Stability *matters*

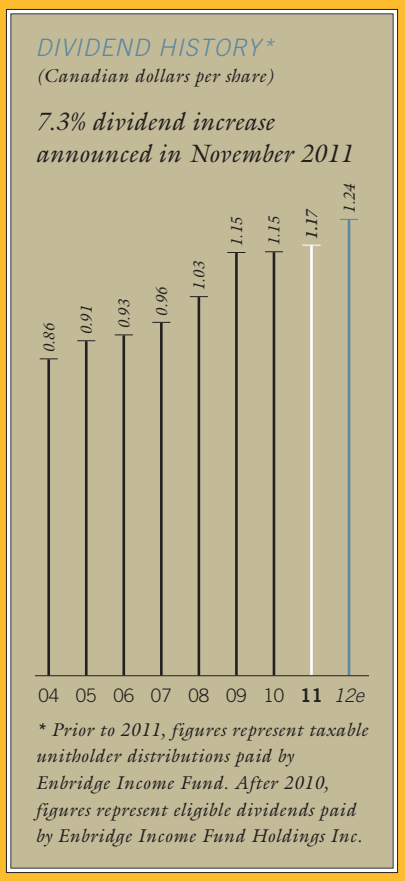
Our shareholders expect us to deliver reliable and predictable cash dividends, and that's precisely what we're doing.

Through our investment in Enbridge Income Fund, we provide the essential energy infrastructure that Canada needs.

The Fund's asset portfolio includes investments in long-lived assets in three business lines: Crude Oil and Liquids Transportation; Natural Gas Transmission; and Green Power Generation.

Our Saskatchewan System and Alliance Canada pipelines are helping transport oil and gas production from some of North America's most prolific resource plays to key markets in Canada and the United States. We're also contributing to Canada's energy future through our investments in renewable and alternative energy facilities.

Our assets are supported by long-term or regulated commercial agreements, resulting in dependable cash flow and providing stability for our shareholders in good economic times and bad.



Our diverse asset base and low-risk business model provide the stability our investors are looking for.

We've designed Enbridge Income Fund for strength and stability. The growth we're achieving is setting us up for continuing success.

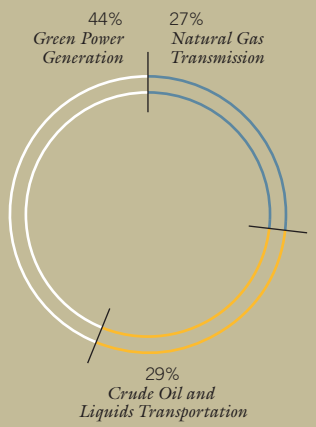
At the heart of our value proposition is a portfolio of strategically positioned assets underpinned by attractive low-risk commercial agreements.

In 2011, we further diversified our asset base with the acquisition of a new portfolio of green power generation assets.

This inherent stability enables our Fund to pay a high proportion of its distributable cash flow.

ENBRIDGE INCOME FUND
BUSINESS MIX

*2011 Pro Forma CAFD**

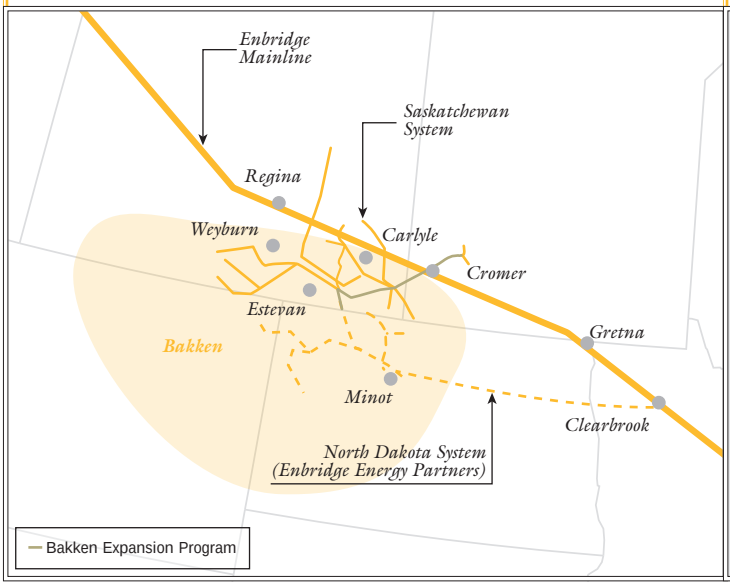


**Cash Available For Distribution (CAFD) before Corporate expenses, pro forma the acquisition of green power generation assets acquired in October 2011 as if these assets were owned by the Fund from January 1, 2011. CAFD is a non-GAAP measure. For more information, please refer to the Management's Discussion and Analysis on page 44 of this report.*

CRUDE OIL & LIQUIDS TRANSPORTATION

Our Bakken Expansion Program, which will enable delivery of North Dakota crude oil production to Enbridge's mainline at Cromer, Manitoba, through the Saskatchewan System, will initially increase takeaway capacity from the region by 145,000 bpd.

We're expanding our wholly-owned Saskatchewan System in response to growth in crude oil production in the Bakken Formation, which spans Saskatchewan, North Dakota, and Montana.



The Fund's Saskatchewan System consists of crude oil and liquids pipelines that connect producing fields in southern Saskatchewan and southwestern Manitoba with Enbridge Inc.'s mainline pipeline to the United States. Collectively, these regulated systems comprise approximately 420 kilometres of trunk line and approximately 1,900 kilometres of crude oil and liquids gathering system pipeline and related terminals and facilities.

The Saskatchewan System is a highly cost-effective means for local producers to deliver their crude oil to key refining centres.

We're uniquely positioned to capture the rapid growth in oil production in the Bakken formation, which has estimated proven reserves of over 10 billion barrels in a region spanning Saskatchewan, North Dakota, and Montana. Total production in the Bakken region has grown by more than 350,000 barrels per day (bpd) since 2006 and growth is expected to continue.

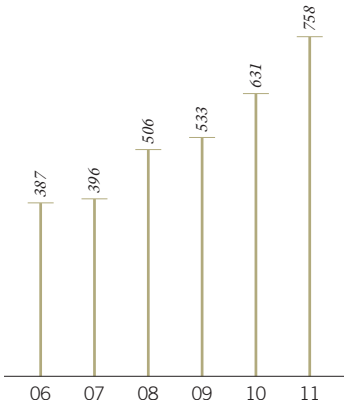
In 2010, we announced the Bakken Expansion Program, an innovative solution to meet shippers' needs for more pipeline capacity in the region. The project will enable delivery of North Dakota production to Enbridge's mainline through a combination of existing and new facilities to be built by the Fund and Enbridge Energy Partners, L.P. in the U.S.

