

This is exhibit " S " referred to
in the affidavit of
Keith McMahon

in before me this 21st day of
February, 2012

A NOTARY PUBLIC
IN AND FOR THE PROVINCE OF MANITOBA

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Arctic Glacier Income Fund is responsible for the preparation and fair presentation of the accompanying consolidated financial statements and Management's Discussion and Analysis ("MD&A"). The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles, applied on a consistent basis. The significant accounting policies, which management believes are appropriate for the Fund, are described in note 2 to the consolidated financial statements. Financial information contained elsewhere in the annual report is consistent with that shown in the consolidated financial statements.

The consolidated financial statements and information contained in the MD&A necessarily include amounts based on best estimates and careful judgments by management of the expected effects of current events and transactions with the appropriate consideration to materiality. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results may differ materially from our present assessment of this information because future events and circumstances may not occur as expected.

In meeting our responsibility for the reliability and timeliness of financial information, management has established systems of internal control to properly authorize and record transactions, produce reliable accounting records for the preparation of financial information, and to provide reasonable assurance that assets are safeguarded from loss or unauthorized use.

The board of trustees is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The board of trustees carries out this responsibility principally through its audit committee, composed entirely of outside and unrelated trustees. The audit committee meets regularly with financial management of the Fund and with the independent auditor to discuss internal controls, audit matters, financial reporting issues and reports to the board of trustees thereon. The audit committee also reviews the Fund's consolidated financial statements and MD&A before they are approved by the board of trustees for inclusion in the annual report.

The Fund's independent auditors, KPMG LLP, have been appointed by the unitholders to audit the financial statements and express an opinion thereon. The independent auditor has full and free access to the audit committee, and meets with them at least quarterly to discuss their audit and related matters.

KEITH W. MCMAHON, C.A.
President and Chief Executive Officer

DOUGLAS A. BAILEY, C.A.
Chief Financial Officer

March 30, 2011

AUDITORS' REPORT



To the Unitholders of Arctic Glacier Income Fund

We have audited the accompanying consolidated financial statements of Arctic Glacier Income Fund which comprise the consolidated balance sheets as at December 31, 2010 and 2009, the consolidated statements of operations, changes in unitholders' equity, comprehensive loss and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditors' 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 audit to obtain reasonable assurance whether the consolidated financial statements are free of 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 our judgment, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Fund'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 Fund'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 is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Fund as at December 31, 2010 and 2009 and the results of its consolidated operations and its consolidated cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

March 30, 2011

CONSOLIDATED BALANCE SHEETS

As at December 31, 2010 and 2009

(thousands of U.S. dollars)	2010	2009
ASSETS		
Current assets		
Cash	\$ 9,240	\$ 727
Accounts receivable	11,804	12,011
Inventories (Note 5)	10,493	8,688
Prepaid expenses	3,703	4,877
	35,240	26,303
Future income taxes (Note 16)	9,904	-
Property, plant and equipment (Note 6)	137,229	142,136
Intangible assets (Note 8)	114,873	122,547
Goodwill (Note 9)	71,762	146,807
	\$ 369,008	\$ 437,793
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 23,916	\$ 23,169
Antitrust related litigation settlements (Note 17)	11,393	-
Convertible debentures (Note 11)	89,251	-
Principal due within one year on long-term debt (Note 10)	2,391	61,099
	126,951	84,268
Long-term debt (Note 10)	176,522	101,960
Convertible debentures (Note 11)	-	81,515
Future income taxes (Note 16)	-	8,685
Unitholders' equity		
Units (Note 12)	325,209	325,209
Contributed surplus	2,541	1,848
Warrants (Note 13)	1,484	-
Equity portion of convertible debentures (Note 11)	8,358	8,358
Deficit	(249,726)	(155,774)
Accumulated other comprehensive loss	(22,331)	(18,276)
	65,535	161,365
	\$ 369,008	\$ 437,793

Contingencies (Note 17 and 23)

Subsequent events (Notes 10, 13, 17, 23 and 26)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Trustees by:

JAMES E. CLARK
Trustee

GARY A. FILMON
Trustee

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2010 and 2009

(thousands of U.S. dollars, except per unit amounts)		2010	2009
Sales	\$	233,489	\$ 227,588
Cost of sales, selling, general and administration expenses		184,613	173,091
Earnings before the undemoted		48,876	54,497
Amortization		32,240	30,277
Impairment of property, plant and equipment (Note 6)		-	200
Interest (Note 14)		36,410	20,533
Loan amendment fees		400	2,062
Acquisition integration expenses (Note 4)		-	247
Loss on disposals (Note 7)		151	503
Loss (gain) on foreign exchange (Note 15)		283	(2,356)
Costs of antitrust investigations and related litigation (Note 17)		15,577	11,253
Goodwill impairment (Note 9)		76,008	-
Loss before income taxes		(112,193)	(8,222)
Income taxes (Note 16)			
Current		328	463
Future (reduction)		(18,569)	7,189
		(18,241)	7,652
Loss	\$	(93,952)	\$ (15,874)
Loss per unit - basic and diluted (Note 18)	\$	(2.41)	\$ (0.41)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

Years ended December 31, 2010 and 2009

(Thousands of U.S. dollars)	2010	2009
Units		
Balance, beginning of year	\$ 325,209	\$ 325,207
Units issued, net of issue costs (Note 12)	-	2
Balance, end of year	325,209	325,209
Contributed surplus		
Balance, beginning of year	1,848	1,320
Unit-based compensation expense	693	528
Balance, end of year	2,541	1,848
Warrants		
Balance, beginning of year	-	-
Warrants issued (Note 13)	1,484	-
Balance, end of year	1,484	-
Equity portion of convertible debentures		
Balance, beginning and end of year	8,358	8,358
Deficit		
Balance, beginning of year	(155,774)	(139,900)
Loss	(93,952)	(15,874)
Balance, end of year	(249,726)	(155,774)
Accumulated other comprehensive loss		
Balance, beginning of year	(18,276)	(8,193)
Other comprehensive loss	(4,055)	(10,083)
Balance, end of year	(22,331)	(18,276)
Total Unitholders' Equity	\$ 65,535	\$ 161,365

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Years ended December 31, 2010 and 2009

(thousands of U.S. dollars)	2010	2009
Loss	\$ (93,952)	\$ (15,874)
Other comprehensive loss:		
Net unrealized foreign currency translation loss	(4,125)	(10,153)
Amortization of transitional adjustment to loss for the year	70	70
Other comprehensive loss	(4,055)	(10,083)
Comprehensive loss for the year	\$ (98,007)	\$ (25,957)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2010 and 2009

