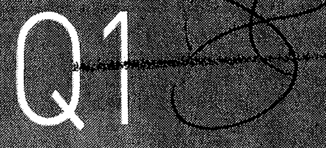
This is exhibit "T" referred to in the affidavit of
Keith McMahon
sworn before me this 21st day of
February 2012.
A NOTARY PUBLIC
IN AND FOR THE PROVINCE OF MANITOBA



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FINANCIAL STATEMENTS

Three months ended March 31, 2011 and 2010 (unaudited)
(amounts in thousands of U.S. dollars, except per unit amounts)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2011 and 2010 (unaudited), December 31, 2010 (unaudited) and January 1, 2010 (unaudited)

(thousands of U.S. dollars)	Note	March 31, 2011	March 31, 2010	December 31, 2010	January 1, 2010
ASSETS					
Current assets					
Cash		$ 2,156	$ 4,626	$ 9,240	$ 727
Accounts receivable		9,037	9,318	11,804	12,011
Inventories		14,598	11,557	10,493	8,688
Prepaids		4,448	5,773	3,703	5,168
		30,239	31,274	35,240	26,594
Deferred tax asset		13,470	4,591	13,415	–
Property, plant and equipment		135,798	140,388	137,388	142,142
Intangible assets		100,806	110,525	105,570	112,219
Goodwill		72,303	147,465	71,762	146,807
		$ 352,616	$ 434,243	$ 363,375	$ 427,762
LIABILITIES AND UNITHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		$ 19,236	$ 19,585	$ 15,277	$ 15,455
Provisions	4	260	332	335	314
Antitrust related litigation settlements		13,741	–	11,393	–
Other financial liabilities	5	5,907	7,827	8,228	7,337
Convertible debentures	6	84,248	–	74,490	–
Principal due within one year on long-term debt		2,920	2,339	2,391	61,099
		126,312	30,083	112,114	84,205
Unit options	7	182	1,074	80	1,153
Warrants	8	430	662	–	–
Long-term debt	9	191,401	180,830	176,522	101,960
Convertible debentures	6	–	84,652	–	78,673
Deferred tax liability		1,805	1,614	4,454	7,623
Unitholders' equity					
Units		325,170	325,170	325,170	325,170
Deficit		(286,517)	(187,103)	(250,893)	(171,022)
Accumulated other comprehensive loss		(6,167)	(2,739)	(4,072)	–
		32,486	135,328	70,205	154,148
		$ 352,616	$ 434,243	$ 363,375	$ 427,762

See accompanying notes to interim condensed consolidated financial statements.

Approved on behalf of the Trustees by:

JAMES E. CLARK
Trustee

GARY A. FILMON
Trustee

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

Three months ended March 31, 2011 and 2010 (unaudited)

(thousands of U.S. dollars, except per unit amounts)	Note	2011	2010
Sales		$ 22,281	$ 22,341
Cost of sales		38,767	36,120
		(16,486)	(13,779)
General and administrative expenses		2,491	1,687
Operating loss		(18,977)	(15,466)
Finance costs		8,994	7,438
Other costs	17	10,285	3,711
Loss before income taxes		(38,256)	(26,615)
Income taxes			
Current		112	170
Deferred (reduction)		(2,744)	(10,704)
		(2,632)	(10,534)
Loss for the period		$ (35,624)	$ (16,081)
Loss per unit – basic and diluted	10	$ (0.91)	$ (0.41)

See accompanying notes to interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

Three months ended March 31, 2011 and 2010 (unaudited)

(thousands of U.S. dollars)		2011		2010
Loss for the period	$	(35,624)	$	(16,081)
Other comprehensive income (loss)				
Net unrealized foreign currency translation loss		(2,095)		(2,739)
Comprehensive loss for the period	$	(37,719)	$	(18,820)

See accompanying notes to interim condensed consolidated financial statements.

(thousands of U.S. dollars)	2011	2010
Units		
Balance, beginning and end of period	$ 325,170	$ 325,170
Deficit		
Balance, beginning of period	(250,893)	(171,022)
Loss for the period	(35,624)	(16,081)
Balance, end of period	(286,517)	(187,103)
Accumulated other comprehensive income (loss)		
Balance, beginning of period	(4,072)	–
Other comprehensive loss	(2,095)	(2,739)
Balance, end of period	(6,167)	(2,739)
Total Unitholders' Equity	$ 32,486	$ 135,328

See accompanying notes to interim condensed consolidated financial statements.

(thousands of U.S. dollars)	Note	2011	2010
Cash from (used in):			
Operating activities			
Loss for the period		$ (35,624)	$ (16,081)
Adjustments for:			
Depreciation and amortization		9,757	7,883
Finance costs		8,994	7,438
Interest paid		(9,109)	(5,935)
Recognition of rents on a straight-line basis		179	179
Unit-based compensation expense		99	(111)
Loss (gain) on disposals of non-current assets		(7)	74
Gain on settlement of acquisition payable		(1,091)	–
Unrealized loss on convertible debentures		7,656	3,128
Unrealized gain on warrants		–	(900)
Unrealized loss on US denominated debt		–	284
Future income tax reduction		(2,744)	(10,704)
Antitrust related litigation settlements		1,993	–
		(19,897)	(14,745)
Changes in non-cash working capital items	11	2,137	3,279
		(17,760)	(11,466)
Investing activities			
Additions to property, plant and equipment		(2,759)	(3,501)
Proceeds from disposal of property, plant and equipment		80	52
Additions to intangibles		(23)	–
		(2,702)	(3,449)
Financing activities			
Proceeds from long-term debt		17,000	189,676
Principal repayments on long-term debt		(1,051)	(153,132)
Payment of deferred financing charges		(2,587)	(17,753)
		13,362	18,791
Foreign exchange gain on cash held in foreign currency		16	23
Increase (decrease) in cash		(7,084)	3,899
Cash, beginning of period		9,240	727
Cash, end of period		$ 2,156	$ 4,626

See accompanying notes to interim condensed consolidated financial statements.

1. ORGANIZATION

Arctic Glacier Income Fund (the "Fund") is an unincorporated, open-ended limited purpose mutual fund trust established under the laws of the Province of Alberta on January 22, 2002. The Fund, through its subsidiaries, operates in the packaged ice manufacturing and distribution business in Canada and the United States and is active in acquiring ice manufacturing and distribution companies. The Fund also licenses its trade names and proprietary technology to independently owned companies in Canada and the United States under franchise and license agreements.

2. BASIS OF PRESENTATION

a) Statement of compliance

These unaudited interim condensed consolidated financial statements of the Fund have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These are the Fund's first condensed consolidated interim financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1 *First-Time Adoption of International Financial Reporting Standards* has been applied. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Fund is provided in note 18. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under Canadian GAAP to those reported for those periods under IFRS.

The standards that will be effective or available for voluntary early adoption in the financial statements for the year ending December 31, 2011 are subject to change and may be affected by additional interpretation(s). Accordingly, the accounting policies will be finalized when the first annual IFRS financial statements are prepared for the year ending December 31, 2011.

Due to the seasonal nature of the operations of the Fund, the results of operations for the interim periods reported are not necessarily indicative of results to be expected for the year. The Fund usually generates significant sales and profits in the second and third quarters, with lower sales and significant losses in the first and fourth quarters. Cash flows peak in the third and fourth quarters and drop off in the first and second quarters.

The Fund's 2010 annual consolidated financial statements were previously prepared in accordance with Canadian GAAP. In preparing these interim financial statements, management has amended certain accounting, valuation and consolidation methods previously applied in the Canadian GAAP financial statements to comply with IFRS. The comparative figures for 2010 were restated to reflect these adjustments.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Derivative financial instruments measured at fair value
- Financial instruments at fair value through profit or loss measured at fair value
- Liabilities for cash-settled share-based payment arrangements measured at fair value

c) Presentation currency

The Fund's presentation currency is the U.S. dollar. The majority of the revenues generated by subsidiaries of the Fund are in U.S. dollars as the majority of its operations are conducted in the United States. Presenting the Fund's results in U.S. dollars provides financial statement users with more meaningful information as it significantly reduces the impact on reported results of fluctuations in the rate of exchange between U.S. and Canadian currencies relating to these operations. The Fund's functional currency is the Canadian dollar.

d) Measurement uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include accounting for doubtful accounts receivable, property, plant and equipment, intangible assets, goodwill, provisions, warrants, unit-based compensation, allocation of the purchase price of acquisitions, review for impairment and income taxes.

Depreciation of property, plant and equipment assets are dependent upon estimates of useful lives which is determined with the exercise of judgment. The assessment of any impairment of property, plant and equipment is dependent upon estimates of recoverable amount that take into account factors such as economic and market conditions and the useful lives of assets.

e) Change in accounting estimate

On January 1, 2011 management revised its estimate of the useful life of certain customer relationship assets. The effect of this change in accounting estimate was an increase in amortization expense of $3,049 for the quarter ended March 31, 2011.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated interim financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated. The accounting policies have been applied consistently to all entities within the consolidated group of companies comprised of the Fund and its subsidiary companies (the "Group").

a) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Fund and the entities controlled by the Fund (its subsidiaries). Control exists when the Fund has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

b) Business combinations

(i) Acquisitions on or after January 1, 2010

For acquisitions on or after January 1, 2010, the Fund measures goodwill as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Fund incurs in connection with a business combination are expensed as incurred.

(ii) Acquisitions prior to January 1, 2010

As part of its transition to IFRS, the Fund elected to restate only those business combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognized under previous Canadian GAAP.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Fund. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Fund.

c) Foreign currency

(i) Foreign currency transactions

Transactions included in the financial statements of each of the Fund's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated to the respective functional currencies of subsidiary entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Nonmonetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency gains and losses are presented on a net basis.

(ii) Foreign currency translation

Assets and liabilities of entities with functional currencies other than U.S. dollars are translated at the period end rates, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in accumulated other comprehensive income.

d) Financial instruments

(i) Non-derivative financial assets

Loans, receivables and deposits are initially recognized on the date they originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss, and loans and receivables.

Financial assets at fair value through profit or loss
A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Fund has classified cash and cash equivalents as held for trading.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Fund has classified accounts receivable as loans and receivables.

(ii) Non-derivative financial liabilities
Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. The Group initially recognizes debt securities issued and subordinated liabilities on the date that they originate. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Fund has classified the following non-derivative financial liabilities as other liabilities: accounts payable and accrued liabilities, antitrust related litigation settlements, and long-term debt. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Compound financial instruments
Compound financial instruments issued by the Group comprise convertible debentures that can be converted to units of the Fund at the option of the holder, and the number of units to be issued does not vary with changes in their fair value. As permitted by IAS 39 *Financial Instrument: Recognition and Measurement* the Fund has designated the convertible debentures at fair value through profit and loss as they contain more than one embedded derivative and significantly modify the cash flows that would otherwise be required by the contract. Transaction costs are expensed as incurred and any gains or losses arising from changes in fair value of the convertible debentures are recognized in profit and loss.

(iv) Derivative financial instruments
The Fund uses derivative financial instruments to hedge its interest rate risk exposures. The Fund's policy is not to utilize derivative financial instruments for trading or speculative purposes. These agreements have not been designated as cash flow hedges.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognized initially at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit or loss.

(v) Units

The Fund's units are classified as equity. Incremental costs directly attributable to the issue of units are recognized as a deduction from equity, net of any tax effects.

e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after January 1, 2010.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized within cost of sales.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits derived from the part will flow to the entity and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits derived from the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the entity will obtain ownership by the end of the lease term. Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Depreciation is provided on the following basis and at the following annual rates:

Asset	Basis	Rate
Buildings	Straight-line	4%
Machinery and equipment	Straight-line	5% - 20%
Merchandisers	Straight-line	10%
In-store bagging equipment	Straight-line	10% - 20%
Vehicles	Straight-line	14%
Computer and office equipment	Straight-line	20% - 33%
Leasehold improvements	Straight-line	Term of lease

f) Goodwill

For acquisitions on or after January 1, 2010, the Fund measures goodwill as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. In respect of acquisitions prior to January 1, 2010, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous Canadian GAAP. Subsequent to acquisition, goodwill is measured at cost less accumulated impairment losses.

g) Intangible assets

Intangible assets comprise brands, trade names, non-competition agreements, customer relationships and other intangible assets.

Trade names, non-competition agreements, customer relationships and other intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. The Arctic Glacier brand name is considered an indefinite-lived intangible asset and is measured at cost less accumulated impairment losses.

Amortization is calculated on a straight-line basis over the estimated useful life of the assets with periods ranging from two to five years for brands, trade names and non-competition agreements, 10 years for customer relationships and three to five years for other assets. Goodwill and the Arctic Glacier brand name and trademark are not amortized.

Useful lives and methods of amortization are reviewed at each financial year end, and adjusted prospectively, if appropriate.

h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

i) Impairment

(i) Financial assets (*including receivables*)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets
Goodwill and intangible assets with indefinite lives are tested annually for impairment and when circumstances indicate that the carrying value may be impaired. The carrying amounts of other non-financial assets (excluding inventories and deferred taxes) are reviewed at each reporting date to determine whether there is an indication that an asset may be impaired. If an indication of impairment exists, the asset's recoverable amount is estimated and an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount of an asset or cash generating unit (CGU) is the greater of the asset's fair value less costs 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. In determining fair value less costs to sell, an appropriate valuation model is used.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows that are largely independent of those from other assets or groups of assets (CGUs). The Fund's CGUs are its operating divisions.

Goodwill arising from an acquisition is allocated to the CGU or the group of CGUs that are expected to benefit from the synergies of the business combination. This allocation reflects the lowest level at which that goodwill is monitored for internal reporting purposes and is subject to an operating segment ceiling.

Impairment losses are recognized in profit or loss if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses relating to CGUs are allocated to goodwill first and then to the carrying amounts of the other assets in the group on a pro-rata basis.

An impairment loss with respect to goodwill is never reversed. In respect of all other non-financial assets (excluding inventories and deferred taxes), a previously recognized impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

j) Employee benefits

(i) Defined contribution plan
The Fund sponsors a voluntary group registered retirement savings plan and deferred profit sharing plan for certain eligible Canadian employees and a voluntary 401(k) retirement savings plan for certain eligible U.S. employees. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) Unit-based payment transactions
The Fund has an incentive stock option plan (the "Plan") and can provide compensation to certain trustees, directors, officers and employees in the form of options to acquire Fund units. The fair value of the amount payable in respect of options issued under the Plan, which may be settled in cash because the Fund units are redeemable, is recognized as compensation cost over their vesting period with a corresponding increase in liabilities. The liability is re-measured to fair value at each reporting date up to and including the settlement date with changes in fair value recognized in administrative expenses in profit or loss. Forfeitures are estimated at the time of grant and revised if subsequent information indicates that actual forfeitures are likely to differ from previous estimates.

k) Provisions

Provisions are recognized when the Fund has a present legal obligation as a result of past events where it is probable that an outflow of resources capable of generating economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance expense.

l) Leases

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

m) Revenue recognition

Revenue is recognized when packaged ice and other products are delivered to and accepted by customers. There is no right of return with respect to such products.

Revenue resulting from leased equipment is recognized as earned under contract terms. Royalty fees from franchisees and licensees are recognized when the products are purchased from a third party by the franchisee or distributor.

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, trade discounts and volume rebates.

n) Finance costs

Finance costs comprise interest expense on borrowings and gains and losses on interest rate swaps. Borrowing costs that are not directly attributable to the acquisition, construction or development of a qualifying asset are recognized in profit or loss using the effective interest rate method. In addition, finance costs include accretion of deferred financing, long-term debt and antitrust investigation and related litigation settlements.

o) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

p) Earnings (loss) per unit

Basic earnings (loss) per unit is computed by dividing the net earnings (loss) available to common unitholders by the weighted average number of units outstanding during the reporting year. Diluted earnings (loss) per unit is computed similar to basic earnings (loss) per unit except that the weighted average units outstanding are increased to include additional units from the assumed exercise of unit options and warrants, if dilutive. The number of additional units is calculated by assuming that all outstanding unit options and warrants are exercised and that the proceeds from such exercises, as well as the amount of unrecognized share-based compensation, are used to repurchase units at the average market price during the reporting periods.

q) Segment reporting

The Fund has determined that it operates in one business segment, the manufacturing and distribution of packaged ice and other products. The Fund and its subsidiaries operate in Canada and the United States.

r) Cost of sales

Cost of sales includes, in addition to direct costs, an appropriate allocation of production overhead costs, depreciation and allocations for administrative costs that relate to the production process.

s) Future accounting standards

(i) Financial instruments - disclosures

The Accounting Standards Board approved the incorporation of the amendments to IFRS 7 *Financial Instruments: Disclosures* and the related amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* into Part 1 of the Handbook. These amendments were made to Part 1 in January 2011 and are effective for annual periods beginning on or after July 1, 2011. The amendments relate to required disclosures for transfers of financial assets to help users of financial statements evaluate the risk exposures relating to such transfers and the effect of those risks on an entity's financial position. While the Fund is currently assessing the impact of this new standard on its consolidated financial statements, management does not expect the standard to have a significant impact on the Fund's consolidated financial statements.

(ii) Financial instruments

IFRS 9 *Financial Instruments* was issued in November 2009 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. While the Fund is currently assessing the impact of this new standard on its consolidated financial statements, management does not expect the standard to have a significant impact on the Fund's consolidated financial statements.

4. PROVISIONS

The Fund maintains provisions for self-insured medical claims which have been incurred but not reported. Excess loss protection above certain maximum retained exposures is provided by external insurance companies. The provision is measured based on historical data and a weighting of all possible outcomes against their associated probabilities. The assumptions derived from historical claims experience include the average monthly claims and the average lag time between incurrence and payment.

5. OTHER FINANCIAL LIABILITIES

The details of other financial liabilities are as follows:

	March 31, 2011	March 31, 2010	December 31, 2010
Accrued interest payable	$ 5,041	$ 4,291	$ 6,632
Interest rate swap liability	866	3,536	1,596
	$ 5,907	$ 7,827	$ 8,228

6. CONVERTIBLE DEBENTURES

Details of the debentures are as follows:

	Number of Debentures	Liability
Balance at December 31, 2009	$ 90.6	$ 78,673
Market adjustments	–	(8,524)
Foreign currency translation	–	4,341
Balance at December 31, 2010	90.6	74,490
Market adjustments	–	7,656
Foreign currency translation	–	2,102
Balance at March 31, 2011	$ 90.6	$ 84,248

7. UNIT OPTIONS

As a result of the ability of unitholders to redeem their Fund units for cash or other financial assets, options to acquire units are classified as cash-settled liabilities and measured at fair value at each reporting date. The grant date fair value is recognized over the vesting period. The impact of fair value re-measurements during the vesting period are recognized immediately in profit and loss to the extent that they relate to past services. That is, in the period of re-measurement there is a catch-up adjustment for prior periods in order for the recognized liability at the end of each reporting period to equal the total fair value of the liability.

The range of exercise prices for options outstanding at March 31, 2011 is as follows:

	Options Outstanding			Options Exercisable	
Exercise Price (C$)	Number (thousands)	Weighted Average Exercise Price (C$)	Fair Value	Number (thousands)	Weighted Average Exercise Price (C$)
$ 1.63	761.8	$ 1.63	$ 101	507.5	$ 1.63
1.66	263.5	1.66	32	175.7	1.66
1.83	363.8	1.83	33	121.3	1.83
2.38	456.2	2.38	15	152.1	2.38
3.09	100.0	3.09	1	66.7	3.09
11.18	629.5	11.18	–	472.1	11.18
11.46	895.0	11.46	–	895.0	11.46
	3,469.8	$ 6.06	$ 182	2,390.4	$ 7.30

The details of unit-based payment expenses are as follows:

	2011	2010
Total unit-based compensation expense net of fair value adjustments	$ 99	$ (111)

8. WARRANTS

On February 10, 2010, in connection with the new term loan, the Fund issued warrants to the term loan lenders to acquire up to 3.0 million units of the Fund at any time prior to February 9, 2014 at an exercise price of C$4.00 per unit. On March 31, 2011 in connection with the amendment to the term loan the exercise price of the warrants was reduced to C$1.60. No warrants had been exercised as at March 31, 2011. The fair value of the warrants of $430 at March 31, 2011 was determined using the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 2.18% and an expected unit price volatility of 21.3% for an expected remaining life of approximately three years.

The details of the fair value of the warrants are as follows:

	March 31, 2011	March 31, 2010	December 31, 2010
Carrying value	$ 430	$ 662	$ –
Exercise price (C$)	$ 1.60	$ 4.00	$ 4.00
Closing unit price (C$)	$ 1.35	$ 2.83	$ 1.14
Units outstanding (thousands)	3,000	3,000	3,000

9. LONG-TERM DEBT

The components of long-term debt are as follows:

	March 31, 2011	March 31, 2010	December 31, 2010
Revolving term credit facility	$ 17,000	$ 8,500	$ –
Term loan	190,782	187,892	189,009
Deferred acquisition consideration	178	265	198
Other	5,611	5,965	6,442
	213,571	202,622	195,649
Less deferred financing charges	19,250	19,453	16,736
	194,321	183,169	178,913
Less principal included in current liabilities	2,920	2,339	2,391
	$ 191,401	$ 180,830	$ 176,522

On March 30, 2011, the Fund's term loan lenders amended the terms of the loan in conjunction with providing the required consent necessary for a subsidiary of the Fund to enter into a class action litigation settlement agreement. The lenders amended the minimum EBITDA covenant to $45,000 until April 1, 2012, and quarterly leverage covenants to 4.9 to 1 for the first quarter of 2011, 5.25 to 1 for the second quarter of 2011, 4.5 to 1 for the third and fourth quarters of 2011 and 5.0 to 1 for the first quarter of 2012. The term loan lenders increased the payment-in-kind ("PIK") interest rate by 1% for the remainder of the term and the cost of the prepayment option by 3%. In connection with this amendment, the term loan lenders required the Fund to amend the exercise price of 3.0 million unlisted warrants that were previously issued to the term loan lenders.

