Gibson Energy Inc.

Consolidated Financial Statements
For the year ended December 31, 2011
(in thousands of Canadian dollars)

Independent Auditor's Report

To the Shareholders of
Gibson Energy Inc.

We have audited the accompanying consolidated financial statements of Gibson Energy Inc., which comprise the consolidated balance sheets as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statement of operations and comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2011 and 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gibson Energy Inc. as at as at December 31, 2011, December 31, 2010 and January 1, 2010 and its financial performance and cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants
March 6, 2012

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Gibson Energy Inc.

Consolidated Balance Sheet

(tabular amounts in thousands of Canadian dollars)

	December 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current assets			
Cash and cash equivalents	$ 64,810	$ 7,225	$ 26,263
Trade and other receivables (note 6)	404,677	354,682	315,865
Inventories (note 7)	179,959	197,483	113,688
Income taxes receivable	55,511	57,130	15,541
Prepaid expenses and other assets	10,340	7,843	4,045
Net investment in finance leases (note 8)	314	236	-
Assets held for sale (note 9)	-	33,596	-
Total current assets	715,611	658,195	475,402
Non-current assets			
Property, plant and equipment (note 9)	789,091	629,755	570,307
Long-term prepaid expenses and other assets (note 10)	21,672	22,138	29,186
Net investment in finance leases (note 8)	25,371	20,265	-
Deferred income tax assets (note 11)	8,968	2,146	-
Intangible assets (note 12)	129,915	152,339	121,909
Goodwill (note 13)	513,747	496,416	433,894
Total non-current assets	1,488,764	1,323,059	1,155,296
Total assets	$ 2,204,375	$ 1,981,254	$ 1,630,698
Liabilities			
Current liabilities			
Credit facilities (note 14)	$ -	$ 43,500	$ 25,000
Trade payables and accrued charges (note 15)	444,785	393,590	254,517
Dividends payable	23,362	-	-
Deferred revenue	8,021	54,701	13,405
Income taxes payable	830	1,217	8,443
Current portion of long-term debt (note 16)	6,611	-	-
Liabilities related to assets held for sale (note 9)	-	3,762	-
Total current liabilities	483,609	496,770	301,365
Non-current liabilities			
Long-term debt (note 16)	620,678	718,154	553,942
Provisions (note 17)	66,471	43,251	40,623
Other long-term liabilities (note 18)	38,011	6,689	6,400
Deferred income tax liabilities (note 11)	142,385	171,582	183,789
Total non-current liabilities	867,545	939,676	784,754
Total liabilities	1,351,154	1,436,446	1,086,119
Equity			
Share capital (note 19)	1,082,990	664,724	650,690
Contributed surplus	21,240	13,586	8,957
Accumulated other comprehensive income (loss)	(3,504)	(6,767)	-
Deficit	(247,505)	(126,735)	(115,068)
Total equity	853,221	544,808	544,579
Total liabilities and shareholder's equity	$ 2,204,375	$ 1,981,254	$ 1,630,698

Commitments and contingencies (note 20)

See accompanying notes

Gibson Energy Inc.

Consolidated Statement of Operations

(tabular amounts in thousands of Canadian dollars, except per share amounts)

	Year ended December 31, 2011	2010
Revenue (note 21)	$ 5,072,031	$ 3,690,452
Cost of sales (note 22, 23 and 29)	4,917,905	3,604,958
Gross profit	154,126	85,494
General and administrative expenses (note 22 and 23)	38,726	34,558
Gain on sale of Edmonton North Terminal (note 9)	(20,370)	-
Other operating income (note 24)	(3,711)	(3,157)
Income from operating activities	139,481	54,093
Loss (income) from investment in associates	(3,509)	914
Gain on remeasurement of interest in equity investment (note 5)	(16,900)	-
Interest expense	69,038	99,668
Financial instruments relating to interest expense (note 29)	11,475	68
Interest income	(606)	(324)
Foreign exchange loss (gain) on long-term debt (note 16)	7,932	(36,760)
Debt extinguishment costs (note 16)	166,056	-
Loss before income taxes	(94,005)	(9,473)
Income tax recovery (note 11)	(31,400)	(12,415)
Net income (loss)	$ (62,605)	$ 2,942
Loss per share (note 25)		
Basic	$ (0.88)	$ (0.18)
Diluted	$ (0.88)	$ (0.18)

See accompanying notes

Gibson Energy Inc.

Consolidated Statement of Comprehensive Income (Loss)

(tabular amounts in thousands of Canadian dollars)

	Year ended December 31,	
	2011	2010
Net income (loss)	$ (62,605)	$ 2,942
Other comprehensive income (loss)		
Cumulative translation adjustment	3,263	(6,767)
Actuarial loss on post employment benefit obligation, net of tax	(1,064)	(575)
Other comprehensive income (loss)	2,199	(7,342)
Comprehensive loss	$ (60,406)	$ (4,400)

See accompanying notes

Gibson Energy Inc.

Consolidated Statement of Changes in Equity

(tabular amounts in thousands of Canadian dollars)

	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total Equity
Balance – January 1, 2010	$ 650,690	$ 8,957	$ -	$ (115,068)	$ 544,579
Net income	-	-	-	2,942	2,942
Other comprehensive income, net of tax:	-	-	(6,767)	(575)	(7,342)
Employee share options:					
Value of services recognized	-	4,629	-	-	4,629
Dividends on preferred shares	14,034	-	-	(14,034)	-
Balance – December 31, 2010	$ 664,724	$ 13,586	$ (6,767)	$ (126,735)	$ 544,808
Balance – January 1, 2011	$ 664,724	$ 13,586	$ (6,767)	$ (126,735)	$ 544,808
Net loss	-	-	-	(62,605)	(62,605)
Issuance of common shares in Offering less issuance costs, net of tax (note 19)	477,986	-	-	-	477,986
Other comprehensive income, net of tax:	-	-	3,263	(1,064)	2,199
Employee share options:					
Value of services recognized	-	7,699	-	-	7,699
Proceeds from exercise of stock options (note 19)	4,114	-	-	-	4,114
Cash settlement of stock options	-	(45)	-	-	(45)
Issuance of shares in connection with a business combination (note 5)	45,999	-	-	-	45,999
Issuance of common shares in connection with the Dividend Reinvestment Program (note 19)	17,235	-	-	-	17,235
Dividends on preferred shares	7,531	-	-	(7,531)	-
Dividends on common shares	-	-	-	(49,570)	(49,570)
Cancellation of preferred shares on Reorganization	(134,599)	-	-	-	(134,599)
Balance – December 31, 2011	$ 1,082,990	$ 21,240	$ (3,504)	$ (247,505)	$ 853,221

See accompanying notes

Gibson Energy Inc.

Consolidated Statement of Cash Flows

(tabular amounts in thousands of Canadian dollars)

	Year ended December 31, 2011	2010
Cash provided by (used in)		
Operating activities		
Income from operating activities	$ 139,481	$ 54,093
Items not affecting cash		
Depreciation of property, plant and equipment (note 22)	69,517	61,512
Amortization of intangible assets (note 22)	31,000	28,378
Stock based compensation (note 23 and 28)	7,775	4,629
Gain on sale of assets	(22,163)	(37)
Other	(1,655)	(1,322)
Net gain on fair value movement of financial instruments	(1,728)	(1,441)
Changes in items of working capital		
Trade and other receivables	(40,562)	(12,963)
Inventories	17,971	(79,094)
Other current assets	(1,979)	(1,701)
Trade payables and accrued charges	56,587	82,700
Deferred revenue	(46,680)	41,296
Income taxes paid	(247)	(43,616)
Net cash provided by operating activities	207,317	132,434
Investing activities		
Purchase of property, plant and equipment	(134,721)	(49,962)
Purchase of intangible assets	(4,544)	(1,765)
Equity investments	-	(3,050)
Proceeds on sale of assets	61,187	2,750
Acquisitions, net of cash acquired (note 5)	(5,802)	(229,173)
Net cash used in investing activities	(83,880)	(281,200)
Financing activities		
Net proceeds from issuance of common shares in Offering (note 19)	471,201	-
Proceeds from long-term debt, net of debt discount (note 16)	629,343	200,888
Repayment of long-term debt (note 16)	(764,152)	-
Payment of debt extinguishments (note 16)	(128,797)	-
Purchase of warrant (note 19)	(134,599)	-
Payment of debt issue and financing costs	(17,401)	(6,544)
Proceeds from credit facilities (note 14)	109,000	298,314
Repayment of credit facilities (note 14)	(152,500)	(279,814)
Payment of shareholder dividends	(26,208)	-
Proceeds from Dividend Reinvestment Program (note 19)	17,235	-
Proceeds from exercise of stock options	4,114	-
Cash settlement of stock options	(121)	-
Interest received	606	324
Interest paid	(74,574)	(84,261)
Net cash provided by (used in) financing activities	(66,853)	128,907
Effect of exchange rate on cash and cash equivalents	1,001	821
Net increase (decrease) in cash and cash equivalents	57,585	(19,038)
Cash and cash equivalents – beginning of period	7,225	26,263
Cash and cash equivalents – end of period	$ 64,810	$ 7,225

See accompanying notes

(tabular amounts in thousands of Canadian dollars, except where noted)

1 General Information

Gibson Energy Inc. ("Gibson" or the "Company") was incorporated pursuant to the Business Corporations Act (Alberta) on April 21, 2011, with one common share issued to R/C Guitar Cooperatief U.A. ("Co-op"), a Dutch Co-op owned by investment funds affiliated with Riverstone Holdings LLC ("Riverstone"). The Company was formed to become the ultimate parent in the Reorganization, as defined herein. On June 15, 2011, the Company completed an Initial Public Offering (the "Offering"). Concurrent with the Offering, Gibson Energy Inc., Gibson Energy Holding ULC and 1441682 Alberta Ltd. amalgamated into one entity with the surviving entity being Gibson Energy Inc. (the "Reorganization"). The Reorganization was a common control transaction whereby Gibson Energy Inc. was accounted for using continuity of interest and, as such, Gibson Energy Inc. was considered a continuity of Gibson Energy Holding ULC. The Company's shares trade on the Toronto Stock Exchange under the symbol "GEI".

Gibson is engaged in the movement, storage, blending, processing and marketing and distribution of crude oil, condensate, natural gas liquids and refined products. The Company is incorporated and domiciled in Canada. The address of the Company's principal place of business is 1700, 440 Second Avenue SW., Calgary, Alberta, Canada.

2 Basis of preparation and adoption of IFRS

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, these are the Company's first annual consolidated financial statements prepared in accordance with IFRS as issued by the IASB and interpretations of the International Financial Reporting Interpretations Committee. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These consolidated financial statements have been prepared in compliance with IFRS. The Company has applied the same accounting policies throughout all periods presented, as if these policies had always been in effect, with the exception of certain IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") transition elections and exemptions the Company applied in its transition as discussed in Note 31. Note 31 discloses the impact of the transition to IFRS on the Company's reported financial position as at January 1, 2010, and its financial performance and cash flows for the year ended December 31, 2010.

These consolidated financial statements were approved for issuance by the board of directors ("Board") on March 6, 2012.

The Company's consolidated financial statements are presented in Canadian dollars, the Company's functional currency, and all values are rounded to the nearest thousands of dollars, except where indicated otherwise. All references to $ are to Canadian dollars and references to U.S.$ are to United States dollars. Certain reclassifications of prior period amounts have been made to conform to the current period presentation.

3 Summary of significant accounting policies

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except as discussed below.

Basis of consolidation

On adoption of IFRS, the Company elected not to restate business combinations prior to January 1, 2010. The consolidated financial statements include the results of the Company and its subsidiaries together with a share of the results, assets and liabilities of jointly controlled entities and associates using the equity method of accounting.

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date control ceases. All intercompany transactions, balances, income and expenses are eliminated on consolidation.

Jointly controlled entities are entities established to engage in economic activity, which the Company controls with its fellow venturers. Investments in jointly controlled entities are accounted for using the proportionate consolidation method, whereby the Company's proportionate share of revenues, expenses, assets and liabilities are included in the consolidated accounts.

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a jointly controlled entity. Generally, the Company regards an investment of between 20% and 50% as an associate. The financial results of the Company's investment in an associate are included in the Company's results according to the equity method. Subsequent to the acquisition date, the Company's share of profits or losses of associates is recognized in the statement of operations and its share of other comprehensive income (loss) of associates is included in the other comprehensive income (loss) account.

The Company assesses at each year end whether there is any objective evidence that its interests in jointly controlled entities or associates are impaired. If impaired, the carrying value is written down to its estimated recoverable amount and charged to the statement of operations.

Foreign currency translation

The financial statements for each of the Company's subsidiaries, jointly controlled entities and associates are prepared using their functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation and functional currency of the parent company is Canadian dollars. Assets and liabilities of foreign operations are translated into Canadian dollars at the market rates ruling at the balance sheet date. Operating results are translated at the average rates for the period. Exchange differences arising on the consolidation of the net assets of foreign operations are recorded in other comprehensive income. On January 1, 2010, the Company did not have material foreign operations, and therefore the cumulative translation difference on January 1, 2010 was zero.

Foreign currency transactions are translated in the functional currency using exchange rates prevailing at the transaction date. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the statement of operations.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the cash paid and the fair value of other assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. For acquisitions achieved in stages, previously held equity interests in the acquired company are remeasured at the acquisition date fair value and the resulting gain or loss is recognized in the statement of operations. Direct costs incurred by the Company in connection with an acquisition, such as finder's fees, advisors, legal, accounting, valuation and other professional or consulting fees, are expensed as incurred. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition plus the amount of any non-controlling interest in the acquiree, and the acquisition date fair value of the acquirer's previously held equity interest, if any, over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to the statement of operations in the period of acquisition.

At the acquisition date, any goodwill acquired is allocated to each of the segments expected to benefit from the combination's synergies. For this purpose, cash-generating units are set at one level below a business segment. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

(tabular amounts in thousands of Canadian dollars, except where noted)

Intangible assets

An intangible asset acquired as part of a business combination is measured at fair value at the date of acquisition and is recognized separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Intangible assets with a finite life are amortized on a straight-line basis over their expected useful lives. Amortization rates are as follows:

Brands	10 years
Customer relationships	1 – 12 years
Long-term customer contract	6 – 10 years
Non-compete agreements	2 – 10 years
Technology	3 – 5 years
Software	3 – 7 years

The expected useful lives of assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated is replaced and it is probable that future economic benefits associated with the item will flow to the Company, the expenditure is capitalized and the carrying amount of the replaced asset is derecognized. Inspection costs associated with major maintenance programmes are capitalized and amortized over the period to the next inspection. All other maintenance costs are expensed as incurred.

Depreciation is charged so as to write off the cost of assets, other than assets under construction, using the straight-line method over their expected useful life.

The useful lives of the Company’s property, plant and equipment are as follows:

Buildings	10 – 20 years
Equipment	3 – 20 years
Rolling stock	10 – 23 years
Pipelines	8 – 20 years
Tanks	20 – 33 years
Plant	7 – 25 years
Disposal wells	15 – 25 years

The expected useful lives of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

(tabular amounts in thousands of Canadian dollars, except where noted)

The carrying value of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of operations in the period the item is derecognized.

Impairments

The Company carries out impairment reviews in respect of goodwill at least annually or if indicators exist. The Company also assesses at least annually whether there have been any events or changes in circumstances that indicate that property, plant and equipment, inventories and other intangible assets may be impaired and an impairment review is carried out whenever such an assessment indicates that the carrying amount may not be recoverable. Such indicators include changes in the Company's business plans, changes in commodity prices leading to lower activity levels, an increase in the discount rate and evidence of physical damage. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Where impairment exists, the asset is written down to its recoverable amount, which is the higher of the fair value less costs to sell and value in use. Impairments are recognized immediately in the statement of operations.