The Fund's expansion in the region is an excellent example of how we seek to generate organic growth through maximizing the potential of our existing asset base. Growing production in the Bakken region should provide more opportunities to expand our crude oil and liquids transportation business.

BAKKEN ACTIVITY

(thousands of barrels per day)

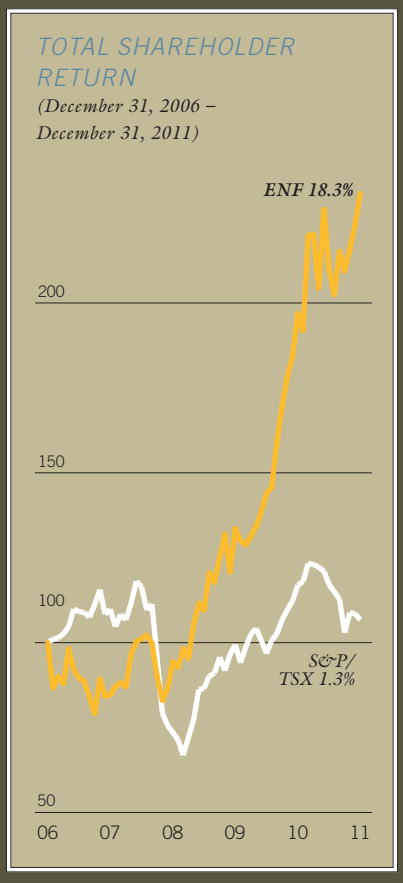
Oil production is growing rapidly in the Bakken region, one of the most prolific new resource plays in North America.



LETTER TO SHAREHOLDERS

JOHN WHELEN
President

GORDON G. TALLMAN
Chair, Board of Directors



Since the creation of Enbridge Income Fund (the Fund) in 2003, we have steadily built a portfolio of businesses and an investment proposition designed to appeal to investors seeking stability through investment in low-risk energy infrastructure businesses. In 2011, we continued to successfully demonstrate our capacity to provide our investors with new sources of reliable and predictable cash flow.

The Fund's cash available for distribution increased by approximately 34% to $134.3 million, primarily as a result of increased cash flow generated by the very substantial scaling up of the Fund's green power business segment and the expansion of its crude oil and liquids pipeline system in Saskatchewan.

Since the inception of the Fund in 2003, we've delivered a 17% average compound annual return to shareholders.

Through its investment in the Fund, Enbridge Income Fund Holdings Inc. (the Company) achieved earnings of $37.3 million, or $1.33 per common share in 2011. On the strength of underlying growth in the Fund, the Company increased its monthly dividend to shareholders by 7.3% in November 2011.

GREEN POWER GENERATION

In October, the Fund successfully completed a $1.24-billion acquisition from Enbridge Inc. of the 190-megawatt (MW) Ontario Wind Project, the 99-MW Talbot Wind Project, and the 80-MW Sarnia Solar Project, which is one of the largest operating photovoltaic solar facilities in the world. The Fund's renewable power generation portfolio now has the capacity to generate over 460 MW of environmentally friendly electric power—almost a five-fold increase over our production capacity prior to the acquisition.

The acquisition has served to diversify the Fund's asset base, and our green power business segment is now generating earnings and cash flow comparable to that provided by each of our liquids transportation and natural gas transmission segments.

The newly acquired assets are an excellent fit with the Fund's other energy infrastructure assets and low-risk investment profile. They are all underpinned by long-term power purchase agreements with the Ontario Power Authority, which eliminates exposure to fluctuating power prices and contributes to a steady stream of reliable cash flow.

In November, NRGreen, which currently operates four waste heat recovery facilities located along the Alliance Pipeline, announced plans to build its first waste heat recovery project in Alberta. Expected to be in service in late 2013, this new facility will further expand the Fund's portfolio of renewable and alternative energy assets.

SASKATCHEWAN SYSTEM

The Saskatchewan System continues to be a strong generator of new growth. The Phase II Expansion project, which was substantially completed in late 2010, added 125,000 barrels per day of capacity to our gathering system, driving increased earnings and cash flow from our liquids transportation business in 2011.

In December 2011, we received approval from the National Energy Board (NEB) for our proposed Bakken Expansion Program, which we are undertaking jointly with Enbridge Energy Partners, L.P. to accommodate growing production

The Fund's ongoing expansion of the Saskatchewan System is an excellent example of how we seek to generate organic growth through maximizing the value of our existing asset base and proactively respond to customer requirements.

from the Bakken and Three Forks formations in North Dakota. We expect to begin construction of the approximately $190-million, 124-kilometre pipeline in the spring of 2012 and to have it in service and generating revenue and cash flow for the Fund by early 2013. The Bakken Expansion Program will provide a connection to the Enbridge mainline in Canada, providing a critical outlet for North Dakota producers, enabling them to reach key refining markets in the U.S. Midwest and eastern Canada. The initial capacity of this system is planned to be 145,000 barrels per day but could be readily expanded to as much as 325,000 barrels per day should demand build for additional capacity. As a first step, in May 2011, we re-activated and reversed line EX-02 on the Saskatchewan System which has enabled the Fund to help address the immediate needs of producers by providing a conduit for delivery of some North Dakota production through our existing facilities in advance of completion of the larger Bakken Expansion Program.

All of these projects are excellent examples of how we seek to generate organic growth through maximizing the value of our existing asset base while proactively responding to customer requirements. All were driven by rising shale oil production from the Bakken region, which spans Saskatchewan, Manitoba, North Dakota and Montana and is one of the most significant sources of oil and natural gas production growth in North America. Looking ahead, we believe these compelling fundamentals should provide further opportunities for expansion.

ALLIANCE CANADA

In 2011, Alliance Canada continued to provide steady and predictable results, delivering approximately 1.6 billion cubic feet per day of high-energy natural gas to the Chicago hub.

Alliance is virtually fully contracted under existing firm service agreements through December 1, 2015, providing the Fund with stable and highly predictable cash flow for the next four years. We believe its longer-term prospects remain bright. It is very well positioned to capture growing production of liquids-rich natural gas production in western Canada, particularly from the Montney play

The Fund has a 50% interest in NRGreen Power, which generates electricity using waste heat from Alliance Canada's compressor stations. Pictured here is NRGreen's waste heat recovery facility at Loreburn, Saskatchewan.

FINANCIAL HIGHLIGHTS—ENBRIDGE INCOME FUND

Year ended December 31,	2011	2010
(millions of Canadian dollars, except per unit amounts)		
Revenues	**392.6**	328.1
Earnings	**38.2**	12.6
Cash Provided by Operating Activities	**188.4**	67.4
Cash Available for Distribution	**134.3**	100.2
Cash Distributions Declared	**112.3**	83.7
Per Unit *(dollars per unit)*	**1.392**	1.152

OPERATING HIGHLIGHTS—ENBRIDGE INCOME FUND

Year ended December 31,	2011	2010
Average Daily Throughput Volume		
Alliance Canada *(millions of cubic feet per day)*	**1,564.0**	1,600.0
Saskatchewan System *(thousands of barrels per day)*		
Westspur System	**200.2**	196.0
Saskatchewan Gathering System	**135.4**	133.4
Weyburn System	**31.0**	33.2
Virden System	**18.4**	16.2
Green Power *(thousands of megawatt hours produced)*	**608.4**	352.5

The Board of Directors and Management are committed to a high standard of Corporate Governance.