(thousands of U.S. dollars)	2010	2009
Cash from (used in):		
Operating activities		
Loss	\$ (93,952)	\$ (15,874)
Adjustments for:		
Amortization	32,240	30,277
Impairment of property, plant and equipment (Note 4)	-	200
Amortization of transitional adjustment on interest rate swap	70	70
Amortization of deferred financing	4,993	1,421
Accretion of convertible debenture principal	1,962	1,631
Accretion of long-term debt	757	125
Accrual of payment-in-kind interest	1,664	-
Recognition of rents on a straight-line basis	715	716
Unit-based compensation expense	693	528
Loss on disposals	151	503
Unrealized foreign exchange loss (gain) on long-term debt	283	(1,936)
Unrealized gain on foreign exchange contracts	-	(515)
Costs of antitrust investigations and related litigation (Note 17)	11,393	6,264
Changes in fair value of interest rate swap	(2,340)	(1,014)
Goodwill impairment (Note 9)	76,008	-
Future income taxes (reduction)	(18,569)	7,189
	16,068	29,585
Changes in non-cash working capital items (Note 19)	2,132	(1,426)
	18,200	28,159
Investing activities		
Additions to property, plant and equipment	(18,385)	(10,991)
Proceeds from disposal of property, plant and equipment	187	209
Proceeds from disposal of investments	-	733
Additions to intangible assets	(250)	(23)
Funds returned from escrow (Note 4)	200	-
Acquisition of business operations (Note 4)	-	(228)
	(18,248)	(10,300)
Financing activities		
Proceeds from long-term debt	212,598	37,511
Principal repayments on long-term debt	(185,970)	(55,508)
Payment of deferred financing charges (Note 10)	(18,315)	-
Units issued, net of issue costs	-	2
	8,313	(17,995)
Foreign exchange gain on cash held in foreign currency	248	560
Increase in cash	8,513	424
Cash, beginning of year	727	303
Cash, end of year	\$ 9,240	\$ 727
Supplementary cash flow information		
Interest paid	\$ 26,488	\$ 19,724
Income taxes paid	328	463

The net present value of the portion of the purchase price or additional consideration on acquisitions of business operations satisfied by the issuance of deferred consideration in the amount of \$nil (2009 - \$269) has been excluded from the financing and investing activities.

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009 (amounts in thousands of U.S. dollars, except per unit amounts)

1. ORGANIZATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and consolidation

The consolidated financial statements include the accounts of the Fund and its subsidiaries, all of which are wholly owned. All significant transactions and balances among group entities have been eliminated.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is provided on the following basis and at the following annual rates:

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

Effective January 1, 2010, the Fund revised its depreciation rate for certain types of merchandisers from 6.7% to 10% and for certain vehicles from 20% to 14%. This change in estimate is to be applied prospectively. As a result of this change in estimate, for the year ended December 31, 2010, amortization expense has increased approximately \$3,983.

Intangible assets

Brands, trade names, non-competition agreements, customer relationships and other assets represent intangible assets acquired in business acquisitions that meet the specified criteria for recognition. These assets are recorded at fair value and are amortized on a straight-line basis over the estimated useful life of the assets with periods ranging from two to five years for brands, trade names and non-competition agreements, ten to twenty years for customer relationships and three to five years for other assets.

The Arctic Glacier brand and trademark has an indefinite useful life. Accordingly, it is not amortized and is tested for impairment annually; or more frequently if events or changes in circumstances indicate that the asset may be impaired. Any excess of the carrying value over fair value will be charged to income in the period in which the impairment is determined.

Goodwill

Goodwill is the excess of the purchase price paid for acquired operations over the fair value of the net assets acquired. Amounts recorded in goodwill are not amortized, but are subject to a fair value impairment test to be performed at least annually to ensure that the fair value of goodwill of a reporting unit remains greater than, or equal to, the carrying value. Any excess of the carrying value over fair value of the reporting unit will be charged to income in the period in which the impairment is determined.

Impairment of long-lived assets

The Fund reviews long-lived assets such as property, plant and equipment and intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When indicators of impairment of the carrying value exist, an impairment loss on the long-lived assets to be held and used is recognized. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009 (amounts in thousands of U.S. dollars, except per unit amounts)

Asset retirement obligations

Liabilities related to the legal obligations associated with the retirement of tangible long-lived assets are capitalized as part of the carrying amount of the long-lived asset and amortized over the expected useful life of the asset.

Foreign currency translation

The Fund's functional currency is the Canadian dollar and its reporting currency for presentation of its consolidated financial statements is the U.S. dollar.

The financial statements of U.S. subsidiaries, considered self-sustaining, are translated into Canadian dollars in accordance with the current rate method, under which assets and liabilities are translated at the currency exchange rate in effect at the balance sheet date and earnings statement items are translated at the average currency exchange rate for the period. Translation adjustments arising from currency exchange rate fluctuations, including those related to long-term debt denominated in U.S. dollars and designated as a hedge of net investments in self-sustaining foreign operations, are shown in accumulated other comprehensive loss under unitholders' equity until realized, at which time they are transferred to income.

Other monetary assets and liabilities denominated in U.S. dollars have been translated into Canadian dollars at the rate of exchange at the balance sheet date. Gains and losses from translation are recognized in income in the period they occur.

The exchange gains and losses resulting from translating the Fund's consolidated financial statements in Canadian dollars into U.S. dollars are recognized in accumulated other comprehensive loss under unitholders' equity.

Revenue recognition

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

Revenue resulting from leased equipment is recognized as earned under contract terms.

Royalty fees from franchisees and licensees are recognized when the products are purchased from a third party by the franchisee or distributor.

Unit-based compensation

The Fund has an incentive stock option plan and can provide compensation to certain trustees, directors, officers and employees in the form of options to acquire Fund units. Option grants are expensed over the vesting period of the options using a fair-value-based method of accounting with a corresponding credit to contributed surplus.

Income taxes

The Fund is a mutual fund trust as defined under the *Income Tax Act* and accordingly, is not subject to taxation on its income to the extent that its income is distributed to its unitholders. Substantially all taxable income will be allocated to unitholders. Accordingly, under current Canadian income tax legislation, no provision for income taxes is required for the Fund.

The Fund's subsidiaries are subject to tax and follow the asset and liability method for accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

Earnings (loss) per unit

Basic earnings (loss) per unit is computed by dividing net earnings by the weighted average units outstanding during the reporting period. Diluted earnings (loss) per unit is calculated based on the weighted average number of units outstanding during the period, plus the effect of dilutive unit equivalents such as convertible debentures or options. The diluted per unit amounts are calculated using the treasury stock method, as if all the unit equivalents where average market price exceeds issue price had been exercised at the beginning of the reporting period, or the period of issue, as the case may be, and that the funds obtained thereby were used to purchase units of the Fund at the average trading price of the units during the period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009 (amounts in thousands of U.S. dollars, except per unit amounts)

Comprehensive income (loss)

Comprehensive income (loss) is the change in unitholders' equity which results from transactions other than those arising from investments by unitholders and distributions to unitholders. These transactions and events include unrealized gains and losses resulting from changes in fair value of certain financial instruments and foreign currency translation amounts arising from self-sustaining foreign operations. Accumulated other comprehensive income (loss) included in unitholders' equity represents cumulative changes in other comprehensive income (loss).

Financial instruments – recognition and measurement

All financial instruments are initially recorded at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Financial instruments are classified as one of the following: held-for-trading, loans and receivables, held-to-maturity, available-for-sale or other liabilities. Financial instruments held-for-trading are measured at fair value with gains and losses recognized in earnings. Financial instruments held-to-maturity, loans and receivables and other liabilities are measured at amortized cost using the effective interest rate method. Changes in fair value are recognized in earnings only if realized, or impairment of the value of an asset occurs. Available-for-sale instruments are measured at fair value with unrealized gains and losses, net of tax, recognized in other comprehensive income until such time as the asset or liability is derecognized or impaired at which time the amounts would be recorded in earnings. If it is not possible to obtain fair value information, then available-for-sale instruments are measured at cost.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and liabilities, other than those classified as held-for-trading, are accounted for as part of the respective asset or liability carrying value at inception and are amortized over the expected life of the financial instrument using the effective interest method.