The assessment for impairment entails comparing the carrying value of the asset or cash-generating unit with its recoverable amount, that is, the higher of fair value less costs to sell and value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. However, the determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as the outlook for global or regional market supply-and-demand conditions, future commodity prices, the effects of inflation on operating expenses and discount rates.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if 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 previously recognized.

Financial assets

Financial assets include cash and cash equivalents, trade receivables, other receivables and other investments. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognized initially at fair value, normally being the transaction price plus directly attributable transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in the statement of operations when the loans and receivables are derecognized or impaired, as well as through the use of the effective interest method. This category of financial assets includes trade and other receivables.

A provision for impairment of trade receivables is established when there is objective evidence that the Company may not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of operations. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Cash and cash equivalents comprise cash on hand and current balances with banks and similar institutions which are readily convertible to cash. These are classified as "loans and receivables" with gains or losses recognized in the statement of operations. Cash equivalents are short term deposits with an original maturity of 90 days or less.

(tabular amounts in thousands of Canadian dollars, except where noted)

Inventories

Crude oil, asphalt, diluent, natural gas liquids, natural gas, wellsite fluids, distillate and spare parts are carried at the lower of average cost and net realizable value, with cost determined using a weighted average cost method. Net realizable value is the estimated selling price less applicable selling expenses. If carrying value exceeds net realizable amount, a write down is recognized. The write down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

Financial liabilities

Financial liabilities include trade payables, accrued charges, dividends payable, other long-term liabilities and long term debt. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are initially recognized at fair value. For interest-bearing loans and borrowings this is the fair value of the proceeds received net of issue costs associated with the borrowing. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest and other revenues and finance costs. This category of financial liabilities includes trade and other payables and long-term debt.

Leases - lessee

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Assets acquired under finance leases are recorded in the balance sheet as property, plant and equipment at the lower of their fair value and the present value of the minimum lease payments and depreciated over the shorter of their estimated useful life or their lease terms. The corresponding rental obligations are included in borrowings as finance lease liabilities. Interest incurred on finance leases is charged to the statement of operations on an accrual basis.

All other leases are operating leases, and the rental of these is charged to the statement of operations as incurred over the life of the lease.

Leases - lessor

Contractual arrangements that transfer substantially all the risks and benefits of ownership of property to the lessee and, at the inception of the lease, the fair value of the leased property is equal to the Company's carrying amount of the property are recorded as a net investment in a finance lease. The minimum lease payments under such arrangements are recorded at the inception of the arrangement and the finance income is recognized in a manner that produces a consistent rate of return on the investment in the finance lease and is included in revenue.

Operating lease income is recognized in the statement of operations as it is earned.

Financial instruments

Financial instruments are used by the Company to manage its exposure to market risks relating to commodity prices, foreign currency exchange rates, interest and certain operating costs.

The Company periodically enters into crude oil futures, swaps and option contracts to manage the price risk associated with sales, purchases and inventories of crude oil and petroleum products. The Company also periodically purchases foreign exchange forward contracts and options to manage foreign exchange exposures on sales to customers in the United States and the related trade receivable.

Financial instruments, used periodically by the Company to manage exposure to market risks relating to commodity prices and foreign currency exchange rates, are not designated as hedges. They are recorded at fair value and recorded on the Company's balance sheet as either an asset, when the fair value is positive, or a liability, when the fair value is negative. Changes in fair value are recorded in the statement of operations. The estimated fair value of all derivative instruments is based on quoted market prices, or, in their absence, third party market indications and forecasts.

(tabular amounts in thousands of Canadian dollars, except where noted)

The Company reflects the fair value of these financial instruments based on valuation information from third parties. The calculation of the fair value of certain of these instruments is based on proprietary models and assumptions of third parties because such instruments are not quoted on an active market. Additionally, estimates of fair value may vary among different models due to a difference in assumptions applied, such as the estimate of prevailing market prices, volatility, correlations and other factors, and may not be reflective of the price at which they can be settled due to the lack of a liquid market. As a result of changes in key assumptions, the actual amounts may vary significantly from estimated amounts.

Provisions and contingencies

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the liability.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized within finance costs.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured reliably. Contingent assets are not recognized, but are disclosed when an inflow of economic benefits is probable.

Decommissioning

Liabilities for site restoration on the retirement of assets are recognized when the Company has an obligation to restore the site, and when a reliable estimate of that liability can be made. Where an obligation exists for a new facility, this will be recognized on construction. An obligation may also crystallize during the period of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. The present value is determined by discounting the expenditures expected to be required to settle the obligation using a risk-free discount rate. Estimated future expenditure is based on all known facts at the time and current expected plans for decommissioning. Among the many uncertainties that may impact the estimates are changes in laws and regulations, public expectations, inflation, timing, prices and changes in technology. Actual expenditures incurred are charged against the accumulated liability.

A corresponding item of property, plant and equipment of an amount equivalent to the provision is also created. The amount capitalized in property, plant and equipment is depreciated over the useful life of the related asset. Increases in the decommissioning liabilities resulting from the passage of time are recognized as a finance cost in the consolidated statement of operations. Other than the unwinding discount on the provision, any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding item of property, plant and equipment.

Environmental liabilities

Environmental liabilities are recognized when a clean-up is probable and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the completion of a feasibility study or a commitment to a formal plan of action. The amount recognized is the best estimate of the expenditure required. Where the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure. Estimated future expenditure is based on all known facts at the time and an assessment of the ultimate outcome. A number of factors affect the cost of environmental remediation, including the determination of the extent of contamination, the length of time remediation may require, the complexity of environmental regulations and the advancement of remediation technology.

(tabular amounts in thousands of Canadian dollars, except where noted)

Employee benefits

Defined benefit pension plans and other post retirement benefits

The estimated future cost of providing defined benefit pension and other post-retirement benefits ("OPRB") is actuarially determined using management's best estimates of demographic and financial assumptions, and such cost is accrued proportionately from the date of hire of the employee to the date the employee becomes fully eligible to receive the benefits. The discount rate used to determine accrued benefit obligations is based on a year-end market rate of interest for high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

Defined contribution pension plans

The Company's defined contribution plans are funded as specified in the plans and the pension expense is recorded as the benefits are earned by employees and funded by the Company.

Share-based payments

The fair value of grants made under employee share award plan is measured at the date of grant of the award. The resulting cost, as adjusted for the expected and actual level of vesting of the awards, is expensed over the period in which the awards vest. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest.

The movement in the cumulative expense since the previous balance sheet date is recognized in the statement of operations with a corresponding entry in equity.

The fair value of restricted share units ("RSUs"), performance share units (''PSUs'') and deferred share units (''DSUs'') are determined by the Company share price at the date of grant. Options are measured by using the Black Scholes model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable and it requires the input of highly subjective assumptions. Expected volatility of the stock is based on comparable companies in the industry because the Company does not have sufficient historical volatility data for its own shares. The expected term of options represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on the Government of Canada's Canadian Bond Yields with a remaining term equal to the expected life of the options used in the Black-Scholes valuation model. In the future, as the Company gains historical data for volatility in its own stock and the actual term over which employees hold its options, expected volatility and expected term may change, which could substantially change the grant-date fair value of future awards of stock options and, ultimately, the expense included in the Company records.

Termination benefit

The Company recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing benefits as a result of an offer made to encourage voluntary termination.

Income taxes

Income tax expense represents the sum of the income tax currently payable and deferred income tax. Interest and penalties relating to income tax are also included in income tax expense.

The income tax currently payable is based on the taxable income for the period. Taxable income differs from net income as reported in the statement of operations because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

(tabular amounts in thousands of Canadian dollars, except where noted)

Deferred income tax is provided for using the liability method of accounting. Deferred income tax assets and liabilities are determined based on differences between the financial reporting and income tax basis of assets and liabilities. These differences are then measured using enacted or substantially enacted income tax rates and laws that will be in effect when these differences are expected to reverse. The effect of a change in income tax rates on deferred tax assets and liabilities is recognized in income in the period that the change occurs.

Income tax in interim periods is accrued using the income tax rate that would be applicable to expected annual earnings.

The computation of the Company's income tax expense involves the interpretation of applicable tax laws and regulations in many jurisdictions. The resolution of tax positions taken by the Company can take significant time to complete and in some cases it is difficult to predict the ultimate outcome. In addition, the Company has carry-forward tax losses in certain taxing jurisdictions that are available to offset against future taxable profit. However, deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilized. Management judgement is exercised in assessing whether this is the case. To the extent that actual outcomes differ from management's estimates, income tax charges or credits may arise in future periods.

Revenue recognition

Product revenues associated with the sales of crude oil, diluent, natural gas liquids, asphalt, natural gas, wellsite fluids and distillate owned by the Company are recognized when the risk of ownership passes to the customer and physical delivery occurs, the price is fixed and collection is reasonably assured. Sales terms are generally FOB shipping point, in which case the sales are recorded at the time of shipment, because this is when title and risk of loss are transferred. All payments received before delivery are recorded as deferred revenue and are recognized as revenue when delivery occurs, assuming all other criteria are met. Freight costs billed to customers are recorded as a component of revenue. Revenues from buy/sell transactions whereby the Company acts as an agent are recorded on a net basis.

Revenue associated with the provision of transportation and terminalling services are recognized when the services are provided, the price is fixed and collection is reasonably assured. Revenue from pipeline tariffs and fees are based on volumes and rates as the pipeline is being used. Revenue from non-refundable propane tank fees are recorded in deferred revenue and is recognized in revenue on a straight line basis over the rental period, typically one year.

Excise taxes are reported gross within sales and other operating revenues and taxes other than income taxes, while other sales and value-added taxes are recorded net in taxes other than income taxes.

Cost of sales

Cost of sales includes the cost of finished goods inventory (including depreciation, amortization and impairment charges), processing costs, and costs related to transportation, impairment, and inventory write downs and reversals.

Interest

Interest income and expense is recognized in the statement of operations using the effective interest method.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Debt issue costs

Costs arising on the issue of new loan facilities are capitalized and amortized through interest expense using the effective interest method.

Share capital

Common and preferred shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Per share amounts

Basic per share amounts are calculated using the weighted average number of shares outstanding during the year. Diluted per share amounts are calculated giving effect to the potential dilution that would occur if stock options and other awards and preferred shares were exercised or converted into common shares.

Dividends

Dividends on common shares are recognized in the period in which the dividends are approved by the Board.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

Significant estimates and assumptions are used in determining the recoverability of the carrying value of goodwill, intangible assets and property, plant and equipment, the useful lives of intangible assets and property, plant and equipment, the valuation of financial instruments, income taxes, decommissioning obligations, remediation liability and the valuation of stock options. Details of significant estimates and judgements made for these areas are included the related accounting policies.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for resource allocation and assessing performance of the operating segments, has been identified as the President and Chief Executive Officer.

4 Recent accounting pronouncements

IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"), has been amended to provide more extensive quantitative disclosures for financial instruments that are offset in the statement of financial position or that are subject to enforceable master netting or similar arrangements. This amendment to IFRS 7 is effective for annual periods beginning on or after January 1, 2013 with retrospective application. The Company is currently evaluating the impact of adopting this amendment on its consolidated financial statements.

IFRS 9, ''Financial Instruments'' (''IFRS 9'') amends the classification and measurement criteria for financial instruments included within the scope of IAS 39 ''Financial Instruments: Recognition and Measurements'' (''IAS 39''). IFRS 9 will be published in three phases, of which the first phase has been published. The first phase addresses the accounting for financial assets and financial liabilities. The second phase will address the impairment of financial instruments, and the third phase will address hedge accounting. For financial assets, IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. For financial liabilities, although the classification criteria for financial liabilities will not change under IFRS 9, the approach to the fair value option for financial liabilities may require different accounting for changes to the fair value of a financial liability as a result of changes to an entity's own credit risk. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the impact of adopting IFRS 9 on its consolidated financial statements.

IFRS 10, "Consolidated financial statements" (''IFRS 10'') builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of adopting IFRS 10 on its consolidated financial statements.

IFRS 11, "Joint Arrangements" ("IFRS 11") addresses joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of adopting IFRS 11 on its consolidated financial statements.

IFRS 12, "Disclosure of Interests in Other Entities" (''IFRS 12'') is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of adopting IFRS 12 on its consolidated financial statements.

IFRS 13, "Fair Value Measurement" ("IFRS 13") provides for a consistent and less complex definition of fair value, established a single source for determining fair value and introduces consistent requirements for disclosures related to fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and applies prospectively from the beginning of the annual period in which the standard is adopted. Early adoption is permitted. The Company is currently evaluating the impact of adopting IFRS 13 on it consolidated financial statements.

IAS 1, "Presentation of Financial Statements" ("IAS 1") was amended and requires companies to group items presented within Other Comprehensive Income based on whether they may be subsequently reclassified to profit or loss. This amendment to IAS 1 is effective for annual periods beginning on or after July 1, 2012 with full retrospective application. Early adoption is permitted. The adoption of this amendment will not have a material impact on the Company's consolidated financial statements.

IAS 19, "Employee Benefits" ("IAS 19") was amended to eliminate the option to defer the recognition of actuarial gains and losses, commonly known as the corridor approach and requires an entity to recognize actuarial gains and losses in Other Comprehensive Income ("OCI") immediately. In addition, the net change in the defined benefit liability or asset must be disaggregated into three components: service cost, net interest and remeasurements. Service cost and net interest will continue to be recognized in net earnings while remeasurements, which include changes in estimates or the valuation of plan assets, will be recognized in OCI. Furthermore, entities will be required to calculate net interest on the net defined benefit liability or asset using the same discount rate used to measure the defined benefit obligation. The amendment also enhances financial statement disclosures. This amended standard is effective for annual periods beginning on or after January 1, 2013, with modified retrospective application. Earlier adoption is permitted. The adoption of this amendment will not have a material impact on the Company's consolidated financial statements.

IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28") has been amended to conform to the changes made in IFRS 10 and IFRS 11. This amended standard is effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted provided it is adopted concurrently with other related standards. The Company is currently evaluating the impact of adopting this amendment on its consolidated financial statements.

IAS 32, "Financial Instruments: Presentation" ("IAS 32") has been amended to clarify the requirements for offsetting financial assets and liabilities. The amendment clarifies that the right to offset must be available on the current date and cannot be contingent on a future event. The amendment to IAS 32 is effective for annual periods beginning on or after January 1, 2014, with retrospective application. The Company is currently evaluating the impact of adopting this amendment on its consolidated financial statements.

(tabular amounts in thousands of Canadian dollars, except where noted)

5 Business acquisitions

The following relates to acquisitions of companies that operate within the same business segments of the Company and will provide the Company an expanded client base within these industries. The acquisitions are accounted for using the acquisition method with the results from operations included in these financial statements from the date of acquisition.

Palko Environmental Ltd.

On December 8, 2011, the Company completed the acquisition of all of the issued and outstanding common shares of Palko Environmental Ltd. ("Palko"), not already owned by the Company, for total consideration, of \$51.8 million. Prior to the acquisition, the Company held a 38.9% ownership interest in Palko, which was accounted for under the equity method of accounting. The fair value of the 38.9% ownership interest on the acquisition date was determined to be \$29.4 million. As a result of remeasuring the equity interest to fair value, the Company recorded a gain of \$16.9 million in the statement of operations for the year ended December 31, 2011. This acquisition has expanded the Company's Canadian custom treating and terminal operations to include water disposal services and oilfield waste management.

Direct costs incurred in connection with the acquisition were \$1.0 million and have been charged to general and administrative expenses in the statement of operations in the year ended December 31, 2011.