Also on March 30, 2011, the Fund's revolving term credit facility lenders amended the terms of the facility, providing consent for the Fund's subsidiary to enter into a class action settlement agreement and providing for similar covenant amendments.

At March 31, 2011, the Fund's revolving term credit facility consisted of a $57,500 commitment (2010 - $70,000). The balance outstanding on the credit facility at March 31, 2011 was $17,000 (2010 - $8,500), all repayable in U.S. funds. The balance outstanding carried a weighted average interest rate of 4.8% at March 31, 2011 (2010 - 6.3%).

The Fund is in compliance with all debt covenants as at March 31, 2011.

10. LOSS PER UNIT

The computation for basic and diluted loss per unit is as follows:

	2011	2010
Loss and diluted loss available to unitholders	$ (35,624)	$ (16,081)
Basic and diluted weighted average number of units	39,043.4	39,043.4
Basic and diluted loss per unit	$ (0.91)	$ (0.41)

11. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

The changes in non-cash working capital items are as follows:

	2011	2010
Accounts receivable	$ 2,767	$ 2,693
Inventories	(4,105)	(2,869)
Prepaids	(745)	(605)
Accounts payable and accrued liabilities and provisions	4,220	4,060
	$ 2,137	$ 3,279

12. COSTS OF ANTITRUST INVESTIGATIONS AND RELATED LITIGATION

On March 30, 2011, a subsidiary of the Fund settled the class action filed by direct purchasers of packaged ice in the United States. Under terms of the agreement, which is subject to approval by U.S. District Court, the subsidiary will pay a settlement of $12,500 in two installments. The agreement provides for a first installment of $2,500 to be payable on the later of July 15, 2011 or 15 days after the settlement receives preliminary court approval and a final installment of $10,000 to be payable on the later of November 1, 2011 or 30 days after the settlement receives final court approval. The settlement was recorded in current liabilities at its discounted present value of $11,393 in December 31, 2010.

On April 29, 2011 a subsidiary of the Fund settled the class actions filed in Ontario Superior Court and Alberta Superior Court by direct purchasers of packaged ice in Canada for a sum of C$2,000. This settlement remains subject to court approval, and has been recorded in current liabilities at March 31, 2011 at its discounted present value of C$1,947.

Total costs incurred in connection with the antitrust investigations and related litigation for the period ending March 31, 2011 are estimated at $3,220 (2010 - $1,200).

13. CONTINGENCIES

In March 2008, a subsidiary of the Fund and certain members of management received subpoenas issued by a federal grand jury in the Eastern District of Michigan seeking documents and information in connection with an investigation by the Antitrust Division of the United States Department of Justice ("DOJ") into possible antitrust violations in the U.S. packaged ice industry. On October 13, 2009, the subsidiary entered into an agreement with the DOJ to conclude the investigation as it relates in any way to the Fund, its board, management and staff in all markets (note 17). The agreement was accepted by the U.S. District Court on February 11, 2010.

The Fund and its subsidiaries received Civil Investigative Demand notices ("CID") from the Attorneys General for Florida and Arizona seeking information in order to determine if state antitrust laws had been violated. The Fund has been informed that 17 other states have signed information-sharing agreements with Florida in order to review and share information. A subsidiary of the Fund received additional CID notices from the Michigan Attorney General seeking documents and information in order to determine whether Michigan's antitrust laws were violated. On August 31, 2010, the subsidiary entered into an agreement with the Michigan Attorney General to resolve, without any admission of wrongdoing, all allegations that it violated Michigan's antitrust laws. Under terms of the agreement, the subsidiary paid the amount of $350 in two installments in September and December 2010. The settlement concludes and resolves all investigations, inquiries, claims and proceedings by the Michigan Attorney General related to any alleged violations of applicable state and federal antitrust laws. The Fund and its subsidiaries are cooperating with authorities in the course of the other state antitrust investigations and provided all requested information over one year ago. There have been no further requests for information made of the Fund since then.

Following the announcement that the DOJ was undertaking an investigation of the U.S. packaged ice industry, a number of civil actions were commenced by direct and indirect purchasers against several packaged ice companies in the United States, including subsidiaries of the Fund, alleging violations of antitrust laws and seeking damages. Pursuant to an order from the Judicial Panel on Multidistrict Litigation ("MDL"), the civil actions pending in federal courts were transferred and consolidated for pretrial proceedings in the United States District Court for the Eastern District of Michigan. On September 15, 2009, the plaintiffs in these MDL actions filed consolidated amended complaints.

On March 30, 2011, the Fund agreed to settle the MDL direct purchasers' action. Under terms of the agreement, which remains subject to approval by U.S. District Court, a settlement of $12,500 will be paid in two installments. The first installment of $2,500 is payable on the later of July 15, 2011 or 15 days after the settlement receives preliminary court approval and a final installment of $10,000 is payable on the later of November 1, 2011 or 30 days after the settlement receives final court approval.

On March 11, 2011, the court partially granted a motion filed by the Fund to dismiss the non-Michigan claims in the MDL indirect purchasers' action. The court dismissed many of the indirect purchasers' state law claims restricting all claims to those states in which the named plaintiffs reside, reducing dramatically the number of claims pending in the action. Subsequent to the end of the quarter, on April 26, 2011, the MDL indirect purchasers filed an amended complaint attempting to re-assert some of the claims previously dismissed. The Fund has not yet responded to the amended complaint. Two indirect purchaser actions, which are substantially similar to the MDL indirect purchaser amended complaint, have been recently filed against the Fund, and other defendants, in federal courts in Arkansas and Tennessee. The Fund has not been served in these actions.

On July 23, 2008, an individual, who became an employee of a subsidiary of the Fund for a short period of time in the course of an acquisition before accepting terms of severance, commenced an action in the United States District Court for the Eastern District of Michigan. The action purported to bring antitrust claims as well as state law claims in connection with his termination from employment with the subsidiary and his allegation that the defendant manufacturers illegally conspired to prevent his future employment in the ice industry. On May 29, 2009 the court dismissed the bulk of this case, including antitrust claims relating to both federal and state jurisdictions. The Fund is of the opinion that the claim is without merit and will vigorously contest the resulting and narrowed action in court.

Two civil actions were filed by direct purchasers of packaged ice in state courts in Kansas and Wisconsin, alleging violations of state antitrust laws and related claims and seeking similar damages to those sought in the federal actions described above. On February 26, 2009, the Kansas state court dismissed the action commenced in that state concluding the plaintiff had failed to advance an actionable claim against the Fund. On January 22, 2010, the Wisconsin state court denied that plaintiff's request for class certification, effectively restricting the action to a single customer. On March 18, 2011, the Fund resolved the Wisconsin action for a nominal amount and the matter is now closed.

On November 24, 2008, the Civil Division of the DOJ advised Arctic Glacier of its commencement of a civil investigation of the packaged ice industry under the U.S. federal *False Claims Act* to determine if the U.S. federal government, or its contractors, were overcharged in their purchases of packaged ice as a result of the conduct investigated by the DOJ Antitrust Division. Subsequent to the end of the year, on March 21, 2011, the DOJ Civil Division advised that its investigation with respect to Arctic Glacier was closed and no action would be taken against the Fund and its subsidiaries.

On October 24, 2008, the Fund was named in a class action civil lawsuit filed in Ontario Superior Court. The action has been amended several times. The plaintiffs propose to represent a class of people or entities that acquired units of the Fund between March 13, 2002 and September 16, 2008 and claim damages of C$245,000 alleging against the Fund, its trustees, and a subsidiary and its directors and certain officers, as defendants that they failed to make full and timely disclosure. A motion by the plaintiffs for certification and for leave to amend to add a statutory cause of action for secondary market misrepresentation against the existing defendants and to add two former employees of the subsidiary as defendants to the statutory cause of action was granted by the court on March 1, 2011. The Fund and other defendants will seek leave to appeal that outcome. The Fund denies the allegations in the lawsuit and will continue to vigorously contest the action in court. At this time the final outcome of this litigation cannot be predicted or any potential effect it may have on the Fund or its operations. The Fund has notified carriers of its directors' and officers' liability insurance of the action.

On May 7, 2009, a civil lawsuit (the "May 2009 Action") was filed against a subsidiary of the Fund in Ontario Superior Court seeking damages of C$110,000 on behalf of a proposed class of customers in Ontario that had purchased packaged ice directly from the subsidiary during a proposed class period commencing January 1, 2001. The plaintiffs to this action agreed to have it dismissed, without cost to the Fund, because on March 1, 2010, the same law firm commenced a second claim in Ontario Superior Court, on behalf of one of the two plaintiffs from the May 2009 Action. This second action (the "March 2010 Action"), as subsequently amended, is brought against a subsidiary of the Fund, a former employee and another packaged ice company on behalf of a proposed class of purchasers in Ontario, British Columbia, Manitoba, Saskatchewan and Quebec during a proposed class period commencing January 1, 2001. The March 2010 Action alleges anticompetitive behavior by the subsidiary and the other packaged ice company and seeks damages of C$66,000 plus interest and costs.

On June 24, 2009, an Alberta civil lawsuit similar to the Ontario May 2009 Action was filed against a subsidiary of the Fund in the Alberta Court of Queen's Bench, alleging the same activity and seeking the same damages on behalf of a proposed class of customers in Alberta that had purchased packaged ice directly from the subsidiary during the same class period. Then, on March 8, 2010, the same Alberta law firm commenced a claim for the same Alberta plaintiff in the Alberta Court of Queen's Bench against the same three defendants with the same allegations as in the Ontario March 2010 Action, seeking the same damages on behalf of a proposed class of purchasers in Alberta that had purchased packaged ice directly from the subsidiary during the same class period. Neither of these Alberta actions proceeded.

Subsequent to the end of the year, on April 29, 2011, the Fund agreed to settle all four outstanding direct purchaser actions commenced against it in Ontario and Alberta for the aggregate sum of C$2,000. The agreement, to be filed in the Ontario March 2010 Action, is subject to approval by the Ontario court in that Action, which will determine the timing of the approval procedure and the payment schedule.

On April 26, 2010, an indirect purchaser complaint asserting claims under Michigan's antitrust law was filed in the Eastern District of Michigan against three former employees of a subsidiary of the Fund. The complaint asserts the same factual basis as that presented in the consolidated indirect purchasers' action pending against subsidiaries of the Fund, except that the plaintiffs are only seeking damages relating to conduct in Michigan. The Fund and its subsidiaries were not named in this action. However, in accordance with its bylaws, a subsidiary of the Fund is obligated to pay for the representation of and to indemnify the three former employees in this action.

On March 4, 2011, a class action complaint was filed in Kansas state court on behalf of indirect purchasers of packaged ice. The action alleges that the Fund, a subsidiary and three former employees, among other defendants, engaged in conduct similar to that alleged in the MDL indirect purchaser actions in violation of Kansas state law. This matter has been transferred to United States District Court for the Eastern District of Michigan and has become part of the indirect purchaser MDL proceedings.

At this time, the Fund is unable to predict the timeline or final outcome of the remaining state investigations and litigation matters, or any potential effect they may have on the Fund or its operations, which may be material. No financial provisions have been made regarding these matters except as noted above.

Certain other litigation arising in the normal course of business is pending against the Fund and its subsidiaries. While the final outcome with respect to actions outstanding or pending as at March 31, 2011 cannot be predicted with certainty, the Fund is of the opinion that the resolution of such litigation will not have a significant effect on the consolidated financial statements of the Fund and its subsidiaries.

14. INCOME TAXES

Commencing in 2011, the Fund is subject to tax on certain Canadian-sourced income. The Fund has accounted for deferred tax assets and liabilities in respect of accounting and tax basis differences that are expected to reverse in or after 2011, with a corresponding credit or charge to consolidated earnings for the period.

15. RELATED PARTY TRANSACTION

A subsidiary of the Fund leases a manufacturing facility located in Arizona from a company indirectly owned and controlled by a trustee of the Fund. The lease term is until May 2015. The lease includes an option to purchase the facility during the term on commercially reasonable terms. Lease payments for the three months ended March 31, 2011 totaled $324 (2010 - $323). In addition, accounts receivable includes $58 (2010 - $51) due from related parties including $30 (2010 - $24) due from a trustee of the Fund and $28 (2010 - $27) due from a company subject to significant influence by a trustee of the Fund.

16. CAPITAL

The Fund views its capital as the combination of its debt and equity balances. In general, the overall capital of the Fund is evaluated and determined in the context of its financial objectives and strategic plan, giving consideration to the significant seasonality of cash flows. The Fund typically carries a modest level of cash on hand or bank indebtedness, intended to provide adequate liquidity for pending distribution obligations and short-term changes in non-cash working capital balances.

The Fund determines the appropriate level of debt in the context of its cash flow and overall business risks. The Fund defines net debt as total long-term debt and bank indebtedness, reduced by cash. The Fund typically maintains a level of net debt that provides adequate financial flexibility to meet operating and working capital requirements. Additionally, the Fund has historically generated cash flow in

excess of cash distributions to unitholders and has used a portion of the excess funds to pay down net debt. In September 2008, the Fund suspended distributions and plans to use excess funds to pay down debt. The trustees of the Fund do not anticipate paying distributions for the foreseeable future as the new loan agreement entered into in February 2010 effectively prevents payment of distributions through February 2014.

The Fund's net debt is subject to a number of covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests at a subsidiary level. The primary ratio is the leverage ratio, defined in the Fund's credit agreement as net debt to trailing 12-month EBITDA. The leverage ratio for the 12-month trailing period ending March 31, 2011 as defined in the revolving term credit facility agreement was 4.50 (2010 – 3.2) compared to the permitted maximum of 4.9 (2010 – 3.75) and as defined in the term loan agreement was 4.41 (2010 – 3.3), compared to the permitted maximum of 4.9 (2010 – 4.0) for the period. The Fund is in compliance with all debt covenants at March 31, 2011.

The Fund considers the existing level of equity capital to be adequate in the context of current operations and the Fund's strategic plan. The equity component of capital increases primarily based on earnings (losses) less any cash distributions paid to unitholders. Historically, the Fund would finance major acquisitions with additional equity. However, the ability to do this at the present time has been adversely affected by current financial markets and the lack of certainty over the timing or outcome of the antitrust investigations and related litigation.

17. *OTHER COSTS*

The details of other costs are as follows:

	2011	2010
Unrealized loss on fair value adjustments to convertible debentures	$ 7,656	$ 3,128
Unrealized gain on fair value adjustments to warrants	–	(900)
Unrealized loss on U.S. debt	–	283
Costs for review of financing and strategic alternatives	500	–
Antitrust expenses	3,220	1,200
Gain on settlement of acquisition consideration	(1,091)	–
Total other costs	$ 10,285	$ 3,711

Financing and strategic alternative costs are comprised of legal and related expenses. Antitrust expenses are comprised of costs incurred in connection with the antitrust investigations and related litigation. A gain on an acquisition related accrual of $1,091 was recognized in the period.

18. TRANSITION TO IFRS

These consolidated financial statements represent the first interim financial statements of the Fund and its subsidiaries prepared in accordance with IFRS. The Fund adopted IFRS in accordance with IFRS 1, *First-time adoption of International Financial Reporting Standards*. The first date at which IFRS was applied was January 1, 2010 ("Transition Date"). In accordance with IFRS, the Fund has:

- Provided comparative financial information;
- Applied the same accounting policies throughout all periods presented;
- Retrospectively applied all IFRS standards effective for the period ending March 31, 2011; and,
- Applied certain optional exemptions and certain mandatory exceptions as applicable for first time adopters.

The Fund's consolidated financial statements were previously prepared in accordance with Canadian GAAP.

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity and comprehensive income for prior periods. The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity and comprehensive income.

Reconciliation of equity:

Canadian GAAP equity at January 1, 2010 has been reconciled to IFRS as follows:

	Note 18	Canadian GAAP	Effect of Transition to IFRS	IFRS
				January 1, 2010
ASSETS				
Current assets				
Cash		$ 727	$ –	$ 727
Accounts receivable		12,011	–	12,011
Inventories		8,688	–	8,688
Prepaids	(a)	4,877	291	5,168
		26,303	291	26,594
Property, plant and equipment	(b)	142,136	6	142,142
Intangible assets	(c)	122,547	(10,328)	112,219
Goodwill		146,807	–	146,807
		$ 437,793	$ (10,031)	$ 427,762
LIABILITIES AND UNITHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	(e)(k)	$ 23,169	$ (7,714)	$ 15,455
Provisions	(e)	–	314	314
Other financial liabilities	(k)	–	7,337	7,337
Principal due within one year on long-term debt		61,099	–	61,099
		84,268	(63)	84,205
Unit options	(f)	–	1,153	1,153
Long-term debt		101,960	–	101,960
Convertible debentures	(g)	81,515	(2,842)	78,673
Deferred tax liability	(i)	8,685	(1,062)	7,623
Unitholders' equity				
Units	(f)	325,209	(39)	325,170
Contributed surplus	(f)	1,848	(1,848)	–
Equity portion of convertible debentures	(g)	8,358	(8,358)	–
Deficit		(155,774)	(15,248)	(171,022)
Accumulated other comprehensive loss	(j)	(18,276)	18,276	–
		161,365	(7,217)	154,148
		$ 437,793	$ (10,031)	$ 427,762

Canadian GAAP equity at March 31, 2010 has been reconciled to IFRS as follows:

		March 31, 2010		
	Note 18	Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS				
Current assets				
Cash		$ 4,626	$ –	$ 4,626
Accounts receivable		9,318	–	9,318
Inventories		11,557	–	11,557
Prepaids	(a)	5,482	291	5,773
		30,983	291	31,274
Deferred tax asset	(i)	640	3,951	4,591
Property, plant and equipment	(b)(d)	140,289	99	140,388
Intangible assets	(c)	120,643	(10,118)	110,525
Goodwill		147,465	–	147,465
		$ 440,020	$ (5,777)	$ 434,243
LIABILITIES AND UNITHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	(e)(k)	$ 27,932	$ (8,347)	$ 19,585
Provisions	(e)	–	332	332
Other financial liabilities	(k)	–	7,827	7,827
Principal due within one year on long-term debt		2,339	–	2,339
		30,271	(188)	30,083
Unit options	(f)	–	1,074	1,074
Warrants	(h)	–	662	662
Long-term debt		180,830	–	180,830
Convertible debentures	(g)	85,067	(415)	84,652
Deferred tax liability	(i)	–	1,614	1,614
Unitholders' equity				
Units	(f)	325,209	(39)	325,170
Contributed surplus	(f)	2,002	(2,002)	–
Warrants	(h)	1,484	(1,484)	–
Equity portion of convertible debentures	(g)	8,358	(8,358)	–
Deficit		(172,392)	(14,711)	(187,103)
Accumulated other comprehensive loss	(j)	(20,809)	18,070	(2,739)
		143,852	(8,524)	135,328
		$ 440,020	$ (5,777)	$ 434,243

Canadian GAAP equity at December 31, 2010 has been reconciled to IFRS as follows:

	Note 18	Canadian GAAP	Effect of Transition to IFRS	IFRS
				December 31, 2010
ASSETS				
Current assets				
Cash		$ 9,240	$ –	$ 9,240
Accounts receivable		11,804	–	11,804
Inventories		10,493	–	10,493
Prepaids		3,703	–	3,703
		35,240	–	35,240
Deferred tax asset	(i)	9,904	3,511	13,415
Property, plant and equipment	(b)(d)	137,229	159	137,388
Intangible assets	(c)	114,873	(9,303)	105,570
Goodwill		71,762	–	71,762
		$ 369,008	$ (5,633)	$ 363,375
LIABILITIES AND UNITHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	(e)(k)	$ 23,916	$ (8,639)	$ 15,277
Provisions	(e)	–	335	335
Antitrust related litigation settlements		11,393	–	11,393
Other financial liabilities	(k)	–	8,228	8,228
Convertible debentures	(g)	89,251	(14,761)	74,490
Principal due within one year on long-term debt		2,391	–	2,391
		126,951	(14,837)	112,114
Unit options	(f)	–	80	80
Warrants	(h)	–	–	–
Long-term debt		176,522	–	176,522
Deferred tax liability	(i)	–	4,454	4,454
Unitholders' equity				
Units	(f)	325,209	(39)	325,170
Contributed surplus	(f)	2,541	(2,541)	–
Warrants	(h)	1,484	(1,484)	–
Equity portion of convertible debentures	(g)	8,358	(8,358)	–
Deficit		(249,726)	(1,167)	(250,893)
Accumulated other comprehensive loss	(j)	(22,331)	18,259	(4,072)
		65,535	4,670	70,205
		$ 369,008	$ (5,633)	$ 363,375

Reconciliation of loss:

The year to date loss has been reconciled to IFRS as follows:

	Note 18	March 31, 2010	December 31, 2010
Loss under Canadian GAAP		$ (16,618)	$ (93,952)
Differences in GAAP increasing (decreasing) reported earnings:			
Business combinations	(a)	–	(91)
Depreciation of property, plant and equipment	(b)	30	69
Gain on disposal of property, plant and equipment	(b)	21	7
Depreciation of intangible assets	(c)	210	842
Capitalized borrowing costs	(d)	28	37
Provisions	(e)	125	9
Unit-based compensation	(f)	265	1,795
Convertible debentures unrealized fair value and other adjustments	(g)	(2,418)	11,532
Warrants unrealized fair value adjustments	(h)	900	1,550
Deferred taxes	(i)	1,376	(1,670)
Loss under IFRS		$ (16,081)	$ (79,872)

The year to date comprehensive loss has been reconciled to IFRS as follows:

	March 31, 2010	December 31, 2010
Comprehensive loss under Canadian GAAP	$ (19,151)	$ (98,007)
Differences in GAAP increasing (decreasing) reported comprehensive loss:		
Total IFRS loss adjustments net of tax	537	14,080
Foreign currency translation adjustments	(206)	(18)
Comprehensive loss under IFRS	$ (18,820)	$ (83,945)

Initial Elections Upon Adoption

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

Business combinations first time adoption
IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS. The Fund has taken advantage of this election and has applied IFRS 3 to business combinations that occurred on or after January 1, 2010.