All derivatives, including embedded derivatives that must be separately accounted for, are recorded at fair value in the consolidated balance sheet.

The Fund has classified its cash and interest rate swaps as held-for-trading; accounts receivable as loans and receivables; accounts payable and accrued liabilities, antitrust related litigation settlements, long-term debt and convertible debentures are other liabilities.

Derivative financial instruments

The Fund uses derivative financial instruments in its management of exposure to fluctuations in foreign exchange rates and interest rates. The Fund's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The Fund uses interest rate swap agreements to manage exposure to fluctuations in interest rates. These agreements are not designated as cash flow hedges and are carried at fair value with resulting gains and losses recorded in income. Prior to January 1, 2007, the Fund applied hedge accounting to account for its interest swap agreements. Payments and receipts under the interest swap agreements, which were designated as effective hedges, were recognized as adjustments to interest expense on the long-term debt in the same period that the underlying hedged transactions were recognized.

The Fund uses foreign exchange forward and option contracts to manage exposure to fluctuations in foreign exchange rates. These contracts have not been designated as hedges for accounting purposes and are carried at fair value with resulting gains and losses recorded in income.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the period. Actual results could differ from those estimates and assumptions.

3. CHANGES IN ACCOUNTING POLICIES

Future changes in accounting policies

In February 2008, the CICA Accounting Standards Board announced that accounting standards in Canada, as used by public companies, will be converged to International Financial Reporting Standards ("IFRS") over a transition period that will affect fiscal years beginning on or after January 1, 2011. The Fund will convert to these new standards according to the required timetable. The Canadian Accounting Standards Board had confirmed that publicly accountable enterprises will convert to IFRS for annual financial statements relating to fiscal years beginning on or after January 1, 2011. Comparative IFRS information for the previous fiscal year will also have to be reported. These standards will be effective for the Fund's 2011 fiscal year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009 (amounts in thousands of U.S. dollars, except per unit amounts)

4. BUSINESS ACQUISITIONS

During 2010, the Fund did not complete any business acquisitions. As a result of certain performance conditions not being achieved, the Fund received \$291 during that year that was held in escrow relating to the acquisition of Koldkist Ice in 2008. Of this amount, \$200 has been applied against the net book value of property, plant and equipment and intangible assets acquired, and \$91 has been recorded as revenue.

During 2009, the Fund and its subsidiaries acquired the assets of one packaged ice company for aggregate cash consideration of \$434, including \$269 of deferred consideration to be paid over a three year period. In addition, the Fund has incurred acquisition costs of \$63 related to professional fees and other costs associated with the purchase of these assets and operations.

These transactions have been accounted for by the purchase method and the results of operations are included in the Fund's accounts from the dates of acquisition. Details of the acquisitions for the year ended December 31 are as follows:

	2010	2009
Net assets acquired, at fair value:		
Current assets	\$ -	\$ 2
Property, plant and equipment	-	32
Intangible assets	-	463
Goodwill	-	-
	-	497
Less current liabilities	-	-
	\$ -	\$ 497
Purchase consideration:		
Cash	\$ -	\$ 165
Deferred consideration	-	269
Acquisition costs	-	63
	\$ -	\$ 497

Costs related to integration of these acquisitions are expensed as they are incurred during the year.

5. INVENTORIES

The components of inventories are as follows:

	2010	2009
Raw materials	\$ 6,915	\$ 5,515
Finished goods	3,578	3,173
	\$ 10,493	\$ 8,688

During the year ended December 31, 2010, inventories totaling \$60,747 were expensed (2009 - \$56,950) to cost of sales, selling, general and administration expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009 (amounts in thousands of U.S. dollars, except per unit amounts)

6. PROPERTY, PLANT AND EQUIPMENT

The components of property, plant and equipment are as follows:

2010			
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 8,029	\$ -	\$ 8,029
Buildings	39,923	14,488	25,435
Machinery and equipment	117,192	49,039	68,153
Merchandisers	78,522	49,989	28,533
Vehicles	19,951	16,745	3,206
Computer and office equipment	12,011	10,266	1,745
Leasehold improvements	5,807	3,679	2,128
	\$ 281,435	\$ 144,206	\$ 137,229
2009			
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 7,948	\$ -	\$ 7,948
Buildings	38,640	12,142	26,498
Construction in progress	235	-	235
Machinery and equipment	108,192	41,869	66,323
Merchandisers	70,491	38,161	32,330
Vehicles	20,470	15,900	4,570
Computer and office equipment	10,992	8,809	2,183
Leasehold improvements	4,968	2,939	2,049
	\$ 261,956	\$ 119,820	\$ 142,136

Amortization in respect of property, plant and equipment for the year ended December 31, 2010 amounted to \$24,351 (2009 - \$21,149).

During 2009, the Fund recorded an impairment loss of \$290 on certain land and building assets located in Michigan that are not in use and listed for sale. The impairment is a result of a decrease in the net realizable value of the assets due to declining real estate values in the region. In 2010, no impairment of property, plant and equipment was identified.

7. INVESTMENTS

During 2009, the Fund disposed its non-controlling 9% interest in a captive reinsurance company. As a result of this disposal, the Fund has recognized a loss on disposal for the year ending December 31, 2009 of \$85 that is included in loss on disposals.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009 *(amounts in thousands of U.S. dollars, except per unit amounts)*

8. INTANGIBLE ASSETS

The components of intangible assets are as follows:

	2010		
	Cost	Accumulated Amortization	Net Book Value
Trademark	\$ 1,386	\$ -	\$ 1,386
Non-competition agreements	2,171	1,498	673
Customer relationships	146,162	33,577	112,585
Other	250	21	229
	\$ 149,969	\$ 35,096	\$ 114,873

	2009		
	Cost	Accumulated Amortization	Net Book Value
Trademark	\$ 1,312	\$ -	\$ 1,312
Brands and trade names with finite lives	500	442	58
Non-competition agreements	2,249	1,127	1,122
Customer relationships	146,316	26,261	120,055
	\$ 150,377	\$ 27,830	\$ 122,547

The aggregate amortization expense for intangibles for the year ended December 31, 2010 totaled \$7,989 (2009 - \$9,126). This amount is comprised of amortization of brands and trade names with finite lives of \$58 (2009 - \$445), non-competition agreements of \$445 (2009 - \$1,336), customer relationships of \$7,365 (2009 - \$7,347) and other assets of \$21 (2009 - \$nil).

9. GOODWILL

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

	2010	2009
Balance, beginning of year	\$ 146,807	\$ 144,416
Reductions	(163)	(337)
Goodwill impairment	(76,008)	-
Foreign currency translation	1,126	2,728
Balance, end of year	\$ 71,762	\$ 146,807

Reductions of \$163 (2009 - \$337) represent a revision of the estimated acquisition and restructuring costs accrued related to acquisitions completed in previous years.