The net assets acquired have been recorded as follows:

	Fair Value
Cash and cash equivalents	$ 756
Property, plant and equipment	85,629
Trade and other receivables	6,822
Inventories	386
Prepaid expenses	83
Goodwill [(1)]	16,065
Intangible assets [(2)]	3,333
Trade payables and accrued charges	(7,602)
Long-term debt	(17,538)
Provisions	(3,724)
Other long-term liabilities	(625)
Deferred income tax	(2,369)
Net assets acquired	$ 81,216

(1) The amount of purchased goodwill is not expected to be deductible for tax purposes.
(2) Consists of customer relationships of \$3.3 million.

The total consideration paid was comprised of the following:

Cash	$ 5,789
Issuance of common shares	45,999
Consideration for equity interest held prior to the acquisition	9,693
Total consideration	61,481
Income from equity interest held prior to the acquisition	2,835
Gain on remeasurement of equity interest held prior to the acquisition	16,900
Total	$ 81,216

The fair value of the common shares issued as part of the consideration paid for Palko, was based on the Company's share price of \$19.30 on December 8, 2011.

The goodwill is attributable to the synergies expected to be achieved from integrating Palko with the Company's other custom treating and terminal operations and is allocated to the Terminals and Pipelines segment.

(tabular amounts in thousands of Canadian dollars, except where noted)

The fair value of trade and other receivables includes gross contractual amounts of $6.9 million, of which $0.3 million were expected to be uncollectible at the acquisition date.

From the date of acquisition to December 31, 2011, the acquisition of Palko contributed revenue of $1.3 million, and net income of $0.1 million. If the acquisition of Palko had been completed on January 1, 2011, the Company would have reported additional revenue of $18.6 million and the net loss would have decreased by $1.4 million for the year ended December 31, 2011.

Battle River Terminal ULC

On August 25, 2010, the Company completed the acquisition of all of the issued and outstanding common shares of Battle River Terminal ULC ("BRT"), not already owned by the Company, for cash of approximately $55.9 million. Prior to the acquisition, the Company had a 25% ownership interest in BRT, which was accounted for under the equity method of accounting. The fair value of the original investment on the acquisition date was determined to be $3.6 million. There was no gain or loss on the remeasurement of the original investment. BRT is comprised of four storage tanks and related infrastructure that are connected to the Company's Hardisty Terminal, with each storage tank having a capacity of 300,000 barrels. Direct costs incurred in connection with the acquisition were not material.

The net assets acquired have been recorded as follows:

	Fair Value
Cash and cash equivalents	$ 1,037
Property, plant and equipment	74,042
Trade and other receivables	638
Prepaid expenses	16
Trade payables and accrued charges	(588)
Other long-term liabilities	(2,238)
Net assets acquired	$ 72,907

The total consideration paid was comprised of the following:

Cash	$ 55,886
Loan due to subsidiary	13,401
Consideration for equity interest in BRT held prior to the acquisition	3,620
Total consideration	$ 72,907

As a result of the integration of the BRT acquisition into the operations of the Company, it is impractical to determine the impact on revenue and net income (loss) for the years ended December 31, 2011 and 2010. However, management estimates that the impact would not have been material. If the acquisition of BRT had been completed on January 1, 2010, the impact on reported revenue and net income for the year ended December 31, 2010 would not have been material.

Taylor Companies

On May 14, 2010, the Company purchased 100 percent of the outstanding equity of Taylor Companies LLC, a Delaware limited liability company, as well as certain assets of Taylor Propane Gas Inc. (collectively "Taylor"), for cash, of $152.9 million. Taylor is an independent for-hire crude oil transportation, logistics and crude oil and NGL marketing business with operations and facilities, including pipeline injection stations, in most crude oil processing states in the United States, thereby expanding the Company's presence as a North American midstream company. Direct costs incurred in connection with the acquisition were $2.3 million and have been charged to general and administrative expenses in the statement of operations in the year ended December 31, 2010.

(tabular amounts in thousands of Canadian dollars, except where noted)

The net assets acquired have been recorded as follows:

		Fair Value
Cash and cash equivalents	$	2,086
Property, plant and equipment		42,231
Trade and other receivables		18,896
Inventory		4,505
Prepaid expenses		1,365
Goodwill [1]		57,395
Intangible assets [2]		50,012
Trade payables and accrued charges		(22,881)
Other long-term liabilities		(667)
Net assets acquired	$	152,942

1) *The amount of goodwill is deductible for tax purposes.*
2) *Consists of long-term customer contracts of $29.2 million, customer relationships of $15.2 million and a non-compete agreement of $5.6 million.*

The goodwill is attributable to the synergies expected to be achieved from integrating the acquired company into the Company's existing business. The goodwill has been allocated to three different segments, with 57.7% going to the Truck Transportation segment, 39.5% to the Propane and NGL Marketing and Distribution segment and the remaining 2.8% to the Terminals and Pipelines segment.

The trade receivables are comprised of gross contractual amounts of $19.4 million, of which $0.5 million were expected to be uncollectible at the acquisition date.

In the year ended December 31, 2011, the acquisition of Taylor contributed revenue of $178.2 million, and net income of $9.7 million. In the year ended December 31, 2010, the acquisition of Taylor contributed revenue of $87.5 million, and net income of $3.3 million, respectively. If the acquisition of Taylor had been on January 1, 2010, the Company would have reported additional revenue of $132.4 million and a decrease to net loss of $3.8 million for the year ended December 31, 2010.

Aarcam Propane & Construction Heat Ltd.

On February 1, 2010, the Company purchased 100 percent of the common shares of Aarcam Propane & Construction Heat Ltd. ("Aarcam") a propane retailer in Calgary, for cash, of $3.4 million. This acquisition has further expanded the Company's market presence and provide the Company with an expanded client base. Direct costs incurred in connection with the acquisition were not material.

The net assets acquired have been recorded as follows:

		Fair Value
Cash and cash equivalents	$	7
Property, plant and equipment		1,628
Trade receivables		864
Inventory		55
Goodwill [1]		825
Intangible assets [2]		922
Trade payables and accrued charges		(362)
Deferred income taxes		(530)
Net assets acquired	$	3,409

(1) *The amount of purchased goodwill is not expected to be deductible for tax purposes.*
(2) *Consists of non-compete agreement of $0.6 million and customer relationships of $0.3 million.*

(tabular amounts in thousands of Canadian dollars, except where noted)

The goodwill is attributable to the synergies expected to be achieved from integrating the acquired company into the Company's existing business and is allocated to the Propane and NGL Marketing and Distribution segment.

The trade receivables are comprised of gross contractual amounts of $0.9 million, none of which were expected to be uncollectible at the acquisition date.

Included in the purchase price is contingent consideration of $0.5 million which represents its fair value at the acquisition date. At December 31, 2011, contingent consideration of $0.3 million is payable if certain earnings targets are met over the next two years.

As a result of the integration of Aarcam into the operations of the Company, it is impractical to determine the impact on revenue and net income for the year ended December 31, 2011 and 2010. However, management estimates that the impact would not have been material. If the acquisition of Aarcam had been completed on January 1, 2010, the impact on reported revenue and net income for the year ended December 31, 2010 would not have been material.

Johnstone Tank Trucking Ltd.

On January 31, 2010, the Company purchased 100 percent of the common shares of Johnstone Tank Trucking Ltd. ("Johnstone") for cash of $21.2 million. Johnstone provides fluid hauling, acid hauling, vacuum service and pressure trucking for the oil and gas industry across southern Saskatchewan. This acquisition further expanded the Company's market presence and provided access to activity related to the Bakken oilfields. Direct costs incurred in connection with the acquisition were not material.

The net assets acquired have been recorded as follows:

	Fair Value
Property, plant and equipment	$ 7,892
Trade receivables	4,395
Inventory	141
Prepaid expenses	352
Goodwill (1)	6,628
Intangible assets (2)	7,687
Trade payables and accrued charges	(2,638)
Deferred income taxes	(3,219)
Net assets acquired	$ 21,238

(1) The amount of purchased goodwill is not expected to be deductible for tax purposes.
(2) Consists of non-compete agreement of $6.0 million and customer relationships of $1.6 million.

The goodwill is attributable to the synergies expected to be achieved from integrating the acquired company into the Company's existing business and is allocated to the Truck Transportation segment.

The trade receivables are comprised of gross contractual amounts of $4.4 million, none of which were expected to be uncollectible at the acquisition date.

Included in the purchase price is contingent consideration of $0.6 million, which represents its fair value at the acquisition date. This consideration is payable if certain earnings targets are met in the year following the acquisition. These targets were met and the amount was paid in full in the year ended December 31, 2011.

In the years ended December 31, 2011 and 2010, revenue and net income contributed by the acquisition of Johnstone was not material. If the acquisition of Johnstone had been completed on January 1, 2010, the impact on reported revenue and net income for the year ended December 31, 2010 would not have been material.

(tabular amounts in thousands of Canadian dollars, except where noted)

6 Trade and other receivables

	December 31, 2011	December 31, 2010	January 1, 2010
Trade receivables	$ 384,936	$ 338,989	$ 283,445
Allowance for doubtful accounts	(4,724)	(1,627)	(386)
Trade receivables - net	380,212	337,362	283,059
Risk management assets (note 29)	12,310	1,812	752
Deposits held as collateral	1,754	-	20,849
Broker accounts receivable	1,040	2,801	2,649
GST receivable	6,388	7,336	8,125
Other	2,973	5,371	431
Total trade and other receivables	$ 404,677	$ 354,682	$ 315,865

Allowance for doubtful accounts

	Year ended December 31, 2011	Year ended December 31, 2010
Opening balance	$ 1,627	$ 386
Additional allowances	3,062	1,375
Receivables written off as uncollectible	(51)	(94)
Effect of changes in foreign exchange rates	86	(40)
Closing balance	$ 4,724	$ 1,627

7 Inventories

	December 31, 2011	December 31, 2010	January 1, 2010
Crude oil	$ 96,672	$ 131,007	$ 56,629
Diluent	6,807	6,788	6,257
Asphalt	36,107	25,865	23,381
Natural gas liquids	28,027	21,000	17,728
Wellsite fluids and distillate	10,482	10,303	7,244
Spare parts and other	1,864	2,520	2,449
	$ 179,959	$ 197,483	$ 113,688

The cost of the inventory sold included in cost of sales was $4,286.2 million and $3,082.0 million for the year ended December 31, 2011 and 2010, respectively. There was no inventory write-down in the years ended December 31, 2011 or 2010.

(tabular amounts in thousands of Canadian dollars, except where noted)

8 Net investment in finance leases

The following summarizes the Company's net investment in arrangements whereby the Company has entered into fixed term contractual arrangements to allow customers to have dedicated use of certain tanks owned by the Company and which are accounted for as finance leases:

	December 31, 2011	December 31, 2010	January 1, 2010
Total minimum lease payments receivable	$ 222,068	$ 91,956	$ -
Unearned income	(196,383)	(71,455)	-
	25,685	20,501	-
Less: current portion	314	236	-
Net investment in finance lease: non-current portion	$ 25,371	$ 20,265	$ -

Salvage values for finance leases are recorded as other assets (note 10). The gross investment in finance leases is comprised of minimum lease payments of $222.1 million and the unguaranteed residual value of $18.2 million.

The minimum lease receivables are expected to be as follows:

2012	$ 13,852
2013	13,852
2014	13,852
2015	13,852
2016	13,852
2017 and later	152,808

(tabular amounts in thousands of Canadian dollars, except where noted)

9 Property, plant and equipment

	Land & Buildings	Pipelines	Tanks	Rolling Stock	Plant, Equipment & Disposal wells	Work in Progress	Total
Cost:							
At January 1, 2011	$ 70,006	$ 87,247	$ 198,412	$ 168,404	$ 210,614	$ 13,088	$ 747,771
Additions	2,400	3,708	6,801	49,578	11,498	69,509	143,494
Additions through business combination	6,234	1,705	17,426	253	42,863	17,148	85,629
Disposals	(2,927)	(150)	(614)	(4,031)	(327)	(16)	(8,065)
Transfer to net investment in finance leases	-	-	(500)	-	-	(14,500)	(15,000)
Reclassifications	673	2,307	11,822	-	18,809	(33,611)	-
Impairment	-	-	(2,922)	-	-	-	(2,922)
Change in discount rate to estimate decommissioning liabilities	-	5,620	5,581	-	8,571	-	19,772
Effect of movements in exchange rates	20	-	167	793	246	6	1,232
At December 31, 2011	$ 76,406	$ 100,437	$ 236,173	$ 214,997	$ 292,274	$ 51,624	$ 971,911
Accumulated depreciation and impairment:							
At January 1, 2011	$ 7,855	$ 17,499	$ 16,808	$ 37,355	$ 38,499	$ -	$ 118,016
Depreciation	3,710	9,125	13,215	25,084	16,066	-	67,200
Disposals	(28)	-	(133)	(1,906)	(202)	-	(2,269)
Impairment	-	-	(605)	-	-	-	(605)
Effect of movements in exchange rates	3	-	33	383	59	-	478
At December 31, 2011	$ 11,540	$ 26,624	$ 29,318	$ 60,916	$ 54,422	$ -	$ 182,820
Carrying amounts:							
At January 1, 2011	$ 62,151	$ 69,748	$ 181,604	$ 131,049	$ 172,115	$ 13,088	$ 629,755
At December 31, 2011	64,866	73,813	206,855	154,081	237,852	51,624	789,091

(tabular amounts in thousands of Canadian dollars, except where noted)

	Land & Buildings	Pipelines	Tanks	Rolling Stock	Plant & Equipment	Work in Progress	Total
Cost:							
At January 1, 2010	$ 70,487	$ 88,862	$ 180,096	$ 116,826	$ 177,118	$ 58	$ 633,447
Additions.................................	2,278	1,342	11,956	19,068	14,781	13,082	62,507
Disposals.................................	-	(398)	(650)	(3,987)	127	-	(4,908)
Additions through business combinations........................	1,438	-	49,429	37,698	36,641	395	125,601
Transfer to net investment in finance leases	-	-	(29,580)	-	(2)	-	(29,582)
Transfer to assets held for sale.	(4,196)	(2,559)	(12,713)	(9)	(17,286)	(432)	(37,195)
Effect of movements in exchange rates......................	(1)	-	(126)	(1,192)	(765)	(15)	(2,099)
At December 31, 2010	$ 70,006	$ 87,247	$ 198,412	$ 168,404	$ 210,614	$ 13,088	$ 747,771
Accumulated depreciation and impairment:							
At January 1, 2010	$ 4,301	$ 10,998	$ 8,640	$ 16,210	$ 22,991	$ -	$ 63,140
Depreciation	3,733	7,299	10,166	22,352	17,962	-	61,512
Disposals.................................	-	(493)	(545)	(1,143)	54	-	(2,127)
Transfer to net investment in finance leases	-	-	(462)	-	-	-	(462)
Transfer to assets held for sale.	(178)	(305)	(984)	(4)	(2,498)	-	(3,969)
Effect of movements in exchange rates......................	(1)	-	(7)	(60)	(10)	-	(78)
At December 31, 2010	$ 7,855	$ 17,499	$ 16,808	$ 37,355	$ 38,499	$ -	$ 118,016
Carrying amounts:							
At January 1, 2010	$ 66,186	$ 77,864	$ 171,456	$ 100,616	$ 154,127	$ 58	$ 570,307
At December 31, 2010	62,151	69,748	181,604	131,049	172,115	13,088	629,755

Additions to property, plant and equipment includes capitalization of interest of $1.6 million and $1.2 million for the year ended December 31, 2011 and 2010, respectively. At December 31, 2011 and 2010, the carrying value includes $14.3 million and $2.5 million, respectively, that represents the Company's share of property, plant and equipment in jointly controlled entities. The carrying values are included in work in progress, as the assets have not been put into service and are included within the Terminals and Pipelines segment.