Cumulative translation differences
IFRS 1 allows a first-time adopter to not comply with the requirements of IAS 21 *The Effects of Changes in Foreign Exchange Rates* for cumulative translation differences that existed at the date of transition to IFRS. The Fund has chosen to apply this election and has eliminated the cumulative translation difference and adjusted retained earnings by the same amount at the date of transition to IFRS. If a foreign operation is disposed of subsequent to adoption, the translation differences that arose before the date of transition to IFRS will not affect the gain or loss on disposal.

Borrowing costs
A first-time adopter can elect to apply the transitional provisions set out in IAS 23 *Borrowing Costs* which allow a first-time adopter to select any date prior to its transition date and to capitalize borrowing costs relating to all qualifying assets for which the commencement date for capitalization was on or after that date. The Fund has elected to use this exemption and has selected January 1, 2010 as the date after which it will capitalize borrowing costs related to all qualifying assets.

Fair value as deemed cost

IFRS 1 allows a first-time adopter to use fair value as deemed IFRS cost at the date of transition for any items of property, plant and equipment. The Fund has elected to use fair value as deemed IFRS cost for certain vehicles and equipment. IFRS has been retrospectively applied to all other items of property, plant and equipment.

Share-based payment

The Fund has elected to apply the share-based payment exemption. IFRS 2 was applied to options which had not expired at the date of transition.

Designation of previously recognized financial instruments

The Fund has elected to designate its convertible debentures at fair value through profit and loss at the date of transition to IFRS.

IFRS Mandatory Exceptions

Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under Canadian GAAP, unless there is objective evidence that those estimates were in error. The Fund's IFRS estimates as of January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

Explanation of Transition

In addition to the exemptions and exceptions discussed above, the following narratives explain the significant differences between the previous historical Canadian GAAP accounting policies and the current IFRS accounting policies applied by the Fund. Only the differences having an impact on the Fund are described below. The following is not a complete summary of all of the differences between Canadian GAAP and IFRS. Relative to the impacts on the Fund, the descriptive caption next to each item below corresponds to the same descriptive caption in the tables above, which reflect the quantitative impacts from each change. Unless a quantitative impact was noted below, the impact from the change was not material to the Fund.

(a) Business combinations – contingent consideration

Canadian GAAP - The return of contingent consideration paid into an escrow account is accounted for as an adjustment to the purchase price allocation.

IFRS – Contingent consideration must be re-measured to fair value at each reporting date. Adjustments to the purchase price allocation are only permitted during the measurement period which cannot exceed one year from the date of acquisition.

In accordance with IFRS requirements the Fund re-measured all outstanding contingent consideration to fair value at the date of transition. The fair value of contingent consideration transferred to an escrow account prior to the date of transition totaling $291 was determined to be $nil. This resulted in an increase in prepaid assets and a corresponding decrease in deficit.

In December 2010 the contingent consideration held in escrow was returned to the Fund. Under Canadian GAAP this was accounted for as an adjustment to the purchase price allocation and an increase in other revenue. Under IFRS the return of funds held in escrow was recorded as a reduction of the prepaid asset and the Canadian GAAP purchase price allocation adjustments were reversed.

(b) Property, plant and equipment

Canadian GAAP – Componentization is mandated at a more aggregated level than IFRS permits.

IFRS – In accordance with IFRS requirements, the Fund componentized its property, plant and equipment ("PP&E") at the date of transition and derecognized parts or items which had been replaced. Componentization and derecognition of parts replaced resulted in a decrease in net book value of $1,105. The impact of the Fund's decision to use fair value as deemed IFRS for certain items of PP&E resulted in an increase in net book value of $1,111. The net impact of the IFRS adjustments in this area was an increase to PP&E and retained earnings of $6.

(c) Impairment

Canadian GAAP – Canadian GAAP rules provided for a two-step test, with no impairment being required if the undiscounted future expected cash flows relating to an asset are higher than the carrying value of that asset. Impairment is measured as the difference between fair value and carrying value.

IFRS - Under IFRS assets are tested for impairment using discounted cash flows. Undiscounted cash flows are not considered. Impairment is recognized as difference between carrying value and recoverable amount. Recoverable amount is defined as the higher of "value in use" and "fair value less costs to sell". As a result, impairments were required for certain assets under IFRS that were not recorded under Canadian GAAP.

In accordance with IFRS requirements the Fund completed an impairment review of its assets at January 1, 2010. At that date the carrying value of the Northeast Division was less than the undiscounted cash flows, but greater than the discounted cash flows using the pre-tax weighted average cost of capital 10.24%. Due to decreased operating margins that resulted from the poor overall state of the economy, the Northeast Division was determined to be impaired in accordance with IFRS, but not impaired in accordance with Canadian GAAP. An impairment of $10,328 was recorded relating to the division's intangible assets. Value in use was used as the recoverable amount of the division's intangible assets. The division's property, plant and equipment assets were not impaired as their carrying value did not exceed fair value less costs to sell. The carrying value of the Northeast Division cash-generating unit does not contain any goodwill or intangible assets with an indefinite useful life. The Fund reviewed its assets for impairment again at December 31, 2010. On this date the discounted cash flows exceeded carrying value for all cash-generating units and there was no IFRS impairment.

Intangible assets have been reconciled to IFRS as follows:

	January 1, 2010	December 31, 2010
Canadian GAAP carrying value	$ 122,547	$ 114,873
January 1, 2010 IFRS impairment	(10,328)	(10,328)
Reversal of Canadian GAAP 2010 depreciation	-	842
Reversal of Canadian GAAP purchase price allocation adjustment	-	183
IFRS Carrying Value	$ 112,219	$ 105,570

(d) Borrowing costs

Canadian GAAP - Borrowing costs associated with the construction of qualifying assets were expensed.

IFRS - Borrowing costs associated with the construction of qualifying assets must be capitalized.

In accordance with IFRS, general borrowing costs associated with the upgrade of an ice manufacturing plant were capitalized during qualifying period. The adjustment resulted in a decrease in finance costs of $37 with a corresponding increase in property, plant and equipment for the year ended December 31, 2010.

(e) Provisions

Canadian GAAP - Provisions that are liabilities of uncertain timing or amount were measured at the most likely outcome and were included in accounts payable and accrued liabilities in the statement of financial position.

IFRS - Provisions must be presented as separate line item in the statement of financial position. Furthermore, under IFRS a provision consisting of a large population of items must be measured using a weighted average probability approach.

In accordance with IFRS, the Fund re-measured its liability for self-insured medical claims incurred but not reported utilizing a weighted average probability approach at the date of transition and each 2010 quarterly reporting date. The year to date impact on 2010 profit and loss was a decrease in income of $9.

(f) Unit-based compensation

Canadian GAAP - Unit-based compensation was classified as equity settled. Their fair value, measured at grant date, was recognized over their vesting period with a corresponding increase to contributed surplus. Forfeitures were recorded as incurred and options with graded vesting features were accounted for as a single grant using the straight-line method.

IFRS - As a result of the ability of unitholders to redeem their Fund units for cash or other financial assets, IAS 32 requires options to acquire units to be classified as a liability (cash-settled) even though the Fund's units have been classified as equity settled. Furthermore, IFRS requires each tranche of options with graded vesting to be measured separately. Forfeitures must be estimated.

In accordance with IFRS requirements at the date of transition, contributed surplus resulting from historical unit-based compensation expense was reclassified as a liability and re-measured to fair value. The re-measurement resulted in an increase to retained earnings of $695. The unit option liabilities were then re-measured to fair value at each quarterly reporting date in 2010. Due to the decrease in the market price of Fund units, the adjustments to fair value resulted in the reversal of previously recognized unit-based compensation expense and a corresponding decrease in unit option liability.

Compensation expense for unit options that expired before the date of transition to IFRS was reversed as a result of the Fund's decision to utilize the IFRS 1 election and not apply IFRS 2 to any unit-based payment that was settled before January 1, 2010.

(g) Convertible debentures

Canadian GAAP – Convertible debentures that contained an embedded derivative were accounted for as a compound financial instrument with a debt and equity component. The holder conversion option was accounted for as equity and the outstanding principal liability component was measured at amortized cost, with deferred financing costs being amortized to profit and loss over the term of the debentures.

IFRS – Under IFRS the holder conversion option was reclassified as a liability due to the ability of the unitholders to redeem their Fund units for cash or other financial assets. As the holder conversion option could not be separated and reliably measured, the Fund elected to designate the entire compound instrument at fair value through profit and loss.

As a result, at the date of transition the equity component of the convertible debentures was reclassified as a liability and unamortized deferred transaction costs which had been recognized under Canadian GAAP were derecognized. The convertible debentures were then re-measured to fair value which decreased the liability and deficit by $2,842. Changes in the fair value of the convertible debentures during 2010 were recognized in profit and loss. IFRS earnings for 2010 do not include the Canadian GAAP accretion of the convertible debentures or the Canadian GAAP amortization of deferred financing costs.

(h) Warrants

Canadian GAAP – The Fund accounted for its warrants to acquire units of the Fund as equity instruments.

IFRS – IAS 32 *Financial Instruments: Presentation* requires that warrants to acquire redeemable instruments must be classified as a liability even though the Fund units have been classified as equity. They must be re-measured to fair value at each reporting date with changes in fair value recognized in profit and loss.

In accordance with IFRS on the date of transition, the Fund's warrants were reclassified as liabilities and re-measured to fair value. Subsequent changes in fair value at each reporting date were recorded in profit and loss. Due to the decrease in the market price of the Fund units during the year, the fair value re-measurement resulted in a $900 decrease in loss in the first quarter of 2010, and a decrease in loss of $1,550 for the year.

(i) Deferred tax asset/liability

IFRS does not permit an offset of income tax assets and liabilities of different taxable entities within a consolidated group, unless there is a legally enforceable right to offset and the entities intend to settle these assets and liabilities simultaneously. In accordance with IFRS requirements, the Fund has reclassified deferred tax assets and deferred tax liabilities as separate line items in its statements of financial position where appropriate. The adjustments to deferred tax assets and liabilities arise from IFRS transition adjustments to the carrying value of other assets and liabilities discussed above, which result in a change in the temporary differences reported for financial statement and tax purposes. Under IFRS, all deferred tax assets and liabilities must be classified as non-current. Under Canadian GAAP, deferred tax assets and liabilities were classified as current or non-current as appropriate.

A reconciliation of the net deferred tax asset (liability) to IFRS is as follows:

		January 1, 2010		December 31, 2010
Canadian GAAP carrying value	$	(8,685)	$	9,904
January 1, 2010 IFRS impairment of intangible assets		4,131		4,131
January 1, 2010 IFRS adjustments to property, plant and equipment		52		52
January 1, 2010 IFRS convertible debenture tax adjustment		(3,121)		(3,121)
Property, plant and equipment depreciation adjustments		–		(31)
Intangible asset amortization adjustments		–		(336)
Convertible debenture tax adjustment		–		(1,333)
Convertible debenture deferred financing adjustments		–		(276)
Other IFRS income statement adjustments		–		(29)
Net IFRS carrying value	$	(7,623)	$	8,961

(j) Other comprehensive income (loss)

Other comprehensive income (loss) consists of the change in the cumulative translation adjustment arising from translation of the results and financial position of the Fund's subsidiaries to the presentation currency.

At the date of transition, the Fund elected to deem the cumulative translation differences to be zero. For the year ended December 31, 2010, due to other adjustments arising from the transition to IFRS, the exchange differences arising from the translation of the results and financial position of the Fund's subsidiaries to the presentation currency under IFRS differed from the exchange differences that were recognized on translation in accordance with Canadian GAAP. As a result, the amount of other comprehensive income (loss) recognized under IFRS in 2010 is different than that recognized in accordance with Canadian GAAP.

(k) Presentation of other financial liabilities

Canadian GAAP – Derivative liabilities and accrued interest were included in the financial statement of position in accounts payable and accrued liabilities.

IFRS – Financial liabilities other than accounts payable and accrued liabilities must be presented as a separate line item in the statement of financial position.

There are no IFRS Canadian GAAP differences in how these items are measured.

(l) Restatement of Statement of Cash Flows from Canadian GAAP to IFRS

The restatement from Canadian GAAP to IFRS had no material effect on the reported cash flows generated by the Fund. The reconciling items between Canadian GAAP and IFRS presentation have no net effect on the cash flows generated.

Q2

FINANCIAL STATEMENTS

Three and six months ended June 30, 2011 and 2010 (unaudited)
(amounts in thousands of U.S. dollars, except per unit amounts)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2011 and 2010 (unaudited), and December 31, 2010 (unaudited)

(thousands of U.S. dollars)	Note	June 30, 2011	June 30, 2010	December 31, 2010
ASSETS				
Current assets				
Cash		$ –	$ 5,239	$ 9,240
Accounts receivable		**31,456**	31,109	11,804
Inventories		**15,171**	13,563	10,493
Prepaids		**4,992**	5,416	3,703
		51,619	55,327	35,240
Deferred tax asset		**4,628**	3,170	13,415
Property, plant and equipment		**134,806**	140,254	137,388
Intangible assets		**96,141**	108,644	105,570
Goodwill		**72,417**	146,390	71,762
		$ 359,611	$ 453,785	$ 363,375
LIABILITIES AND UNITHOLDERS' EQUITY				
Current liabilities				
Bank indebtedness		**$ 2,555**	$ –	$ –
Accounts payable and accrued liabilities		**25,355**	28,714	15,277
Provisions	4	**269**	344	335
Antitrust related litigation settlements		**14,162**	–	11,393
Other financial liabilities	5	**6,331**	9,162	8,228
Convertible debentures	6	**82,457**	–	74,490
Principal due within one year on long-term debt	9	**205,345**	2,326	2,391
		336,474	40,546	112,114
Unit options	7	**16**	973	80
Warrants	8	**28**	299	–
Long-term debt	9	**4,883**	189,461	176,522
Convertible debentures	6	**–**	79,393	–
Deferred tax liability	10	**5,077**	2,893	7,254
Unitholders' equity				
Units		**325,170**	325,170	325,170
Deficit	18	**(305,440)**	(185,975)	(253,693)
Accumulated other comprehensive income (loss)		**(6,597)**	1,025	(4,072)
		13,133	140,220	67,405
		$ 359,611	$ 453,785	$ 363,375

Basis of Presentation (Note 2)

See accompanying notes to interim condensed consolidated financial statements.

Approved on behalf of the Trustees by:

JAMES E. CLARK
Trustee

GARY A. FILMON
Trustee

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

Three and six months ended June 30, 2011 and 2010 (unaudited)

		Three Months		Six Months	
(thousands of U.S. dollars, except per unit amounts)	Note	2011	2010	2011	2010
Sales		$ 67,405	$ 71,457	$ 89,686	$ 93,798
Cost of sales		60,403	56,533	99,170	92,653
		7,002	14,924	(9,484)	1,145
General and administrative expenses		2,595	2,477	5,086	4,164
Operating earnings (loss)		4,407	12,447	(14,570)	(3,019)
Finance costs		9,906	8,647	18,900	16,085
Other costs	17	1,175	(138)	11,460	3,573
Earnings (loss) before income taxes		(6,674)	3,938	(44,930)	(22,677)
Income taxes					
Current		139	85	251	255
Deferred (reduction)		9,310	2,725	6,566	(7,979)
		9,449	2,810	6,817	(7,724)
Earnings (loss) for the period		$ (16,123)	$ 1,128	$ (51,747)	$ (14,953)
Earnings (loss) per unit – basic and diluted		$ (0.41)	$ 0.03	$ (1.33)	$ (0.38)

See accompanying notes to interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Three and six months ended June 30, 2011 and 2010 (unaudited)

	Three Months		Six Months	
(thousands of U.S. dollars)	**2011**	2010	**2011**	2010
Earnings (loss) for the period	**$ (16,123)**	$ 1,128	**$ (51,747)**	$ (14,953)
Other comprehensive income (loss)				
Net unrealized foreign currency translation income (loss)	**(430)**	3,764	**(2,525)**	1,025
Comprehensive income (loss) for the period	**$ (16,553)**	$ 4,892	**$ (54,272)**	$ (13,928)

See accompanying notes to interim condensed consolidated financial statements.

	Six Months	
(thousands of U.S. dollars)	2011	2010
Units		
Balance, beginning and end of period	$ 325,170	$ 325,170
Deficit		
Balance, beginning of period	(253,693)	(171,022)
Loss for the period	(51,747)	(14,953)
Balance, end of period	(305,440)	(185,975)
Accumulated other comprehensive income (loss)		
Balance, beginning of period	(4,072)	–
Other comprehensive income (loss)	(2,525)	1,025
Balance, end of period	(6,597)	1,025
Total Unitholders' Equity	$ 13,133	$ 140,220

See accompanying notes to interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended June 30, 2011 and 2010 (unaudited)

		Six Months	
(thousands of U.S. dollars)	Note	2011	2010
Cash from (used in):			
Operating activities			
Loss for the period		$ (51,747)	$ (14,953)
Adjustments for:			
Depreciation and amortization		19,565	15,685
Finance costs		18,900	16,085
Interest paid		(15,639)	(11,539)
Recognition of rents on a straight-line basis		319	358
Unit-based compensation expense		(66)	(173)
Loss on disposals of non-current assets		42	103
Gain on settlement of acquisition payable		(1,091)	–
Unrealized loss on convertible debentures		5,455	1,756
Unrealized gain on warrants		(399)	(1,241)
Unrealized loss on U.S. denominated debt		–	283
Deferred income tax (reduction)		6,566	(7,979)
Antitrust related litigation settlements		1,993	–
		(16,102)	(1,615)
Changes in non-cash working capital items	11	(15,332)	(11,069)
		(31,434)	(12,684)
Investing activities			
Additions to property, plant and equipment		(6,733)	(10,859)
Proceeds from disposal of property, plant and equipment		177	134
Additions to intangibles		(200)	–
		(6,756)	(10,725)
Financing activities			
Proceeds from long-term debt		30,300	212,598
Principal repayments on long-term debt		(1,077)	(166,572)
Payment of deferred financing charges		(2,799)	(18,053)
		26,424	27,973
Foreign exchange loss on cash held in foreign currency		(29)	(52)
Increase (decrease) in cash		(11,795)	4,512
Cash, beginning of period		9,240	727
Cash (bank indebtedness), end of period		$ (2,555)	$ 5,239

See accompanying notes to interim condensed consolidated financial statements.

1. ORGANIZATION

Arctic Glacier Income Fund (the "Fund") is an unincorporated, open-ended limited purpose mutual fund trust established under the laws of the Province of Alberta on January 22, 2002. The Fund, through its subsidiaries, operates in the packaged ice manufacturing and distribution business in Canada and the United States and is active in acquiring ice manufacturing and distribution companies. The Fund also licenses its trade names and proprietary technology to independently owned companies in Canada and the United States under franchise and license agreements.

2. BASIS OF PRESENTATION

a) Going concern

The Fund was in breach of financial covenants governing maximum leverage ratio, interest coverage ratio, fixed charge coverage ratio and minimum EBITDA levels under its credit facilities as at June 30, 2011. This violation is primarily driven by the decrease in EBITDA in the second quarter of 2011 resulting from poor weather in most of Arctic Glacier's markets and the result of increased competitive activity in certain west coast markets. The Fund has also incurred additional leverage resulting from significant costs of antitrust investigations and litigation, completing the February 2010 refinancing and exploring financing and strategic transactions. If not cured or waived, the breach of these financial covenants would represent a default under the Fund's credit agreements and would give the Fund's secured lenders the right to demand accelerated payment of the outstanding amounts owed to them. Accordingly, debt has been classified as current liabilities at June 30, 2011.

Subsequent to the end of the quarter, on July 29, 2011, all of the Fund's secured lenders have waived compliance with these financial covenants for the second quarter until September 1, 2011. Arctic Glacier is continuing active discussions with its lenders to secure longer-term covenant relief, although there can be no assurance that such relief will be approved. The Fund's ability to continue as a going concern is dependent upon successfully negotiating covenant relief with the lenders for its revolving term credit and term loan facilities. Management of the Fund is encouraged that weather patterns in July in many of the Fund's markets have been favorable for sales of packaged ice. However, there is no assurance that this will continue through the Fund's peak selling season or be sufficient to resolve the breach of the financial covenants.