The Directors and Management have continued to assess the Company's governance policies and practices in light of regulatory initiatives in Canada that have been adopted to improve corporate governance as well as the evolving standards and expectations for governance in the Canadian capital markets. Management is of the view that the Company's governance structures, systems and practices conform with the governance rules and guidelines established by Canadian securities regulatory authorities for public companies.

MANAGEMENT

Enbridge Management Services Inc., a wholly-owned subsidiary of Enbridge Inc., is the Manager of the Company.

J. RICHARD BIRD
Director
Executive Vice President, Chief Financial Officer and Corporate Development, Enbridge Inc.

COLIN K. GRUENDING
Chief Financial Officer
Vice President, Treasury & Tax, Enbridge Inc.

LEIGH D. KELLN
Controller
Director, Financial Reporting, Enbridge Inc.

DEBRA J. POON
Corporate Secretary
Senior Legal Counsel, Enbridge Inc.

DAVID T. ROBOTTOM
Director
Executive Vice President & Chief Legal Officer, Enbridge Inc.

JOHN K. WHELEN
President
Senior Vice President & Controller, Enbridge Inc.

STEPHEN J. WUORI
Director
President, Liquids Pipelines, Enbridge Inc.

DARREN J. YAWORSKY
Treasurer
Director, Treasury, Enbridge Inc.

BOARD OF DIRECTORS ENBRIDGE INCOME FUND HOLDINGS INC.

(top row, left to right)

RICHARD (DICK) AUCHINLECK
Corporate Director

CATHERINE M. (KAY) BEST
Corporate Director

J. RICHARD BIRD
Executive Vice President, Chief Financial Officer and Corporate Development, Enbridge Inc.

(bottom row, left to right)

M. ELIZABETH CANNON
President, University of Calgary

CHARLES W. FISCHER
Corporate Director

ERNEST F. H. (HARRY) ROBERTS
*Corporate Director**

GORDON G. TALLMAN
Chair, Corporate Director

**Mr. Roberts was appointed to the Board of Directors of the Company on February 6, 2012.*

Enbridge Income Fund Holdings Inc.

FINANCIAL RESULTS

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MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended December 31, 2011

This Management's Discussion and Analysis (MD&A) for Enbridge Income Fund Holdings Inc. (ENF or the Company) should be read in conjunction with the audited financial statements and notes thereto contained in ENF's 2011 Annual Report. ENF prepared its financial statements for the year ended December 31, 2011 in accordance with International Financial Reporting Standards (IFRS).

All financial measures presented in this MD&A are expressed in thousands of Canadian dollars, unless otherwise indicated.

Additional information, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com. This MD&A is dated February 6, 2012.

Overview

ENF is a publicly traded corporation. The Company's business is limited to ownership of its interest in Enbridge Income Fund (the Fund) and its objective is to pay out a high proportion of available cash in the form of dividends to shareholders. The Fund is involved in the generation and transportation of energy through its 50% interest in the Canadian segment of Alliance Pipeline (Alliance Canada), its crude oil and liquids pipelines business in Saskatchewan (Saskatchewan System) and interests in more than 400 megawatts (MW) of renewable and alternative power generation capacity (Green Power).

ENF FINANCIAL PERFORMANCE

	Three months ended December 31,		Year ended December 31,	
	2011	2010	**2011**	2010
(thousands of Canadian dollars, except per share amounts)				
Distribution and other income	**14,182**	–	**40,270**	–
Earnings	**16,800**	–	**37,326**	–
Earnings per common share, basic and diluted	**$ 0.46**	–	**$ 1.33**	–
Cash flow from operating activities	**12,503**	–	**35,657**	–
Dividends declared	**13,126**	–	**34,834**	–
Dividends per common share	**$ 0.302**	–	**$ 1.166**	–
Total assets [1]			**806,074**	454,828
Number of common shares outstanding [1]			**39,741,000**	25,125,000

1 As at December 31, 2011 and 2010.

The Company's earnings and cash flows are derived from its investment in the Fund and are dependent upon its ownership interest, the level of cash distributions paid by the Fund and income taxes.

For the first nine months of 2011, the Company owned 72.6% of the Fund's issued and outstanding trust units and received distributions on such trust units equivalent to $0.115 per unit per month. In October 2011, the Company increased its overall ownership of Fund trust units to 80.7% in connection with an equity offering by the Fund, the proceeds of which were used to acquire a portfolio of wind and solar power generation facilities. The assets acquired included the 190-MW Ontario Wind Project, the 99-MW Talbot Wind Project and the 80-MW Sarnia Solar Project (the Renewable Assets). The contribution of incremental cash flows from the Renewable Assets enabled the Fund to increase its distribution rate to $0.121 per unit per month effective with the November 2011 distribution. As a result of the Fund's increased distribution rate and the Company's increased ownership interest, the Company realized incremental earnings and cash flows during the fourth quarter of 2011 compared with the first three

quarters of the year. During the period of incorporation to December 31, 2010, no distributions were received from the Fund; therefore, the Company's earnings and cash flows were nil for this period.

The Company incurs income taxes on distributions received from the Fund, the level of which will vary depending on the taxability of such trust distributions in any given year. To the extent a portion of the distribution represents a tax-free inter-corporate dividend or return of capital, tax will not be incurred by the Company. The Company's annual effective tax rate of 7.3% for 2011 reflected favorable tax attributes associated with the Renewable Assets and resultant reduction in the taxability of Fund distributions.

The Company's objective is to pay out a high proportion of available cash in the form of dividends to shareholders. The Company declared dividends totalling $34,834 during the year ended December 31, 2011, a rate equivalent to $0.096 per common share per month for the first ten months followed by a 7.3% increase to $0.103 per common share for the months of November and December. The Company's increased dividend corresponded with the Fund's distribution increase on the strength of cash flows generated from the newly acquired Renewable Assets.

ENBRIDGE INCOME FUND FINANCIAL PERFORMANCE

A summary of financial information of the Company's investee, Enbridge Income Fund, derived from the Fund's consolidated financial statements prepared in accordance with Canadian GAAP, for the years ended December 31, 2011 and 2010 is provided below. Readers are also encouraged to read the Fund's financial statements and MD&A which are filed on SEDAR at www.sedar.com.