During the year ended December 31, 2011, following an inspection of a tank at the Company's refinery in Moose Jaw and an evaluation of the estimated costs to repair the tank, it was determined the tank was not suitable for future operations. Accordingly, the carrying amount of the tank was reduced to zero and an impairment loss of $2.3 million was recorded as additional depreciation. The carrying value of the asset was included within the Processing and Wellsite Fluids segment.

In the year ended December 31, 2010, the Company reclassified $33.2 million of property, plant and equipment to assets held for sale, which related to the Edmonton North Terminal. In January, 2011, the Company completed the sale of the Edmonton North Terminal to Pembina Midstream Limited Partnership for total consideration of $54.3 million, and recorded a gain of $20.4 million. As part of the total consideration received, the Company received pipeline assets valued at $0.9 million that will provide access to crude oil streams within the Edmonton area. Transaction costs of $1.4 million related to the sale were expensed and are included as part of the gain on sale of Edmonton North Terminal.

(tabular amounts in thousands of Canadian dollars, except where noted)

10 Long-term prepaid expenses and other assets

	December 31, 2011	December 31, 2010	January 1, 2010
Long-term prepaid expenses	$ 582	$ 2,094	$ 2,084
Other assets	1,053	697	972
Pension assets (note 27)	1,212	1,127	941
Loan to equity investee - BRT	-	-	14,218
Salvage value of finance lease assets	18,157	8,532	-
Equity investments	668	9,688	10,971
	$ 21,672	$ 22,138	$ 29,186

11 Income tax recovery

The major components of income tax recovery are as follows:

	Year ended December 31, 2011	Year ended December 31, 2010
Current tax		
Current tax on income (loss) for the year	$ 1,744	$ 2,865
Adjustments in respect of prior years	(44)	(86)
Total current tax	1,700	2,779
Deferred tax	(33,849)	(16,125)
Origination and reversal of temporary differences	749	931
Total deferred tax	(33,100)	(15,194)
Income tax recovery	$ (31,400)	$ (12,415)

The income tax provision (recovery) differs from the amounts which would be obtained by applying the statutory income tax rate to income (loss) before income taxes. These differences result from the following items:

	Year ended December 31, 2011	Year ended December 31, 2010
Loss before income taxes	$ (94,005)	$ (9,473)
Statutory income tax rate	26.5%	28.0%
Computed income tax recovery	(24,911)	(2,652)
Increase (decrease) in income tax resulting from:		
Gain on remeasurement of interest in equity investment	(4,479)	-
Loss (income) from investment in associates	(934)	193
Foreign exchange loss (gain) on long-term debt, net	4,003	(4,732)
Non-taxable portion of capital gain	(2,841)	(753)
Non-deductible expenses	190	190
Stock based compensation	2,060	1,296
Rate reduction – impact on debt extinguishment costs	1,402	-
Rate reduction due to partnership deferral	(3,999)	(2,709)
Non-taxable dividends	(3,621)	(2,083)
Other, including revisions in previous tax estimates and rate reductions	733	(127)
Rate differential on foreign taxes	997	(1,038)
	$ (31,400)	$ (12,415)
Effective income tax rate	33.4%	131.1%
Current	1,700	2,779
Deferred	(33,100)	(15,194)
	$ (31,400)	$ (12,415)

(tabular amounts in thousands of Canadian dollars, except where noted)

The decrease in the statutory rate was due to lower statutory income tax rates in Canada in the current year.

The income tax recovery relating to components of other comprehensive income was $0.5 million for the years ended December 31, 2011. There was no change in the year ended December 31, 2010. The income tax adjustment to equity in the year ended December 31, 2011 was $7.4 million which related to the impact of the deductibility of expenses incurred during the Offering.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	December 31, 2011	December 31, 2010
Deferred tax assets:		
Deferred tax asset to be settled after more than 12 months	$ 5,506	$ 2,146
Deferred tax asset to be settled within 12 months	3,462	-
	8,968	2,146
Deferred tax liabilities:		
Deferred tax liability to be settled after more than 12 months	142,385	161,666
Deferred tax liability to be settled within 12 months	-	9,916
	142,385	171,582
Deferred tax liabilities (net)	$ 133,417	$ 169,436

The gross movement on the deferred income tax account is as follows:

	Year ended December 31, 2011	Year ended December 31, 2010
Opening balance	$ 169,436	$ 183,788
Exchange differences	(50)	30
Acquisition of subsidiary	2,369	3,531
Income statement recovery	(33,100)	(15,194)
Deferred tax on asset held for sale	2,719	(2,719)
Tax credit relating to components of other comprehensive income	(546)	-
Tax credited directly to equity	(7,411)	-
Closing balance	$ 133,417	$ 169,436

The movement in the significant components of deferred income tax assets and liabilities during the year, without taking into consideration the offsetting balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Non-capital losses carried forward	Asset retirement obligations	Retirement benefits obligations	Other	Total
At January 1, 2010	$ 1,509	$ 5,968	$ 1,180	$ 410	$ 9,067
Credited (charged) to the statement of operations	6,533	(695)	55	10,939	16,832
Deferred tax on assets held for sale	-	-	-	2,719	2,719
At December 31, 2010	8,042	5,273	1,235	14,068	28,618
Credited (charged) to the statement of operations	17,686	(650)	1,021	11,678	29,735
Deferred tax on assets held for sale	-	-	-	(2,719)	(2,719)
Credited to other comprehensive income	-	-	546	-	546
Credited directly to equity	-	-	-	7,411	7,411
Effect of changes in foreign exchange rates	-	-	-	50	50
Business combinations	1,852	962	-	-	2,814
At December 31, 2011	$ 27,580	$ 5,585	$ 2,802	$ 30,488	$ 66,455

(tabular amounts in thousands of Canadian dollars, except where noted)

Deferred tax liabilities	Timing of Partnership Income	Property, Plant and Equipment	Accounting and tax basis differences	Other	Total
At January 1, 2010	$ (21,539)	$ (99,845)	$ (70,831)	$ (640)	$ (192,855)
Charged (credited) to the statement of operations	(26,351)	3,291	21,842	(420)	(1,638)
Business combinations	-	(3,531)	-	-	(3,531)
Effect of changes in foreign exchange rates	-	-	-	(30)	(30)
At December 31, 2010	(47,890)	(100,085)	(48,989)	(1,090)	(198,054)
Charged (credited) to the statement of operations	(18,765)	774	20,831	525	3,365
Business combinations	-	(3,556)	(1,627)	-	(5,183)
At December 31, 2011	$ (66,655)	$(102,867)	$ (29,785)	$ (565)	$ (199,872)

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

Income tax losses carry forward

At December 31, 2011 and December 31, 2010, the Company had losses available to offset deferred income for tax purposes of $85.1 million and $22.9 million, respectively. At December 31, 2011, the Company had $32.9 million and $52.2 million of losses available in Canada and the United States, respectively, that expire as follows:

December 31, 2026	$ 320
December 31, 2027	178
December 31, 2028	297
December 31, 2029	620
December 31, 2030	19,495
December 31, 2031	61,265
December 31, 2032	2,919
	$ 85,094

No income tax liability has been recognized in respect of temporary differences associated with investments in subsidiaries. As no income taxes are expected to be paid in respect of these differences related to Canadian subsidiaries, the amounts have not been determined. There are no taxable temporary differences associated with investments in non-Canadian subsidiaries.

(tabular amounts in thousands of Canadian dollars, except where noted)

12 Intangible assets

	Brands	Customer relationships	Long-term Contracts	Non-compete agreements	Technology	Software	Total
Cost:							
At January 1, 2011	$ 41,425	$ 107,483	$ 32,703	$ 17,792	$ 1,600	$ 8,162	$ 209,165
Additions	-	-	-	-	-	4,544	4,544
Additions through business combination	-	3,268	-	-	-	65	3,333
Effect of movements in exchange rates	-	342	633	131	-	4	1,110
At December 31, 2011	$ 41,425	$ 111,093	$ 33,336	$ 17,923	$ 1,600	$ 12,775	$ 218,152
Accumulated amortization:							
At January 1, 2011	$ 9,513	$ 33,913	$ 3,348	$ 5,860	$ 883	$ 3,309	$ 56,826
Amortization	4,031	15,991	3,558	5,382	430	1,608	31,000
Effect of movements in exchange rates	-	116	127	165	-	3	411
At December 31, 2011	$ 13,544	$ 50,020	$ 7,033	$ 11,407	$ 1,313	$ 4,920	$ 88,237
Carrying amounts:							
At January 1, 2011	$ 31,912	$ 73,570	$ 29,355	$ 11,932	$ 717	$ 4,853	$ 152,339
At December 31, 2011	27,881	61,073	26,303	6,516	287	7,855	129,915

	Brands	Customer relationships	Long-term Contracts	Non-compete agreements	Technology	Software	Total
Cost:							
At January 1, 2010	$ 41,425	$ 90,960	$ 4,600	$ 5,796	$ 1,600	$ 6,200	$ 150,581
Additions	-	-	-	-	-	1,765	1,765
Additions through business combinations	-	17,141	29,228	12,252	-	211	58,832
Effect of movements in exchange rates	-	(618)	(1,125)	(256)	-	(14)	(2,013)
At December 31, 2010	$ 41,425	$ 107,483	$ 32,703	$ 17,792	$ 1,600	$ 8,162	$ 209,165
Accumulated amortization:							
At January 1, 2010	$ 5,482	$ 19,066	$ 809	$ 1,259	$ 453	$ 1,603	$ 28,672
Amortization	4,031	14,900	2,608	4,687	430	1,722	28,378
Effect of movements in exchange rates	-	(53)	(69)	(86)	-	(16)	(224)
At December 31, 2010	$ 9,513	$ 33,913	$ 3,348	$ 5,860	$ 883	$ 3,309	$ 56,826
Carrying amounts:							
At January 1, 2010	$ 35,943	$ 71,894	$ 3,791	$ 4,537	$ 1,147	$ 4,597	$ 121,909
At December 31, 2010	31,912	73,570	29,355	11,932	717	4,853	152,339

(tabular amounts in thousands of Canadian dollars, except where noted)

Amortization expense for the next five years is expected to be as follows:

2012	$	29,966
2013		23,195
2014		22,151
2015		19,048
2016		12,786

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Where impairment exists, the asset is written down to its recoverable amount and the impairment is recognized immediately in the statement of operations. No impairment was recorded in the years ended December 31, 2011 or 2010.

13 Goodwill

The changes in the carrying amount of goodwill are as follows:

	Year ended December 31,	
	2011	2010
Opening balance	$ 496,416	$ 433,894
Additions through business combinations (note 5)	16,065	64,848
Effect of changes in foreign exchange rates	1,266	(2,326)
Closing balance	$ 513,747	$ 496,416

Goodwill is monitored for impairment by management at the operating segment level. The following is a summary of goodwill allocation for each operating segment:

	December 31,		January 1,
	2011	2010	2010
Terminals and Pipelines	$ 215,966	$ 199,867	$ 198,343
Truck Transportation	44,175	43,444	5,020
Propane and NGL Marketing and Distribution	92,387	91,886	44,712
Processing and Wellsite Fluids	117,664	117,664	117,664
Marketing	43,555	43,555	68,155
Total goodwill	$ 513,747	$ 496,416	$ 433,894

The recoverable amount of goodwill has been determined based on a fair value less cost to sell calculation. This calculation involves comparing the fair value of each operating segment to its carrying value, including goodwill, at November 30, 2011, the annual impairment test date. To calculate a fair value, management uses an earning's multiple approach. In calculating earnings, the Company uses Board approved budgets to determine earnings before interest, taxes, depreciation and amortization ("EBITDA") by operating segment. Corporate expenses are allocated to the operating segments based on assumptions such as expected usage and headcount. To determine fair value, an implied multiple was applied to each operating segment's EBITDA less corporate expenses. The implied multiple was calculated by looking at multiples of comparable public companies by operating segment and ranged from 6.9 to 11.1. For all operating segments, the fair value less cost to sell was greater than the operating segments carrying value, including goodwill.

No impairment of goodwill was recorded in the years ended December 31, 2011 and 2010.

(tabular amounts in thousands of Canadian dollars, except where noted)

14 Credit facilities

On June 15, 2011, the Company established a revolving credit facility of up to U.S.$275.0 million (the "Revolving Credit Facility"), the proceeds of which are available to provide financing for working capital and other general corporate purposes.

The Revolving Credit Facility has a term of five years, expiring on June 15, 2016. Borrowings under the Revolving Credit Facility bear interest at a rate equal to, at the Company's option, Adjusted LIBOR plus 2.5%; Base Rate plus 1.5%, Bankers Acceptance Rate plus 2.5% or Canadian Prime Rate plus 1.5%, subject to adjustment based on a change in the Company's corporate credit rating. In addition, the Company must pay a commitment fee of 0.5%, subject to adjustment based on a change in the Company's corporate credit rating, on the unused portion of the Revolving Credit Facility.

Prior to the Revolving Credit Facility, the Company had established with its lenders a credit facility of up to U.S.$200.0 million (the "Credit Facility"). On termination of this Credit Facility, the Company wrote off unamortized financing costs of $2.9 million, which were included in debt extinguishment costs recorded in the year ended December 31, 2011.

The Company has no amounts drawn against the Revolving Credit Facility as at December 31, 2011 and had drawn $43.5 million against the Credit Facility as at December 31, 2010. The Company has issued letters of credit totalling $60.5 million and $59.2 million as at December 31, 2011 and 2010, respectively.

The Company had no restricted cash at December 31, 2011 and had $6.1 million at December 31, 2010.

15 Trade payables and accrued charges

Trade payables and accrued charges include the following items:

	December 31,		January 1,
	2011	**2010**	**2010**
Trade payables	$ 319,023	$ 294,624	$ 215,047
Accrued compensation charges	26,121	11,736	8,400
GST payable	1,719	1,245	862
Risk management liabilities (note 29)	6,451	2,532	2,760
Broker accounts payable	2,181	-	-
Pension liabilities	572	624	454
Interest payable	1,935	14,910	6,000
Due to Hunting (note 20)	53,568	53,568	-
Other	33,215	14,351	20,994
	$ 444,785	$ 393,590	$ 254,517

(tabular amounts in thousands of Canadian dollars, except where noted)

16 Long-term debt

Long-term debt consists of the following:

	December 31, 2011	December 31, 2010	January 1, 2010
Term Loan	$ 657,745	$ -	$ -
First Lien Notes	-	556,976	586,096
Senior Notes	-	198,920	-
Unamortized debt issue costs	(17,809)	(37,742)	(32,154)
Unamortized financial instrument liability discount	(12,647)	-	-
	627,289	718,154	553,942
Less: current portion	6,611	-	-
Long-term debt: non-current portion	$ 620,678	$ 718,154	$ 553,942

On June 15, 2011, the Company entered into a senior secured first lien term loan facility (the “Term Loan”) in an aggregate principal amount of U.S.$650.0 million. The Term Loan has a term of seven years expiring on June 15, 2018. The Term Loan is repayable in equal quarterly instalments at the end of each quarter, totalling 1% per annum of the original principal with the remaining balance to be paid at the end of the term. In addition, certain events may trigger incremental repayments of principal including a percentage of annual net excess cash flow as defined under the credit agreement, and proceeds from asset dispositions, where such proceeds are not reinvested as capital expenditures within specified time periods. The Term Loan accrues interest at the option of the Company at a rate equal to Adjusted LIBOR plus 4.5% or ABR plus 3.5%, subject to a minimum Adjusted LIBOR floor of 1.25%. This interest rate floor is considered an embedded derivative as the floor rate exceeded the market rate of interest at the time that the debt was incurred. As a result, the interest rate floor derivative is required to be separated from the carrying value of long-term debt and accounted for as a separate financial liability initially measured at fair value and marked to market at each reporting date (note 29). The fair value of the liability related to the interest rate floor derivative at inception was $13.5 million.