Under Canadian GAAP, goodwill is not amortized but is subject to impairment testing. At September 30, 2010, the Fund conducted a goodwill impairment test and, as a result, management determined that the recorded value of goodwill for the western U.S. reporting unit exceeded their fair value and recorded a goodwill impairment charge of \$76,008, comprising 100% of the goodwill balance for that reporting unit. The contributing factors to the impairment of goodwill included reduced operating margins driven by reduced selling prices as a result of increased competitive activity, increased input costs, the overall weakened state of the North American economy and markets, and a reduction in the valuation of packaged ice companies. No impairment to the value of goodwill in other reporting units, other intangible assets or property, plant and equipment was identified during this impairment testing.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009 (amounts in thousands of U.S. dollars, except per unit amounts)

10. LONG-TERM DEBT

The components of long-term debt are as follows:

	2010	2009
Term loan	\$ 189,009	\$ -
Senior secured notes	-	60,000
Revolving term credit facility	-	95,498
Deferred acquisition consideration - Union Ice	-	1,000
Deferred acquisition consideration - other	198	283
Other (Note 18 and 26)	6,442	6,778
	195,649	163,559
Less deferred financing charges	16,736	500
	178,913	163,059
Less principal included in current liabilities	2,391	61,099
	\$ 176,522	\$ 101,960

On February 10, 2010, a subsidiary of the Fund entered into a four-year term loan in the amount of US\$185,000 (US\$138,419 and C\$50,000). The loan is secured by a second charge on all assets of the Fund and its subsidiaries and matures on February 10, 2014. The term loan bears interest at a floating rate that is the greater of 11% or a base rate of banker's acceptances or LIBOR plus 9%, plus payment in kind ("PIK") interest of 1%. Interest is payable quarterly, except for PIK interest, which is accrued and payable at maturity. There are scheduled annual principal repayments of US\$1,384 and C\$500 plus an annual payment based on calculation of excess cash flow, with the remainder due at maturity. In connection with the new loan, the Fund issued unlisted warrants to the term loan lenders to acquire up to 3.0 million units of the Fund at any time prior to February 9, 2014 at an exercise price of C\$4.00 per unit.

The proceeds of this loan were used to repay the senior secured notes, pay fees and expenses related to the debt and reduce the amount outstanding on the revolving term credit facility. The term loan includes a variable prepayment option at a premium. The prepayment option represents an embedded derivative that is accounted for separately at fair value. At December 31, 2010 the estimated value of the prepayment option is nominal. As a result of the refinancing, the Fund incurred deferred financing charges of \$17,762 which are being amortized over the term of the loan using the effective interest method.

Also on February 10, 2010 the Fund's lenders amended the existing revolving term credit facility to accommodate the new term loan. The facility, which is secured by a first charge on all assets of the Fund and its subsidiaries, was reduced in size to US\$70,000 and the maturity date was extended to February 10, 2013. Amounts can be drawn in either Canadian or U.S. dollars, and the facility bears interest at a floating rate of prime, LIBOR or banker's acceptances plus a credit margin based on the Fund's quarterly leverage ratio, and does not require scheduled principal repayments prior to maturity. The Fund incurred deferred financing charges of \$2,037 as a result of this amendment. These costs are being amortized over the term of the facility.

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

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

At December 31, 2010, the Fund's revolving term credit facility consisted of a \$67,500 commitment (2009 - \$143,750). The balance outstanding on the credit facility at December 31, 2010 was \$nil (2009 - \$95,498), including C\$nil (2009 - C\$28,900) repayable in Canadian funds and \$nil (2009 - \$68,000) repayable in U.S. funds. The balance outstanding carried a weighted average interest rate of nil at December 31, 2010 (2009 - 8.7%).

At December 31, 2009, the Fund's subsidiaries had issued \$60,000 of senior secured five-year notes that were denominated in U.S. dollars and carried a fixed annual interest rate of 5.35% payable monthly. The principal was due upon maturity on March 1, 2010. On February 10, 2010 these notes were repaid in their entirety.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009 (amounts in thousands of U.S. dollars, except per unit amounts)

The Fund is in compliance with all debt covenants as at December 31, 2010.

The Fund's subsidiaries had unsecured notes payable outstanding of \$1,000 at December 31, 2009 to the sellers of Union Ice acquired in March 2007. Under the terms of the purchase agreement, the sellers were entitled to receive additional consideration totaling \$5,000. Of this amount, \$2,500 was paid in April 2008, \$1,500 was paid in January 2009 and \$1,000 was paid in January 2010. The discounted fair market value of the obligation at date of issue was recorded at \$4,419 and the discount was accreted to interest expense over the duration of the obligation. The accretion of the discount for the year ended December 31, 2010 totals \$nil (2009 - \$73).

The Fund's subsidiaries have unsecured notes payable outstanding of \$198 at December 31, 2010 (2009 - \$283) that come due on July 31, 2012. These loans and notes payable are non-interest bearing and have been discounted at a weighted average rate of 10.9% (2009 - 10.9%).

In October 2009, a subsidiary of the Fund entered into an agreement with the United States Department of Justice ("DOJ") Antitrust Division to settle all charges against it related to the DOJ's antitrust investigation. Under the terms of the agreement, a subsidiary of the Fund agreed to pay a fine of \$9,000, payable in installments of \$1,000 due 30 days after entry of judgment, which occurred on March 4, 2010; \$1,000 at the one-year anniversary date; \$1,500 at each of the two, three and four-year anniversary dates; and a final payment of \$2,500 at the five-year anniversary date. This obligation has been recorded in other long-term debt at its discounted value of \$5,959 (2009 - \$6,264) using a discount rate of 12.0% (2009 - 12.0%). The accretion of the discount for the year ended December 31, 2010 totals \$695 (2009 - \$nil).

A subsidiary of the Fund has an unsecured note payable of \$483 at December 31, 2010 (2009 - \$514) representing a retirement allowance to its former President and Chief Executive Officer that is payable in equal quarterly installments to December 2016. This note is non-interest bearing and has been discounted at a weighted average rate of 7.5%. The discount is accreted to interest over the duration of the obligation. The accretion of the discount for the year ended December 31, 2010 totals \$37 (2009 - \$38).

Principal repayments until maturity are as follows as at December 31, 2010:

	Amount
2011	\$ 2,391
2012	2,999
2013	3,018
2014	184,619
2015	2,526
2016 and thereafter	96
	<hr/>
	\$ 195,649

11. CONVERTIBLE DEBENTURES

The Fund has issued C\$100,000 of 6.5% convertible unsecured subordinated debentures that are due on July 31, 2011. The debentures pay interest semi-annually in arrears on January 31 and July 31 of each year, and are convertible at the option of the holders into Fund units at any time prior to maturity at a conversion price of C\$12.60 per unit. The debentures cannot be redeemed by the Fund on or before July 31, 2009. They can be redeemed by the Fund after July 31, 2009 and on or prior to July 31, 2010 provided that the market price of Fund units is not less than 125% of the conversion price, and after July 31, 2010 on 30 to 60 days notice. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering the number of Fund units equal to the amount due divided by 95% of the 20 day volume-weighted average trading price of the trust units at that time, plus accrued and unpaid interest in cash.