Year ended December 31,	**2011**	2010
(thousands of Canadian dollars)		
Cash available for distribution, Enbridge Income Fund [1]		
Alliance Canada	**71,905**	76,400
Saskatchewan System	**78,199**	42,223
Green Power	**27,224**	4,500
Corporate	**(43,041)**	(22,923)
Cash available for distribution, Enbridge Income Fund	**134,287**	100,200
ECT preferred unit distributions	**58,757**	43,803
Cash retained	**22,025**	16,509
Cash distributions declared to trust unitholders by Enbridge Income Fund	**53,505**	39,888
Percentage of units held by ENF	**72.6% – 80.7%**	–
Distribution income, ENF	**40,261**	–
Other income	**9**	–
Income tax	**(2,944)**	–
Earnings, ENF	**37,326**	–

1 See non-GAAP measures on page 16.

The Fund's CAFD totaled $134,287 for the year ended December 31, 2011 compared with $100,200 for the prior year. The most significant contributors to increased cash flow were higher toll revenue on the Fund's crude oil transportation system following the Saskatchewan System Phase II Expansion Project which was placed into service in late 2010 and incremental cash flow from the newly acquired Renewable Assets. Corporate costs included increased interest expense on higher debt balances used to finance the project and the acquisition, as well as $3,539 of one-time advisory and professional fees incurred in connection with the acquisition.

FORWARD-LOOKING INFORMATION

In the interest of providing the Company's shareholders and potential investors with information about the Company and its investee, the Fund, and the Fund's subsidiaries and joint ventures, including management's assessment of future plans and operations of the Company and the Fund, certain information provided in this MD&A constitutes forward-looking statements or information (collectively, "forward-looking statements"). This information may not be appropriate for other purposes. Forward-looking statements are typically identified by words such as "anticipate", "expect", "project", "estimate", "forecast", "plan", "intend", "target", "believe" and similar words suggesting future outcomes or statements regarding an outlook. In particular, forward-looking statements include:

- *expected earnings or earnings per share;*
- *expected costs related to projects under construction;*
- *expected scope and in-service dates for projects under construction;*
- *expected timing and amount of recovery of capital costs of assets;*
- *expected capital expenditures;*
- *expected future dividends, Fund distributions and taxability thereof;*
- *the Fund's expected cash available for distribution; and*
- *expected future actions of regulators.*

Although the Company believes that these forward-looking statements are reasonable based on the information available on the date such statements are made and the processes used to prepare the information, such statements are not guarantees of future performance and readers are cautioned against placing undue reliance on forward-looking statements. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties and other factors, which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Material assumptions include assumptions about: the expected supply and demand for crude oil, natural gas and natural gas liquids; prices of crude oil, natural gas and natural gas liquids; expected exchange rates; inflation; interest rates; the availability and price of labour and pipeline construction materials; operational reliability; customer project approvals; maintenance of support and regulatory approval for the Fund's projects; anticipated in-service dates; and weather. Assumptions regarding the expected supply and demand of crude oil, natural gas and natural gas liquids, and the prices of these commodities, are material to and underlay all forward-looking statements. These factors are relevant to all forward-looking statements as they may impact current and future levels of demand for the Fund's services. Similarly, exchange rates, inflation and interest rates impact the economies and business environments in which the Company and the Fund operates, may impact levels of demand for the Fund's services and cost of inputs, and are therefore inherent in all forward-looking statements. Due to the interdependencies and correlation of these macroeconomic factors, the impact of any one assumption on a forward-looking statement cannot be determined with certainty, particularly with respect to expected earnings and associated per unit or per share amounts, or estimated future distributions or dividends. The most relevant assumptions associated with forward-looking statements on projects under construction, including estimated in-service dates and expected capital expenditures, include: the availability and price of labour and pipeline construction materials; the effects of inflation on labour and material costs; the effects of interest rates on borrowing costs; and the impact of weather, customer and regulatory approvals on construction schedules.

The Company's forward-looking statements, and forward looking statements with respect to the Fund, are subject to risks and uncertainties pertaining to operating performance, regulatory parameters, project approval and support, weather, economic conditions, exchange rates, interest rates and commodity prices, including but not limited to those risks and uncertainties discussed in this MD&A and in the other filings of the Company and the Fund with Canadian securities regulators. The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these are interdependent of the future course of action of the Company and the Fund, depends on management's assessment of all information available at the relevant time. Except to the extent required by law, the Company and the Fund assume no obligation to publicly update or revise any forward-looking statements made in this MD&A or otherwise, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements whether written or oral, attributable to the Company or the Fund or persons acting on the Company's or the Fund's behalf, are expressly qualified in their entirety by these cautionary statements.

NON-GAAP MEASURES

This MD&A contains references to the Fund's cash available for distribution. Cash available for distribution represents the Fund's cash available to fund distributions on trust units and ECT preferred units as well as for debt repayments and reserves. Cash available for distribution consists of operating cash flow from the Fund's underlying businesses less deductions for maintenance capital expenditures, the Fund's administrative and operating expenses, corporate segment interest expense, applicable taxes and other reserves determined by the Manager. This measure is important to shareholders as the Company's objective is to provide a predictable flow of dividends to shareholders and the Company's cash flows are derived from its investment in the Fund. Cash available for distribution is not a measure that has standardized meaning prescribed by Canadian Generally Accepted Accounting Principles (GAAP) and is not considered a GAAP measure. Therefore, this measure may not be comparable with similar measures presented by other issuers.

Corporate Structure

ENF was incorporated on March 26, 2010 under the laws of the Province of Alberta for the sole purpose of participating in the Plan of Arrangement (the Plan) to restructure the Fund. The Plan became effective December 17, 2010 on which date all publicly held units of the Fund and 5,000,000 units held by Enbridge Inc. (Enbridge) were exchanged on a one-for-one basis for common shares of the Company, resulting in the Company owning 25,125,000, or 72.6%, of the Fund's issued and outstanding trust units. The Company's common shares commenced trading on the Toronto Stock Exchange on December 21, 2010 under the symbol ENF.

In October 2011, the Company subscribed for an additional 14,616,000 trust units of the Fund in connection with the Fund's acquisition of the Renewable Assets owned by Enbridge (the Transaction). Following the Transaction and related equity financing by the Fund, the Company owned 39,741,000, or 80.7%, of the Fund's issued and outstanding trust units.

The Company is managed by Enbridge Management Services Inc. (EMSI or the Manager), a wholly-owned subsidiary of Enbridge. EMSI also manages the Fund and the Fund's subsidiary Enbridge Commercial Trust (ECT).

Strategy

The Company's business is limited to the ownership of its interest in the Fund. The Company's objective is to provide a predictable flow of cash dividends to its investors and increase dividends where prudent.

The Fund's strategy is focused on:

- maximization of the efficiency and profitability of its existing assets;
- pursuing organic growth and expansion opportunities; and
- acquisition and development of new energy infrastructure businesses that are complementary and keep with the risk and return profile of its existing business.