The proceeds from the Term Loan, together with the Offering, were used to repay the outstanding First Lien Senior Secured Notes issued on May 27, 2009 in an aggregate principal amount of U.S.$560.0 million (the “First Lien Notes”) and the Unsecured Senior Notes issued on January 19, 2010 in an aggregate principal amount of U.S.$200.0 million (the “Senior Notes”). In addition, the Company incurred a repayment bonus of $128.1 million on the First Lien Notes and Senior Notes. The Company also wrote off unamortized debt issue costs of $34.4 million. These costs, together with the write off of unamortized financing costs relating to the Credit Facility and professional fees, are included in debt extinguishment costs incurred in the year ended December 31, 2011.

The effective interest rate on the long-term debt, excluding the accretion of debt issuance costs, was 8.5%, and 10.9% for the year ended December 31, 2011 and 2010, respectively.

As a result of the movement in exchange rates, the Company recorded a foreign exchange loss of $12.8 million on the translation of the U.S. dollar denominated long-term debt in the year ended December 31, 2011, that was offset by a gain of $4.8 million, relating to the change in value of financial instruments in place to manage the currency risk associated with the Company’s U.S. dollar denominated long-term debt (note 29). In the year ended December 31, 2010, the Company recorded a foreign exchange gain on the translation of the U.S. dollar denominated long-term debt of $36.8 million.

The Term Loan and Revolving Credit Facility are secured by substantially all of the Company’s property and equipment, intangibles, equity interest and current assets, including inventory and trade receivables and are guaranteed by substantially all of the Company’s existing wholly owned subsidiaries.

(tabular amounts in thousands of Canadian dollars, except where noted)

17 Provisions

The aggregate carrying amounts of the obligation associated with decommissioning and site restoration on the retirement of assets and environmental costs are as follows:

	Year ended December 31, 2011	2010
Opening balance	$ 43,251	$ 40,623
Provisions reversed	(1,988)	(762)
Assumed in a business combination	3,724	2,905
Effect of changes in foreign exchange rates	13	(26)
Change in discount rate	19,772	-
Unwinding of discount	1,699	1,543
Reclassified to liabilities related to assets held for sale	-	(1,032)
Closing balance	$ 66,471	$ 43,251

The Company currently estimates the total undiscounted future value amount, including an inflation factor of 2%, of estimated cash flows to settle the future liability for asset retirement and remediation obligations to be approximately $169.4 million and $163.4 million at December 31, 2011 and 2010, respectively. In order to determine the current provision related to these future values, the estimated future values were discounted using a risk-free rate of 2.8% and 4.0% at December 31, 2011 and 2010, respectively. The provision is expected to be settled up to 40 years into the future. A one percent change in the risk-free rate would not have a material impact on the Company's net income. A one percent increase in the risk-free rate would decrease the provision by $17.6 million, with a corresponding adjustment to property, plant and equipment. A one percent decrease in the risk-free rate would increase the provision by $25.4 million, with a corresponding adjustment to property, plant and equipment.

The Company is not aware of any potential unasserted environmental remediation claims that may be brought against it. Accruals are recorded when environmental remediation is probable and the costs can be reasonably estimated. A number of factors affect the cost of environmental remediation, including the determination of the extent of contamination, the length of time remediation may require, the complexity of environmental regulations and the advancement of remediation technology. Considering these factors, the Company has estimated the costs of remediation, which will be incurred in future years. The Company believes the provisions made for environmental matters are adequate, however it is reasonably possible that actual costs may exceed the estimated accrual, if the selected methods of remediation do not adequately reduce the contaminates and further remedial action is required.

18 Other long-term liabilities

	December 31, 2011	December 31, 2010	January 1, 2010
Pension liabilities (note 27)	$ 7,327	$ 5,969	$ 5,595
Financial liabilities (note 29)	30,059	720	805
Other	625	-	-
	$ 38,011	$ 6,689	$ 6,400

(tabular amounts in thousands of Canadian dollars, except where noted)

19 Share capital

Authorized

The Company is authorized to issue an unlimited number of common shares and preferred shares.

Holders of common shares are entitled to one vote per common share at meetings of shareholders of the Company, to receive dividends if, as and when declared by the Board and to receive pro rata the remaining property and assets of the Company upon its dissolution, liquidation or winding-up, subject to the rights of shares having priority over the common shares.

The preferred shares are issuable in series and have such rights, restrictions, conditions and limitations as the Board may from time to time determine. The preferred shares shall rank senior to the common shares with respect to the payment of dividends or distribution of assets or return of capital of the Company in the event of a dissolution, liquidation or winding up of the Company.

Issued and outstanding

The following table below sets forth the issued and outstanding shares for the years ended December 31, 2011 and 2010. All common and preferred shares have been adjusted to reflect the impact of the Reorganization.

	Common Shares		Preferred Shares	
	Number of Shares	Amount	Number of Shares	Amount
Balance as at January 1, 2010	62,250,000	$ 537,656	11,578,000	$ 113,034
Dividends on preferred shares	-	-	-	14,034
Balance as at December 31, 2010	62,250,000	537,656	11,578,000	127,068
Dividends on preferred shares	-	-	-	7,531
Issuance of common shares in Offering, less issuance costs, net of tax	31,250,000	477,986	-	-
Issuance of common shares in connection with the exercise of stock options	476,104	4,114	-	-
Issuance of common shares in connection with the Dividend Reinvestment Program	976,145	17,235	-	-
Issuance of common shares in connection with business combinations	2,383,392	45,999	-	-
Cancellation of preferred shares on Reorganization	-	-	(11,578,000)	(134,599)
Balance as at December 31, 2011	97,335,641	$1,082,990	-	$ -

On June 15, 2011, the Company completed the Offering, whereby the Company issued approximately 31,250,000 common shares at a share price of $16.00 per share for gross proceeds of $500.0 million. The Company incurred issuance costs, including the underwriters' discount, of $29.4 million, offset in part by a tax benefit of $7.4 million relating to the deductibility of issuance costs. In connection with the Reorganization, all the preferred shares of Gibson Energy Holding ULC were cancelled. In addition, a warrant held by Hunting PLC ("Hunting") to acquire common shares of 1441682 Alberta Ltd., who held the preferred shares in Gibson Energy Holding ULC, was acquired by the Company at its accreted value of $134.6 million on June 15, 2011.

(tabular amounts in thousands of Canadian dollars, except where noted)

20 Commitments and contingencies

Commitments

Operating lease obligations relate primarily to an office lease for the Calgary head office. They also relate to rail tank cars, vehicles, field buildings and computer equipment leases. These leases expire at various dates over the next 10 years. The minimum payments required under these commitments, net of sub-lease income, are as follows:

2012	$	19,606
2013		15,348
2014		12,708
2015		11,454
2016		11,494
2017 and later		36,055
	$	106,665

Expenses related to operating leases, net of sublease income, were $22.3 million and $21.7 million for the year ended December 31, 2011 and 2010, respectively.

At December 31, 2011, the Company has identified and approved capital expenditures of $197.4 million that the Company expects to undertake over the next 12 to 24 months.

Contingencies

The Company is currently undergoing income tax related and excise tax audits. While the final outcome of such audits cannot be predicted with certainty, it is the opinion of management that the resolution of these audits will not have a material impact on the Company's consolidated financial position or results of operations. As part of the acquisition of the Company by Riverstone from Hunting on December 12, 2008, Hunting has indemnified the Company for the pre-closing period impact of these audits. Included in income tax receivable and trade payables and accrued charges as at December 31, 2011 and 2010 is $53.6 million, whereby Hunting paid the Company and the Company paid the tax assessments relative to certain of these audits. In the year ended December 31, 2010, income tax payments of $42.0 million were funded by Hunting.

The Company is subject to various regulatory and statutory requirements relating to the protection of the environment. These requirements, in addition to the contractual agreements and management decisions, result in the recognition of estimated asset retirement obligations. Estimates of asset retirement obligation costs can change significantly based on such factors as operating experience and changes in legislation and regulations.

The Company is involved in various legal actions, which have occurred in the ordinary course of business. Management is of the opinion that losses, if any, arising from such legal actions would not have a material impact on the Company's consolidated financial position or results of operations.

21 Revenue

	Year ended December 31,	
	2011	**2010**
Products	$ 4,511,409	$ 3,266,096
Services	560,622	424,356
	$ 5,072,031	$ 3,690,452

(tabular amounts in thousands of Canadian dollars, except where noted)

22 Depreciation and amortization

	Year ended December 31, 2011	Year ended December 31, 2010
Depreciation of property, plant and equipment	$ 69,517	$ 61,512
Amortization of intangible assets	31,000	28,378
	$ 100,517	$ 89,890

Depreciation of property, plant and equipment and amortization of intangible assets have been expensed as follows:

	Year ended December 31, 2011	Year ended December 31, 2010
Cost of sales	$ 97,261	$ 87,125
General and administrative	3,256	2,765
	$ 100,517	$ 89,890

23 Employee salaries and benefits

	Year ended December 31, 2011	Year ended December 31, 2010
Salaries and wages	$ 112,662	$ 94,776
Post-employment benefits	4,380	4,154
Stock based compensation	7,775	4,629
Termination benefits	1,140	1,303
	$ 125,957	$ 104,862

Employee salaries and benefits have been expensed as follows:

	Year ended December 31, 2011	Year ended December 31, 2010
Cost of sales	$ 101,427	$ 88,585
General and administrative	24,530	16,277
	$ 125,957	$ 104,862

24 Other operating income

	Year ended December 31, 2011	Year ended December 31, 2010
Gain on sale of property, plant and equipment	$ 1,793	$ 37
Foreign exchange gain	1,918	3,120
	$ 3,711	$ 3,157

(tabular amounts in thousands of Canadian dollars, except where noted)

25 Per share amounts

The following table reconciles net income (loss) to loss attributable to common share holders:

	Year ended December 31, 2011	Year ended December 31, 2010
Net income (loss)	$ (62,605)	$ 2,942
Dividends on preferred shares	(7,531)	(14,034)
Loss attributable to common share holders	$ (70,136)	$ (11,092)

The following table shows the number of shares used in the calculation of loss per share:

	Year ended December 31, 2011	Year ended December 31, 2010
Weighted average common shares outstanding - Basic	79,676,340	62,250,000
Dilutive effect of:		
Stock options and other awards	2,179,790	-
Preferred shares	6,889,204	13,899,547
Weighted average common shares – Diluted	88,745,334	76,149,547

All share and option amounts have been adjusted to reflect the impact of the Reorganization.

26 Related party transactions

On December 12, 2008, the Company was acquired by an indirect wholly owned subsidiary of Co-op, a Dutch co-op owned by investment funds affiliated with Riverstone. At December 31, 2010, the Company was a wholly owned subsidiary of Co-op. As a result of the Offering and two following secondary offerings in the year ended December 31, 2011, Co-op reduced its ownership percentage to approximately 29% at December 31, 2011.

The following transactions were carried out with related parties:

Management and registration rights agreements

On December 12, 2008, the Company entered into a management agreement with Riverstone, whereby Riverstone provided management advisory services in connection with the general business operations of the Company. Total management fees and expenses were $0.6 million and $1.0 million for the year ended December 31, 2011 and 2010, respectively. These amounts are included in general and administrative expenses on the statement of operations. The management agreement was terminated in connection with the completion of the Offering.

Concurrently with the completion of the Offering, the Company and Co-op entered into a registration rights agreement to govern the sale of common shares held by Co-op and its affiliates. The agreement also contains customary registration, expense reimbursement and indemnity terms. In connection with the agreement, the Company incurred professional fees relating to the secondary offerings of common shares of $0.3 million.

(tabular amounts in thousands of Canadian dollars, except where noted)

Sale and purchase of goods and services

	Year ended December 31, 2011	Year ended December 31, 2010
Sale of goods and services		
Principal shareholder having controlling/significant interest	$ 908	$ 384
Associates	3,935	4,444
Purchase of goods and services		
Principal shareholder having controlling/significant interest	$ 130,059	$ 25,445
Associates	12,352	9,751

The related party transactions noted above have been measured at the exchange amount.

Year end balances outstanding

	December 31, 2011	December 31, 2010	January 1, 2010
Trade and other receivables			
Parent having controlling/significant interest	$ 268	$ -	$ -
Associates	215	156	68
Trade payables and accrued charges			
Parent having controlling/significant interest	$ -	$ 13,043	$ 23
Associates	-	1,412	-

Jointly controlled entities

On August 11, 2011, the Company formed a partnership for an initial contribution of $4.6 million to jointly construct and own a pipeline and an emulsion treating, water disposal and oilfield waste management facility in the Plato area of Saskatchewan. The Company's interest in the partnership is 50%. A member of the Company's Board is also a director of the other party with a 50% interest in the partnership. At December 31, 2011, the Company's proportionate share of property, plant and equipment was $3.2 million.

Compensation of key management

Key management includes the Company's directors, executive officers, business unit leaders and other non-business unit senior vice presidents. Compensation awarded to key management was:

	Year ended December 31, 2011	Year ended December 31, 2010
Salaries and short-term employee benefits	$ 5,653	$ 3,971
Post-employment benefits	841	809
Stock based compensation	5,709	2,650
	$ 12,203	$ 7,430

(tabular amounts in thousands of Canadian dollars, except where noted)

27 Pension plans

Defined benefit pension plans

In the valuation of pension and OPRB, management utilizes various assumptions. The Company determines its discount rate based on an investment grade bond yield curve with a duration that approximates the benefit payment timing of each plan. This rate can fluctuate based on changes in investment grade bond yields.

The long-term rate of return on plan assets is estimated based on an evaluation of historical returns for each asset category held by the plans, coupled with the current and short-term mix of the investment portfolio. The historical returns are adjusted for expected future market and economic changes. This return will fluctuate based on actual market returns and other economic factors.

The rate of future health care cost increases is based on historical claims and enrolment information projected over the next fiscal year and adjusted for administrative charges. Future compensation rates, withdrawal rates and participant retirement age are determined based on historical information. These assumptions are not expected to significantly change. Mortality rates are determined based on a review of published mortality tables.

The Company's defined benefit plans are funded based upon the advice of independent actuaries. The Company is required to file an actuarial valuation of its pension plans with the provincial regulator every three years, with the most recent actuarial valuation filing as at December 31, 2009. Based on the actuarial valuations as at December 31, 2011 and December 31, 2010, the status of the plans was as follows:

Accrued benefit obligation

	Year ended December 31,			
	2011		2010	
	Defined benefit	OPRB	Defined benefit	OPRB
Accrued benefit obligation, beginning of period	$ 12,069	$ 3,229	$ 11,725	$ 3,092
Current service cost	144	224	176	211
Interest cost	585	154	569	173
Benefits paid	(443)	(298)	(417)	(265)
Actuarial loss (gain)	640	199	726	(107)
Other	8	-	(710)	125
Accrued benefit obligation, end of period	$ 13,003	$ 3,508	$ 12,069	$ 3,229

Plan assets

	Year ended December 31,			
	2011		2010	
	Defined benefit	OPRB	Defined benefit	OPRB
Fair value of pension plan assets, beginning of period	$ 10,559	$ -	$ 10,514	$ -
Actual return on plan assets and expected interest	611	-	590	-
Actual and expected contributions	517	298	379	265
Actual and expected benefits paid	(443)	(298)	(417)	(265)
Actuarial loss	(772)	-	(507)	-
Fair value of pension plan assets, end of period	$ 10,472	$ -	$ 10,559	$ -

(tabular amounts in thousands of Canadian dollars, except where noted)

Accrued benefit asset (liability)

	December 31,				January 1,	
	2011		2010		2010	
	Defined benefit	OPRB	Defined benefit	OPRB	Defined benefit	OPRB
Funded status	$ (2,531)	$ (3,508)	$ (1,510)	$ (3,229)	$ (1,211)	$ (3,092)
Amounts not recognized:						
Unamortized past service cost	-	(648)	2	(729)	-	(805)
Accrued benefit asset (liability)	$ (2,531)	$ (4,156)	$ (1,508)	$ (3,958)	$ (1,211)	$ (3,897)

	December 31,				January 1,	
	2011		2010		2010	
	Defined benefit	OPRB	Defined benefit	OPRB	Defined benefit	OPRB
Amounts recognized in the balance sheet consist of:						
Long-term prepaid expenses and other assets	$ 1,212	$ -	$ 1,127	$ -	$ 941	$ -
Trade payables and accrued charges	(313)	(259)	(326)	(298)	(189)	(265)
Other long-term liabilities	(3,430)	(3,897)	(2,309)	(3,660)	(1,963)	(3,632)
Net amount recognized	$ (2,531)	$ (4,156)	$ (1,508)	$ (3,958)	$ (1,211)	$ (3,897)

Prepaid pension and OPRB are included in long-term prepaid expenses and other assets. Accrued benefit obligations are included in trade payables and accrued charges, and other long-term liabilities.