The factors noted above indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Fund to continue as a going concern.

In addition the Fund, under the direction of a special committee of the board of trustees, is continuing to evaluate alternatives as part of the strategic and financing review subsequent to the Fund's issuance of equity to satisfy its obligations to repay the convertible debentures on August 2, 2011.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate, then adjustments would be necessary to the carrying value of assets and liabilities, reported revenues and expenses and balance sheet classifications, and these adjustments could be material.

b) Statement of compliance

These unaudited interim condensed consolidated financial statements of the Fund have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These are the condensed consolidated interim financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1 *First-Time Adoption of International Financial Reporting Standards* has been applied. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Fund is provided in note 18. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under Canadian GAAP to those reported for those periods under IFRS.

The standards that will be effective or available for voluntary early adoption in the financial statements for the year ending December 31, 2011 are subject to change and may be affected by additional interpretation(s). Accordingly, the accounting policies will be finalized when the first annual IFRS financial statements are prepared for the year ending December 31, 2011.

Due to the seasonal nature of the operations of the Fund, the results of operations for the interim periods reported are not necessarily indicative of results to be expected for the year. The Fund usually generates significant sales and profits in the second and third quarters, with lower sales and significant losses in the first and fourth quarters. Cash flows peak in the third and fourth quarters and drop off in the first and second quarters.

The Fund's 2010 annual consolidated financial statements were previously prepared in accordance with Canadian GAAP. In preparing these interim financial statements, management has amended certain accounting, valuation and consolidation methods previously applied in the Canadian GAAP financial statements to comply with IFRS. The comparative figures for 2010 were restated to reflect these adjustments.

c) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Derivative financial instruments measured at fair value
- Financial instruments at fair value through earnings measured at fair value
- Liabilities for cash-settled share-based payment arrangements measured at fair value

d) Presentation currency

The Fund's presentation currency is the U.S. dollar. The majority of the revenues generated by subsidiaries of the Fund are in U.S. dollars as the majority of its operations are conducted in the United States. Presenting the Fund's results in U.S. dollars provides financial statement users with more meaningful information as it significantly reduces the impact on reported results of fluctuations in the rate of exchange between U.S. and Canadian currencies relating to these operations. The Fund's functional currency is the Canadian dollar.

e) Measurement uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include accounting for doubtful accounts receivable, property, plant and equipment, provisions, unit-based compensation, allocation of the purchase price of acquisitions, review for impairment and income taxes.

Depreciation of property, plant and equipment assets are dependent upon estimates of useful lives which is determined with the exercise of judgment. The assessment of any impairment of property, plant and equipment is dependent upon estimates of recoverable amount that take into account factors such as economic and market conditions and the useful lives of assets.

f) Change in accounting estimate

On January 1, 2011 management revised its estimate of the useful life of certain customer relationship assets. The effect of this change in accounting estimate for the three and six months ending June 30, 2011 was an increase in amortization expense of $3,055 and $6,104, respectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated interim financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated. The accounting policies have been applied consistently to all entities within the consolidated group of companies comprised of the Fund and its subsidiary companies (the "Group").

a) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Fund and the entities controlled by the Fund (its subsidiaries). Control exists when the Fund has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

b) Business combinations

(i) Acquisitions on or after January 1, 2010

For acquisitions on or after January 1, 2010, the Fund measures goodwill as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in earnings. Transaction costs, other than those associated with the issue of debt or equity securities, that the Fund incurs in connection with a business combination are expensed as incurred.

(ii) Acquisitions prior to January 1, 2010

As part of its transition to IFRS, the Fund elected to restate only those business combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognized under previous Canadian GAAP.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Fund. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Fund.

c) Foreign currency

(i) Foreign currency transactions

Transactions included in the financial statements of each of the Fund's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated to the respective functional currencies of subsidiary entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Nonmonetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in earnings. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency gains and losses are presented on a net basis.

(ii) Foreign currency translation

Assets and liabilities of entities with functional currencies other than U.S. dollars are translated at the period end rates, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in accumulated other comprehensive income.

d) Financial instruments

(i) Non-derivative financial assets

Loans, receivables and deposits are initially recognized on the date they originated. All other financial assets (including assets designated at fair value through earnings) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss, and loans and receivables.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in earnings as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in earnings. The Fund has classified cash and cash equivalents as held for trading.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Fund has classified accounts receivable as loans and receivables.

(ii) Non-derivative financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. The Group initially recognizes debt securities issued and subordinated liabilities on the date that they originate. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Fund has classified the following non-derivative financial liabilities as other liabilities: accounts payable and accrued liabilities, antitrust related litigation settlements and long-term debt. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible debentures that can be converted to units of the Fund at the option of the holder, and the number of units to be issued does not vary with changes in their fair value. As permitted by IAS 39 *Financial Instruments: Recognition and Measurement* the Fund has designated the convertible debentures at fair value through profit and loss as they contain more than one embedded derivative and significantly modify the cash flows that would otherwise be required by the contract. Transaction costs are expensed as incurred and any gains or losses arising from changes in fair value of the convertible debentures are recognized in profit and loss.

(iv) Derivative financial instruments

The Fund uses derivative financial instruments to hedge its interest rate risk exposures. The Fund's policy is not to utilize derivative financial instruments for trading or speculative purposes. These agreements have not been designated as cash flow hedges.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognized initially at fair value and attributable transaction costs are recognized in earnings as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognized immediately in earnings.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in earnings.

(v) Units

The Fund's units are classified as equity. Incremental costs directly attributable to the issue of units are recognized as a deduction from equity, net of any tax effects.

e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after January 1, 2010.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized within cost of sales.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits derived from the part will flow to the entity and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in earnings as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in earnings on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits derived from the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the entity will obtain ownership by the end of the lease term. Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Depreciation is provided on the following basis and at the following annual rates:

Asset	Basis	Rate
Buildings	Straight-line	4%
Machinery and equipment	Straight-line	5% - 20%
Merchandisers	Straight-line	10%
In-store bagging equipment	Straight-line	10% - 20%
Vehicles	Straight-line	14%
Computer and office equipment	Straight-line	20% - 33%
Leasehold improvements	Straight-line	Term of lease

f) Goodwill

For acquisitions on or after January 1, 2010, the Fund measures goodwill as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in earnings. In respect of acquisitions prior to January 1, 2010, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous Canadian GAAP. Subsequent to acquisition, goodwill is measured at cost less accumulated impairment losses.

g) Intangible assets

Intangible assets comprise brands, trade names, non-competition agreements, customer relationships and other intangible assets.

Trade names, non-competition agreements, customer relationships and other intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. The Arctic Glacier brand name is considered an indefinite-lived intangible asset and is measured at cost less accumulated impairment losses.

Amortization is calculated on a straight-line basis over the estimated useful life of the assets with periods ranging from two to five years for brands, trade names and non-competition agreements, 10 years for customer relationships and three to five years for other assets. Goodwill and the Arctic Glacier brand name and trademark are not amortized.

Useful lives and methods of amortization are reviewed at each financial year end, and adjusted prospectively, if appropriate.

h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

i) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in earnings and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through earnings.

(ii) Non-financial assets

Goodwill and intangible assets with indefinite lives are tested annually for impairment and when circumstances indicate that the carrying value may be impaired. The carrying amounts of other non-financial assets (excluding inventories and deferred taxes) are reviewed at each reporting date to determine whether there is an indication that an asset may be impaired. If an indication of impairment exists, the asset's recoverable amount is estimated and an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount of an asset or cash generating unit (CGU) is the greater of the asset's fair value less costs 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. In determining fair value less costs to sell, an appropriate valuation model is used.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows that are largely independent of those from other assets or groups of assets (CGUs). The Fund's CGUs are its operating divisions.

Goodwill arising from an acquisition is allocated to the CGU or the group of CGUs that are expected to benefit from the synergies of the business combination. This allocation reflects the lowest level at which that goodwill is monitored for internal reporting purposes and is subject to an operating segment ceiling.

Impairment losses are recognized in earnings if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses relating to CGUs are allocated to goodwill first and then to the carrying amounts of the other assets in the group on a pro-rata basis.

An impairment loss with respect to goodwill is never reversed. In respect of all other non-financial assets (excluding inventories and deferred taxes), a previously recognized impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

j) Employee benefits

(i) Defined contribution plan

The Fund sponsors a voluntary group registered retirement savings plan and deferred profit sharing plan for certain eligible Canadian employees and a voluntary 401(k) retirement savings plan for certain eligible U.S. employees. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in earnings in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) Unit-based payment transactions

The Fund has an incentive stock option plan (the "Plan") and can provide compensation to certain trustees, directors, officers and employees in the form of options to acquire Fund units. The fair value of the amount payable in respect of options issued under the Plan, which may be settled in cash because the Fund units are redeemable, is recognized as compensation cost over their vesting period with a corresponding increase in liabilities. The liability is re-measured to fair value at each reporting date up to and including the settlement date with changes in fair value recognized in administrative expenses in earnings. Forfeitures are estimated at the time of grant and revised if subsequent information indicates that actual forfeitures are likely to differ from previous estimates.

k) Provisions

Provisions are recognized when the Fund has a present legal obligation as a result of past events where it is probable that an outflow of resources capable of generating economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance expense.

l) Leases

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

Payments made under operating leases are recognized in earnings on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

m) Revenue recognition

Revenue is recognized when packaged ice and other products are delivered to and accepted by customers. There is no right of return with respect to such products.

Revenue resulting from leased equipment is recognized as earned under contract terms. Royalty fees from franchisees and licensees are recognized when the products are purchased from a third party by the franchisee or distributor.

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, trade discounts and volume rebates.

n) Finance costs

Finance costs comprise interest expense on borrowings and gains and losses on interest rate swaps. Borrowing costs that are not directly attributable to the acquisition, construction or development of a qualifying asset are recognized in earnings using the effective interest rate method. In addition, finance costs include accretion of deferred financing, long-term debt and antitrust investigation and related litigation settlements.

o) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable earnings, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

p) Earnings (loss) per unit

Basic earnings (loss) per unit is computed by dividing the net earnings (loss) available to common unitholders by the weighted average number of units outstanding during the reporting year. Diluted earnings (loss) per unit is computed similar to basic earnings (loss) per unit except that the weighted average units outstanding are increased to include additional units from the assumed exercise of unit options and warrants, if dilutive. The number of additional units is calculated by assuming that all outstanding unit options and warrants are exercised and that the proceeds from such exercises, as well as the amount of unrecognized share-based compensation, are used to repurchase units at the average market price during the reporting periods.

q) Segment reporting

The Fund has determined that it operates in one business segment, the manufacturing and distribution of packaged ice and other products. The Fund and its subsidiaries operate in Canada and the United States.

r) Cost of sales

Cost of sales includes, in addition to direct costs, an appropriate allocation of production overhead costs, depreciation and allocations for administrative costs that relate to the production process.

s) Future accounting standards

(i) Financial instruments - disclosures
The Accounting Standards Board approved the incorporation of the amendments to IFRS 7 *Financial Instruments: Disclosures* and the related amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* into Part 1 of the Handbook. These amendments were made to Part 1 in January 2011 and are effective for annual periods beginning on or after July 1, 2011. The amendments relate to required disclosures for transfers of financial assets to help users of financial statements evaluate the risk exposures relating to such transfers and the effect of those risks on an entity's financial position. While the Fund is currently assessing the impact of this new standard on its consolidated financial statements, management does not expect the standard to have a significant impact on the Fund's consolidated financial statements.

(ii) Financial instruments
IFRS 9 *Financial Instruments* was issued in November 2009 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. While the Fund is currently assessing the impact of this new standard on its consolidated financial statements, management does not expect the standard to have a significant impact on the Fund's consolidated financial statements.

t) Future changes in accounting policies

IFRS 10 *Consolidated Financial Statements* – in May 2011, the International Accounting Standards Board ("IASB") issued IFRS 10 which provides additional guidance to determine whether an investee should be consolidated. The guidance applies to all investees, including special purpose entities and is required to be adopted for periods beginning January 1, 2013. The Fund is evaluating the impact that this standard may have on its results of operations and financial position.

IFRS 11 *Joint Arrangements* – in May 2011, the IASB issued IFRS 11 which presents a new model for determining whether an entity should account for joint arrangements using proportionate consolidation or the equity method. Under the new standard, an entity will have to follow the substance rather than legal form of a joint arrangement and will no longer have a choice of accounting method. The new standard is required to be adopted for periods beginning January 1, 2013. The Fund is evaluating the impact that this standard may have on its results of operations and financial position.

IFRS 12 *Disclosure of Interests in Other Entities* – in May 2011, the IASB issued IFRS 12 which aggregates and amends disclosure requirements included within other standards. The new standard requires a company to provide disclosures about subsidiaries, joint arrangements, associates and unconsolidated structured entities. The new standard is required to be adopted for periods beginning January 1, 2013. The Fund is evaluating the impact that this standard may have on its results of operations and financial position.

IFRS 13 *Fair Value Measurement* – in May 2011, the IASB issued IFRS 13 to provide comprehensive guidance for instances where IFRS requires fair value to be used. The new standard provides guidance on determining fair value and requires disclosures about those measurements and is required to be adopted for periods beginning January 1, 2013. The Fund is evaluating the impact that this standard may have on its results of operations and financial position.

IAS 1 *Presentation of Items of Other Comprehensive Income* – in June 2011, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* to split items of other comprehensive income (OCI) between those that are reclassified to income and those that do not. The new standard is required to be adopted for periods beginning on or after July 1, 2012. The Fund is evaluating the impact that this standard may have on its results of operations and financial position.

IAS 19 *Employee Benefits* – in June 2011, the IASB issued amendments to IAS 19 to revise certain aspects of the accounting for pension plans and other benefits. The amendments eliminate the corridor method of accounting for defined benefit plans, change the recognition pattern of gains and losses and require additional disclosures. The new standard is required to be adopted for periods beginning on or after January 1, 2013. The Fund is evaluating the impact that this standard may have on its results of operations and financial position.

4. PROVISIONS

The Fund maintains provisions for self-insured medical claims which have been incurred but not reported. Excess loss protection above certain maximum retained exposures is provided by external insurance companies. The provision is measured based on historical data and a weighting of all possible outcomes against their associated probabilities. The assumptions derived from historical claims experience include the average monthly claims and the average lag time between incurrence and payment.

5. OTHER FINANCIAL LIABILITIES

The details of other financial liabilities are as follows:

	June 30, 2011	June 30, 2010	December 31, 2010
Accrued interest payable	$ 6,331	$ 6,310	$ 6,632
Interest rate swap liability	–	2,852	1,596
	$ 6,331	$ 9,162	$ 8,228

6. CONVERTIBLE DEBENTURES

Details of the debentures are as follows:

	Number of Debentures	Liability
Balance at December 31, 2009	90.6	$ 78,673
Market adjustments	–	(8,524)
Foreign currency translation	–	4,341
Balance at December 31, 2010	90.6	74,490
Market adjustments	–	5,455
Foreign currency translation	–	2,512
Balance at June 30, 2011	90.6	$ 82,457

On June 30, 2011, the Fund announced that it had given notice to the holders of its 6.50% extendible convertible unsecured subordinated debentures that it would satisfy its obligations to repay the principal amount of the debentures on the maturity date of July 31, 2011 by issuing trust units of the Fund to debenture holders in lieu of cash, in accordance with the terms of the trust indenture for the debentures.

Subsequent to the end of the quarter, on August 2, 2011, the Fund satisfied its obligation to repay the principal amount of the debentures by issuing 311,275 units of the Fund to debenture holders. In accordance with the terms of the trust indenture, the number of units issued was calculated by dividing the principal amount of the debentures outstanding by 95% of the volume-weighted average trading price per unit for the units on the Toronto Stock Exchange for the 20 consecutive trading days ending five days prior to the date of maturity. The units are freely-tradable in Canada and are not subject to any resale restrictions under applicable Canadian securities legislation or the rules of the Toronto Stock Exchange.

7. UNIT OPTIONS

As a result of the ability of unitholders to redeem their Fund units for cash or other financial assets, options to acquire units are classified as cash-settled liabilities and measured at fair value at each reporting date. The grant date fair value is recognized over the vesting period. The impact of fair value re-measurements during the vesting period are recognized immediately in profit and loss to the extent that they relate to past services. *That is, in the period of re-measurement there is a catch-up adjustment for prior periods* in order for the recognized liability at the end of each reporting period to equal the total fair value of the liability.

The range of exercise prices for options outstanding at June 30, 2011 is as follows:

	Options Outstanding			Options Exercisable	
Exercise Price (C$)	Number	Weighted Average Exercise Price (C$)	Fair Value	Number	Weighted Average Exercise Price (C$)
$ 1.63	761.8	$ 1.63	$ 9	761.8	$ 1.63
1.66	263.5	1.66	3	175.7	1.66
1.83	363.8	1.83	3	121.3	1.83
2.38	456.2	2.38	1	304.1	2.38
3.09	100.0	3.09	–	66.7	3.09
11.18	629.5	11.18	–	472.1	11.18
11.46	895.0	11.46	–	895.0	11.46
	3,469.8	$ 6.06	$ 16	2,796.7	$ 6.52

The details of unit-based payment expenses are as follows:

	Three Months		Six Months	
	2011	2010	2011	2010
Total unit-based compensation expense net of fair value adjustments	$ (165)	$ (62)	$ (66)	$ (173)

8. WARRANTS

On February 10, 2010, in connection with the new term loan, the Fund issued warrants to the term loan lenders to acquire up to 3.0 million units of the Fund at any time prior to February 9, 2014 at an exercise price of C$4.00 per unit. On March 31, 2011 in connection with the amendment to the term loan the exercise price of the warrants was reduced to C$1.60. No warrants had been exercised as at June 30, 2011. The fair value of the warrants of $28 at June 30, 2011 was determined using the Black-Scholes option pricing model *assuming no expected dividends, a risk-free interest rate of 1.89% and an expected unit price volatility of 21.3% for an expected* remaining life of approximately three years.

The details of the fair value of the warrants are as follows:

	June 30, 2011	*June 30, 2010*	*December 31, 2010*
Carrying value	$ 28	$ 299	$ –
Exercise price (C$)	$ 1.60	$ 4.00	$ 4.00
Closing unit price (C$)	$ 0.87	$ 2.50	$ 1.14
Number of units underlying warrants (thousands)	3,000	3,000	3,000

9. LONG-TERM DEBT

The components of long-term debt are as follows:

	June 30, 2011	June 30, 2010	December 31, 2010
Revolving term credit facility	**$ 30,258**	$ 17,818	$ —
Term loan	**192,008**	186,097	189,009
Deferred acquisition consideration	**183**	272	198
Other	**5,751**	6,090	6,442
	228,200	210,277	195,649
Less deferred financing charges	**17,972**	18,490	16,736
	210,228	191,787	178,913
Less principal included in current liabilities	**205,345**	2,326	2,391
	$ 4,883	$ 189,461	$ 176,522

On March 30, 2011, the Fund's term loan lenders amended the terms of the loan in conjunction with providing the required consent necessary for a subsidiary of the Fund to enter into a class action litigation settlement agreement. The lenders amended the minimum EBITDA covenant to $45,000 until April 1, 2012, and quarterly leverage covenants to 4.9 to 1 for the first quarter of 2011, 5.25 to 1 for the second quarter of 2011, 4.5 to 1 for the third and fourth quarters of 2011 and 5.0 to 1 for the first quarter of 2012. The term loan lenders increased the payment-in-kind ("PIK") interest rate by 1% for the remainder of the term and the cost of the prepayment option by 3%. In connection with this amendment, the term loan lenders required the Fund to amend the exercise price of 3.0 million unlisted warrants that were previously issued to the term loan lenders from C$4.00 to C$1.60.

Also on March 30, 2011, the Fund's revolving term credit facility lenders amended the terms of the facility, providing consent for the Fund's subsidiary to enter into a class action settlement agreement and providing for similar covenant amendments.

At June 30, 2011, the Fund had a $57,500 (2010 – $70,000) revolving term credit facility with a balance outstanding of $30,258 (2010 – $17,818). The balance outstanding carried a weighted average interest rate of 5.5% at June 30, 2011 (2010 – 4.5%).

At June 30, 2011, the Fund was in breach of financial covenants governing maximum leverage ratio, interest coverage ratio, fixed charge coverage ratio and minimum EBITDA levels under its credit facilities. Subsequent to the end of the quarter, on July 29, 2011, all of the Fund's secured lenders have waived compliance with these financial covenants for the second quarter until September 1, 2011 (see Note 16).

10. LOSS PER UNIT

The computation for basic and diluted loss per unit is as follows:

	Three Months		Six Months	
	2011	2010	**2011**	2010
Earnings (loss) and diluted earnings (loss) available to unitholders	**$ (16,123)**	$ 1,128	**$ (51,747)**	$ (14,953)
Basic and diluted weighted average number of units	**39,043.4**	39,043.4	**39,043.4**	39,043.4
Basic and diluted earnings (loss) per unit	**$ (0.41)**	$ 0.03	**$ (1.33)**	$ (0.38)

11. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

The changes in non-cash working capital items are as follows:

	Six Months	
	2011	2010
Accounts receivable	$ (19,652)	$ (19,098)
Inventories	(4,678)	(4,875)
Prepaids	(1,289)	(248)
Accounts payable and accrued liabilities and provisions	10,287	13,152
	$ (15,332)	$ (11,069)

12. COSTS OF ANTITRUST INVESTIGATIONS AND RELATED LITIGATION

On March 30, 2011, a subsidiary of the Fund settled the class action filed by direct purchasers of packaged ice in the United States. Under terms of the agreement, which received preliminary approval by U.S. District Court on July 20, 2011, the subsidiary will pay a settlement of $12,500 in two installments. The first installment of $2,500 was paid subsequent to the end of the second quarter on August 4, 2011 and the agreement provides for a final installment of $10,000 to be payable on the later of November 1, 2011 or 30 days after the settlement receives final court approval. At June 30, 2011, the settlement has been recorded in current liabilities at its discounted present value of $12,088.