Asset positioning is critical to the successful execution of the Fund's strategy. The Fund's existing assets are well positioned to take advantage of emerging sources of liquids and natural gas supply in Western Canada. The combination of Alliance Canada's proximity to shale gas plays in northeastern British Columbia and the strategic positioning of the Saskatchewan System crude oil assets in the Bakken play in southeastern Saskatchewan provide the Fund with organic growth opportunities. The Fund executed its acquisition strategy in 2011 with the closing of the Transaction in October 2011. The Renewable Assets fit with the Fund's value proposition of safe and predictable cash flows and have further served to diversify the Fund's asset base.

Ready access to cost effective sources of debt and equity capital will also be critical to the successful execution of the strategy to expand existing assets and acquire or develop new energy infrastructure.

Enbridge Income Fund Recent Developments

BAKKEN EXPANSION PROGRAM

A joint project to further expand crude oil pipeline capacity to accommodate growing production from the Bakken and Three Forks formations located in Montana, North Dakota, Saskatchewan and Manitoba is being undertaken by the Fund and Enbridge Energy Partners L.P. (EEP), a party related to the Fund. The Bakken Expansion Program will increase takeaway capacity from the Bakken area by an initial 145,000 barrels per day (bpd), which can be expanded to 325,000 bpd. The Bakken Expansion Program will involve construction of facilities in the United States undertaken by EEP at a cost of approximately US$0.4 billion and construction of facilities in Canada undertaken by the Fund at a cost of approximately $0.2 billion. Regulatory approvals were received for the United States program and construction activities commenced on schedule in July 2011. In Canada, NEB approval was secured in December 2011. Construction on the Canadian portion of the project is scheduled to commence in the spring of 2012 and is expected to be completed in the first quarter of 2013, subject to environmental approvals.

As a first step to providing immediate capacity to growing Bakken production in Montana and North Dakota, the Fund completed the reactivation and reversal of Line Ex-02 during the second quarter of 2011, which has provided capacity to transport through the Saskatchewan System an initial 25,000 bpd of North Dakota production.

SASKATCHEWAN SYSTEM SHIPPER COMPLAINT

On December 17, 2010, the Saskatchewan System filed amended Westspur tariffs with the NEB with an effective date of February 1, 2011. In January 2011, a shipper on the Westspur system requested the NEB make the tolls "interim" effective February 1, 2011 pending discussions between the shipper and the Saskatchewan System on information requests put forward by the shipper. Subsequently, the shipper filed a complaint with the NEB on the basis that the information provided was not adequate to allow an assessment to be made of the reasonableness of the tolls. Six parties have filed letters with the NEB supporting the shipper's complaint. The NEB directed additional discussion among the parties and, as of February 6, 2012, the Fund continues to review the structure of its Westspur tolls with shippers.

WHITECOURT RECOVERED ENERGY PROJECT

The Whitecourt Recovered Energy Project is a new waste heat recovery facility which will be built by NRGreen along the Alliance Pipeline near Whitecourt, Alberta. The total cost of the Whitecourt Recovered Energy Project is expected to be approximately $64 million of which $7 million will be funded with a grant from the Climate Change and Emissions Management Corporation under its Energy Efficiency Projects grant program. The Whitecourt Recovered Energy Project is expected to be in service in the third quarter of 2013.

Enbridge Income Fund Operational Overview

The performance of the Company's investment in the Fund is ultimately derived from the underlying operating segments through which the Fund executes its low risk business strategy. An overview of the Fund's operating segments, Alliance Canada, Saskatchewan System and Green Power, is provided below.

ALLIANCE CANADA

OVERVIEW

Alliance Canada consists of 1,560 kilometres of the Alliance System's natural gas mainline pipeline beginning near Gordondale, Alberta and connecting to Alliance US at the Canada/United States border near Elmore, Saskatchewan. Alliance Canada also includes the Alliance System's lateral pipelines, which connect the mainline to a number of upstream receipt points, primarily at natural gas processing facilities in northwestern Alberta and northeastern British Columbia, and related infrastructure.

The Alliance System is designed to transport 1,325 million cubic feet per day of natural gas on a firm service basis primarily from supply areas in northwestern Alberta and northeastern British Columbia to delivery points near Chicago, Illinois. Additional transportation capacity is available to shippers for no additional cost other than the cost of the associated fuel requirements through Alliance Canada's Authorized Overrun Service (AOS).

Alliance Canada has transportation agreements (TSAs) with shippers for substantially all of its available firm transportation capacity. Alliance Canada's TSAs are designed to provide toll revenues sufficient to recover prudently incurred costs of service, including operating and maintenance, depreciation, an allowance for income tax, costs of indebtedness and an allowed return on equity of 11.26% after tax, based on a deemed 70/30 debt/equity ratio. The initial term of the TSAs expires in December 2015, with the exception of a small proportion of shippers who have elected to extend their contracts beyond 2015.

Alliance Canada expects to continue to be competitive with other export pipelines given its geographic positioning and its capacity to efficiently move liquids-rich gas to market and is seeking to secure new term contracts for capacity for periods beyond 2015.

STRATEGY

Alliance Canada manages its pipeline assets and related infrastructure with the objective of maximizing shipping capacity, optimizing operating performance and maintaining the competitiveness of its tolls. Alliance Canada has continued to meet or exceed its targets in all key areas of operational performance which include: availability, reliability, safe operations, throughput and efficiency. Alliance Canada has successfully implemented several pipeline optimization projects and will continue to pursue further efficiency initiatives, new service offerings and other growth opportunities all with the aim of sustaining the long-run competitiveness of its natural gas transportation services.

Alliance Canada's assets are located near areas of growing liquids-rich natural gas production. Alliance Canada's strategy with respect to amending its service offering over the coming years includes leveraging its geographic positioning and high pressure operating capability to move liquids-rich gas to market.

SASKATCHEWAN SYSTEM

OVERVIEW

The Saskatchewan System transports crude oil from producing fields in southeastern Saskatchewan and southwestern Manitoba, as well as natural gas liquids (NGLs) from the Steelman gas processing plant, to Cromer, Manitoba where the crude oil and NGLs enter Enbridge's mainline pipeline to be transported to the United States.

The Saskatchewan System is comprised of the Saskatchewan Gathering, Westspur, Weyburn and Virden pipeline systems. Collectively referred to as the Saskatchewan System, these crude oil and liquids pipeline systems include approximately 420 kilometres of trunk line, approximately 1,900 kilometres of gathering pipeline and related terminals and tankage facilities. The capacity of each of the Saskatchewan Gathering and the Westspur Systems

is 255,000 bpd and the capacity of the Weyburn and Virden Systems is approximately 47,000 bpd and 37,000 bpd, respectively. The Saskatchewan System also includes the Fund's ongoing business development activities in the Bakken region.