The liability component of the debentures outstanding at December 31, 2010 of \$89,251 (2009 - \$81,515) represents the present value of the mandatory cash payments of principal and interest due under the terms of the debenture discounted at 9%, being the rate of interest that would have been applicable to a debt only instrument of comparable term and risk. The discount is accreted to interest expense over the term of the debentures. Since the debentures are due on July 31, 2011, they are classified as a current liability.

The equity component of the debentures outstanding at December 31, 2010 of \$8,358 (2009 - \$8,358) represents the estimated fair value of the holder's conversion option on the date of issue, and was calculated as the difference between the face value of the debenture and the liability component at that time.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009 (amounts in thousands of U.S. dollars, except per unit amounts)

Details of the debentures are as follows:

	Number of Debentures	Equity	Liability
Balance at December 31, 2008	90.6	\$ 8,358	\$ 69,023
Accretion of discount	-	-	2,486
Foreign currency translation	-	-	11,006
Balance at December 31, 2009	90.6	8,358	81,515
Accretion of discount	-	-	3,008
Foreign currency translation	-	-	4,728
Balance at December 31, 2010	90.6	\$ 8,358	\$ 89,251

The Fund incurred issuance costs of \$4,768 related to the convertible debentures. The Fund reclassified the unamortized balance of deferred financing charges outstanding at January 1, 2007 of \$3,884 against the actual debt for which they were incurred and will amortize that balance based on the effective interest method. These costs are amortized over the term of the convertible debentures and for the year ended December 31, 2010 totaled \$1,046 (2009 - \$855).

There were no conversions of convertible debentures during the years ended December 31, 2010 or 2009.

12. CAPITAL CONTRIBUTIONS

Authorized

The Fund may issue an unlimited number of units pursuant to the Declaration of Trust. Each unit represents an equal fractional undivided beneficial interest in any distributions from the Fund, and in the net assets in the event of termination or wind-up of the Fund. All units are of the same class with equal rights and privileges.

Fund units are redeemable at any time at the option of the holder at a price based on market value as defined in the Declaration of Trust, subject to a maximum of C\$50 in cash redemptions by the Fund in any one month. Redemptions in excess of this amount will be paid by way of a distribution of a pro rata number of shares and notes of Arctic Glacier Inc. held by the Fund.

Issued

Fund units are included in unitholders' capital contributions on the consolidated balance sheet as follows:

	Number of Units	Amount
Balance at December 31, 2008	39,042.2	\$ 325,207
Units issued for cash consideration under stock option plan	1.2	2
Balance at December 31, 2009 and December 31, 2010	39,043.4	\$ 325,209

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009 (amounts in thousands of U.S. dollars, except per unit amounts)

Options

The trustees of the Fund may grant options to acquire Fund units to trustees, officers, consultants and employees of the Fund under the terms of the incentive stock option plan at an exercise price not less than the weighted average trading price of the units for the five trading days preceding the grant date. The options vest over periods determined by the trustees and expire over periods not to exceed ten years.

A summary of the stock option plan is as follows:

	2010		2009	
	Units	Weighted Average Exercise Price (C\$)	Units	Weighted Average Exercise Price (C\$)
Balance, beginning of year	3,776.5	\$ 8.59	3,856.2	\$ 11.29
Granted	920.0	2.24	1,044.5	1.68
Exercised	-	-	(1.2)	1.63
Expired	(1,226.8)	10.97	(1,123.0)	11.43
Balance, end of year	3,469.8	\$ 6.06	3,776.5	\$ 8.59
Exercisable, end of year	2,357.0	\$ 7.36	2,541.8	\$ 9.91
Weighted average fair value per unit of options granted during the year		\$ 0.53		\$ 0.30

The range of exercise prices for options outstanding at December 31, 2010 is as follows:

Options Outstanding			Options Exercisable		
Exercise Price (C\$)	Number	Weighted Average Remaining Contractual Life	Exercise Price (C\$)	Number	Weighted Average Exercise Price (C\$)
\$ 1.63	761.8	3.4 years	\$ 1.63	507.5	\$ 1.63
1.66	263.5	3.6 years	1.66	175.7	1.66
1.83	363.8	4.7 years	1.83	121.3	1.83
2.38	456.2	4.5 years	2.38	152.1	2.38
3.09	100.0	4.0 years	3.09	33.3	3.09
11.18	629.5	2.0 years	11.18	472.1	11.18
11.46	895.0	1.0 years	11.46	895.0	11.46
	3,469.8	2.8 years	\$ 6.06	2,357.0	\$ 7.36

The compensation expense related to options granted under the stock option plan totaled \$693 for the year ended December 31, 2010 (2009 - \$528). The compensation expense was determined based on the fair value of the options at the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2010	2009
Expected option life	5 years	5 years
Risk-free interest rate	2.9%	3.4%
Distribution yield	4.3%	6.8%
Expected volatility	21.2%	20.4%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009 (amounts in thousands of U.S. dollars, except per unit amounts)

Unitholder Rights Plan

The Fund has a Unitholder Rights Plan, the primary objective of which is to provide the trustees of the Fund with sufficient time to explore and develop alternatives for maximizing unitholder value if any takeover bid is made for the Fund and to provide every unitholder with an equal opportunity to participate in such a bid. The Unitholder Rights Plan encourages a potential acquirer to proceed either by way of a permitted bid, which requires a takeover bid to satisfy certain minimum standards designed to promote fairness, or with the concurrence of the trustees.

13. WARRANTS

On February 10, 2010, in connection with the new term loan, the Fund issued unlisted warrants to the term loan lenders to acquire up to 3.0 million units of the Fund at any time prior to February 9, 2014 at an exercise price of C\$4.00 per unit. No warrants had been exercised as of December 31, 2010. The fair value of the warrants of \$1,484 was determined using the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 2.1% and an expected unit price volatility of 21.3% for an expected life of four years. The fair value of the warrants has been recognized as a component of deferred financing charges on the Fund's consolidated balance sheet.

Subsequent to the end of the year, on March 30, 2011, in connection with obtaining the required consent to enter into a class action litigation settlement agreement, the Fund's term loan lenders required the Fund to amend the exercise price of the 3.0 million unlisted warrants that were previously issued to them. The effective date of the amended warrant exercise price will be 10 business days from the date of the amendment. The warrant exercise price has been amended to be the lesser of (i) C\$1.60 per unit and (ii) an amount calculated as a 20% premium to the volume-weighted average price of units traded on the Toronto Stock Exchange ("TSX") during the five consecutive trading days ending on the fifth trading day following the effective date of the warrant amendment, provided that the exercise price per warrant shall not be less than the volume weighted average price at which the units have traded on the TSX during the five consecutive trading days ending on the date prior to March 30, 2011. All other material terms of the unlisted warrants remain the same.

14. INTEREST

Interest expense is comprised of the following:

	2010	2009
Long-term debt	\$ 23,521	\$ 13,036
Accretion of long-term debt	757	125
Payment-in-kind interest	1,664	-
Amortization of transitional adjustment on interest rate swap	70	70
Operating line of credit	64	80
Convertible debentures	5,719	5,184
Accretion of convertible debenture principal	1,962	1,631
Amortization of deferred financing	4,993	1,421
Change in fair value of interest rate swap	(2,340)	(1,014)
	\$ 36,410	\$ 20,533

15. LOSS (GAIN) ON FOREIGN EXCHANGE

The Fund uses foreign exchange forward and option contracts to manage the risk associated with fluctuations in the value of the Canadian dollar, its functional currency, relative to the U.S. dollar in the normal course of business. The gain on foreign exchange contracts for the year ended December 31, 2010 totaled \$nil (2009 - \$420). This amount is comprised of a realized loss of \$nil (2009 - \$95) on the exercise of foreign exchange contracts, and an unrealized gain of \$nil (2009 - \$515) resulting from non-cash mark-to-market adjustments.