The significant weighted average actuarial assumptions adopted in measuring the Company's accrued benefit obligation are as follows:

	Year ended December 31,	
	2011	2010
Discount rate	4.5%	5.0%
Expected long-term rate of return on plan assets	6.5%	6.5%
Rate of compensation increase	3.5%	3.0%

The expected long-term return on assets represents the average rate of earnings expected on the pension fund, net of expenses, to provide for the benefits included in the accrued benefit obligation. It is used to calculate the expected return on pension fund assets, which is a component of the pension expense. For purposes of the December 31, 2011 valuation, the expected rate of return on pension fund assets after taking account of investment and routine administrative expenses is assumed to be 6.5% for the plans.

The difference in present values of pension fund assets and accrued pension benefits is amortized to income over the expected average remaining service life of the employees covered by the plans.

(tabular amounts in thousands of Canadian dollars, except where noted)

The periodic expense for the benefits is as follows:

	Year ended December 31, 2011		Year ended December 31, 2010	
	Defined benefit	OPRB	Defined benefit	OPRB
Current service cost	$ 144	$ 224	$ 176	$ 211
Interest cost	585	154	569	173
Expected return on plan assets	(611)	-	(590)	-
Past service costs	-	(78)	-	(78)
Defined benefit plan expense	$ 118	$ 300	$ 155	$ 306

At December 31, 2011 the accumulated actuarial losses recognized in other comprehensive income was $2.2 million before tax impact.

Assumed health care cost trend rates are as follows:

	Year ended December 31, 2011	Year ended December 31, 2010
Health care cost trend rate for next year	7.5%	8.0%
Rate that the trend rate gradually trends to	5.0%	5.0%
Year that the trend rate reaches the rate which it is expected to remain at	2017	2017

Assumed health care cost trend rates have an effect on the amounts reported for the pension plans. A one-percentage point change in assumed health care cost trend rates would have the following impact:

	One % point increase	One % point decrease
Effect on total of service cost and interest cost	$ 67	$ (52)
Effect on post retirement benefit obligation	400	(323)

The Company's defined benefit pension plan asset allocation is as follows:

	% of Plan Assets as at: December 31, 2011	December 31, 2010	January 1, 2010
Equity	57.9	59.1	59.8
Bonds	35.4	32.9	33.4
Real estate and other	0.0	3.0	2.9
Cash and equivalents	6.7	5.0	3.9
Total	100.0	100.0	100.0

The Company's overall investment strategy is to achieve an asset mix to meet both near-term and long term benefit payments with a diversification of asset types. The fair value of the Company's plan assets are determined by using Level 1 inputs, defined as observable inputs such as quoted prices in active markets.

The Company's contributions to the pension plans are subject to the results of actuarial valuation. Contributions by participants to the pension and other benefit plans were $17,500 and $35,000 in the year ended December 31, 2011 and 2010, respectively.

Expected contributions to pension benefit plans for the year ended December 31, 2012 are $0.7 million for the defined benefit plans and $0.3 million for the OPRB plan.

(tabular amounts in thousands of Canadian dollars, except where noted)

Defined contribution pension plan

The Company operates defined contribution plans whereby in some cases, contributions made by participants are matched by the Company up to specified annual limits and in other cases, it is fully funded by the Company. The total expense recorded for the defined contribution pension plans was $4.1 million and $3.3 million for the year ended December 31, 2011 and 2010, respectively.

28 Share based payments

During the year ended December 31, 2009, the Company adopted the Equity Incentive Plan (the "Old Option Plan"). In conjunction with the Offering and the Reorganization, on June 15, 2011, the Company established a long-term incentive plan (the "2011 Equity Incentive Plan") whereby all outstanding stock options under the Old Option Plan were rolled over into the 2011 Equity Incentive Plan and the Old Option Plan was terminated.

All options and exercise prices have been adjusted to reflect the impact of the Re-organization.

Old Option Plan

The Old Option Plan provided for the issuance of stock options, stock appreciation rights, restricted stock and restricted stock units to employees, directors, consultants, and other associates. The Company only granted stock options under the Old Option Plan that generally vested in equal tranches annually over a period of three to five years from the date of grant and had a maximum term of ten years. The Company granted both traditional time-vesting stock options and performance vesting stock options under the Old Option Plan. The performance vesting stock options vested and expired under the same terms and service conditions as the time-vesting stock options, with vesting subject to the Company attaining prescribed performance relative to predetermined key financial measures. In conjunction with the Offering, on June 15, 2011, all outstanding stock options under the Old Option Plan were rolled over into new awards under the 2011 Equity Incentive Plan, and the Old Option Plan was terminated.

A summary of activity under the Old Option Plan is set forth below. All options and exercise prices have been adjusted to reflect the impact of the Re-organization.

	Stock Options	
	Number of Shares	Weighted-Average Exercise Price (in dollars)
Balance at January 1, 2010	6,315,819	$ 8.64
Granted	567,322	8.64
Forfeited	(224,150)	8.64
Balance at December 31, 2010	6,658,991	$ 8.64
Granted	420,746	8.64
Forfeited	(163,135)	8.64
Rolled over into the 2011 Equity Incentive Plan	(6,916,602)	8.64
Balance at June 15, 2011 (termination)	-	$ -

At December 31, 2010, total outstanding stock options vested under the Old Option Plan were 1,777,918 at a weighted-average exercise price of $8.64 per share.

2011 Equity Incentive Plan

The Company reserved a total of 7,947,500 shares for grants under the 2011 Equity Incentive Plan. The 2011 Equity Incentive Plan permits the award of stock options, RSUs, PSUs' and DSUs for executives, directors, employees and consultants of the Company. RSUs give the holder the right to receive a cash payment, subject to consent of the Board, or its equivalent in fully paid common shares equal to the fair market value of the Company's common shares at the date of such payment. RSUs granted generally vest over a three year period. RSUs granted with specific performance criteria are designated as PSUs. DSUs are similar to PSUs except that DSUs may not be redeemed until the holder ceases to hold all offices, employment and directorships.

Concurrently with the Offering, the stock options outstanding under the Old Option Plan were exchanged for a combination of stock options and RSUs under the 2011 Equity Incentive Plan, with the new awards having the same ''in-the-money'' amount as the stock options outstanding under the Old Option Plan. The stock options outstanding under the Old Option Plan of 6,916,602 were exchanged for 3,888,072 stock options and 1,393,622 RSUs under the 2011 Equity Incentive Plan. Stock options granted under the 2011 Equity Incentive Plan as part of the exchange were granted with similar vesting terms as the original option awards under the Old Option Plan. All RSUs granted under the 2011 Equity Incentive Plan as part of the exchange vest 40% on January 1, 2012, 30% on January 1, 2013 and 30% on January 1, 2014.

A summary of stock option activity under the 2011 Equity Incentive Plan is set forth below:

	Stock Options	
	Number of Shares	**Weighted-Average Exercise Price (in dollars)**
Balance at June 15, 2011 (inception)	-	$ -
Rolled over from Old Option Plan	3,888,072	8.64
Granted	4,750	16.10
Exercised	(476,104)	8.64
Cancelled	(14,472)	8.64
Balance at December 31, 2011	3,402,246	$ 8.65

At December 31, 2011, total outstanding stock options vested were 3,071,864 at a weighted-average exercise price of $8.64 per share. In the year ended December 31, 2011, 14,472 stock options under the 2011 Equity Incentive Plan were cancelled and settled in cash for $0.1 million. Options exercised in the year ended December 31, 2011 resulted in 476,104 shares being issued at a weighted average exercise price of $8.64 per share.

Additional information under the 2011 Equity Incentive Plan regarding stock options outstanding as of December 31, 2011 is as follows:

	Outstanding			Exercisable		
Range of Exercise Prices (in dollars)	**Number Outstanding**	**Weighted Average Remaining Contractual Life (Years)**	**Weighted-Average Exercise Price (in dollars)**	**Number Outstanding**	**Weighted-Average Remaining Contractual Life (Years)**	**Weighted-Average Exercise Price (in dollars)**
$ 8.64	3,397,496	7.0	$ 8.64	3,071,864	6.9	$ 8.64
16.10	4,750	6.6	16.10	-	-	-

(tabular amounts in thousands of Canadian dollars, except where noted)

A summary of RSUs, PSUs and DSUs activity under the 2011 Equity Incentive Plan is set forth below:

	Number of Shares		
	RSUs	**PSUs**	**DSUs**
Balance at June 15, 2011 (inception)	-	-	-
Rolled over from Old Option Plan	1,393,622	-	-
Granted	26,015	1,604	42,889
Forfeited	(11,318)	-	-
Balance at December 31, 2011	1,408,319	1,604	42,889

At December 31, 2011, 4,399 RSUs and 19,088 DSUs were vested. There were no vested PSUs at December 31, 2011.

At December 31, 2011, awards available to grant under the 2011 Equity Incentive Plan were 2,616,338.

Stock based compensation expense was $7.8 million and $4.6 million for the years ended December 31, 2011 and 2010, respectively and is included in general and administrative expenses. At the date of the modification of the awards from the Old Option Plan to the 2011 Equity Incentive Plan, the Company completed a comparison of the fair value of the new awards issued under the 2011 Equity Incentive Plan with the fair value of the original awards issued under the Old Option Plan immediately before the modification. The modification did not result in an increase in the fair value of the original awards under the Old Option Plan.

The fair value of the options granted under the Old Option Plan and the 2011 Equity Incentive Plan was estimated at $8.28 and $3.22 per option for the year ended December 31, 2011 and 2010, respectively. The fair value of options was calculated by using the Black-Scholes model with the following weighted average assumptions:

	Year ended December 31,	
	2011	**2010**
Expected dividend rate	0.1%	0.0%
Expected volatility	27.3%	29.8%
Risk-free interest rate	2.6%	3.3%
Expected life of option (years)	4.8	6.5

The fair value of RSUs, PSUs and DSUs was determined by the stock price on the date of grant.

A dividend of $0.24 per share, declared in November 2011, was paid in January 2012.

29 Financial instruments

The Company has financial instruments other than financial contracts consisting of cash and cash equivalents, trade and other receivables, trade payables and accrued charges, Revolving Credit Facility and long-term debt. Cash and cash equivalents and trade and other receivables are recorded at amortized cost which approximates fair value due to the short term nature of the instrument. Trade payables, accrued charges and dividends payable are designated as other liabilities recorded at amortized cost. The fair value of trade payables, accrued charges and dividends payable approximate their carrying values due to the short term nature of these instruments. Long-term debt is recognized as an other liability and held at amortized cost using the effective interest method of amortization. The fair value of long-term debt based on market information at December 31, 2011 and 2010 was $657.7 million and $821.8 million, respectively, and $604.8 million at January 1, 2010.

(tabular amounts in thousands of Canadian dollars, except where noted)

Fair Values

The following is a summary of the Company's risk management contracts outstanding:

	December 31,				January 1,	
	2011		2010		2010	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Commodity futures	$ 159	$ 239	$ -	$ 1,599	$ 8	$ 1,453
Commodity swaps	1,944	2,007	1,029	122	157	-
Electricity swaps	-	11	-	1,463	-	2,112
Interest rate swap	-	1,865	-	-	-	-
Foreign currency forward contracts	10,207	-	783	68	587	-
Foreign currency options, including deferred premium	-	9,666	-	-	-	-
Interest rate floor	-	22,722	-	-	-	-
Total	$ 12,310	$ 36,510	$ 1,812	$ 3,252	$ 752	$ 3,565
Less non-current portion:						
Interest rate swap	-	1,865	-	-	-	-
Electricity swap	-	-	-	720	-	805
Foreign currency options	-	9,666	-	-	-	-
Interest rate floor	-	18,528	-	-	-	-
	-	30,059	-	720	-	805
Current portion	$12,310	$ 6,451	$ 1,812	$ 2,532	$ 752	$ 2,760

The fair value of financial instruments are classified as a non-current asset or liability if the remaining maturity is more than 12 months and, as a current asset or liability, if the maturity is less than 12 months.

(i) Commodity financial instruments

(a) WTI Futures and swaps

The Company has entered into crude oil futures and swap contracts to manage the price risk associated with sales, purchases and inventories of crude oil and petroleum products.

(b) Natural Gas Liquids ("NGL")

The Company has entered into NGL swap contracts to manage the risk associated with sales, purchases and inventories of NGLs.

(c) Electricity Price Swap

The Company is a party to a financial swap contract to fix the level of anticipated electricity costs that are price sensitive to the Alberta Electric System Operator ("AESO") Pool Price. If the actual AESO Pool Price is greater than $80.49/megawatt hour the Company receives the difference between that price and $80.49. If the actual AESO Pool Price is less than $80.49, the Company pays the difference between that price and $80.49. The contract is for 3 megawatts, 24 hours per day, seven days per week, with a remaining term to December 31, 2012.

(ii) Currency financial instruments

U.S. Dollar Forwards

The Company has entered into forward contracts to sell U.S. dollars in exchange for Canadian dollars to fix the exchange rate on its estimated future net cash inflows denominated in U.S. dollars. Following the issuance of the Term Loan, the Company has also entered into U.S. dollar forward contracts on U.S.$498.0 million of the principal of the Term Loan to help mitigate the currency risk associated with its U.S. dollar denominated long-term debt.

(tabular amounts in thousands of Canadian dollars, except where noted)

U.S. Dollar Options

In connection with the forward contracts on the principal of the Term Loan and to mitigate the credit cost, the Company sold U.S. dollar call options with a strike price of $1.32 to U.S.$1.00 for which the Company received a cash premium of $4.8 million. At the end of each period, the Company determines the fair value of the call option and recognizes a gain or loss in the period by comparing the fair value of the option with the value of the cash premium received. In the year ended December 31, 2011, as a result of the movement in the fair value of the option, the Company recognized a loss of $4.9 million on the call options.

U.S. Dollar Interest Rate Swap

In the year ended December 31, 2011, the Company entered into a U.S. dollar interest rate swap to hedge a portion of the Company's U.S. dollar floating interest rate exposure on the Term Loan. The swap effectively fixes the interest rate on U.S.$175.0 million of the Term Loan at 6.5% for a three year period beginning in September 2012.

U.S. Dollar Interest Rate Floor

The Term Loan carries an interest rate of Adjusted LIBOR plus 4.5%, subject to a minimum Adjusted LIBOR floor of 1.25%. This interest rate floor is considered an embedded derivative as the floor rate exceeded the market rate of interest at the time that the debt was incurred. As a result, the interest rate floor derivative is separated from the carrying value of long-term debt and accounted for as a separate financial liability measured at fair value.