The Saskatchewan System Phase II Expansion, which included three separate projects and served to reduce capacity constraints at a variety of locations, was substantially completed and declared in-service in December 2010. Collectively, the expansion increased capacity across the gathering systems by approximately 125,000 bpd.

The Saskatchewan Gathering System and the Westspur System tolling agreements are designed to provide toll revenues sufficient to recover operating costs, depreciation, deemed interest expense, deemed income tax, a return on rate base and an administrative expense allowance. The rate base upon which the equity return is calculated will change over time due to depreciation as well as maintenance and enhancement capital additions and expansions. Tolls on the Weyburn and Virden systems are based on historical precedent and agreements with customers, and are updated to reflect changes in market conditions when warranted. As a result, earnings from the Weyburn and Virden systems reflect toll revenue less costs incurred.

STRATEGY

The Saskatchewan System operates its pipelines and supporting assets with the objective of providing reliable, cost effective transportation solutions for its customers. The Saskatchewan System continues to address increases in crude oil production and growing demand for pipeline capacity in the areas served by its systems through expansion and development initiatives, such as the Saskatchewan System Phase II Expansion, which was substantially completed in late 2010, and the Bakken Expansion Program, which was announced during 2010 and is expected to be in-service in 2013.

GREEN POWER

OVERVIEW

ONTARIO WIND PROJECT

The Ontario Wind Project is located near Lake Huron, Ontario and is comprised of 115 turbines with an aggregate capacity of 190-MW. Power produced from the Ontario Wind Project is sold to the Ontario Power Authority (OPA) pursuant to power purchase agreements (PPA). The PPAs have 20 year terms which expire between 2028 and 2029. The turbine manufacturer has been contracted to provide ongoing maintenance services until 2018.

TALBOT WIND PROJECT

The Talbot Wind Project is located on the northern shore of Lake Erie, Ontario and is comprised of 43 turbines with an aggregate capacity of 99-MW. Power produced from the Talbot Wind Project is sold to the OPA pursuant to a PPA which expires in 2031. Operations and maintenance of the Talbot Wind Project has been contracted to a third party until 2015.

SARNIA SOLAR PROJECT

The Sarnia Solar Project is located on the southern shore of Lake Huron, in the city of Sarnia, Ontario. It is comprised of approximately 1.3 million thin film panels with a surface area of 966,000m^2 with an aggregate capacity of 80-MW. Power produced from the Sarnia Solar Project is sold to the OPA pursuant to PPAs which expire between 2028 and 2030. The developer of the Sarnia Solar Project has been contracted to operate and maintain the project until 2020.

WIND POWER JOINT VENTURES

Green Power also includes the Fund's interests in three wind power projects including a 50% interest in the Sunbridge Project at Gull Lake, Saskatchewan and a 33% interest in each of the Magrath and Chin Chute projects in southern Alberta. The Sunbridge, Magrath and Chin Chute wind power projects have a combined electricity capacity of 71-MW. Sunbridge consists of 17 turbines, with an aggregate capacity of 11-MW. The power from Sunbridge is delivered into the Saskatchewan power grid and is sold under a long term PPA which expires in 2022.

Each of the Magrath and Chin Chute wind projects utilize 20 turbines, with an aggregate capacity of 30-MW per project. The energy produced at Magrath and Chin Chute is delivered into the Alberta power grid. The Fund has entered into long-term agreements to substantially fix the price received for its share of production on these projects. The Magrath contract expires on November 30, 2024 while the Chin Chute contracts expire on December 31, 2017.

NRGREEN

NRGreen operates four non-regulated waste heat recovery facilities located in Saskatchewan, along the Alliance Pipeline. The first facility located at Kerrobert, Saskatchewan has been operating since December 2006. The three other facilities, located in Loreburn, Estlin and Alameda, Saskatchewan, began operations during 2008. Electricity is generated by harnessing the waste heat produced by Alliance Canada's gas turbines at its compressor stations and converting it to electrical energy. With four waste heat recovery facilities in operation, NRGreen's facilities can generate 20-MW of power.

The power generated from all four of the NRGreen facilities is sold under long-term PPAs to SaskPower. The PPAs expire ten years after the in-service date for each facility; however, each PPA permits two five-year renewal notices at NRGreen's election. These may be renewed successively to provide an additional ten-year extension to the initial PPA.

STRATEGY

The objective of Green Power is to produce reliable, cost effective electricity via alternative energy sources that generate predictable cash flow for the Fund. Power produced by the Green Power segment is sold pursuant to long-term PPAs and, in some cases, power price swap agreements which serve to mitigate the risk of fluctuating power prices.

Liquidity and Capital Resources

The Company's primary source of liquidity is the cash distributions it receives from its investment in the Fund. Additional liquidity to finance future investment in the Fund, if necessary, is expected to be available through access to equity markets and bank credit. The Company's objective is to pay out a high proportion of its cash received from the Fund after prudently reserving for contingencies and with the objective of sustaining a predictable stream of dividends to its shareholders.

In September 2011, in connection with the Transaction, the Company sold 11,707,000 subscription receipts at a price of $18.75 per subscription receipt for gross proceeds of $219,506. The gross proceeds were held in escrow pending completion of the Transaction. In October 2011, shareholders of the Company approved the Transaction and each holder of a subscription receipt automatically received one common share of the Company and a cash payment of $0.096 per subscription receipt. The Company sold an additional 2,909,000 common shares on a private placement basis to Enbridge at the same price as the subscription receipts. The aggregate gross proceeds of $274,050 were used to subscribe for additional units of the Fund and the Fund in turn used these proceeds to complete the Transaction.

Cash flows from operating activities totaled $35,657 for the year ended December 31, 2011. Cash flows from operating activities represented distributions received from the Fund, net of income taxes and changes in operating assets and liabilities. The Fund declared distributions of $1.392 per unit in 2011.

The Company declared dividends of $0.288 per share in each of the first and second quarters of 2011. The Company amended its dividend payment frequency from quarterly to monthly commencing in July 2011 and declared dividends of $0.096 per share for the months of July through October 2011 and $0.103 per share for each of November and December 2011.

The Company did not have any outstanding long-term debt as at December 31, 2011 and 2010.

Related Party Transactions

In 2011, the Fund paid $9,213 on behalf of ENF for share issue costs incurred in connection with the offering of 11,707,000 subscription receipts by ENF. Proceeds from the offering of subscription receipts were used by ENF to purchase additional trust units of the Fund.

In December 2011, accounts payable to Enbridge totaled $146 relating to corporate costs that Enbridge paid on behalf of ENF in connection with the Transaction (2010 – nil).