On April 29, 2011, a subsidiary of the Fund settled the class actions filed in Ontario Superior Court and Alberta Superior Court by direct purchasers of packaged ice in Canada for a sum of C$2,000. This settlement remains subject to court approval, which will determine the timing of the approval procedure and the payment schedule. The settlement has been recorded in current liabilities at June 30, 2011 at its discounted present value of C$2,000.

Total costs incurred in connection with the antitrust investigations and related litigation for the three and six month periods ending June 30, 2011 are estimated at $907 and $4,127 (2010 - $1,575 and $2,775), respectively.

13. CONTINGENCIES

In March 2008, a subsidiary of the Fund and certain members of management received subpoenas issued by a federal grand jury in the Eastern District of Michigan seeking documents and information in connection with an investigation by the Antitrust Division of the United States Department of Justice ("DOJ") into possible antitrust violations in the U.S. packaged ice industry. On October 13, 2009, the subsidiary entered into an agreement with the DOJ to conclude the investigation as it relates in any way to the Fund, its board, management and staff in all markets (Note 17). The agreement was accepted by the U.S. District Court on February 11, 2010.

The Fund and its subsidiaries received Civil Investigative Demand notices ("CID") from the Attorneys General for Florida and Arizona seeking information in order to determine if state antitrust laws had been violated. The Fund has been informed that 17 other states have signed information-sharing agreements with Florida in order to review and share information. A subsidiary of the Fund received additional CID notices from the Michigan Attorney General seeking documents and information in order to determine whether Michigan's antitrust laws were violated. On August 31, 2010, the subsidiary entered into an agreement with the Michigan Attorney General to resolve, without any admission of wrongdoing, all allegations that it violated Michigan's antitrust laws. Under terms of the agreement, the subsidiary paid the amount of $350 in two installments in September and December 2010. The settlement concludes and resolves all investigations, inquiries, claims and proceedings by the Michigan Attorney General related to any alleged violations of applicable state and federal antitrust laws. The Fund and its subsidiaries are cooperating with authorities in the course of the other state antitrust investigations and provided all requested information over one year ago. There have been no further requests for information made of the Fund since then.

Following the announcement that the DOJ was undertaking an investigation of the U.S. packaged ice industry, a number of civil actions were commenced by direct and indirect purchasers against several packaged ice companies in the United States, including subsidiaries of the Fund, alleging violations of antitrust laws and seeking damages. Pursuant to an order from the Judicial Panel on Multidistrict Litigation ("MDL"), the civil actions pending in federal courts were transferred and consolidated for pretrial proceedings in the United States District Court for the Eastern District of Michigan. On September 15, 2009, the plaintiffs in these MDL actions filed consolidated amended complaints.

On March 30, 2011, the Fund agreed to settle the MDL direct purchasers' action. Under terms of the agreement, which received preliminary approval by U.S. District Court on July 20, 2011, a settlement of $12,500 will be paid in two installments. The first installment of $2,500 was paid subsequent to the end of the second quarter on August 4, 2011 and a final installment of $10,000 is payable on the later of November 1, 2011 or 30 days after the settlement receives final court approval.

On March 11, 2011, the court partially granted a motion filed by the Fund to dismiss the non-Michigan claims in the MDL indirect purchasers' action. The court dismissed many of the indirect purchasers' state law claims restricting all claims to those states in which the named plaintiffs reside, reducing dramatically the number of claims pending in the action. On May 25, 2011, the MDL indirect purchasers filed an amended complaint attempting to re-assert some of the claims previously dismissed. The Fund has filed a motion to dismiss many of the claims asserted in this amended filing, which is currently pending. Three indirect purchaser actions, which are substantially similar to the MDL indirect purchaser action, have been recently filed against the Fund, and other defendants, in federal courts in Arkansas and Tennessee and Kansas state court. These actions have all been transferred to the Eastern District of Michigan and will be presided over by the same court responsible for the MDL indirect purchaser action.

On July 23, 2008, an individual, who became an employee of a subsidiary of the Fund for a short period of time in the course of an acquisition before accepting terms of severance, commenced an action in the United States District Court for the Eastern District of Michigan. The action purported to bring antitrust claims as well as state law claims in connection with his termination from employment with the subsidiary and his allegation that the defendant manufacturers illegally conspired to prevent his future employment in the ice industry. On May 29, 2009 the court dismissed the bulk of this case, including antitrust claims relating to both federal and state jurisdictions. This same employee filed an action on behalf of the United States government alleging that the Fund and its subsidiaries, along with other defendants, overcharged the government in its purchases of packaged ice. The government refused to intervene in the action and the matter was unsealed on April 20, 2011. The Company has filed a motion to dismiss the action, which is currently pending. The Fund is of the opinion that both of these actions are without merit and will vigorously contest the claims in court.

Two civil actions were filed by direct purchasers of packaged ice in state courts in Kansas and Wisconsin, alleging violations of state antitrust laws and related claims and seeking similar damages to those sought in the federal actions described above. On February 26, 2009, the Kansas state court dismissed the action commenced in that state concluding the plaintiff had failed to advance an actionable claim against the Fund. On January 22, 2010, the Wisconsin state court denied that plaintiff's request for class certification, effectively restricting the action to a single customer. On March 18, 2011, the Fund resolved the Wisconsin action for a nominal amount and the matter is now closed.

On November 24, 2008, the Civil Division of the DOJ advised Arctic Glacier of its commencement of a civil investigation of the packaged ice industry under the U.S. federal False Claims Act to determine if the U.S. federal government, or its contractors, were overcharged in their purchases of packaged ice as a result of the conduct investigated by the DOJ Antitrust Division. On March 21, 2011, the DOJ Civil Division advised that its investigation with respect to Arctic Glacier was closed and no action would be taken against the Fund and its subsidiaries.

On October 24, 2008, the Fund was named in a class action civil lawsuit filed in Ontario Superior Court. The action has been amended several times. The plaintiffs propose to represent a class of people or entities that acquired units of the Fund between March 13, 2002 and September 16, 2008 and claim damages of C$245,000 alleging against the Fund, its trustees, and a subsidiary and its directors and certain officers, as defendants that they failed to make full and timely disclosure. A motion by the plaintiffs for certification and for leave to amend to add a statutory cause of action for secondary market misrepresentation against the existing defendants and to add two former employees of the subsidiary as defendants to the statutory cause of action was granted by the court on March 1, 2011. The Fund and other defendants will seek leave to appeal that outcome. The Fund denies the allegations in the lawsuit and will continue to vigorously contest the action in court. At this time the final outcome of this litigation cannot be predicted or any potential effect it may have on the Fund or its operations. The Fund has notified carriers of its directors' and officers' liability insurance of the action.

On May 7, 2009, a civil lawsuit (the "May 2009 Action") was filed against a subsidiary of the Fund in Ontario Superior Court seeking damages of C$110,000 on behalf of a proposed class of customers in Ontario that had purchased packaged ice directly from the subsidiary during a proposed class period commencing January 1, 2001. The plaintiffs to this action agreed to have it dismissed, without cost to the Fund, because on March 1, 2010, the same law firm commenced a second claim in Ontario Superior Court, on behalf of one of the two plaintiffs from the May 2009 Action. This second action (the "March 2010 Action"), as subsequently amended, is brought against a subsidiary of the Fund, a former employee and another packaged ice company on behalf of a proposed class of purchasers in Ontario, British Columbia, Manitoba, Saskatchewan and Quebec during a proposed class period commencing January 1, 2001. The March 2010 Action alleges anticompetitive behavior by the subsidiary and the other packaged ice company and seeks damages of C$66,000 plus interest and costs.

On June 24, 2009, an Alberta civil lawsuit similar to the Ontario May 2009 Action was filed against a subsidiary of the Fund in the Alberta Court of Queen's Bench, alleging the same activity and seeking the same damages on behalf of a proposed class of customers in Alberta that had purchased packaged ice directly from the subsidiary during the same class period. Then, on March 8, 2010, the same Alberta law firm commenced a claim for the same Alberta plaintiff in the Alberta Court of Queen's Bench against the same three defendants with the same allegations as in the Ontario March 2010 Action, seeking the same damages on behalf of a proposed class of purchasers in Alberta that had purchased packaged ice directly from the subsidiary during the same class period. Neither of these Alberta actions proceeded.

On April 29, 2011, the Fund agreed to settle all four outstanding direct purchaser actions commenced against it in Ontario and Alberta for the aggregate sum of C$2,000. The agreement, to be filed in the Ontario March 2010 Action, is subject to approval by the Ontario court in that Action, which will determine the timing of the approval procedure and the payment schedule.

On April 26, 2010, an indirect purchaser complaint asserting claims under Michigan's antitrust law was filed in the Eastern District of Michigan against three former employees of a subsidiary of the Fund. The complaint asserts the same factual basis as that presented in the consolidated indirect purchasers' action pending against subsidiaries of the Fund, except that the plaintiffs are only seeking damages relating to conduct in Michigan. The Fund and its subsidiaries were not named in this action. However, in accordance with its bylaws, a subsidiary of the Fund is obligated to pay for the representation of and to indemnify the three former employees in this action.

At this time, the Fund is unable to predict the timeline or final outcome of the remaining state investigations and litigation matters, or any potential effect they may have on the Fund or its operations, which may be material. No financial provisions have been made regarding these matters except as noted above.

Certain other litigation arising in the normal course of business is pending against the Fund and its subsidiaries. While the final outcome with respect to actions outstanding or pending as at June 30, 2011 cannot be predicted with certainty, the Fund is of the opinion that the resolution of such litigation will not have a significant effect on the consolidated financial statements of the Fund and its subsidiaries.

14. INCOME TAXES

Commencing in 2011, the Fund is subject to tax on certain Canadian-sourced income. The Fund has accounted for deferred tax assets and liabilities in respect of accounting and tax basis differences that are expected to reverse in or after 2011, with a corresponding credit or charge to consolidated earnings for the period.

15. RELATED PARTY TRANSACTION

A subsidiary of the Fund leases a manufacturing facility located in Arizona from a company indirectly owned and controlled by a trustee of the Fund. The lease term is until May 2015. The lease includes an option to purchase the facility during the term on commercially reasonable terms. Lease payments for the three and six months ended June 30, 2011 totaled $324 and $648 (2010 – $324 and $647), respectively. In addition, accounts receivable includes $59 (2010 – $52) due from related parties including $31 (2010 – $25) due from a trustee of the Fund and $28 (2010 – $27) due from a company subject to significant influence by a trustee of the Fund.

16. CAPITAL

The Fund views its capital as the combination of its debt and equity balances. In general, the overall capital of the Fund is evaluated and determined in the context of its financial objectives and strategic plan, giving consideration to the significant seasonality of cash flows. The Fund typically carries a modest level of cash on hand or bank indebtedness, intended to provide adequate liquidity for pending distribution obligations and short-term changes in non-cash working capital balances.

The Fund determines the appropriate level of debt in the context of its cash flow and overall business risks. The Fund defines net debt as total long-term debt and bank indebtedness, reduced by cash. The Fund typically maintains a level of net debt that provides adequate financial flexibility to meet operating and working capital requirements. Additionally, the Fund has historically generated cash flow in excess of cash distributions to unitholders and has used a portion of the excess funds to pay down net debt. In September 2008, the Fund suspended distributions and the trustees of the Fund do not anticipate paying distributions for the foreseeable future as the current loan agreements prevent payment of distributions through at least February 2014.

The Fund's net debt is subject to a number of covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests at a subsidiary level. The primary ratio is the leverage ratio, defined in the Fund's credit agreement as net debt to trailing 12-month EBITDA. At June 30, 2011, the Fund was in breach of certain financial covenants, including those governing maximum leverage ratio, interest coverage ratio, fixed charge coverage ratio and minimum EBITDA levels. The leverage ratio for the 12-month trailing period ending June 30, 2011 as defined in the revolving term credit facility agreement was 5.66 (2010 – 3.72) compared to the permitted maximum of 5.25 (2010 – 3.75) and as defined in the term loan agreement was 5.45 (2010 – 3.78), compared to the permitted maximum of 5.25 (2010 – 4.0) for the period.

Subsequent to the end of the quarter, on July 29, 2011, all of the Fund's secured lenders have waived compliance with these financial covenants for the second quarter until September 1, 2011. The Fund is continuing active discussions with its lenders to secure longer-term covenant relief, although there can be no assurance that such relief will be approved. Without the continued support of the secured lenders, there remains significant doubt that the Fund will be able to continue as a going concern.

17. OTHER COSTS

The details of other costs are as follows:

	Three Months		Six Months	
	2011	2010	2011	2010
Unrealized loss (gain) on fair value adjustments to convertible debentures	$ (2,201)	$ (1,372)	$ 5,455	$ 1,756
Unrealized gain on fair value adjustments to warrants	(399)	(341)	(399)	(1,241)
Unrealized loss on U.S. debt	–	–	–	283
Costs for review of financing and strategic alternatives	2,868	–	3,368	–
Antitrust expenses	907	1,575	4,127	2,775
Gain on settlement of acquisition consideration	–	–	(1,091)	–
Total other costs	$ 1,175	$ (138)	$ 11,460	$ 3,573

Financing and strategic alternative costs are comprised of legal and other related expenses. Antitrust expenses are comprised of costs incurred in connection with the antitrust investigations and related litigation. A gain on an acquisition related accrual of $1,091 was recognized during the first quarter.

18. TRANSITION TO IFRS

The first date at which IFRS was applied was January 1, 2010 ("Transition Date"). The impact of the Fund's transition to IFRS for the quarter ended June 30, 2011 is summarized in this note as follows:

i. Transition elections

ii. Reconciliations of equity, loss and comprehensive loss as previously reported under Canadian GAAP to IFRS

iii. Explanation of the transition

These are the Fund's second quarterly financial statements prepared in accordance with IFRS. A full explanation of the impact of the transition and the Fund's opening statement of financial position prepared in accordance with IFRS are available in the Fund's First Quarter 2011 financial statements for the three months ended March 31, 2011.

i. Transition elections

Set forth below are the applicable IFRS 1 *First-time Adoption of IFRS* exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

Business combinations

IFRS 1 allows a first-time adopter to elect to apply IFRS 3 *Business Combinations* prospectively. The Fund applied this election and as a result acquisitions prior to January 1, 2010 have not been restated to comply with IFRS 3 *Business Combinations*.

Cumulative translation differences

IFRS 1 allows a first-time adopter to reset to zero all cumulative translation differences at the date of transition. The Fund applied this election and cumulative translation differences included in accumulated other comprehensive income were transferred to deficit.

Borrowing costs

IFRS 1 allows a first-time adopter to apply IAS 23 *Borrowing Costs* to qualifying assets prospectively. The Fund applied this exemption and selected January 1, 2010 as the date after which it will capitalize borrowing costs on all qualifying assets.

Fair value as deemed cost

IFRS 1 allows a first-time adopter to use fair value as deemed IFRS cost at the date of transition for any item of property, plant and equipment. The Fund applied this exemption to certain items of property, plant and equipment.

Share-based payment

The Fund applied the IFRS 1 share-based payment exemption from full retrospective application. IFRS 2 *Share-based Payment* was applied to options which had not expired at the date of transition.

Designation of previously recognized financial instruments

IFRS allows a first-time adopter to make a fair value through profit or loss designation at the date of transition. The Fund elected to designate its convertible debentures at fair value through profit and loss.

Estimates

IFRS 1 requires an entity's estimates to be consistent with estimates made for the same dates under Canadian GAAP, unless there is objective evidence those estimates were in error. The Fund's IFRS estimates are consistent with Canadian GAAP estimates.

ii. Reconciliations of equity, loss and comprehensive loss

IFRS 1 requires an entity to reconcile equity and comprehensive income for prior periods. The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity and comprehensive income.

Canadian GAAP equity at June 30, 2010 has been reconciled to IFRS as follows:

					June 30, 2010
	Note 18	Canadian GAAP		Effect of Transition to IFRS	IFRS
ASSETS					
Current assets					
Cash		$ 5,239	$	–	$ 5,239
Accounts receivable		31,109		–	31,109
Inventories		13,563		–	13,563
Prepaids	(a)	5,125		291	5,416
		55,036		291	55,327
Deferred tax asset	(i)	–		3,170	3,170
Property, plant and equipment	(b)(d)	140,159		95	140,254
Intangible assets	(c)	118,551		(9,907)	108,644
Goodwill		146,390		–	146,390
		$ 460,136	$	(6,351)	$ 453,785
LIABILITIES AND UNITHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	(e)(k)	$ 38,442	$	(9,728)	$ 28,714
Provisions	(e)	–		344	344
Other financial liabilities	(k)	–		9,162	9,162
Principal due within one year on long-term debt		2,326		–	2,326
		40,768		(222)	40,546
Unit options	(f)	–		973	973
Warrants	(h)	–		299	299
Long-term debt		189,461		–	189,461
Convertible debentures	(g)	81,883		(2,490)	79,393
Deferred tax liability	(i)	621		2,272	2,893
Unitholders' equity					
Units	(f)	325,209		(39)	325,170
Contributed surplus	(f)	2,215		(2,215)	–
Warrants	(h)	1,484		1,484	–
Equity portion of convertible debentures	(g)	8,358		(8,358)	–
Deficit		(172,695)		(13,280)	(185,975)
Accumulated other comprehensive income (loss)	(j)	(17,168)		18,193	1,025
		147,403		(7,183)	140,220
		$ 460,136	$	(6,351)	$ 453,785

Canadian GAAP equity at December 31, 2010 has been reconciled to IFRS as follows:

	Note 18	Canadian GAAP	Effect of Transition to IFRS	IFRS
		December 31, 2010		
ASSETS				
Current assets				
Cash		$ 9,240	$ –	$ 9,240
Accounts receivable		11,804	–	11,804
Inventories		10,493	–	10,493
Prepaids		3,703	–	3,703
		35,240	–	35,240
Deferred tax asset	(i)	9,904	3,511	13,415
Property, plant and equipment	(b)(d)	137,229	159	137,388
Intangible assets	(c)	114,873	(9,303)	105,570
Goodwill		71,762	–	71,762
		$ 369,008	$ (5,633)	$ 363,375
LIABILITIES AND UNITHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	(e)(k)	$ 23,916	$ (8,639)	$ 15,277
Provisions	(e)	–	335	335
Antitrust related litigation settlements		11,393	–	11,393
Other financial liabilities	(k)	–	8,228	8,228
Convertible debentures	(g)	89,251	(14,761)	74,490
Principal due within one year on long-term debt		2,391	–	2,391
		126,951	(14,837)	112,114
Unit options	(f)	–	80	80
Warrants	(h)	–	–	–
Long-term debt		176,522	–	176,522
Deferred Tax liability	(i)	–	7,254	7,254
Unitholders' equity				
Units	(f)	325,209	(39)	325,170
Contributed surplus	(f)	2,541	(2,541)	–
Warrants	(h)	1,484	(1,484)	–
Equity portion of convertible debentures	(g)	8,358	(8,358)	–
Deficit	(i)	(249,726)	(3,967)	(253,693)
Accumulated other comprehensive loss	(j)	(22,331)	18,259	(4,072)
		65,535	1,870	67,405
		$ 369,008	$ (5,633)	$ 363,375

Loss has been reconciled to IFRS as follows:

	Note 18	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010	Year Ended December 31, 2010
Loss under Canadian GAAP		$ (303)	$ (16,921)	$ (93,952)
Differences in GAAP increasing (decreasing) reported earnings:				
Business combinations	(a)	–	–	(91)
Depreciation of property, plant and equipment	(b)	3	33	69
Gain on disposal of property, plant and equipment	(b)	4	25	7
Depreciation of intangible assets	(c)	210	420	842
Capitalized borrowing costs	(d)	9	37	37
Provisions	(e)	33	158	9
Unit-based compensation	(f)	275	540	1,795
Convertible debentures unrealized fair value and other adjustments	(g)	2,113	(305)	11,502
Warrants unrealized fair value adjustments	(h)	341	1,241	1,550
Deferred taxes	(i)	(1,557)	(181)	(4,469)
Earnings (loss) under IFRS		**$ 1,128**	**$ (14,953)**	**$ (82,671)**

The year to date comprehensive loss has been reconciled to IFRS as follows:

	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010	Year Ended December 31, 2010
Comprehensive income (loss) under Canadian GAAP	$ 3,338	$ (15,813)	$ (98,007)
Differences in GAAP increasing (decreasing) reported comprehensive loss:			
Total IFRS loss adjustments net of tax	1,431	1,968	11,281
Foreign currency translation adjustments	123	(83)	(17)
Comprehensive income (loss) under IFRS	**$ 4,892**	**$ (13,928)**	**$ (86,743)**

iii. Explanation of the transition

In addition to the exemptions and exceptions discussed in section (i) of this note, the following narratives explain the significant differences between previous Canadian GAAP accounting policies and current IFRS accounting policies applied by the Fund. The descriptive caption next to each item below corresponds to the same descriptive caption in the above reconciliations.