The Company's financial instruments consist of financially settled commodity futures, options, swap contracts, foreign currency forward contracts and foreign currency options. The value of the Company's risk management contracts are determined using inputs that are either readily available in public markets or are quoted by counterparties to these contracts. In situations where the Company obtains inputs via quotes from its counterparties, these quotes are verified for reasonableness via similar quotes from another source for each date for which financial statements are presented. The Company has consistently applied these valuation techniques in all periods presented and the Company believes it has obtained the most accurate information available for the types of financial instrument contracts held. The Company has categorized the inputs for these contracts as Level 1, defined as observable inputs such as quoted prices in active markets; Level 2 defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; or Level 3 defined as unobservable inputs in which little or no market data exists therefore requiring an entity to develop its own assumptions.

The fair value of financial instrument contracts at December 31, 2011 was:

	Total	Level 1	Level 2	Level 3
Assets from financial instrument contracts				
Commodity futures	$ 159	$ 159	$ -	$ -
Commodity swaps	1,944	-	1,944	-
Foreign currency forward contracts	10,207	-	10,207	-
Total assets	$ 12,310	$ 159	$ 12,151	$ -
Liabilities from financial instrument contracts				
Commodity futures	$ 239	$ 239	$ -	$ -
Commodity swaps	2,007	-	2,007	-
Electricity swaps	11	-	11	-
Interest rate swap	1,865	-	1,865	-
Foreign currency options, including deferred premium	9,666	-	9,666	-
Interest rate floor	22,722	-	22,722	-
Total liabilities	$ 36,510	$ 239	$ 36,271	$ -

(tabular amounts in thousands of Canadian dollars, except where noted)

The fair value of financial instrument contracts at December 31, 2010 was:

	Total	Level 1	Level 2	Level 3
Assets from financial instrument contracts				
Commodity swaps	$ 1,029	$ -	$ 1,029	$ -
Foreign currency forward contracts and options	783	-	783	-
Total assets	$ 1,812	$ -	$ 1,812	$ -
Liabilities from financial instrument contracts				
Commodity futures	$ 1,599	$ 1,599	$ -	$ -
Commodity swaps	122	-	122	-
Electricity swaps	1,463	-	1,463	-
Foreign currency forward contracts and options	68	-	68	-
Total liabilities	$ 3,252	$ 1,599	$ 1,653	$ -

The Company had no Level 3 financial instruments in the years ended December 31, 2011 and 2010.

The impact of the movement in the fair value of financial instruments has been expensed in the consolidated statement of operations as follows:

	Year ended December 31, 2011	Year ended December 31, 2010
Cost of sales	$ (1,728)	$ (1,441)
Foreign exchange gain on long-term debt (note 16)	(4,831)	-
Interest expense	11,475	68
	$ 4,916	$ (1,373)

Financial Risk Management

The Company's activities expose it to certain financial risks, including foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk. The Company's risk management strategy seeks to reduce potential adverse effects on its financial performance. As part of its strategy, both primary and derivative financial instruments are used to hedge its risk exposures.

There are clearly defined objectives and principles for managing financial risk, with policies, parameters and procedures covering the specific areas of funding, banking relationships, interest rate exposures and cash management. The Company's treasury function is responsible for implementing the policies and providing a centralised service to the Company for identifying, evaluating and monitoring financial risks.

a) Foreign Exchange Risk

Foreign exchange risks arise from future transactions and cash flows and from recognized monetary assets and liabilities that are not denominated in the functional currency of the Company's operations.

The exposure to exchange rate movements in significant future transactions and cash flows is managed using forward foreign exchange contracts, currency options and currency swaps. These financial instruments have not been designated in a hedge relationship. No speculative positions are entered into by the Company.

Foreign currency exchange rate sensitivity

If the Canadian dollar strengthened or weakened by 5% relative to the U.S. dollar and all other variables, in particular interest rates remain constant, the impact on net income and equity would be as follows:

(tabular amounts in thousands of Canadian dollars, except where noted)

	December 31,	
	2011	2010
U.S. Dollar Forwards		
Favorable 5% change	$ 2,451	$ 1,440
Unfavorable 5% change	(2,451)	(1,440)
U.S. Dollar long-term debt Forwards and the related Options		
Favorable 5% change	$10,228	$ 32,504
Unfavorable 5% change	(10,228)	(32,504)

The movement is a result of a change in the fair value of U.S. dollar forward contracts, which have not been designated as a hedge. The sensitivity relating to the Company's long-term debt includes the change in the carrying value of the Company's U.S. dollar denominated long-term debt, the U.S. dollar forward contracts on the principal and the related U.S. dollar call options.

The impact of translating the net assets of the Company's U.S operations into Canadian dollars is excluded from this sensitivity analysis.

b) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. The following table summarizes the impact to net income and equity to a change in fair value of the Company's risk management position to changes in interest rates leaving all other variables consistent as at December 31, 2011 and 2010.

	December 31,	
	2011	2010
U.S. Dollar Interest Rate Swap		
Favorable 1% change	$ 738	$ -
Unfavorable 1% change	(570)	-

	December 31,	
	2011	2010
U.S. Dollar Interest Rate Floor		
Favorable 1% change	$ 8,048	$ -
Unfavorable 1% change	(12,970)	-

The Company's interest rate risk exposure does not exist within any of the operating segments, but exists at the corporate level where the variable rate debt obligations are issued.

c) Commodity price risk

The Company is exposed to changes in the price of crude oil, NGL's, oil related products and electricity commodities, which are monitored regularly. Crude oil and NGL priced futures, options and swaps are used to manage the exposure to these commodities' price movements. These financial instruments are not designated as hedges. An electricity price swap is used to manage the exposure to electricity prices in Canada and is marked to market each period. Based on the Company's risk management policies, all of the financial instruments are employed in connection with an underlying asset/liability and/or forecasted transaction and are not entered into with the objective of speculating on commodity prices.

(tabular amounts in thousands of Canadian dollars, except where noted)

The following table summarizes the impact to net income and equity due to a change in fair value of the Company's risk management positions because of fluctuations in commodity prices leaving all other variables constant as at December 31, 2011 and 2010. The Company believes that a 15% volatility in crude oil and NGL related prices and a 10% volatility in electricity prices are reasonable possible changes in assumptions. This analysis assumes that all other variables in particular foreign currency rates remain constant.

	December 31,	
	2011	**2010**
Crude oil and NGL related prices		
Favorable 15% change	$ 5,427	$ 6,005
Unfavorable 15% change	(5,427)	(6,005)
Electricity prices		
Favorable 10% change	$ 157	$ 187
Unfavorable 10% change	(157)	(187)

d) Credit risk

The Company's credit risk arises from its outstanding trade receivables, including receivables from customers who have entered into fixed term contractual arrangements to have dedicated use of certain of the Company's tanks. A significant portion of the Company's trade receivables are due from entities in the oil and gas industry. Concentration of credit risk is mitigated by having a broad customer base and by dealing with credit-worthy counterparties in accordance with established credit approval practices. The Company actively monitors the financial strength of its customers and in select cases has tightened credit terms to minimize the risk of default on trade receivables. In addition, the Company maintains trade receivable insurance for eligible customers with an approved credit limit between $0.2 million to $10.0 million.

At December 31, 2011 and December 31, 2010, approximately 8% and 7%, respectively, of net trade receivables are past due but not considered to be impaired. The maximum exposure to credit risk related to trade receivables is their carrying value as disclosed in the financial statements.

The Company establishes guidelines for customer credit limits and terms. The Company review includes financial statements and external ratings when available. The Company does not usually require collateral in respect of trade and other receivables. The Company provides adequate provisions for expected losses from the credit risks associated with trade receivables. The provision is based on an individual account-by-account analysis and prior credit history.

The Company is exposed to credit risk associated with possible non-performance by financial instrument counterparties. The Company does not generally require collateral from its counterparties but believes the risk of non-performance is minimal. The counterparties are major financial institutions or commodity brokers with investment grade credit ratings as determined by recognized credit rating agencies.

The Company's cash equivalents are placed in high-quality commercial paper money market funds and time deposits with major international banks and financial institutions.

e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. This risk relates to the Company's ability to generate or obtain sufficient cash or cash equivalents to satisfy these financial obligations as they become due. The Company's process for managing liquidity risk include preparing and monitoring capital and operating budgets, coordinating and authorizing project expenditures and authorization of contractual agreements. The Company may seek additional financing based on the results of these processes. The budgets are updated with forecasts when required, and as conditions change. Sufficient funds and the Revolving Credit Facility are available to satisfy both the Company's long and short-term requirements. The Company has a Revolving Credit Facility of up to U.S.$275.0 million and at December 31, 2011 there was no amount drawn against the facility.

(tabular amounts in thousands of Canadian dollars, except where noted)

The terms of the Term Loan and Revolving Credit Facility require the Company to comply with financial covenants, including maintaining a senior secured leverage ratio and an interest coverage ratio. If the Company fails to comply with these covenants the lenders may declare an event of default. At December 31, 2011, the Company was in compliance with its covenants.

Set out below is maturity analyses of certain of the Company's financial liabilities as recorded on the balance sheet at December 31, 2011. The maturity dates are the contractual maturities of the financial liabilities and the amounts are the contractual undiscounted cash flows.

Financial Liabilities	On demand or within one year	Between one and five years	After five years	Total
Trade payables and accrued charges	$ 436,403	$ -	$ -	$ 436,403
Dividend payable	23,362	-	-	23,362
Long-term debt	6,611	26,444	624,690	657,745
Accrued interest on long-term debt	1,931	-	-	1,931
Commodity futures	239	-	-	239
Commodity swaps	2,007	-	-	2,007
Electricity swaps	11	-	-	11
Interest rate swap	-	1,865	-	1,865
Foreign currency options	-	9,666	-	9,666
Interest rate floor	4,194	15,150	3,378	22,722
Total financial liabilities	$ 474,758	$ 53,125	$ 628,068	$ 1,155,951

Capital management

The Company's objectives when managing its capital structure are to maintain financial flexibility so as to preserve the Company's ability to meet its financial obligations and to finance internally generated growth as well as potential acquisitions.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include shareholders' equity, long-term debt, the Revolving Credit Facility and working capital. To maintain or adjust the capital structure, the Company may raise debt and/or adjust its capital spending to manage its current and projected debt levels.

Financing decisions are made by management and the Board based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Company's commitments and development plans. Factors considered when determining whether to issue new debt or to seek equity financing include the amount of financing required, the availability of financial resources, the terms on which financing is available and consideration of the balance between shareholder value creation and prudent financial risk management.

Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet), less cash and cash equivalents. Total capital is calculated as net debt plus share capital as shown in the consolidated balance sheet.

	December 31, 2011	2010
Total financial liability borrowings	$ 627,289	$ 761,654
Less: cash and cash equivalents	(64,810)	(7,225)
Net debt	562,479	754,429
Total share capital	1,082,990	664,724
Total capital	$ 1,645,469	$ 1,419,153

(tabular amounts in thousands of Canadian dollars, except where noted)

If the Company is in a net debt position, the Company will assess whether the projected cash flow and availability under the Revolving Credit Facility is sufficient to service this debt and support ongoing operations.

30 Segmental information

The Company has defined its operations into the following operating segments: (i) Terminals and Pipelines, (ii) Truck Transportation, (iii) Propane and NGL Marketing and Distribution, (iv) Processing and Wellsite Fluids, and (v) Marketing.

Terminals and Pipelines includes the tariff-based pipeline services and fee-based storage and terminalling services for crude oil, condensate and refined products, as well as emulsion treating, water disposal services and oilfield waste management. The Company owns and operates major storage terminals located at Edmonton and Hardisty, which are the principal hubs for aggregating and exporting oil and refined products out of the Western Canadian Sedimentary Basin; pipelines and custom blending terminals, which are strategically located throughout Alberta and Saskatchewan; and injection stations, which are located in the United States.

Truck Transportation includes the hauling services for crude oil, condensate, propane, butane, asphalt, methanol, sulfur, petroleum coke, gypsum and drilling fluids to customers in Western Canada and the United States.

Propane and NGL Marketing and Distribution includes a retail propane distribution operation and a wholesale business that includes a wholesale propane distribution and an NGL marketing business. The retail operation sells propane to oil and gas, industrial and residential customers, while the wholesale operations sell to larger customers who are not usually end users of the product.

Processing and Wellsite Fluids includes the refining and marketing of a variety of products, including several grades of road asphalt, roofing flux, wellsite fluids and tops.

Marketing includes the purchasing, selling, storing, and blending of crude oil and condensate and taking advantage of specific location, quality, or time-based arbitrage opportunities.

These operating segments of the Company have been derived because they are the segments (a) that engage in business activities from which revenues are earned and expenses are incurred; (b) whose operating results are regularly reviewed by the Company’s chief operating decision maker to make decisions about resources to be allocated to each segment and assess its performance; and (c) for which discrete financial information is available. No operating segments were aggregated to arrive at the reportable segments.

Inter-segmental transactions are eliminated upon consolidation. No margins are recognized on inter-segmental transactions.

Accounting policies used for segment reporting are consistent with the accounting policies used for the preparation of the Company’s consolidated financial statements.

(tabular amounts in thousands of Canadian dollars, except where noted)

Year ended December 31, 2011	Terminals & Pipelines	Truck Transportation	Propane & NGL Marketing & Distribution	Processing & Wellsite Fluids	Marketing	Corporate & other reconciling balances	Total
Statement of operations							
Revenue - external and inter-segmental	$ 888,803	$ 458,127	$1,028,534	$ 501,191	$ 3,774,135	$ -	$ 6,650,790
Revenue - inter-segmental	(779,473)	(51,123)	(122,915)	(137,276)	(487,972)	-	(1,578,759)
Revenue - external	109,330	407,004	905,619	363,915	3,286,163	-	5,072,031
Segment profit	72,081	68,613	40,385	46,905	28,674	-	256,658
Depreciation of property, plant and equipment	24,831	25,484	8,168	9,143	171	1,720	69,517
Amortization of intangible assets	2,322	13,392	6,228	6,843	679	1,536	31,000
General and administrative	-	-	-	-	-	27,695	27,695
Stock based compensation	-	-	-	-	-	7,775	7,775
Gain on sale of Edmonton North Terminal	-	-	-	-	-	(20,370)	(20,370)
Gain on remeasurement of interest in equity investment	-	-	-	-	-	(16,900)	(16,900)
Corporate foreign exchange gain	-	-	-	-	-	(1,949)	(1,949)
Interest expense	-	-	-	-	-	69,038	69,038
Financial instruments relating to interest expense	-	-	-	-	-	11,475	11,475
Interest income	-	-	-	-	-	(606)	(606)
Foreign exchange loss on long-term debt	-	-	-	-	-	7,932	7,932
Debt extinguishment costs	-	-	-	-	-	166,056	166,056
Income tax recovery	-	-	-	-	-	(31,400)	(31,400)
Net income (loss)	$ 44,928	$ 29,737	$ 25,989	$ 30,919	$ 27,824	$ 222,002	$ (62,605)

(tabular amounts in thousands of Canadian dollars, except where noted)

Year ended December 31, 2010	Terminals & Pipelines	Truck Transportation	Propane & NGL Marketing & Distribution	Processing & Wellsite Fluids	Marketing	Corporate & other reconciling balances	Total
Statement of operations							
Revenue - external and inter-segmental	$ 903,100	$ 351,568	$ 770,448	$ 419,017	$ 2,929,163	$ -	$ 5,373,296
Revenue - inter-segmental	(857,668)	(49,201)	(124,787)	(112,958)	(538,230)	-	(1,682,844)
Revenue - external	45,432	302,367	645,661	306,059	2,390,933	-	3,690,452
Segment profit	40,842	53,602	34,848	34,143	8,132	-	171,567
Depreciation of property, plant and equipment	22,140	22,366	7,617	6,119	2,185	1,085	61,512
Amortization of intangible asset s	2,060	11,372	5,468	7,120	678	1,680	28,378
General and administrative	-	-	-	-	-	27,164	27,164
Stock based compensation	-	-	-	-	-	4,629	4,629
Corporate foreign exchange gain	-	-	-	-	-	(3,295)	(3,295)
Interest expense	-	-	-	-	-	99,736	99,736
Interest income	-	-	-	-	-	(324)	(324)
Foreign exchange gain on long-term debt	-	-	-	-	-	(36,760)	(36,760)
Income tax recovery	-	-	-	-	-	(12,415)	(12,415)
Net income	$ 16,642	$ 19,864	$ 21,763	$ 20,904	$ 5,269	$ (81,500)	$ 2,942

The breakdown of total assets and liabilities by segment is as follows:

	December 31				January 1	
	2011		2010		2010	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities	Total Assets	Total Liabilities
Terminals and Pipelines	$ 705,974	$ 42,084	$ 546,071	$ 29,391	$ 477,748	$ 16,947
Truck Transportation	332,738	36,726	319,639	29,927	190,345	8,024
Propane & NGL Marketing & Distribution	376,126	101,180	349,194	86,050	226,232	54,913
Processing & Wellsite Fluids	346,406	42,177	321,689	27,022	309,374	28,895
Marketing	269,041	197,833	343,459	231,213	343,273	179,943
Corporate & other reconciling balances	174,090	931,154	101,202	1,032,843	83,726	797,397
Total	$2,204,375	$ 1,351,154	$ 1,981,254	$ 1,436,446	$1,630,698	$1,086,119

Geographic Data

Based on the location of the end user, approximately 21% and 20% of revenue was to customers in the United States for the year ended December 31, 2011 and 2010, respectively.