ENF has an agreement with ECT whereby ECT reimburses ENF for certain corporate costs. ECT reimbursed ENF $1,062 (2010 – $65) for corporate cost incurred in 2011. At December 31, 2011, accounts receivable from ECT totaled $349 (2010 – $65).

ENF has an agreement with Enbridge Management Services Inc. (EMSI), a wholly owned subsidiary of Enbridge, to provide management and administrative services to ENF. EMSI also provides management and administrative services to the Fund and the Fund's subsidiary, ECT. Provided that the Fund is paying a base fee to EMSI for the services received by the Fund, there is no fee payable to EMSI by ENF as was the case for the years ended December 31, 2011 and 2010.

Risk Management and Financial Instruments

ENF's objective of paying out a high proportion of cash in the form of dividends to investors is based on maintaining a reliable and low risk business model. The Company and the Fund perform annual corporate risk assessments to identify all potential risks. Risks are ranked based on the severity and likelihood and result in ongoing mitigants. In addition, the Fund has adopted a Cash Flow at Risk (CFAR) policy to manage exposure to market price risk across all segments. CFAR is a statistically derived measurement that quantifies the maximum adverse impact on cash flows over a specified period of time within a pre-defined level of statistical confidence. The Fund's CFAR limit has been set at 2.5% of CAFD.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. In order to manage this risk, the Company forecasts its cash flow over the near and long term and ensures that sufficient funds will be available when required. The Company's primary source of liquidity is cash distributions it receives on its investment in the Fund. Additional liquidity, if necessary, is expected to be available through access to equity markets and bank credit. Further, the Company must satisfy solvency tests imposed by the Business Corporations Act (Alberta) for the declaration and payment of dividends.

The future level of distributions received from the Fund may vary depending on, but not limited to, the performance of the Fund's businesses, the level of continued investment or the Fund's ability to obtain financing. Further factors which may impact the Fund's ability to sustain distributions include future demand for the services provided by its businesses, the effective maintenance of the productive capacity of its assets and the Fund's ability to comply with covenants in its debt agreements and repay or refinance its debt as it comes due.

The Company oversees its investment in the Fund through representation on the ECT Board of Trustees. The Board of Trustees in turn ensures that each operating segment maintains its productive capacity and ensures the future sustainability of distributions through regular maintenance programs, periodic maintenance capital expenditures and the pursuit of growth opportunities, where it sees fit.

MARKET PRICE RISK

The Company's other comprehensive income (OCI) is subject to market price risk resulting from changes in the fair value of the Company's investment in the Fund, which is referenced to the Company's common share price. The Company does not typically manage this risk.

CREDIT RISK

Credit risk arises from the possibility that counterparties may default on their contractual obligations to the Company. Accounts receivable is subject to credit risk, the maximum exposure of which is its carrying value. The Company manages its exposure to credit risk by ensuring counterparties are of high credit quality.

FAIR VALUE OF FINANCIAL INSTRUMENTS

At December 31, 2011 and 2010, the Company's financial instruments were comprised of the Company's investment in the Fund, cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. The fair value of the Company's investment in the Fund is based on the quoted market price of the Company's common shares adjusted for assets and liabilities of the Company which are not applicable to the Fund. The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their carrying values due to their short-term maturities.

BUSINESS RISKS

Readers are referred to the Fund's risk factor disclosure under the headings *Alliance Canada – Business Risks, Saskatchewan System – Business Risks, Green Power – Business Risks* and *Risk Management* in the Fund's MD&A and *Risk Factors* in the Fund's AIF.

The following is a list of certain risk factors relating to the activities of ENF and risks associated with the ownership of ENF Common Shares.

PRE-EMPTIVE RIGHT

If an equity issuance by the Fund is not fully subscribed by the Company at its pro rata share pursuant to its pre-emptive right, the Company's interest in the Fund will be diluted to its subsequent proportionate share of the earnings of the Fund.

RESTRICTION IN BUSINESS ACTIVITIES

The Company's business is restricted to investment in the Fund. Its business is limited to acquiring, holding, transferring, disposing of, investing in and otherwise dealing in assets, securities, properties or other interests of, or issued by the Fund and its associates or affiliates, or any other business entity in which the Fund has an interest, as well as all other business and activities which are necessary, desirable, ancillary or incidental, including but not limited to: borrowing funds and incurring indebtedness, guaranteeing of debts or liabilities; and issuing, redeeming or repurchasing securities. Therefore, the Company's financial results are dependent on the financial performance of the Fund. The Company relies on distributions from the Fund to fund dividends to its shareholders. The

The Company's internal controls over financial reporting include policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of ENF;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of ENF's assets that could have a material effect on the financial statements.

ENF's internal control over financial reporting may not prevent or detect all misstatements because of inherent limitations of any control system. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with ENF's policies and procedures.

EMSI, the Manager of ENF assessed the effectiveness of ENF's internal control over financial reporting as of December 31, 2011, based on the framework established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, the Manager concluded that ENF maintained effective internal control over financial reporting as of December 31, 2011.

Selected Quarterly Financial Information

The following table presents a summary of quarterly financial results from the Company's date of incorporation on March 26, 2010 to December 31, 2011. The Company did not have any business activities prior to the Plan becoming effective on December 17, 2010.

	2011				2010			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
(thousands of Canadian dollars, except per share amounts)								
Revenues	**14,182**	**8,702**	**8,693**	**8,693**	–	–	–	–
Earnings	**16,800**	**6,846**	**6,840**	**6,840**	–	–	–	–
Earnings per common share, basic and diluted	**0.46**	**0.27**	**0.27**	**0.27**	–	–	–	–
Dividends declared, per common share	**0.302**	**0.288**	**0.288**	**0.288**	–	–	–	–

- The Company subscribed for an additional 14,616,000 trust units of the Fund in October 2011 in connection with the Fund's acquisition of the Renewable Assets. The October 2011 subscription increased the total trust units owned by the Company from 25,125,000 to 39,741,000. The incremental ownership of Fund trust units increased the Company's revenues and earnings.
- The taxability of distributions received from the Fund decreased in the fourth quarter of 2011 as a result of tax benefits associated with the Renewable Assets. The decrease in the taxability of distributions lowered the Company's income tax expense and increased earnings and earnings per common share.
- The Company increased its dividend per common share by 7.3% to $0.103 per month effective with the November 2011 dividend which corresponded with a distribution increase from the Fund.

Outstanding Share Data

As at February 6, 2012, 39,741,000 common shares and 1 special voting share of the Company were issued and outstanding.

MANAGEMENT'S REPORT

To the Shareholders of Enbridge Income Fund Holdings Inc. (ENF)

FINANCIAL REPORTING

The management of Enbridge Management Services Inc. (EMSI) is responsible for the accompanying financial statements and all other information in this Annual Report. The financial statements have been prepared in accordance with International Financial Reporting Standards and necessarily include amounts that reflect management's judgment and best estimates. Financial information contained elsewhere in this Annual Report is consistent with the financial statements.