Effective January 1, 2007, the Fund ceased applying hedge accounting on the balance of \$13,200 of U.S. denominated long-term debt held in its Canadian subsidiary. The Fund recorded an unrealized foreign exchange loss of \$283 on these U.S. long-term debt holdings during the year ended December 31, 2010 (2009 - \$1,936 gain).

Foreign exchange losses totaling \$131 were realized on foreign currency transactions during the year ended December 31, 2010 (2009 - \$55) and are included in cost of sales, selling, general and administrative expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009 (amounts in thousands of U.S. dollars, except per unit amounts)

16. INCOME TAXES

On June 12, 2007, Bill C-52 was passed by the House of Commons, and was given Royal Assent on June 22, 2007. Bill C-52 includes new legislation relating to the taxation of publicly traded income trusts and certain other publicly traded flow-through entities. Under the new rules certain distributions from a "specified investment flow-through" trust or partnership (a "SIFT") will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, the Legislation provides that distributions paid by a SIFT as return of capital should not be subject to the tax.

The Legislation provides that a SIFT that was publicly listed prior to November 1, 2006 (an "Existing Fund") will become subject to the tax on distributions commencing with the 2011 taxation year. However, an Existing Fund may become subject to this tax prior to the 2011 taxation year if equity capital increases beyond certain limits measured against its market capitalization at October 31, 2006 (the "Safe Harbour Limits").

As the Fund has not exceeded its Safe Harbour Limits, it will become subject to tax on certain Canadian sourced income commencing in 2011. The Fund has accounted for future income tax assets and liabilities in respect of accounting and tax basis differences that are expected to reverse in or after 2011, with a corresponding credit or charge to consolidated earnings for the period.

Components of income tax provision

The provision for income taxes is comprised of the following:

	2010	2009
Canada:		
Current income taxes	\$ 33	\$ 60
Future income tax (reduction)	(2,409)	898
	(2,376)	958
United States:		
Current income taxes	295	403
Future income tax (reduction)	(16,160)	6,291
	(15,865)	6,694
Total	\$ (18,241)	\$ 7,652

Reconciliation to statutory rate

The overall income tax provision differs from the amount that would be obtained by applying the combined statutory income tax rate to earnings due to the following:

	2010	2009
Net loss before income taxes	\$ (112,193)	\$ (8,222)
Combined Canadian federal and provincial income tax rate	26.4%	27.1%
Income tax recovery based on statutory income tax rate	\$ (29,619)	\$ (2,228)
Increase (decrease) resulting from:		
Effect of change in valuation allowance	18,710	7,925
Non-deductible expenses	3,849	2,788
Capital and state taxes, net of federal tax benefit	193	281
Loss of the fund not subject to tax	438	66
Effect of change in enacted tax rates	-	63
Effect of non-taxable portion of goodwill impairment	2,585	-
Effect of difference in tax rates on U.S. income	(13,837)	(1,427)
Other	(560)	184
Income tax expense (reduction)	\$ (18,241)	\$ 7,652

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009 (amounts in thousands of U.S. dollars, except per unit amounts)

Future income tax liability

Significant components of the net future income tax liability are as follows:

	2010	2009
Future income tax assets:		
Non-capital losses	\$ 55,435	\$ 47,380
Antitrust related litigation settlements	1,519	-
Restructuring charges	-	45
Other temporary differences	314	548
	57,268	47,973
Valuation allowance	(41,982)	(23,272)
	15,286	24,701
Future income tax liabilities:		
Property, plant and equipment, intangible assets and goodwill	(5,382)	(33,386)
Net future income tax asset (liability)	\$ 9,904	\$ (8,685)

The tax basis of the Fund's assets exceed their carrying value at December 31, 2010 by \$219 (2009 - \$1,609).

17. COSTS OF ANTITRUST INVESTIGATIONS AND RELATED LITIGATION

On October 13, 2009, a subsidiary of the Fund entered into an agreement with the United States Department of Justice ("DOJ") Antitrust Division, settling all charges related to allegations that three former employees conspired with a co-conspirator company from January 2001 through July 2007 to allocate packaged ice customers in southeastern Michigan and the Detroit metropolitan area. On February 11, 2010, the plea agreement was accepted by the United States District Court for the Southern District of Ohio. Under terms of the agreement, the subsidiary agreed to plead guilty and to pay a fine of \$9,000, payable in installments of \$1,000 due 30 days after entry of judgment which occurred on March 4, 2010; \$1,000 at the one-year anniversary date; \$1,500 at each of the two, three and four-year anniversary date; and a final payment of \$2,500 at the five-year anniversary date. This obligation has been recorded in long-term debt at its discounted present value of \$5,959 (2009 - \$6,264). The Fund has also agreed to cooperate with the DOJ's ongoing investigation of other companies and individuals in relation to the U.S. packaged ice industry. The agreement concludes the DOJ's investigation as it relates in any way to the Fund, its board, management and staff in all markets.

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

Total costs incurred in connection with the ongoing investigations and related litigation for the year ended December 31, 2010 are estimated at \$15,577 (2009 - \$11,253). For the year ended December 31, 2010, the costs are comprised of fines of \$nil, (2009 - \$6,264), the current value of the U.S. direct purchaser litigation settlement of \$11,393 (2009 - \$nil) and estimated legal and other costs of \$4,184 (2009 - \$4,989). See also Note 24.

18. LOSS PER UNIT

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

	2010	2009
Loss and diluted loss available to unitholders	\$ (93,952)	\$ (15,874)
Basic and diluted weighted average number of units	39,043.4	39,042.3
Basic and diluted loss per unit	\$ (2.41)	\$ (0.41)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009 (amounts in thousands of U.S. dollars, except per unit amounts)

19. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

Changes in non-cash working capital items are as follows:

	2010	2009
Accounts receivable	\$ 207	\$ (475)
Inventories	(1,805)	346
Prepaid expenses	1,174	(554)
Accounts payable and accrued liabilities	2,556	(743)
	\$ 2,132	\$ (1,426)

20. SEGMENTED INFORMATION

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

The following presents key information by geographic segment:

	2010		
	Canada	U.S.	Total
Total sales	\$ 44,643	\$ 188,846	\$ 233,489
Cost of sales, selling, general and administration expenses	39,523	145,090	184,613
	\$ 5,120	\$ 43,756	\$ 48,876
Earnings (loss)	\$ (8,514)	\$ (85,438)	\$ (93,952)
Goodwill	\$ 20,977	\$ 50,785	\$ 71,762
Total assets	\$ 60,433	\$ 308,575	\$ 369,008

	2009		
	Canada	U.S.	Total
Total sales	\$ 39,161	\$ 188,427	\$ 227,588
Cost of sales, selling, general and administration expenses	32,354	140,737	173,091
	\$ 6,807	\$ 47,690	\$ 54,497
Earnings (loss)	\$ 1,601	\$ (17,475)	\$ (15,874)
Goodwill	\$ 19,885	\$ 126,922	\$ 146,807
Total assets	\$ 54,762	\$ 383,031	\$ 437,793

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009 (amounts in thousands of U.S. dollars, except per unit amounts)

21. EMPLOYEE BENEFIT PLANS

The Fund sponsors a voluntary group registered retirement savings plan and deferred profit sharing plan for certain eligible Canadian employees and a voluntary 401(k) retirement savings plan for certain eligible employees. The expense related to the Fund's contributions to these plans for the year ended December 31, 2010 totaled \$919 (2009 - \$876).