The Company's long lived assets are primarily concentrated in Canada with 12% and 11% in the United States at December 31, 2011 and 2010, respectively.

31 Transition to IFRS

As stated in note 2, effective January 1, 2011, the Company began reporting under IFRS, and has applied the same accounting policies in preparing the consolidated financial statements for the year ended December 31, 2011 and 2010. Certain amounts shown under Canadian GAAP have been re-classified to conform to the presentation under IFRS. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

(tabular amounts in thousands of Canadian dollars, except where noted)

(i) **Reconciliation of assets, liabilities and equity as previously reported under Canadian GAAP to IFRS**

	December 31, 2010			
	Canadian GAAP	**Adjustments**		**IFRS**
Assets				
Current assets				
Cash and cash equivalents	$ 7,225	$ -		$ 7,225
Trade and other receivables	354,682	-		354,682
Income taxes receivable	57,130	-		57,130
Inventories	197,483	-		197,483
Prepaid expenses and other assets	8,749	(906)	(h)	7,843
Net investment in finance leases	236	-		236
Assets held for sale	32,985	611	(c)	33,596
Total current assets	658,490	(295)		658,195
Non-current assets				
Property, plant and equipment	652,885	(36,745)	(a)	629,755
		14,398	(c)	
		1,488	(d)	
		(4,852)	(g)	
		3,192	(h)	
		(611)	(c)	
Long-term prepaid expenses and other assets	24,424	(2,286)	(h)	22,138
Net investment in finance leases	20,265	-		20,265
Deferred income tax assets	2,146	-		2,146
Intangible assets	154,610	(7,123)	(b)	152,339
		4,852	(g)	
Goodwill	498,817	(2,401)	(f)	496,416
Total non-current assets	1,353,147	(30,088)		1,323,059
Total assets	$ 2,011,637	$ (30,383)		$ 1,981,254
Liabilities				
Current liabilities				
Credit facilities	$ 43,500	$ -		$ 43,500
Trade payables and accrued charges	393,590	-		393,590
Deferred revenue	54,701	-		54,701
Income taxes payable	1,217	-		1,217
Deferred income tax liabilities	177	(177)	(i)	-
	2,960	802	(c)	3,762
Total current liabilities	496,145	625		496,770
Non-current liabilities				
Long-term debt	718,154	-		718,154
Provisions	22,045	21,206	(c)	43,251
Other long-term liabilities	3,468	3,221	(e)	6,689
Deferred income tax liabilities	185,164	(13,582)	(i)	171,582
Total non-current liabilities	928,831	10,845		939,676
Total liabilities	1,424,976	11,470		1,436,446
Equity				
Share capital	664,724	-		664,724
Contributed surplus	13,586	-		13,586
Accumulated other comprehensive income	(6,767)	-		(6,767)
Deficit	(84,882)	(41,853)	(k)	(126,735)
Total equity	586,661	(41,853)		544,808
Total liabilities and shareholder's equity	$ 2,011,637	$ (30,383)		$ 1,981,254

(tabular amounts in thousands of Canadian dollars, except where noted)

	January 1, 2010			
	Canadian GAAP	Adjustments		IFRS
Assets				
Current assets				
Cash and cash equivalents	$ 26,263	$ -		$ 26,263
Trade and other receivables	315,865	-		315,865
Income taxes receivable	15,541	-		15,541
Inventories	113,688	-		113,688
Deferred income tax asset	1,509	(1,509)	(i)	-
Prepaid expenses and other assets	5,187	(1,142)	(h)	4,045
Total current assets	478,053	(2,651)		475,402
Non-current assets				
Property, plant and equipment	598,826	(40,062)	(a)	570,307
		12,807	(c)	
		282	(d)	
		(4,597)	(g)	
		3,051	(h)	
Long-term prepaid expenses and other assets	31,095	(1,909)	(h)	29,186
Deferred income tax assets	5,225	1,509	(i)	
		(6,734)	(i)	-
Intangible assets	126,955	(9,643)	(b)	121,909
		4,597	(g)	
Goodwill	433,894	-		433,894
Total non-current assets	1,195,995	(40,699)		1,155,296
Total assets	$ 1,674,048	$ (43,350)		$ 1,630,698
Liabilities				
Current liabilities				
Credit facilities	$ 25,000	$ -		$ 25,000
Trade payables and accrued charges	254,517	-		254,517
Deferred revenue	13,405	-		13,405
Income taxes payable	8,443	-		8,443
Deferred income tax liabilities	839	(839)	(i)	-
Total current liabilities	302,204	(839)		301,365
Non-current liabilities				
Long-term debt	553,942	-		553,942
Provisions	21,302	19,321	(c)	40,623
Other long-term liabilities	3,582	2,818	(e)	6,400
Deferred income tax liabilities	204,373	(20,584)	(i)	183,789
Total non-current liabilities	783,199	1,555		784,754
Total liabilities	1,085,403	716		1,086,119
Equity				
Share capital	650,690	-		650,690
Contributed surplus	8,957	-		8,957
Deficit	(71,002)	(44,066)	(k)	(115,068)
Total equity	588,645	(44,066)		544,579
Total liabilities and shareholder's equity	$ 1,674,048	$ (43,350)		$ 1,630,698

(tabular amounts in thousands of Canadian dollars, except where noted)

(ii) Reconciliation of comprehensive loss as previously reported under Canadian GAAP to IFRS

The following is a reconciliation of the Company's statement of operations for the year ended December 31, 2010. Amounts shown under Canadian GAAP have been re-classified to conform to the presentation under IFRS, including depreciation of property, plant and equipment, amortization of intangible assets, accretion expense and stock based compensation.

	Year ended December 31, 2010			
	Canadian GAAP	**Adjustments**		**IFRS**
Revenue	$ 3,677,988	$ 12,464	(j)	$ 3,690,452
Cost of sales	3,597,939	(3,317)	(a)	3,604,958
		(2,520)	(b)	
		339	(c)	
		53	(d)	
		12,464	(j)	
Gross profit	80,049	5,445		85,494
General and administrative	32,329	(172)	(e)	34,558
		2,401	(f)	
Other operating income	(3,157)	-		(3,157)
Income from operating activities	50,877	3,216		54,093
Loss from investment in associates	914	-		914
Interest expense	100,170	757	(c)	99,668
		(1,259)	(d)	
Financial instruments relating to interest expense	68	-		68
Interest income	(324)	-		(324)
Foreign exchange gain on long-term debt	(36,760)	-		(36,760)
Loss before income taxes	(13,191)	3,718		(9,473)
Income tax recovery	(13,346)	931	(i)	(12,415)
Net income	155	2,787		2,942
Other comprehensive loss, net of tax	(6,767)	(575)	(e)	(7,342)
Comprehensive loss	$ (6,612)	$ 2,212		$ (4,400)

(a) Under Canadian GAAP, the recoverable amount used to determine whether recognition of an impairment loss is required is the undiscounted future cash flows expected from its use and eventual disposition. Under IFRS the recoverable amount used in recognizing and measuring impairment is the higher of the asset's fair value less costs to sell and its value in use. The recoverable amount was determined to be asset's fair value less costs to sell. As a result, an impairment charge of $40.1 million relating to property, plant and equipment was recognized on January 1, 2010. The impairment related to the Company's pipeline assets which are included within the Terminals and Pipelines segment. As a result of the impairment, depreciation expense relating to property, plant and equipment decreased by $3.3 million for the year ended December 31, 2010. As of December 31, 2010, the total accumulated adjustment was to increase the deficit under IFRS by $36.7 million.

(b) Under Canadian GAAP, the recoverable amount used to determine whether recognition of an impairment loss is required is the undiscounted future cash flows expected from its use and eventual disposition. Under IFRS the recoverable amount used in recognizing and measuring impairment is the higher of the asset's fair value less costs to sell and its value in use. The recoverable amount was determined to be asset's fair value less costs to sell. As a result, an impairment charge of $9.6 million relating to intangible assets was recognized on January 1, 2010. The impairment related to the Company's customer relationship intangible assets. As a result of the impairment, amortization expense relating to intangible assets decreased by $2.5 million for the year ended December 31, 2010. As of December 31, 2010, the total accumulated adjustment was to increase the deficit under IFRS by $7.1 million.

(c) The Company's activities give rise to decommissioning and environmental liabilities. On transition to IFRS, the Company elected to remeasure these liabilities in accordance with the provisions of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Under IFRS, the liability was remeasured using a risk free rate as opposed to the credit adjusted rate under Canadian GAAP. As a result, on January 1, 2010, the Company increased its decommissioning and environmental liabilities by $19.3 million and property, plant and equipment by $12.8 million. During the three months ended September 30, 2010, due to the acquisition of BRT, the Company increased its decommissioning and environmental liabilities and its property, plant and equipment by $1.9 million. As a result, the expense relating to the unwinding of the discount increased by $0.8 million for the year ended December 31, 2010, and depreciation expense increased by $0.3 million for the year ended December 31, 2010. As of December 31, 2010 the total adjustment to deficit under IFRS was to increase the deficit by $7.6 million.

(d) Under Canadian GAAP, capitalization of interest during the construction of a qualifying asset was an acceptable, but not mandatory, accounting policy. Accordingly, no interest was capitalized for qualifying assets. Under IFRS, capitalization of interest is required for qualifying assets that require a period of time to get them ready for their intended use. As of January 1, 2010, the carrying value of property, plant and equipment was increased by $0.3 million. Under IFRS, interest capitalized was $1.3 million for the year ended December 31, 2010. Additionally, depreciation expense increased by $0.1 million for the year ended December 31, 2010. As of December 31, 2010 the total adjustment to deficit under IFRS was to decrease the deficit by $1.5 million.

(e) Under Canadian GAAP, the Company applied the corridor method of accounting for pension whereby gains and losses are recognized only if they exceed specified thresholds. Under IFRS, the Company recognizes actuarial gains and losses arising from the remeasurement of employee future benefit obligations in other comprehensive income as they arise. Accordingly, under IFRS, on transition the carrying value of the net liability for employee future benefit obligations increased by $2.8 million to recognize actuarial losses accumulated as at January 1, 2010, with a corresponding adjustment to deficit. As a result, amortization of the unrecognized loss under Canadian GAAP is no longer required, resulting in a decrease in expense of $0.2 million in the year ended December 31, 2010. During the year ended December 31, 2010, the Company recognized an additional $0.6 million to the carrying value of the net liability for employee future benefit obligations. As of December 31, 2010, the total adjustment to deficit under IFRS was to increase the deficit by $3.2 million.

(f) Under Canadian GAAP, the purchase price of an acquisition includes direct costs incurred by the acquirer, such as finder's fees, advisors, legal, accounting, valuation and other professional or consulting fees. Under IFRS, these costs are expensed in the periods which they are incurred. The Company elected to apply the provisions of IFRS to all business combinations that occurred on or after January 1, 2010. The impact was to record additional expense of $2.4 million in the year ended December 31, 2010. Additionally, as of December 31, 2010, goodwill decreased by $2.4 million.

(g) Under Canadian GAAP, capitalized computer software was included within property, plant and equipment. Under IFRS, capitalized computer software, not integral to plant and equipment, is classified as an intangible asset. On January 1, 2010, the Company reclassified $4.6 million from property, plant and equipment to intangible assets. In the year ended December 31, 2010, the Company incurred $2.0 million of capitalized computer software, which was reclassified from property, plant and equipment to intangible assets. In addition, in the year ended December 31, 2010, the Company reclassified $1.7 million from depreciation of property, plant and equipment to amortization of intangible assets. There was no net impact in the statement of operations.

(h) Under IFRS, the Company is required to identify material components of assets within property, plant and equipment, and depreciate the components separately where the service life is different. Under Canadian GAAP, the Company had recognized certain components in prepaid expenses and other assets. On January 1, 2010, the Company reclassified $3.1 million from short term and long-term prepaid expenses and other assets to property, plant and equipment. In the year ended December 31, 2010, the Company reclassified $1.3 million from short term and long-term prepaid expenses and other assets to property, plant and equipment. There was no net impact in the statement of operations.

(i) Deferred tax liabilities and income tax recovery have been adjusted to give effect to the impact of the adjustments above. In addition, under Canadian GAAP, deferred income tax relating to current assets or current liabilities must be

(tabular amounts in thousands of Canadian dollars, except where noted)

classified as current. Under IFRS, it is not appropriate to classify deferred income tax balances as current, irrespective of the classification of the assets or liabilities to which the deferred income tax relates or the expected timing of reversal. Accordingly, current deferred income tax reported under Canadian GAAP has been reclassified as non-current under IFRS. Deferred tax assets should be offset on the balance sheet if the entity has the legal right to settle on a net basis and they are levied by the same taxing authority on the same entity or different entities that intend to realise the asset and settle the liability at the same time. Accordingly, the deferred tax assets have been netted with the deferred tax liabilities.

(j) Under Canadian GAAP, the Company classified certain gains and losses on the fair value movement of financial instruments in revenue. Under IFRS, these financial instruments do not meet the revenue recognition criteria. The impact was to reclassify $12.5 million from revenue to cost of sales in the year ended December 31, 2010. There was no net impact in the statement of operations.

(k) The impact of the adjustments above was to increase the deficit, as follows:

		December 31, 2010	January 1, 2010
Impairment of property, plant and equipment	(a)	$ (36,745)	$ (40,062)
Impairment of intangible assets	(b)	(7,123)	(9,643)
Provisions	(c)	(7,610)	(6,514)
Capitalized interest	(d)	1,488	282
Employee future benefits	(e)	(3,221)	(2,818)
Business combinations	(f)	(2,401)	-
Tax impact of above adjustments	(i)	13,759	14,689
		$ (41,853)	$ (44,066)

(iii) Adjustments to the statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the Company except that, under IFRS, cash flows relating to interest are classified as operating, investment or financing in a consistent manner each period. Under Canadian GAAP, cash flows relating to interest payments and interest income were classified as operating.

32 Subsequent Events

On March 6, 2012, the Company announced that the Board declared a quarterly dividend of $0.25 per common share for the quarter ending March 31, 2012 on its outstanding common shares. The common share dividend is payable on April 17, 2012 to shareholders of record at the close of business on March 30, 2012.