(a) Business combinations – contingent consideration

Canadian GAAP – Recapture of prepaid contingent consideration is accounted for as an adjustment to the purchase price allocation.

IFRS – Contingent consideration is re-measured to fair value at each reporting date. Adjustments to the purchase price allocation are only permitted during the measurement period which cannot exceed one year from the date of acquisition.

Under IFRS the Fund re-measured all outstanding contingent consideration to fair value at the date of transition and Canadian GAAP purchase price allocation adjustments were reversed.

(b) Property, plant and equipment

Canadian GAAP – Componentization is mandated at a more aggregated level than IFRS permits.

IFRS – Each significant component of an item of property, plant and equipment must be depreciated separately and the original cost of parts which have been repaired or replaced must be derecognized.

In accordance with IFRS requirements, the Fund componentized its property, plant and equipment and derecognized parts which had been replaced.

(c) Impairment

Canadian GAAP – Utilized a two-step impairment test, with no impairment required if undiscounted future cash flows relating to an asset are higher than the carrying value of that asset. Impairment is measured as the difference between fair value and carrying value.

IFRS – Assets are tested for impairment using discounted cash flows only. Impairment is recognized as difference between carrying value and recoverable amount. Recoverable amount is defined as the higher of "value in use" and "fair value less costs to sell".

At the date of transition the Fund completed an impairment review of its assets. At that date the carrying value of the Northeast Division was less than the undiscounted cash flows, but greater than the discounted cash flows using the pre-tax weighted average cost of capital 10.24%. Due to decreased operating margins that resulted from the poor overall state of the economy, the Northeast Division was determined to be impaired in accordance with IFRS, but not impaired in accordance with Canadian GAAP.

(d) Borrowing costs

Canadian GAAP – Borrowing costs associated with construction of qualifying assets were expensed.

IFRS – Borrowing costs associated with construction of qualifying assets must be capitalized.

In accordance with IFRS, general borrowing costs associated with the upgrade of an ice manufacturing plant were capitalized during qualifying period. The adjustment resulted in a decrease in finance costs and a corresponding increase in property, plant and equipment.

(e) Provisions

Canadian GAAP – Provisions for self-insured medical benefits were measured at the most likely outcome and were included in accounts payable and accrued liabilities.

IFRS – Provisions must be presented as separate line item in the statement of financial position. Furthermore, a provision consisting of a large population of items must be measured using a weighted average probability approach.

In accordance with IFRS requirements the Fund reclassified provisions as a separate line item in its statement of financial position and re-measured them utilizing a weighted average probability approach.

(f) Unit-based compensation

Canadian GAAP – Unit-based compensation was classified as equity settled. Fair value was measured at the grant date and recognized over the vesting period with a corresponding increase to contributed surplus. Forfeitures were recorded as incurred and options with graded vesting features were accounted for as a single grant using the straight-line method.

IFRS – As a result of the ability of unitholders to redeem Fund units for cash or other financial assets, options to acquire units must be classified as a liability. Furthermore, IFRS requires each tranche of options with graded vesting to be measured separately. Forfeitures must be estimated.

In accordance with IFRS requirements all outstanding unit options were reclassified from contributed surplus to liabilities and re-measured to fair value at each reporting date.

(g) Convertible debentures

Canadian GAAP – Convertible debentures that contained an embedded derivative were accounted for as a compound financial instrument with a debt and equity component. The holder conversion option was accounted for as equity and the outstanding principal liability component was measured at amortized cost, with deferred financing costs being amortized to profit and loss over the term of the debentures.

IFRS – The holder conversion option must be reclassified as a liability due to the ability of the unitholders to redeem their Fund units for cash or other financial assets. The Fund elected to designate the entire compound instrument at fair value through profit and loss.

In accordance with IFRS requirements the convertible debentures were re-measured to fair value at each reporting date and unamortized deferred transaction costs which had been capitalized under Canadian GAAP were transferred to deficit. Changes in the fair value of the convertible debentures during 2010 were recognized in profit and loss.

(h) Warrants

Canadian GAAP – The Fund accounted for warrants to acquire units of the Fund as equity instruments.

IFRS – As a result of the ability of unitholders to redeem Fund units for cash or other financial assets, warrants to acquire units must be classified as a liability and re-measured to fair value at each reporting date with changes in fair value recognized in profit and loss.

In accordance with IFRS the Fund's warrants were reclassified as liabilities and re-measured to fair value. Subsequent changes in fair value at each reporting date were recorded in profit and loss.

(i) Deferred tax asset/liability

IFRS does not permit an offset of income tax assets and liabilities of different taxable entities within a consolidated group, unless there is a legally enforceable right to offset and the entities intend to settle these assets and liabilities simultaneously. In accordance with IFRS requirements, the Fund reclassified deferred tax assets and deferred tax liabilities as separate line items in its statements of financial position where appropriate. The adjustments to deferred tax assets and liabilities arise from IFRS transition adjustments to the carrying value of other assets and liabilities discussed above, which result in a change in the temporary differences reported for financial statement and tax purposes. Under IFRS, all deferred tax assets and liabilities must be classified as non-current. Under Canadian GAAP, deferred tax assets and liabilities were classified as current or non-current as appropriate.

In the second quarter of 2011, the Fund has determined that under IFRS, the tax rate applicable to the deferred tax on the fair value adjustment of its convertible debentures is the highest marginal personal tax rate of 46.4%. The impact increased the deferred tax liability and deficit by $2.8 million under IFRS at December 31, 2010, and reduced the deferred tax liability and loss in the second quarter of fiscal 2011. This adjustment was not material, either individually or in aggregate, to the financial statements for the periods ending in fiscal 2011 or 2010.

Q3

FINANCIAL STATEMENTS

Three and nine months ended September 30, 2011 and 2010 (unaudited)
(amounts in thousands of U.S. dollars, except per unit amounts)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2011 and 2010 (unaudited), and December 31, 2010 (unaudited)

(thousands of U.S. dollars)	Note	September 30, 2011	September 30, 2010	December 31, 2010
ASSETS				
Current assets				
Cash		$ 23,593	$ 15,333	$ 9,240
Accounts receivable		27,194	25,787	11,804
Inventories		10,059	9,548	10,493
Prepaids		4,372	4,663	3,703
		65,218	55,331	35,240
Deferred tax asset		2,887	11,728	13,415
Property, plant and equipment		130,090	138,913	137,388
Intangible assets	17	87,264	106,988	105,570
Goodwill	17	58,571	71,061	71,762
		$ 344,030	$ 384,021	$ 363,375
LIABILITIES AND UNITHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		$ 20,912	$ 22,730	$ 15,277
Provisions	4	365	343	335
Antitrust related litigation settlements	12	11,802	–	11,393
Other financial liabilities	5	3,791	7,312	8,228
Convertible debentures	6	–	81,578	74,490
Principal due within one year on long-term debt	9	203,508	1,840	2,391
		240,378	113,803	112,114
Unit options	7	–	545	80
Warrants	8	–	44	–
Long-term debt	9	4,885	175,223	176,522
Deferred tax liability		–	2,410	7,254
Unitholders' equity				
Units	6	389,922	325,170	325,170
Deficit		(283,839)	(231,630)	(253,693)
Accumulated other comprehensive loss		(7,316)	(1,544)	(4,072)
		98,767	91,996	67,405
		$ 344,030	$ 384,021	$ 363,375

Basis of Presentation (Note 2)

See accompanying notes to interim condensed consolidated financial statements.

Approved on behalf of the Trustees by:

JAMES E. CLARK
Trustee

GARY A. FILMON
Trustee

		Three Months		Nine Months	
(thousands of U.S. dollars, except per unit amounts)	Note	2011	2010	2011	2010
Sales		$ 111,790	$ 104,818	$ 201,476	$ 198,616
Cost of sales		79,527	72,737	178,697	165,390
		32,263	32,081	22,779	33,226
General and administrative expenses		2,477	1,964	7,563	6,128
Operating earnings		29,786	30,117	15,216	27,098
Finance costs		9,744	8,896	28,644	24,981
Other costs	17	1,711	75,923	13,171	79,496
Earnings (loss) before income taxes		18,331	(54,702)	(26,599)	(77,379)
Income taxes					
Current		116	37	367	292
Deferred (reduction)		(3,386)	(9,084)	3,180	(17,063)
		(3,270)	(9,047)	3,547	(16,771)
Earnings (loss) for the period		$ 21,601	$ (45,655)	$ (30,146)	$ (60,608)
Earnings (loss) per unit – basic	10	$ 0.09	$ (1.17)	$ (0.28)	$ (1.55)
Earnings (loss) per unit – diluted	10	$ 0.02	$ (1.17)	$ (0.35)	$ (1.55)

See accompanying notes to interim condensed consolidated financial statements.

	Three Months		Nine Months	
(thousands of U.S. dollars)	2011	2010	2011	2010
Earnings (loss) for the period	$ 21,601	$ (45,655)	$ (30,146)	$ (60,608)
Other comprehensive loss				
Foreign currency translation adjustments	(719)	(2,569)	(3,244)	(1,544)
Comprehensive income (loss) for the period	**$ 20,882**	$ (48,224)	**$ (33,390)**	$ (62,152)

See accompanying notes to interim condensed consolidated financial statements.

		Nine Months	
(thousands of U.S. dollars)	Note	2011	2010
Units			
Balance, beginning of period		$ 325,170	$ 325,170
Unit issuance	6	64,752	–
Balance, end of period		389,922	325,170
Deficit			
Balance, beginning of period		(253,693)	(171,022)
Loss for the period		(30,146)	(60,608)
Balance, end of period		(283,839)	(231,630)
Accumulated other comprehensive loss			
Balance, beginning of period		(4,072)	–
Other comprehensive loss		(3,244)	(1,544)
Balance, end of period		(7,316)	(1,544)
Total Unitholders' Equity		$ 98,767	$ 91,996

See accompanying notes to interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Nine months ended September 30, 2011 and 2010 (unaudited)

		Nine Months	
(thousands of U.S. dollars)	Note	2011	2010
Cash from (used in):			
Operating activities			
Loss for the period		$ (30,146)	$ (60,608)
Adjustments for:			
Depreciation and amortization		29,393	23,506
Finance costs		28,644	24,981
Interest paid		(24,903)	(20,473)
Antitrust litigation settlement paid		(2,500)	–
Antitrust related litigation settlements		1,993	–
Recognition of rents on a straight-line basis		371	537
Unit-based compensation expense		(82)	(626)
Loss on disposals of non-current assets		71	110
Gain on settlement of acquisition payable		(1,091)	–
Loss (gain) on fair value adjustments on convertible debentures	17	(18,047)	1,175
Loss on settlement of convertible debentures	17	5,268	–
Gain on fair value adjustments on warrants		(428)	(1,505)
Loss on U.S. denominated debt		–	283
Deferred income tax (reduction)		3,180	(17,063)
Goodwill impairment		12,119	76,008
Intangibles impairment		3,807	–
		7,649	26,325
Changes in non-cash working capital items	11	(9,739)	(7,135)
		(2,090)	19,190
Investing activities			
Additions to property, plant and equipment		(9,015)	(14,680)
Proceeds from disposal of property, plant and equipment		232	162
Additions to intangibles		(200)	–
		(8,983)	(14,518)
Financing activities			
Proceeds from long-term debt		30,300	212,598
Principal repayments on long-term debt		(1,186)	(184,596)
Payment of deferred financing charges		(2,799)	(18,140)
Unit issuance costs		(157)	–
		26,158	9,862
Foreign currency translation adjustments		(732)	72
Increase in cash		14,353	14,606
Cash, beginning of period		9,240	727
Cash, end of period		$ 23,593	$ 15,333

See accompanying notes to interim condensed consolidated financial statements.

1. ORGANIZATION

Arctic Glacier Income Fund (the "Fund") is an unincorporated, open-ended limited purpose mutual fund trust established under the laws of the Province of Alberta on January 22, 2002. The Fund, through its subsidiaries, operates in the packaged ice manufacturing and distribution business in Canada and the United States and is active in acquiring ice manufacturing and distribution companies. The Fund also licenses its trade names and proprietary technology to independently owned companies in Canada and the United States under franchise and license agreements.

2. BASIS OF PRESENTATION

a) Going concern

The Fund was in breach of certain of its financial covenants under its credit facilities as at June 30, 2011 and September 30, 2011. The breach of these financial covenants represents a default under the terms of the credit facilities and gives the Fund's secured lenders additional rights and privileges under the facilities. The Fund received notices of default from its term loan lenders and revolving term credit facility lenders on September 10, 2011 and September 13, 2011 respectively. As a result, the Fund does not have the ability to make additional draws on its revolving term credit facility and the secured lenders could demand the immediate repayment of amounts outstanding under the facilities. Accordingly, additional amounts owing under these credit facilities totaling $200,541 have been classified as a current liability at September 30, 2011. The Fund would not have adequate liquidity to satisfy a demand for accelerated repayment under its credit facilities.

The Fund is in active discussions with its revolving term credit facility and term loan lenders regarding alternatives to restructure its debt obligations, although there can be no assurance as to the outcome or success of these discussions. The Fund's ability to continue as a going concern is dependent on the outcome of these discussions. The factors noted above indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Fund to continue as a going concern.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate, then adjustments would be necessary to the carrying value of assets and liabilities, reported revenues and expenses and balance sheet classifications, and these adjustments could be material.

b) Statement of compliance

These unaudited interim condensed consolidated financial statements of the Fund have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These are the condensed consolidated interim financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1 *First-Time Adoption of International Financial Reporting Standards* has been applied. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Fund is provided in note 18. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under Canadian GAAP to those reported for those periods under IFRS.

The standards that will be effective or available for voluntary early adoption in the financial statements for the year ending December 31, 2011 are subject to change and may be affected by additional interpretation(s). Accordingly, the accounting policies will be finalized when the first annual IFRS financial statements are prepared for the year ending December 31, 2011.

Due to the seasonal nature of the operations of the Fund, the results of operations for the interim periods reported are not necessarily indicative of results to be expected for the year. The Fund usually generates significant sales and profits in the second and third quarters, with lower sales and significant losses in the first and fourth quarters. Cash flows peak in the third and fourth quarters and drop off in the first and second quarters.

The Fund's 2010 annual consolidated financial statements were previously prepared in accordance with Canadian GAAP. In preparing these interim financial statements, management has amended certain accounting, valuation and consolidation methods previously applied in the Canadian GAAP financial statements to comply with IFRS. The comparative figures for 2010 were restated to reflect these adjustments.

c) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Derivative financial instruments measured at fair value;
- Financial instruments at fair value through earnings measured at fair value; and,
- Liabilities for cash-settled share-based payment arrangements measured at fair value.

d) Presentation currency

The Fund's presentation currency is the U.S. dollar. The majority of the revenues generated by subsidiaries of the Fund are in U.S. dollars as the majority of its operations are conducted in the United States. Presenting the Fund's results in U.S. dollars provides financial statement users with more meaningful information as it significantly reduces the impact on reported results of fluctuations in the rate of exchange between U.S. and Canadian currencies relating to these operations. The Fund's functional currency is the Canadian dollar.

e) Measurement uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include accounting for doubtful accounts receivable, property, plant and equipment, provisions, unit-based compensation, allocation of the purchase price of acquisitions, review for impairment and income taxes.

Depreciation of property, plant and equipment assets are dependent upon estimates of useful lives which is determined with the exercise of judgment. The assessment of any impairment of property, plant and equipment is dependent upon estimates of recoverable amount that take into account factors such as economic and market conditions and the useful lives of assets.

f) Change in accounting estimate

On January 1, 2011 management revised its estimate of the useful life of certain customer relationship assets. The effect of this change in accounting estimate for the three and nine months ending September 30, 2011 was an increase in amortization expense of $3,048 and $9,152 respectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated interim financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated. The accounting policies have been applied consistently to all entities within the consolidated group of companies comprised of the Fund and its subsidiary companies (the "Group").

a) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Fund and the entities controlled by the Fund (its subsidiaries). Control exists when the Fund has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

b) Business combinations

(i) Acquisitions on or after January 1, 2010
For acquisitions on or after January 1, 2010, the Fund measures goodwill as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in earnings. Transaction costs, other than those associated with the issue of debt or equity securities, that the Fund incurs in connection with a business combination are expensed as incurred.

(ii) Acquisitions prior to January 1, 2010
As part of its transition to IFRS, the Fund elected to restate only those business combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognized under previous Canadian GAAP.

(iii) Subsidiaries
Subsidiaries are entities controlled by the Fund. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Fund.

c) Foreign currency

(i) Foreign currency transactions

Transactions included in the financial statements of each of the Fund's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated to the respective functional currencies of subsidiary entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Nonmonetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in earnings. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency gains and losses are presented on a net basis.

(ii) Foreign currency translation

Assets and liabilities of entities with functional currencies other than U.S. dollars are translated at the period end rates, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in accumulated other comprehensive income.

d) Financial instruments

(i) Non-derivative financial assets

Loans, receivables and deposits are initially recognized on the date they originated. All other financial assets (including assets designated at fair value through earnings) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss, and loans and receivables.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in earnings as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in earnings. The Fund has classified cash and cash equivalents as held for trading.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Fund has classified accounts receivable as loans and receivables.

(ii) Non-derivative financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. The Group initially recognizes debt securities issued and subordinated liabilities on the date that they originate. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Fund has classified the following non-derivative financial liabilities as other liabilities: accounts payable and accrued liabilities, antitrust related litigation settlements and long-term debt. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Compound financial instruments

Compound financial instruments issued by the Group comprised convertible debentures that could have been converted to units of the Fund at the option of the holder, and the number of units to have been issued did not vary with changes in their fair value. As permitted by IAS 39 *Financial Instruments: Recognition and Measurement* the Fund had designated the convertible debentures at fair value through profit and loss as they contained more than one embedded derivative and significantly modified the cash flows that would otherwise have been required by the contract. Transaction costs were expensed as incurred and any gains or losses arising from changes in fair value of the convertible debentures were recognized in profit and loss.

(iv) Derivative financial instruments

The Fund uses derivative financial instruments to hedge its interest rate risk exposures. The Fund's policy is not to utilize derivative financial instruments for trading or speculative purposes. These agreements have not been designated as cash flow hedges.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognized initially at fair value and attributable transaction costs are recognized in earnings as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognized immediately in earnings.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in earnings.

(v) Units

The Fund's units are classified as equity. Incremental costs directly attributable to the issue of units are recognized as a deduction from equity, net of any tax effects.

e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after January 1, 2010.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized within cost of sales.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits derived from the part will flow to the entity and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in earnings as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in earnings on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits derived from the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the entity will obtain ownership by the end of the lease term. Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Depreciation is provided on the following basis and at the following annual rates:

Asset	Basis	Rate
Buildings	Straight-line	4%
Machinery and equipment	Straight-line	5% - 20%
Merchandisers	Straight-line	10%
In-store bagging equipment	Straight-line	10% - 20%
Vehicles	Straight-line	14%
Computer and office equipment	Straight-line	20% - 33%
Leasehold improvements	Straight-line	Term of lease

f) Goodwill

For acquisitions on or after January 1, 2010, the Fund measures goodwill as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in earnings. In respect of acquisitions prior to January 1, 2010, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous Canadian GAAP. Subsequent to acquisition, goodwill is measured at cost less accumulated impairment losses.

g) Intangible assets

Intangible assets comprise brands, trade names, non-competition agreements, customer relationships and other intangible assets.

Trade names, non-competition agreements, customer relationships and other intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. The Arctic Glacier brand name is considered an indefinite-lived intangible asset and is measured at cost less accumulated impairment losses.

Amortization is calculated on a straight-line basis over the estimated useful life of the assets with periods ranging from two to five years for brands, trade names and non-competition agreements, 10 years for customer relationships and three to five years for other assets. Goodwill and the Arctic Glacier brand name and trademark are not amortized.

Useful lives and methods of amortization are reviewed at each financial year end, and adjusted prospectively, if appropriate.

h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

i) Impairment

(i) Financial assets (including receivables)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in earnings and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through earnings.

(ii) Non-financial assets
Goodwill and intangible assets with indefinite lives are tested annually for impairment and when circumstances indicate that the carrying value may be impaired. The carrying amounts of other non-financial assets (excluding inventories and deferred taxes) are reviewed at each reporting date to determine whether there is an indication that an asset may be impaired. If an indication of impairment exists, the asset's recoverable amount is estimated and an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount of an asset or cash generating unit (CGU) is the greater of the asset's fair value less costs 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. In determining fair value less costs to sell, an appropriate valuation model is used.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows that are largely independent of those from other assets or groups of assets (CGUs). The Fund's CGUs are its operating divisions.

Goodwill arising from an acquisition is allocated to the CGU or the group of CGUs that are expected to benefit from the synergies of the business combination. This allocation reflects the lowest level at which that goodwill is monitored for internal reporting purposes and is subject to an operating segment ceiling.

Impairment losses are recognized in earnings if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses relating to CGUs are allocated to goodwill first and then to the carrying amounts of the other assets in the group on a pro-rata basis.