22. COMMITMENTS

The Fund's subsidiaries rent premises and equipment under long-term operating leases. The following is a schedule by year of rental payments required under operating leases outstanding at December 31, 2010:

2011	\$	12,958
2012		11,162
2013		8,894
2014		7,251
2015		6,043
2016 and thereafter		37,293
Total	\$	83,603

23. CONTINGENCIES

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

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

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

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

Subsequent to the year, on March 11, 2011, the Court partially granted a motion filed by the Fund to dismiss the non-Michigan claims in the MDL indirect purchasers' action. The Court dismissed many of the indirect purchaser's state law claims restricting all claims to those states in which the named plaintiffs reside, reducing dramatically the number of claims pending in the action.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

On May 7, 2009, a civil lawsuit was filed against a subsidiary of the Fund in Ontario Superior Court ("the May 2009 Action") seeking damages of C\$110,000 on behalf of a proposed class of customers in Ontario that had purchased packaged ice directly from the subsidiary during a proposed class period commencing January 1, 2001. The plaintiffs to this action have agreed to have it dismissed.

On March 1, 2010, a second claim was issued in the Ontario Superior Court on behalf of one of the two plaintiffs from the May 2009 Action. This action (the "March 2010 Action") is brought against a subsidiary of the Fund, a former employee and another packaged ice company on behalf of a proposed class of purchasers in Ontario, British Columbia, Manitoba, Saskatchewan and Quebec during a proposed class period commencing January 1, 2001. The March 2010 Action alleges anticompetitive behavior by the subsidiary and the other packaged ice company and seeks damages of C\$100,000 plus punitive and exemplary damages in the amount of C\$10,000 plus interest and costs. A certification motion hearing is pending and could be heard by mid-2011.

A similar civil lawsuit was filed against a subsidiary of the Fund in Alberta Superior Court on June 24, 2009 also seeking damages of C\$110,000 on behalf of a proposed class of customers in Alberta that had purchased packaged ice directly from the subsidiary during a proposed class period commencing January 1, 2001. This action alleges anticompetitive behavior by the subsidiary and a number of U.S. manufacturers of packaged ice. No substantive steps have been taken by the plaintiff in this action. This claim is aligned with the March 2010 Action and together they should be considered as one claim as they deal with exactly the same alleged activity and claim the same relief.

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

Subsequent to the end of the year, on March 4, 2011, a class action complaint was filed in Kansas state court on behalf of indirect purchasers of packaged ice. The action alleges that the Fund, a subsidiary and three former employees, among other defendants, engaged in conduct similar to that alleged in the indirect purchaser actions in violation of Kansas state law. The Fund has not yet been served in this action.

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

Certain other litigation arising in the normal course of business is pending against the Fund and its subsidiaries. While the final outcome with respect to actions outstanding or pending as at December 31, 2010 cannot be predicted with certainty, the Fund is of the opinion that the resolution of such litigation will not have a significant effect on the consolidated financial statements of the Fund and its subsidiaries.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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24. FINANCIAL INSTRUMENTS

Fair value

The carrying value and fair value of financial instruments and non-financial derivatives at December 31 is as follows:

	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Carried at cost/amortized cost:				
Accounts receivable	\$ 11,804	\$ 11,804	\$ 12,011	\$ 12,011
Accounts payable and accrued liabilities	(22,320)	(22,320)	(19,254)	(19,254)
Long-term debt	(178,913)	(199,732)	(163,059)	(167,554)
Convertible debentures	(97,609)	(74,490)	(89,873)	(78,673)
Carried at fair value:				
Cash	9,240	9,240	727	727
Interest rate swap liability	(1,596)	(1,596)	(3,915)	(3,915)
Antitrust related litigation settlements	(11,393)	(11,393)	-	-

The fair value of a financial instrument is the estimated amount that the Fund would receive or pay to terminate the instrument at the reporting date, based on current markets for instruments with similar risks, principal and remaining maturity.

The carrying value of accounts receivable and accounts payable and accrued liabilities approximates their fair value, since these items fall due in the short-term.

The fair value of the Fund's long-term debt has been calculated using the future cash flows (principal and interest) of the actual outstanding debt instruments, discounted at current market rates available to the Fund for the same or similar instruments.

The fair value of the Fund's convertible debentures is based on the current market value of the debentures.

The fair value of the interest rate swap agreements is based on the amount at which they could be settled and is recorded in accounts payable and accrued liabilities.

The fair value of the antitrust related litigation settlements has been calculated using the future cash flows of the liability, discounted at current market rates available to the Fund.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data.

	2010			
	Level 1	Level 2	Level 3	Total
Interest rate swap liability	\$ -	\$ (1,596)	\$ -	\$ (1,596)
				2009
	Level 1	Level 2	Level 3	Total
Interest rate swap liability	\$ -	\$ (3,915)	\$ -	\$ (3,915)

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Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund is exposed to credit risk primarily through its accounts receivable. Credit risk on accounts receivable is minimized as a result of the large and geographically diverse customer base. The Fund, in its normal course of business, evaluates the financial condition of its customers on a continuous basis and examines credit history for new customers. The Fund establishes a provision for bad debts based on specific customers' credit risk, historical trends and other information on the economic situation. The Fund believes that its customers are not exposed to a credit risk level higher than normal.

The carrying amount of accounts receivable is reduced through the use of allowance for doubtful accounts and the amount of the charge for accounts deemed uncollectible is recognized in the statement of operations within cost of sales, selling, general and administration expenses.

The aging of accounts receivable at December 31 is as follows:

	2010	2009
Accounts receivable, gross		
Current	\$ 8,023	\$ 8,529
Past due, over 30 days	4,416	4,138
	12,439	12,667
Less allowance for doubtful accounts	(635)	(656)
Accounts receivable	\$ 11,804	\$ 12,011

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Fund and its subsidiaries have certain floating rate debt and may be negatively impacted by increases in interest rates, the effect of which would increase interest expense. To the contrary, if interest rates decline, interest expense would be reduced.

The Fund uses interest rate swap agreements in order to fix interest rates on a portion of long-term debt. The interest rate swap agreement entitles a subsidiary to receive interest at floating rates and pay interest at a fixed rate. The Fund entered into the following interest rate swap agreements as at December 31, 2010: (i) notional amount of \$30,000 expiring on May 31, 2011, with an effective interest rate of 5.6% resulting in interest charges to the Fund of 5.6% plus applicable credit margin; (ii) notional amount of \$20,000 expiring on May 31, 2011, with an effective interest rate of 4.1% resulting in interest charges to the Fund of 4.1% plus applicable credit margin; and, (iii) notional amount of C\$10,000 expiring on May 31, 2011, with an effective interest rate of 4.1% resulting in interest charges to the Fund of 4.1% plus applicable credit margin. The non-cash unrealized gain on the interest rate swap agreement for the year ending December 31, 2010 totaled \$2,340 (2009 - \$1,014).

