$ 50,021	$ 796	$ 50,817	$ 73,939	$ 416	$ 74,355	$ 63,902	$ 1,077	$ 64,979
Accounts receivable	109,145	422	109,567	109,482	663	110,145	146,545	201	146,746
Derivative financial instruments	5,167	-	5,167	5,146	-	5,146	20,816	-	20,816
Prepaid expenses and other deposits	10,917	225	11,142	24,483	315	24,798	30,059	1,220	31,279
Total Current Assets	175,250	1,443	176,693	213,050	1,394	214,444	261,322	2,498	263,820
Non-Current Assets									
Derivative financial instruments	9,772	-	9,772	7,705	-	7,705	4,865	-	4,865
Property, plant and equipment	4,081,036	73,288	4,154,324	4,453,534	73,756	4,527,290	4,714,627	78,881	4,793,508
Goodwill and intangible assets	502,009	11,387	513,396	635,975	11,245	647,220	609,384	10,818	620,202
Total Assets	$4,768,067	$ 86,118	$4,854,185	$5,310,264	$ 86,395	$5,396,659	$5,590,198	$ 92,197	$5,682,395
LIABILITIES AND PARTNERS' EQUITY									
Current Liabilities									
Distributions payable to unitholders	$ 23,114	$ -	$ 23,114	$ 23,378	$ -	$ 23,378	$ 25,452	$ -	$ 25,452
Accounts payable and accrued liabilities	162,499	4	162,503	148,947	(669)	148,278	294,240	(1,241)	292,999
Current income taxes payable	49,753	8	49,761	16,092	11	16,103	8,685	-	8,685
Derivative financial instruments	25,746	-	25,746	24,085	-	24,085	8,336	-	8,336
Deferred revenue	4,583	23	4,606	16,442	114	16,556	6,074	69	6,143
Current portion of long-term debt	90,989	-	90,989	91,037	-	91,037	-	-	-
Commercial paper	1,464,369	-	1,464,369	1,451,738	-	1,451,738	1,351,132	-	1,351,132
Total Current Liabilities	1,821,053	35	1,821,088	1,771,719	(544)	1,771,175	1,693,919	(1,172)	1,692,747
Non-Current Liabilities									
Long-term debt	1,102,288	-	1,102,288	1,588,144	-	1,588,144	1,760,902	-	1,760,902
Long-term payable	9,772	-	9,772	7,705	-	7,705	4,865	-	4,865
Derivative financial instruments	11,035	-	11,035	9,970	-	9,970	-	-	-
Provisions	37,018	7	37,025	56,285	7	56,292	59,941	12	59,953
Employee benefits	6,989	-	6,989	3,265	-	3,265	9,631	-	9,631
Long-term deferred revenue and other liabilities	17,652	-	17,652	16,703	-	16,703	16,958	-	16,958
Deferred income taxes	342,474	-	342,474	362,786	-	362,786	384,531	-	384,531
Total Liabilities	3,348,281	42	3,348,323	3,816,577	(537)	3,816,040	3,930,747	(1,160)	3,929,587
Partners' Equity									
Partners' equity	1,452,066	-	1,452,066	1,515,462	-	1,515,462	1,682,955	-	1,682,955
Total reserves	(32,280)	-	(32,280)	(21,775)	-	(21,775)	(23,504)	-	(23,504)
Total Partners' Equity	1,419,786	-	1,419,786	1,493,687	-	1,493,687	1,659,451	-	1,659,451
Non-controlling Interest	-	86,076	86,076	-	86,932	86,932	-	93,357	93,357
Total Equity	1,419,786	86,076	1,505,862	1,493,687	86,932	1,580,619	1,659,451	93,357	1,752,808
Total Liabilities and Equity	$4,768,067	$ 86,118	$4,854,185	$5,310,264	$ 86,395	$5,396,659	$5,590,198	$ 92,197	$5,682,395