An impairment loss with respect to goodwill is never reversed. In respect of all other non-financial assets (excluding inventories and deferred taxes), a previously recognized impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

j) Employee benefits

(i) Defined contribution plan

The Fund sponsors a voluntary group registered retirement savings plan and deferred profit sharing plan for certain eligible Canadian employees and a voluntary 401(k) retirement savings plan for certain eligible U.S. employees. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in earnings in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) Unit-based payment transactions

The Fund has an incentive stock option plan (the "Plan") and can provide compensation to certain trustees, directors, officers and employees in the form of options to acquire Fund units. The fair value of the amount payable in respect of options issued under the Plan, which may be settled in cash because the Fund units are redeemable, is recognized as compensation cost over their vesting period with a corresponding increase in liabilities. The liability is re-measured to fair value at each reporting date up to and including the settlement date with changes in fair value recognized in administrative expenses in earnings. Forfeitures are estimated at the time of grant and revised if subsequent information indicates that actual forfeitures are likely to differ from previous estimates.

k) Provisions

Provisions are recognized when the Fund has a present legal obligation as a result of past events where it is probable that an outflow of resources capable of generating economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance expense.

l) Leases

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

Payments made under operating leases are recognized in earnings on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

m) Revenue recognition

Revenue is recognized when packaged ice and other products are delivered to and accepted by customers. There is no right of return with respect to such products.

Revenue resulting from leased equipment is recognized as earned under contract terms. Royalty fees from franchisees and licensees are recognized when the products are purchased from a third party by the franchisee or distributor.

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, trade discounts and volume rebates.

n) Finance costs

Finance costs comprise interest expense on borrowings and gains and losses on interest rate swaps. Borrowing costs that are not directly attributable to the acquisition, construction or development of a qualifying asset are recognized in earnings using the effective interest rate method. In addition, finance costs include accretion of deferred financing, long-term debt and antitrust investigation and related litigation settlements.

o) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable earnings, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

p) Earnings (loss) per unit

Basic earnings (loss) per unit is computed by dividing the net earnings (loss) available to common unitholders by the weighted average number of units outstanding during the reporting year. Diluted earnings (loss) per unit is computed similar to basic earnings (loss) per unit except that the weighted average units outstanding are increased to include additional units from the assumed exercise of unit options and warrants, if dilutive. The number of additional units is calculated by assuming that all outstanding unit options and warrants are exercised and that the proceeds from such exercises, as well as the amount of unrecognized share-based compensation, are used to repurchase units at the average market price during the reporting periods.

q) Segment reporting

The Fund has determined that it operates in one business segment, the manufacturing and distribution of packaged ice and other products. The Fund and its subsidiaries operate in Canada and the United States.

r) Cost of sales

Cost of sales includes, in addition to direct costs, an appropriate allocation of production overhead costs, depreciation and allocations for administrative costs that relate to the production process.

s) Future accounting standards

(i) Financial instruments - disclosures

The Accounting Standards Board approved the incorporation of the amendments to IFRS 7 *Financial Instruments: Disclosures* and the related amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* into Part 1 of the Handbook. These amendments were made to Part 1 in January 2011 and are effective for annual periods beginning on or after July 1, 2011. The amendments relate to required disclosures for transfers of financial assets to help users of financial statements evaluate the risk exposures relating to such transfers and the effect of those risks on an entity's financial position. While the Fund is currently assessing the impact of this new standard on its consolidated financial statements, management does not expect the standard to have a significant impact on the Fund's consolidated financial statements.

(ii) Financial instruments

IFRS 9 *Financial Instruments* was issued in November 2009 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. While the Fund is currently assessing the impact of this new standard on its consolidated financial statements, management does not expect the standard to have a significant impact on the Fund's consolidated financial statements.

t) Future changes in accounting policies

IFRS 10 *Consolidated Financial Statements* – in May 2011, the International Accounting Standards Board ("IASB") issued IFRS 10 which provides additional guidance to determine whether an investee should be consolidated. The guidance applies to all investees, including special purpose entities and is required to be adopted for periods beginning January 1, 2013. The Fund is evaluating the impact that this standard may have on its results of operations and financial position.

IFRS 11 *Joint Arrangements* – in May 2011, the IASB issued IFRS 11 which presents a new model for determining whether an entity should account for joint arrangements using proportionate consolidation or the equity method. Under the new standard, an entity will have to follow the substance rather than legal form of a joint arrangement and will no longer have a choice of accounting method. The new standard is required to be adopted for periods beginning January 1, 2013. The Fund is evaluating the impact that this standard may have on its results of operations and financial position.

IFRS 12 *Disclosure of Interests in Other Entities* – in May 2011, the IASB issued IFRS 12 which aggregates and amends disclosure requirements included within other standards. The new standard requires a company to provide disclosures about subsidiaries, joint arrangements, associates and unconsolidated structured entities. The new standard is required to be adopted for periods beginning January 1, 2013. The Fund is evaluating the impact that this standard may have on its results of operations and financial position.

IFRS 13 *Fair Value Measurement* – in May 2011, the IASB issued IFRS 13 to provide comprehensive guidance for instances where IFRS requires fair value to be used. The new standard provides guidance on determining fair value and requires disclosures about those measurements and is required to be adopted for periods beginning January 1, 2013. The Fund is evaluating the impact that this standard may have on its results of operations and financial position.

IAS 1 *Presentation of Items of Other Comprehensive Income* – in June 2011, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* to split items of other comprehensive income (OCI) between those that are reclassified to income and those that do not. The new standard is required to be adopted for periods beginning on or after July 1, 2012. The Fund is evaluating the impact that this standard may have on its results of operations and financial position.

IAS 19 *Employee Benefits* – in June 2011, the IASB issued amendments to IAS 19 to revise certain aspects of the accounting for pension plans and other benefits. The amendments eliminate the corridor method of accounting for defined benefit plans, change the recognition pattern of gains and losses and require additional disclosures. The new standard is required to be adopted for periods beginning on or after January 1, 2013. The Fund is evaluating the impact that this standard may have on its results of operations and financial position.

4. PROVISIONS

The Fund maintains provisions for self-insured medical claims which have been incurred but not reported. Excess loss protection above certain maximum retained exposures is provided by external insurance companies. The provision is measured based on historical data and a weighting of all possible outcomes against their associated probabilities. The assumptions derived from historical claims experience include the average monthly claims and the average lag time between incurrence and payment.

5. OTHER FINANCIAL LIABILITIES

The details of other financial liabilities are as follows:

	September 30, 2011	September 30, 2010	December 31, 2010
Accrued interest payable	**$ 3,791**	$ 5,020	$ 6,632
Interest rate swap liability	**-**	2,292	1,596
	$ 3,791	$ 7,312	$ 8,228

6. CONVERTIBLE DEBENTURES

Details of the debentures are as follows:

	Number of Debentures	Liability
Balance at December 31, 2009	**90.6**	$ 78,673
Market adjustments	**-**	(8,524)
Foreign currency translation	**-**	4,341
Balance at December 31, 2010	**90.6**	74,490
Market adjustments	**-**	(18,047)
Foreign currency translation	**-**	3,001
Convertible debentures converted to trust units	**(90.6)**	(59,444)
Balance at September 30,2011	**-**	$ -

On August 2, 2011, the Fund satisfied its obligations to repay the principal amount of the 6.50% extendible convertible unsecured subordinated debentures by issuing 311,275 trust units of the Fund to debenture holders. In accordance with the terms of the trust indenture, the number of units issued was calculated by dividing the principal amount of the debentures outstanding by 95% of the volume-weighted average trading price per unit for the 20 consecutive trading days ending five days prior to the date of maturity. The units are freely-tradable in Canada and are not subject to any resale restrictions under applicable Canadian securities legislation or the rules of the Toronto Stock Exchange. The units were issued for $64,752 which represents the units market price on August 2, 2011 (see note 17).

7. UNIT OPTIONS

As a result of the ability of unitholders to redeem their Fund units for cash or other financial assets, options to acquire units are classified as cash-settled liabilities and measured at fair value at each reporting date. The grant date fair value is recognized over the vesting period. The impact of fair value re-measurements during the vesting period are recognized immediately in profit and loss to the extent that they relate to past services. That is, *in the period of re-measurement there is a catch-up adjustment for prior periods in order* for the recognized liability at the end of each reporting period to equal the total fair value of the liability.

The range of exercise prices for options outstanding at September 30, 2011 is as follows:

	Options Outstanding			Options Exercisable	
Exercise Price (C$)	Number	Weighted Average Exercise Price (C$)	Fair Value	Number	Weighted Average Exercise Price (C$)
$ 1.63	759.5	$ 1.63	$ –	759.5	$ 1.63
1.66	263.5	1.66	–	263.5	1.66
1.83	344.6	1.83	–	232.7	1.83
2.38	443.5	2.38	–	302.8	2.38
3.09	100.0	3.09	–	66.7	3.09
11.18	617.0	11.18	–	472.1	11.18
11.46	895.0	11.46	–	895.0	11.46
	3,423.1	$ 6.08	$ –	2,992.3	$ 6.20

The details of unit-based payment expenses are as follows:

	Three Months		Nine Months	
	2011	2010	2011	2010
Total unit-based compensation expense net of fair value adjustments	$ (16)	$ (453)	$ (82)	$ (626)

8. WARRANTS

On February 10, 2010, in connection with the new term loan, the Fund issued warrants to the term loan lenders to acquire up to 3.0 million units of the Fund at any time prior to February 9, 2014 at an exercise price of C$4.00 per unit. On March 31, 2011 in connection with the amendment to the term loan the exercise price of the warrants was reduced to C$1.60. No warrants had been exercised as at September 30, 2011. The fair value of the warrants of $nil at September 30, 2011 was determined using the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 1.02% and an expected unit price volatility of 21.3% for an expected remaining life of approximately three years.

The details of the fair value of the warrants are as follows:

	September 30, 2011	September 30, 2010	December 31, 2010
Carrying value	$ –	$ 44	$ –
Exercise price (C$)	$ 1.60	$ 4.00	$ 4.00
Closing unit price (C$)	$ 0.08	$ 1.87	$ 1.14
Number of units underlying warrants (thousands)	3,000	3,000	3,000

9. LONG-TERM DEBT

The components of long-term debt are as follows:

	September 30, 2011	September 30, 2010	December 31, 2010
Revolving term credit facility	$ 29,678	$ –	$ –
Term loan	188,778	188,200	189,009
Deferred acquisition consideration	101	193	198
Other	5,860	6,264	6,442
	224,417	194,657	195,649
Less deferred financing charges	16,024	17,594	16,736
	208,393	177,063	178,913
Less principal included in current liabilities	203,508	1,840	2,391
	$ 4,885	$ 175,223	$ 176,522

On March 30, 2011, the Fund's term loan lenders amended the terms of the loan in conjunction with providing the required consent necessary for a subsidiary of the Fund to enter into a class action litigation settlement agreement. The lenders amended the minimum EBITDA covenant to $45,000 until April 1, 2012, and quarterly leverage covenants to 4.9 to 1 for the first quarter of 2011, 5.25 to 1 for the second quarter of 2011, 4.5 to 1 for the third and fourth quarters of 2011 and 5.0 to 1 for the first quarter of 2012. The term loan lenders increased the payment-in-kind ("PIK") interest rate by 1% for the remainder of the term and the cost of the prepayment option by 3%. In connection with this amendment, the term loan lenders required the Fund to amend the exercise price of 3.0 million unlisted warrants that were previously issued to the term loan lenders from C$4.00 to C$1.60.

Also on March 30, 2011, the Fund's revolving term credit facility lenders amended the terms of the facility, providing consent for the Fund's subsidiary to enter into a class action settlement agreement and providing for similar covenant amendments.

At June 30, 2011, the Fund was in breach of financial covenants governing maximum leverage ratio, interest coverage ratio, fixed charge coverage ratio and minimum EBITDA levels under the revolving term credit and term loan facilities. The Fund subsequently received notices of default from its term loan lenders and revolving term credit facility lenders on September 10, 2011 and September 13, 2011 respectively. As a result the Fund's revolving credit facility is capped at its existing outstanding amount of $29,678 and the secured lenders could demand the immediate repayment of amounts outstanding under the facilities. As well, in conjunction with issuing the notice of default, the term loan lenders increased the interest rate by 2% per annum as set out in the loan agreement.

At September 30, 2011, the Fund had a $57,500 (2010 - $70,000) revolving term credit facility with a balance outstanding of $29,678 (2010 - $nil). The balance outstanding carried a weighted average interest rate of 7.7% at September 30, 2011 (2010 – nil%). At September 30, 2011, the Fund was in breach of financial covenants governing maximum leverage ratio and minimum EBITDA levels under the revolving term credit and term loan facilities and the fixed charge coverage ratio under the revolving term credit facility.

10. EARNINGS (LOSS) PER UNIT

The computation for basic and diluted earnings (loss) per unit is as follows:

	Three Months		Nine Months	
	2011	2010	2011	2010
Earnings (loss) available to unitholders	$ 21,601	$ (45,655)	$ (30,146)	$ (60,608)
Dilutive effect of Convertible Debentures	(17,721)	–	(9,276)	–
Diluted earnings (loss) available to unitholders	$ 3,880	$ (45,655)	$ (39,422)	$ (60,608)
Basic weighted average number of units	246,560.1	39,043.4	108,215.6	39,043.4
Dilutive effect of Convertible Debentures	2,397.0	–	5,593.0	–
Diluted weighted average number of units	248,957.1	39,043.4	113,808.6	39,043.4
Basic earnings (loss) per unit	$ 0.09	$ (1.17)	$ (0.28)	$ (1.55)
Diluted earnings (loss) per unit	$ 0.02	$ (1.17)	$ (0.35)	$ (1.55)

11. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

The changes in non-cash working capital items are as follows:

	Nine Months	
	2011	2010
Accounts receivable	$ (15,390)	$ (13,776)
Inventories	434	(860)
Prepaids	(669)	505
Accounts payable and accrued liabilities and provisions	5,886	6,996
	$ (9,739)	$ (7,135)

12. COSTS OF ANTITRUST INVESTIGATIONS AND RELATED LITIGATION

On March 30, 2011, a subsidiary of the Fund settled the class action filed by direct purchasers of packaged ice in the United States. Under terms of the agreement, which received preliminary approval by U.S. District Court on July 20, 2011, the subsidiary will pay a settlement of $12,500 in two installments. The first installment of $2,500 was paid August 4, 2011 and the agreement provides for a final installment of $10,000 to be payable on the later of November 1, 2011 or 30 days after the settlement receives final court approval. At September 30, 2011, the settlement has been recorded in current liabilities at its discounted present value of $9,894. Subsequent to September 30, 2011, an agreement provided for the final installment payment to be paid on April 2, 2012.

On April 29, 2011, a subsidiary of the Fund settled the class actions filed in Ontario Superior Court and Alberta Superior Court by direct purchasers of packaged ice in Canada for a sum of C$2,000. This settlement remains subject to court approval, which will determine the timing of the approval procedure and the payment schedule. The settlement has been recorded in current liabilities at September 30, 2011 at its discounted present value of C$2,000.

Total costs incurred in connection with the antitrust investigations and related litigation for the three and nine month periods ending September 30, 2011 are estimated at $50 and $4,177 (2010 - $760 and $3,535), respectively.

13. CONTINGENCIES

In March 2008, a subsidiary of the Fund and certain members of management received subpoenas issued by a federal grand jury in the Eastern District of Michigan seeking documents and information in connection with an investigation by the Antitrust Division of the United States Department of Justice ("DOJ") into possible antitrust violations in the U.S. packaged ice industry. On October 13, 2009, the subsidiary entered into an agreement with the DOJ to conclude the investigation as it relates in any way to the Fund, its board, management and staff in all markets (note 17). The agreement was accepted by the U.S. District Court on February 11, 2010.

The Fund and its subsidiaries received Civil Investigative Demand notices ("CID") from the Attorneys General for Florida and Arizona seeking information in order to determine if state antitrust laws had been violated. The Fund has been informed that 17 other states have signed information-sharing agreements with Florida in order to review and share information. A subsidiary of the Fund received additional CID notices from the Michigan Attorney General seeking documents and information in order to determine whether Michigan's antitrust laws were violated. On August 31, 2010, the subsidiary entered into an agreement with the Michigan Attorney General to resolve, without any admission of wrongdoing, all allegations that it violated Michigan's antitrust laws. Under terms of the agreement, the subsidiary paid the amount of $350 in two installments in September and December 2010. The settlement concludes and resolves all investigations, inquiries, claims and proceedings by the Michigan Attorney General related to any alleged violations of applicable state and federal antitrust laws. The Fund and its subsidiaries are cooperating with authorities in the course of the other state antitrust investigations and provided all requested information over one year ago. There have been no further requests for information made of the Fund since then.

Following the announcement that the DOJ was undertaking an investigation of the U.S. packaged ice industry, a number of civil actions were commenced by direct and indirect purchasers against several packaged ice companies in the United States, including subsidiaries of the Fund, alleging violations of antitrust laws and seeking damages. Pursuant to an order from the Judicial Panel on Multidistrict Litigation ("MDL"), the civil actions pending in federal courts were transferred and consolidated for pretrial proceedings in the United States District Court for the Eastern District of Michigan. On September 15, 2009, the plaintiffs in these MDL actions filed consolidated amended complaints.

On March 30, 2011, the Fund agreed to settle the MDL direct purchasers' action. Under terms of the agreement, which received preliminary approval by U.S. District Court on July 20, 2011, a settlement of $12,500 will be paid in two installments. The first installment of $2,500 was paid on August 4, 2011. Subsequent to the end of the quarter, on October 26, 2011, the settlement agreement was amended to provide that the final installment of $10,000 is payable on the later of April 2, 2012 or 30 days after the settlement receives final court approval. A hearing for the final approval of the settlement agreement occurred on October 28, 2011 and a ruling is expected in the near future.

On March 11, 2011, the court partially granted a motion filed by the Fund to dismiss the non-Michigan claims in the MDL indirect purchasers' action. The court dismissed many of the indirect purchasers' state law claims restricting all claims to those states in which the named plaintiffs reside, reducing dramatically the number of claims pending in the action. On May 25, 2011, the MDL indirect purchasers filed an amended complaint attempting to re-assert some of the claims previously dismissed. The Fund filed a motion to dismiss many of the claims asserted in this amended filing and a hearing on this motion occurred subsequent to the end of the quarter on October 28, 2011. A ruling on this motion is expected in the near future. Three indirect purchaser actions, which are substantially similar to the MDL indirect purchaser action, have been recently filed against the Fund, and other defendants, in federal courts in Arkansas and Tennessee and Kansas state court. These actions have all been transferred to the Eastern District of Michigan and will be presided over by the same court responsible for the MDL indirect purchaser action.

On July 23, 2008, an individual, who became an employee of a subsidiary of the Fund for a short period of time in the course of an acquisition before accepting terms of severance, commenced an action in the United States District Court for the Eastern District of Michigan. The action purported to bring antitrust claims as well as state law claims in connection with his termination from employment with the subsidiary and his allegation that the defendant manufacturers illegally conspired to prevent his future employment in the ice industry. On May 29, 2009 the court dismissed the bulk of this case, including antitrust claims relating to both federal and state jurisdictions. This same employee filed an action on behalf of the United States government alleging that the Fund and its subsidiaries, along with other defendants, overcharged the government in its purchases of packaged ice. The government refused to intervene in the action and the matter was unsealed on April 20, 2011. The Company has filed a motion to dismiss the action, which is currently pending. The Fund is of the opinion that both of these actions are without merit and will vigorously contest the claims in court.

Two civil actions were filed by direct purchasers of packaged ice in state courts in Kansas and Wisconsin, alleging violations of state antitrust laws and related claims and seeking similar damages to those sought in the federal actions described above. On February 26, 2009, the Kansas state court dismissed the action commenced in that state concluding the plaintiff had failed to advance an actionable claim against the Fund. On January 22, 2010, the Wisconsin state court denied that plaintiff's request for class certification, effectively restricting the action to a single customer. On March 18, 2011, the Fund resolved the Wisconsin action for a nominal amount and the matter is now closed.

On November 24, 2008, the Civil Division of the DOJ advised Arctic Glacier of its commencement of a civil investigation of the packaged ice industry under the U.S. federal *False Claims Act* to determine if the U.S. federal government, or its contractors, were overcharged in their purchases of packaged ice as a result of the conduct investigated by the DOJ Antitrust Division. On March 21, 2011, the DOJ Civil Division advised that its investigation with respect to Arctic Glacier was closed and no action would be taken against the Fund and its subsidiaries.

On October 24, 2008, the Fund was named in a class action civil lawsuit filed in Ontario Superior Court. The action has been amended several times. The plaintiffs propose to represent a class of people or entities that acquired units of the Fund between March 13, 2002 and September 16, 2008 and claim damages of C$245,000 alleging against the Fund, its trustees, and a subsidiary and its directors and certain officers, as defendants that they failed to make full and timely disclosure. A motion by the plaintiffs for certification and for leave to amend to add a statutory cause of action for secondary market misrepresentation against the existing defendants and to add two former employees of the subsidiary as defendants to the statutory cause of action was granted by the court on March 1, 2011. The Fund and all other defendants have argued a motion for leave to appeal that outcome, and the decision on that motion is under reserve. The Fund denies the allegations in the lawsuit and will continue to vigorously contest the action in court. At this time the final outcome of this litigation cannot be predicted or any potential effect it may have on the Fund or its operations. The Fund has notified carriers of its directors' and officers' liability insurance of the action.