At December 31, 2010, long-term debt totaling \$189,009 (2009 - \$35,983) was subject to floating rates and \$6,640 (2009 - \$127,576) had fixed rates. As a result, a one-percentage point increase in average interest rates would have increased interest expense for the year by approximately \$131 (2009 - \$582).

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of recognized assets and liabilities or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Fund and its subsidiaries are subject to fluctuations in the value of the Canadian dollar relative to the U.S. dollar in the normal course of business. A substantial portion of cash flows are realized in U.S. dollars. Fluctuations in the exchange rate between the Canadian dollar and the U.S. dollar may have an adverse effect on financial results.

The Fund and its subsidiaries have hedged their debt capability by establishing their debt on a multi-currency basis and funding U.S. acquisitions with debt denominated in U.S. dollars, thereby allowing it to be serviced and repaid directly from U.S. cash flows. For the year ended December 31, 2010, the Fund recorded an unrealized gain of \$nil (2009 - \$515) resulting from the mark-to-market adjustments of foreign exchange contracts at the end of the period and cash losses of \$nil (2009 - \$95) realized on the exercise of currency option contracts that matured during the period.

At December 31, 2010, the aggregate amount of foreign exchange forward contracts outstanding was \$nil (2009 - \$nil) and the aggregate notional amount of option contracts was \$nil (2009 - \$nil).

A \$0.01 strengthening in the value of the Canadian dollar in relation to the U.S. dollar would have increased loss for the year by \$84 (2009 - decreased loss \$14).

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Years ended December 31, 2010 and 2009. Amounts in thousands of U.S. dollars, except per unit amounts

Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity risk is to ensure that, under both normal and stressed conditions, it always has sufficient cash and credit facilities to meet its obligations when due, without incurring unacceptable losses or damage to the Fund's reputation. Typically, the Fund ensures that it has sufficient cash or available room on its revolving term credit facility to meet expected operational expenses, excluding the potential impact of extreme circumstances that cannot reasonably be predicted.

The Fund has C\$90,600 of convertible debentures that mature on July 31, 2011. In connection with this, the Fund has engaged a financial advisor to conduct a comprehensive review of financing and strategic alternatives, seek submission of proposals from interested parties and execute a financing or strategic transaction. The Fund is working towards completing such a financing or strategic transaction, which is scheduled to be completed by June 30, 2011. However, at the present time it cannot be certain if the Fund will be successful in executing a transaction prior to this date. In the event that the Fund is unable to complete a financing or strategic transaction that allows it to refinance the debentures at or prior to maturity, the Fund has the option, on not less than 30 days prior notice and subject to applicable regulatory approval, to satisfy its obligations related to the debenture by issuing Fund units to the debenture holders.

The following are the contractual maturities of the Fund's financial liabilities at December 31, 2010, excluding interest payments:

Payments Due by Period					
	Total	Within 1 year	2 - 3 years	4 - 5 years	After 5 years
Non-derivative financial liabilities					
Accounts payable and accrued liabilities	\$ 22,320	\$ 22,320	\$ -	\$ -	\$ -
Antitrust related litigation settlements	11,393	11,393	-	-	-
Long-term debt	195,649	2,391	6,017	187,145	96
Convertible debentures	91,092	91,092	-	-	-
Operating leases	83,603	12,958	20,058	13,294	37,293
Purchase obligations	2,647	2,647	-	-	-
	406,704	142,801	26,075	200,439	37,389
Derivative financial liabilities					
Interest rate swap	1,596	1,596	-	-	-
Total	\$ 408,300	\$ 144,397	\$ 26,075	\$ 200,439	\$ 37,389

25. RELATED PARTIES

A subsidiary of the Fund leases a production facility located in Arizona from a company indirectly owned and controlled by a trustee of the Fund. The lease term is until May 2015. The lease includes an option to purchase the facility during the term on commercially reasonable terms. Lease payments for the year ended December 31, 2010 totaled \$1,295 (2009 - \$1,199). In addition accounts receivable includes \$30 (2009 - \$20) due from a trustee of the Fund and \$28 (2009 - \$nil) due from a company subject to significant influence by a trustee of the Fund.

A subsidiary of the Fund has a retirement agreement with a trustee of the Fund, who is the former President and Chief Executive Officer, to provide a retirement allowance in the amount of C\$1,000 to be paid in equal quarterly installments over a period of 10 years ending in 2016. As at December 31, 2010 the discounted fair value of the obligation was \$483 (2009 - \$514) and is reflected in long-term debt. The discount is accreted to interest over the duration of the obligation.

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26. CAPITAL

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

The Fund determines the appropriate level of debt in the context of its cash flow and overall business risks. The Fund defines net debt as total long-term debt and bank indebtedness, reduced by cash. The Fund typically maintains a level of net debt that provides adequate financial flexibility to meet operating and working capital requirements. Additionally, the Fund has historically generated cash flow in excess of cash distributions to unitholders and has used a portion of the excess funds to pay down net debt. In September 2008, the Fund suspended distributions and the trustees of the Fund do not anticipate paying distributions for the foreseeable future as the new loan agreement entered into in February 2010 effectively prevents payment of distributions through February 2014.

The Fund's debt is subject to a number of covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests at a subsidiary level. The primary ratio is the leverage ratio, defined in the Fund's credit agreement as net debt to trailing 12-month EBITDA. Subsequent to the end of the year, the Fund's credit agreements were amended. The leverage ratio for the 12 month trailing period ending December 31, 2010 as defined in the revolving term credit facility agreement was 3.69 to 1 (2009: 2.9 to 1) compared to the permitted maximum of 3.75 and as defined in the term loan agreement was 3.74 compared to the permitted maximum of 4.00 for that period. In addition, the Fund's credit agreements require the Fund to maintain a 12 month trailing EBITDA of \$45,000 from January 1, 2010 to April 1, 2012, and \$48,000 thereafter. The Fund's EBITDA for the 12 month trailing period ending December 31, 2010 as defined in the credit agreement was \$49,876 (2009: \$54,497). The Fund is in compliance with all debt covenants at December 31, 2010.

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

The Fund has C\$90,000 of convertible debentures that mature on July 31, 2011. In connection with this, the Fund has engaged a financial advisor to conduct a comprehensive review of financing and strategic alternatives, seek submission of proposals from interested parties and execute a financing or strategic transaction. The Fund is working towards completing such a financing or strategic transaction, which is scheduled to be completed by June 30, 2011. However, at the present time it cannot be certain if the Fund will be successful in executing a transaction prior to this date. In the event that the Fund is unable to complete a financing or strategic transaction that allows it to refinance the debentures at or prior to maturity, the Fund has the option, on not less than 30 days prior notice and subject to applicable regulatory approval, to satisfy its obligations related to the debenture by issuing Fund units to the debenture holders.

27. COMPARATIVE FIGURES

Certain items in the comparative consolidated financial statements have been reclassified from the statements previously presented to conform to the presentation of the 2010 consolidated financial statements.