On May 7, 2009, a civil lawsuit (the "May 2009 Action") was filed against a subsidiary of the Fund in Ontario Superior Court seeking damages of C$110,000 on behalf of a proposed class of customers in Ontario that had purchased packaged ice directly from the subsidiary during a proposed class period commencing January 1, 2001. The plaintiffs to this action agreed to have it dismissed, without cost to the Fund, because on March 1, 2010, the same law firm commenced a second claim in Ontario Superior Court, on behalf of one of the two plaintiffs from the May 2009 Action. This second action (the "March 2010 Action"), as subsequently amended, is brought against a subsidiary of the Fund, a former employee and another packaged ice company on behalf of a proposed class of purchasers

in Ontario, British Columbia, Manitoba, Saskatchewan and Quebec during a proposed class period commencing January 1, 2001. The March 2010 Action alleges anticompetitive behavior by the subsidiary and the other packaged ice company and seeks damages of C$66,000 plus interest and costs.

On June 24, 2009, an Alberta civil lawsuit similar to the Ontario May 2009 Action was filed against a subsidiary of the Fund in the Alberta Court of Queen's Bench, alleging the same activity and seeking the same damages on behalf of a proposed class of customers in Alberta that had purchased packaged ice directly from the subsidiary during the same class period. Then, on March 8, 2010, the same Alberta law firm commenced a claim for the same Alberta plaintiff in the Alberta Court of Queen's Bench against the same three defendants with the same allegations as in the Ontario March 2010 Action, seeking the same damages on behalf of a proposed class of purchasers in Alberta that had purchased packaged ice directly from the subsidiary during the same class period. Neither of these Alberta actions proceeded.

On April 29, 2011, the Fund agreed to settle all four outstanding direct purchaser actions commenced against it in Ontario and Alberta for the aggregate sum of C$2,000. The agreement, to be filed in the Ontario March 2010 Action, is subject to approval by the Ontario court in that Action, which will determine the timing of the approval procedure and the payment schedule.

On April 26, 2010, an indirect purchaser complaint asserting claims under Michigan's antitrust law was filed in the Eastern District of Michigan against three former employees of a subsidiary of the Fund. The complaint asserts the same factual basis as that presented in the consolidated indirect purchasers' action pending against subsidiaries of the Fund, except that the plaintiffs are only seeking damages relating to conduct in Michigan. The Fund and its subsidiaries were not named in this action. However, in accordance with its bylaws, a subsidiary of the Fund is obligated to pay for the representation of and to indemnify the three former employees in this action.

At this time, the Fund is unable to predict the timeline or final outcome of the remaining state investigations and litigation matters, or any potential effect they may have on the Fund or its operations, which may be material. No financial provisions have been made regarding these matters except as noted above.

Certain other litigation arising in the normal course of business is pending against the Fund and its subsidiaries. While the final outcome with respect to actions outstanding or pending as at September 30, 2011 cannot be predicted with certainty, the Fund is of the opinion that the resolution of such litigation will not have a significant effect on the consolidated financial statements of the Fund and its subsidiaries.

14. INCOME TAXES

Commencing in 2011, the Fund is subject to tax on certain Canadian-sourced income. The Fund has accounted for deferred tax assets and liabilities in respect of accounting and tax basis differences that are expected to reverse in or after 2011, with a corresponding credit or charge to consolidated earnings for the period.

15. RELATED PARTY TRANSACTION

A subsidiary of the Fund leases a manufacturing facility located in Arizona from a company indirectly owned and controlled by a former trustee of the Fund. The lease term is until May 2015. The lease includes an option to purchase the facility during the term on commercially reasonable terms. Lease payments for the three and nine months ended September 30, 2011 totaled $324 and $972 (2010 - $324 and $971), respectively. In addition, accounts receivable includes $56 (2010 - $57) due from related parties including $29 (2010 - $29) due from a former trustee of the Fund and $27 (2010 - $28) due from a company subject to significant influence by a former trustee of the Fund.

16. CAPITAL

The Fund views its capital as the combination of its debt and equity balances. In general, the overall capital of the Fund is evaluated and determined in the context of its financial objectives and strategic plan, giving consideration to the significant seasonality of cash flows. The Fund typically carries a modest level of cash on hand or bank indebtedness, intended to provide adequate liquidity for pending distribution obligations and short-term changes in non-cash working capital balances.

The Fund determines the appropriate level of debt in the context of its cash flow and overall business risks. The Fund defines net debt as total long-term debt and bank indebtedness, reduced by cash. The Fund typically maintains a level of net debt that provides adequate financial flexibility to meet operating and working capital requirements. Additionally, the Fund has historically generated cash flow in excess of cash distributions to unitholders and has used a portion of the excess funds to pay down net debt. In September 2008, the Fund suspended distributions and the trustees of the Fund do not anticipate paying distributions for the foreseeable future as the current loan agreements prevent payment of distributions through at least February 2014.

The Fund's net debt is subject to a number of covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests at a subsidiary level. The primary ratio is the leverage ratio, defined in the Fund's credit agreement as net debt to trailing 12-month EBITDA. At September 30, 2011, the Fund was in breach of certain financial covenants, including those governing maximum leverage ratio and minimum EBITDA levels on the revolving term credit and term loan facilities and the fixed charge coverage ratio on its revolving term loan facility. The leverage ratio for the 12-month trailing period ending September 30, 2011 as defined in the revolving term credit facility agreement was 4.92 (2010 – 3.37) compared to the permitted maximum of 4.50 (2010 – 3.75) and as defined in the term loan agreement was 4.71 (2010 – 3.78), compared to the permitted maximum of 4.50 (2010 – 4.00) for the period.

The Fund is in active discussions with its revolving term credit facility and term loan lenders regarding alternatives to restructure its debt obligations, although there can be no assurance as to the outcome or success of these discussions. The Fund's ability to continue as a going concern is dependent on the outcome of these discussions. The factors noted above indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Fund to continue as a going concern.

17. OTHER COSTS

The details of other costs are as follows:

	Three Months		Nine Months	
	2011	2010	**2011**	2010
Loss (gain) on fair value adjustments on convertible debentures	**$ (23,502)**	$ (581)	**$ (18,047)**	$ 1,175
Loss on settlement of convertible debentures	**5,268**	–	**5,268**	–
Gain on fair value adjustments on warrants	**(29)**	(264)	**(428)**	(1,505)
Loss on U.S. debt	**–**	–	**–**	283
Costs for review of financing and strategic alternatives	**3,998**	–	**7,366**	–
Antitrust expenses	**50**	760	**4,177**	3,535
Gain on settlement of acquisition consideration	**–**	–	**(1,091)**	–
Goodwill impairment	**12,119**	76,008	**12,119**	76,008
Intangibles impairment	**3,807**	–	**3,807**	–
Total other costs	**$ 1,711**	$ 75,923	**$ 13,171**	$ 79,496

Convertible debenture gains of $23,502 and $18,047 were recognized in the three and nine month periods as the convertible debentures were marked to market prior to settlement. During the quarter, a loss on settlement of convertible debentures of $5,268 was recognized August 2, 2011 (see note 6).

Financing and strategic alternative costs are comprised of legal and other related expenses. Antitrust expenses are comprised of costs incurred in connection with the antitrust investigations and related litigation. A gain on an acquisition related accrual of $1,091 was recognized during the first quarter of fiscal 2011.

At September 30, 2011, the Fund conducted goodwill and intangibles impairment tests and, as a result, management determined that the recorded value of goodwill for the Midwest U.S. and Michigan reporting units, as well as the recorded value of intangibles for the Western U.S. and Oregon reporting units, exceeded their fair value and recorded a goodwill impairment charge of $12,119, and an intangibles impairment charge of $3,807. The contributing factors to the impairments of goodwill and intangibles included reduced operating margins as a result of increased competitive activity, increased input costs, increased cost of debt, the overall weakened state of the North American economy and markets. No impairment to the value of goodwill and intangibles in other reporting units or property, plant and equipment was identified during this impairment testing.

18. TRANSITION TO IFRS

The first date at which IFRS was applied was January 1, 2010 ("Transition Date"). The impact of the Fund's transition to IFRS for the quarter ended September 30, 2011 is summarized in this note as follows:

i. Transition elections

ii. Reconciliations of equity, loss and comprehensive loss as previously reported under Canadian GAAP to IFRS

iii. Explanation of the transition

These are the Fund's third quarterly financial statements prepared in accordance with IFRS. For a full explanation of the Fund's transition to IFRS, and its opening statement of financial position prepared in accordance with IFRS, please refer to the Fund's interim financial statements and notes for the period ended March 31, 2011.

i. Transition elections

Set forth below are the applicable IFRS 1 *First-time Adoption of IFRS* exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

Business combinations

IFRS 1 allows a first-time adopter to elect to apply IFRS 3 *Business Combinations* prospectively. The Fund applied this election and as a result acquisitions prior to January 1, 2010 have not been restated to comply with IFRS 3 *Business Combinations*.

Cumulative translation differences

IFRS 1 allows a first-time adopter to reset to zero all cumulative translation differences at the date of transition. The Fund applied this election and cumulative translation differences included in accumulated other comprehensive income were transferred to deficit.

Borrowing costs

IFRS 1 allows a first-time adopter to apply IAS 23 *Borrowing Costs* to qualifying assets prospectively. The Fund applied this exemption and selected January 1, 2010 as the date after which it will capitalize borrowing costs on all qualifying assets.

Fair value as deemed cost

IFRS 1 allows a first-time adopter to use fair value as deemed IFRS cost at the date of transition for any item of property, plant and equipment. The Fund applied this exemption to certain items of property, plant and equipment.

Share-based payment

The Fund applied the IFRS 1 share-based payment exemption from full retrospective application. IFRS 2 *Share-based Payment* was applied to options which had not expired at the date of transition.

Designation of previously recognized financial instruments

IFRS allows a first-time adopter to make a fair value through profit or loss designation at the date of transition. The Fund elected to designate its convertible debentures at fair value through profit and loss.

Estimates

IFRS 1 requires an entity's estimates to be consistent with estimates made for the same dates under Canadian GAAP, unless there is objective evidence those estimates were in error. The Fund's IFRS estimates are consistent with Canadian GAAP estimates.

ii. Reconciliations of equity, loss and comprehensive loss

IFRS 1 requires an entity to reconcile equity and comprehensive income for prior periods. The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity and comprehensive income.

Canadian GAAP equity at September 30, 2010 has been reconciled to IFRS as follows:

		September 30, 2010		
	Note 18	Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS				
Current assets				
Cash		$ 15,333	$ –	$ 15,333
Accounts receivable		25,787	–	25,787
Inventories		9,548	–	9,548
Prepaids	(a)	4,372	291	4,663
		55,040	291	55,331
Deferred tax asset	(i)	8,068	3,660	11,728
Property, plant and equipment	(b)(d)	138,799	114	138,913
Intangible assets	(c)	116,686	(9,698)	106,988
Goodwill		71,061	–	71,061
		$ 389,654	$ (5,633)	$ 384,021
LIABILITIES AND UNITHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	(e)(k)	$ 30,519	$ (7,789)	$ 22,730
Provisions	(e)	–	343	343
Other financial liabilities	(k)	–	7,312	7,312
Convertible debentures	(g)	85,484	(3,906)	81,578
Principal due within one year on long-term debt		1,840	–	1,840
		117,843	(4,040)	113,803
Unit options	(f)	–	545	545
Warrants	(h)	–	44	44
Long-term debt		175,223	–	175,223
Deferred tax liability	(i)	–	2,410	2,410
Unitholders' equity				
Units	(f)	325,209	(39)	325,170
Contributed surplus	(f)	2,404	(2,404)	–
Warrants	(h)	1,484	(1,484)	–
Equity portion of convertible debentures	(g)	8,358	(8,358)	–
Deficit		(221,184)	(10,446)	(231,630)
Accumulated other comprehensive income (loss)	(j)	(19,683)	18,139	(1,544)
		96,588	(4,592)	91,996
		$ 389,654	$ (5,633)	$ 384,021

Canadian GAAP equity at December 31, 2010 has been reconciled to IFRS as follows:

	Note 18	Canadian GAAP	Effect of Transition to IFRS	IFRS
		December 31, 2010		
ASSETS				
Current assets				
Cash		$ 9,240	$ –	$ 9,240
Accounts receivable		11,804	–	11,804
Inventories		10,493	–	10,493
Prepaids		3,703	–	3,703
		35,240	–	35,240
Deferred tax asset	(i)	9,904	3,511	13,415
Property, plant and equipment	(b)(d)	137,229	159	137,388
Intangible assets	(c)	114,873	(9,303)	105,570
Goodwill		71,762	–	71,762
		$ 369,008	$ (5,633)	$ 363,375
LIABILITIES AND UNITHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	(e)(k)	$ 23,916	$ (8,639)	$ 15,277
Provisions	(e)	–	335	335
Antitrust related litigation settlements		11,393	–	11,393
Other financial liabilities	(k)	–	8,228	8,228
Convertible debentures	(g)	89,251	(14,761)	74,490
Principal due within one year on long-term debt		2,391	–	2,391
		126,951	(14,837)	112,114
Unit options	(f)	–	80	80
Warrants	(h)	–	–	–
Long-term debt		176,522	–	176,522
Deferred tax liability	(i)	–	7,254	7,254
Unitholders' equity				
Units	(f)	325,209	(39)	325,170
Contributed surplus	(f)	2,541	(2,541)	–
Warrants	(h)	1,484	(1,484)	–
Equity portion of convertible debentures	(g)	8,358	(8,358)	–
Deficit	(l)	(249,726)	(3,967)	(253,693)
Accumulated other comprehensive income (loss)	(j)	(22,331)	18,259	(4,072)
		65,535	1,870	67,405
		$ 369,008	$ (5,633)	$ 363,375

Loss has been reconciled to IFRS as follows:

	Note 18	Three Months Ended September 30, 2010	Nine months Ended September 30, 2010	Year Ended December 31, 2010
Loss under Canadian GAAP		$ (48,489)	$ (65,410)	$ (93,952)
Differences in GAAP increasing (decreasing) reported earnings:				
Business combinations	(a)	–	–	(91)
Depreciation of property, plant and equipment	(b)	16	49	69
Loss (gain) on disposal of property, plant and equipment	(b)	(11)	14	7
Depreciation of intangible assets	(c)	211	631	842
Capitalized borrowing costs	(d)	–	37	37
Provisions	(e)	(89)	69	9
Unit-based compensation	(f)	642	1,182	1,795
Gain on convertible debentures fair value and other adjustments	(g)	1,342	1,037	11,532
Gain on warrants fair value adjustments	(h)	264	1,505	1,550
Deferred taxes	(i)	459	278	(4,469)
Loss under IFRS		$ (45,655)	$ (60,608)	$ (82,671)

The year to date comprehensive loss has been reconciled to IFRS as follows:

	Three Months Ended September 30, 2010	Six Months Ended September 30, 2010	Year Ended December 31, 2010
Comprehensive loss under Canadian GAAP	$ (51,004)	$ (66,817)	$ (98,007)
Differences in GAAP increasing (decreasing) reported comprehensive loss:			
Total IFRS loss adjustments, net of tax	2,834	4,802	11,281
Foreign currency translation adjustments	(54)	(137)	(17)
Comprehensive loss under IFRS	$ (48,224)	$ (62,152)	$ (86,743)

iii. Explanation of the transition

In addition to the exemptions and exceptions discussed in section (i) of this note, the following narratives explain the significant differences between previous Canadian GAAP accounting policies and current IFRS accounting policies applied by the Fund. The descriptive caption next to each item below corresponds to the same descriptive caption in the above reconciliations.

(a) Business combinations – contingent consideration

Canadian GAAP – Recapture of prepaid contingent consideration is accounted for as an adjustment to the purchase price allocation.

IFRS – Contingent consideration is re-measured to fair value at each reporting date. Adjustments to the purchase price allocation are only permitted during the measurement period which cannot exceed one year from the date of acquisition.

Under IFRS the Fund re-measured all outstanding contingent consideration to fair value at the date of transition and Canadian GAAP purchase price allocation adjustments were reversed.

(b) Property, plant and equipment

Canadian GAAP – Componentization is mandated at a more aggregated level than IFRS permits.

IFRS – Each significant component of an item of property, plant and equipment must be depreciated separately and the original cost of parts which have been repaired or replaced must be derecognized.

In accordance with IFRS requirements, the Fund componentized its property, plant and equipment and derecognized parts which had been replaced.

(c) Impairment

Canadian GAAP – Utilized a two-step impairment test, with no impairment required if undiscounted future cash flows relating to an asset are higher than the carrying value of that asset. Impairment is measured as the difference between fair value and carrying value.

IFRS - Assets are tested for impairment using discounted cash flows only. Impairment is recognized as difference between carrying value and recoverable amount. Recoverable amount is defined as the higher of "value in use" and "fair value less costs to sell".

At the date of transition the Fund completed an impairment review of its assets. At that date the carrying value of the Northeast Division was less than the undiscounted cash flows, but greater than the discounted cash flows using the pre-tax weighted average cost of capital of 10.24%. Due to decreased operating margins that resulted from the poor overall state of the economy, the Northeast Division was determined to be impaired in accordance with IFRS, but not impaired in accordance with Canadian GAAP.

(d) Borrowing costs

Canadian GAAP – Borrowing costs associated with construction of qualifying assets were expensed.

IFRS – Borrowing costs associated with construction of qualifying assets must be capitalized.

In accordance with IFRS, general borrowing costs associated with the upgrade of an ice manufacturing plant were capitalized during qualifying period. The adjustment resulted in a decrease in finance costs and a corresponding increase in property, plant and equipment.

(e) Provisions

Canadian GAAP – Provisions for self-insured medical benefits were measured at the most likely outcome and were included in accounts payable and accrued liabilities.

IFRS - Provisions must be presented as separate line item in the statement of financial position. Furthermore, a provision consisting of a large population of items must be measured using a weighted average probability approach.

In accordance with IFRS requirements the Fund reclassified provisions as a separate line item in its statement of financial position and re-measured them utilizing a weighted average probability approach.

(f) Unit-based compensation

Canadian GAAP – Unit-based compensation was classified as equity settled. Fair value was measured at the grant date and recognized over the vesting period with a corresponding increase to contributed surplus. Forfeitures were recorded as incurred and options with graded vesting features were accounted for as a single grant using the straight-line method.

IFRS – As a result of the ability of unitholders to redeem Fund units for cash or other financial assets, options to acquire units must be classified as a liability. Furthermore, IFRS requires each tranche of options with graded vesting to be measured separately. Forfeitures must be estimated.

In accordance with IFRS requirements all outstanding unit options were reclassified from contributed surplus to liabilities and re-measured to fair value at each reporting date.

(g) Convertible debentures

Canadian GAAP – Convertible debentures that contained an embedded derivative were accounted for as a compound financial instrument with a debt and equity component. The holder conversion option was accounted for as equity and the outstanding principal liability component was measured at amortized cost, with deferred financing costs being amortized to profit and loss over the term of the debentures.

IFRS –The holder conversion option must be reclassified as a liability due to the ability of the unitholders to redeem their Fund units for cash or other financial assets. The Fund elected to designate the entire compound instrument at fair value through profit and loss.

In accordance with IFRS requirements the convertible debentures were re-measured to fair value at each reporting date and unamortized deferred transaction costs which had been capitalized under Canadian GAAP were transferred to deficit. Changes in the fair value of the convertible debentures during 2010 were recognized in profit and loss.

(h) Warrants

Canadian GAAP – The Fund accounted for warrants to acquire units of the Fund as equity instruments.

IFRS – As a result of the ability of unitholders to redeem Fund units for cash or other financial assets, warrants to acquire units must be classified as a liability and re-measured to fair value at each reporting date with changes in fair value recognized in profit and loss.

In accordance with IFRS the Fund's warrants were reclassified as liabilities and re-measured to fair value. Subsequent changes in fair value at each reporting date were recorded in profit and loss.

(i) Deferred tax asset/liability

IFRS does not permit an offset of income tax assets and liabilities of different taxable entities within a consolidated group, unless there is a legally enforceable right to offset and the entities intend to settle these assets and liabilities simultaneously. In accordance with IFRS requirements, the Fund reclassified deferred tax assets and deferred tax liabilities as separate line items in its statements of financial position where appropriate. The adjustments to deferred tax assets and liabilities arise from IFRS transition adjustments to the carrying value of other assets and liabilities discussed above, which result in a change in the temporary differences reported for financial statement and tax purposes. Under IFRS, all deferred tax assets and liabilities must be classified as non-current. Under Canadian GAAP, deferred tax assets and liabilities were classified as current or non-current as appropriate.

(j) Other comprehensive income (loss)

Due to other adjustments arising from the transition to IFRS, the exchange differences arising from the translation of the results and financial position of the Fund's subsidiaries to the presentation currency under IFRS differed from the exchange differences that were recognized on translation in accordance with Canadian GAAP. As a result, the amount of other comprehensive income (loss) recognized under IFRS in 2010 is different than that recognized in accordance with Canadian GAAP.

(k) Presentation of other financial liabilities

Canadian GAAP – Derivative liabilities and accrued interest were included in the statement of financial position in accounts payable and accrued liabilities.

IFRS – Financial liabilities other than accounts payable and accrued liabilities must be presented as a separate line item in the statement of financial position.

There are no IFRS Canadian GAAP differences in how these items are measured.

(l) Restatement of Statement of Cash Flows from Canadian GAAP to IFRS

The restatement from Canadian GAAP to IFRS had no material effect on the reported cash flows generated by the Fund. The reconciling items between Canadian GAAP and IFRS presentation have no net effect on the cash flows generated.