The Board of Directors and the Audit Committee are responsible for all aspects related to the governance of ENF. The Audit Committee, composed of independent and financially literate directors, has a specific responsibility to oversee management's efforts to fulfil its responsibilities for financial reporting and internal controls related thereto. The Audit Committee meets regularly during the year with management, internal auditors and independent auditors to review the financial statements, Management's Discussion and Analysis, and Annual Information Form, as well as internal controls related thereto, prior to submission to the Board of Directors for approval.

INTERNAL CONTROL OVER FINANCIAL REPORTING

To meet its responsibility for reliable and accurate financial statements, management has established or assumed responsibility for monitoring and maintaining adequate systems of internal control which are designed to provide reasonable assurance that financial information is relevant, reliable, timely and accurate, and that assets are safeguarded from loss or unauthorized use and transactions are executed in accordance with management's authorization. The internal control system includes an internal audit function as well as monitoring of an established code of business conduct.

PricewaterhouseCoopers LLP, appointed by the shareholders as ENF's independent auditors, conducts an examination of the financial statements in accordance with Canadian generally accepted auditing standards.

JOHN K. WHELEN
President

COLIN K. GRUENDING
Chief Financial Officer

February 6, 2012

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Enbridge Income Fund Holdings Inc.

We have audited the accompanying financial statements of Enbridge Income Fund Holdings Inc., which comprise the statements of financial position as at December 31, 2011 and December 31, 2010 and March 26, 2010 and the statements of comprehensive income, changes in shareholders' equity and of cash flows for the year ended December 31, 2011 and for the period from March 26, 2010 to December 31, 2010, and the related notes, which comprise 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 financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Enbridge Income Fund Holdings Inc. as at December 31, 2011 and December 31, 2010 and March 26, 2010 and its financial performance and its cash flows for the year ended December 31, 2011 and for the period from March 26, 2010 to December 31, 2010 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

CHARTERED ACCOUNTANTS

Calgary, Alberta February 6, 2012

PricewaterhouseCoopers LLP, Chartered Accountants

STATEMENTS OF COMPREHENSIVE INCOME

Year ended December 31,	2011	2010 [1]
(thousands of Canadian dollars, except per share amounts)		
Distribution and other income *(Note 4)*	**40,270**	–
Income tax *(Note 6)*	**(2,944)**	–
Earnings	**37,326**	–
Other comprehensive income		
Unrealized fair value change in available-for-sale investment	**67,199**	11,055
Income tax *(Note 6)*	**(8,400)**	(1,382)
	58,799	9,673
Comprehensive income	**96,125**	9,673
Basic and diluted earnings per common share	**1.33**	–

1 2010 comparative year represents the period from March 26, 2010, date of incorporation, to December 31, 2010.

2 The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended December 31,	2011	2010 [1]
(thousands of Canadian dollars)		
Share capital		
Common shares *(Note 5)*		
Balance at beginning of year	**251,250**	–
Issued for cash	**274,050**	–
Issued pursuant to plan of arrangement	**–**	251,250
	525,300	251,250
Special voting share *(Note 5)*	**–**	–
Balance at end of year	**525,300**	251,250
Share premium *(Note 5)*	**192,458**	192,458
Retained earnings		
Balance at beginning of year	**–**	–
Earnings	**37,326**	–
Common share dividends declared	**(34,834)**	–
Balance at end of year	**2,492**	–
Accumulated other comprehensive income		
Balance at beginning of year	**9,673**	–
Other comprehensive income	**58,799**	9,673
Balance at end of year	**68,472**	9,673
Total shareholders' equity	**788,722**	453,381

1 2010 comparative year represents the period from March 26, 2010, date of incorporation, to December 31, 2010.

2 The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

Year ended December 31,	2011	2010 [1]
(thousands of Canadian dollars)		
Operating activities		
Earnings	**37,326**	–
Deferred income taxes	**488**	–
Changes in operating assets and liabilities		
Accounts receivable	**(284)**	(65)
Distributions receivable	**(4,797)**	–
Accounts payable and accrued liabilities	**468**	65
Income taxes payable	**2,456**	–
	35,657	–
Financing activities		
Subscription receipts issued *(Note 5)*	**219,506**	–
Common shares issued *(Note 5)*	**54,544**	–
Common share dividends paid *(Note 5)*	**(30,741)**	–
	243,309	–
Investing activities		
Purchase of Enbridge Income Fund trust units	**(274,050)**	–
Change in cash and cash equivalents	**4,916**	–
Cash and cash equivalents at beginning of year	**–**	–
Cash and cash equivalents at end of year	**4,916**	–

1 2010 comparative year represents the period from March 26, 2010, date of incorporation, to December 31, 2010.

2 The accompanying notes are an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

	December 31, 2011	December 31, 2010	March 26, 2010
(thousands of Canadian dollars)			
Assets			
Current assets			
Cash and cash equivalents	**4,916**	–	–
Accounts receivable and other	**349**	65	–
Distributions receivable *(Note 4)*	**4,797**	–	–
	10,062	65	–
Investment in Enbridge Income Fund *(Note 4)*	**796,012**	454,763	–
	806,074	454,828	–
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	**533**	65	–
Income taxes payable	**2,456**	–	–
Dividends payable *(Note 5)*	**4,093**	–	–
	7,082	65	–
Deferred income taxes *(Note 6)*	**10,270**	1,382	–
	17,352	1,447	–
Shareholders' equity			
Share capital *(Note 5)*	**525,300**	251,250	–
Share premium *(Note 5)*	**192,458**	192,458	–
Retained earnings	**2,492**	–	–
Accumulated other comprehensive income	**68,472**	9,673	–
	788,722	453,381	–
	806,074	454,828	–

1 *The accompanying notes are an integral part of these financial statements.*

Approved by the Board of Directors:

CATHERINE M. BEST
Director

GORDON G. TALLMAN
Director

NOTES TO THE FINANCIAL STATEMENTS

1. General Business Description

Enbridge Income Fund Holdings Inc. (ENF or the Company) is a publicly traded corporation, incorporated on March 26, 2010 under the laws of the Province of Alberta. The Company's common shares commenced trading on the Toronto Stock Exchange on December 21, 2010. The Company holds an investment in Enbridge Income Fund (the Fund), which is an unincorporated open-ended trust established by a trust indenture under the laws of the Province of Alberta. The Company's registered office is 3000, 425 – 1st Street SW, Calgary, Alberta, Canada.

The business of ENF is limited to investment in the Fund. The Fund is involved in the generation and transportation of energy through its 50% interest in the Canadian segment of the Alliance Pipeline, its crude oil and liquids pipelines business in Saskatchewan and green power generation facilities.

2. Basis of Preparation and Adoption of IFRS

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles applicable to the publicly accountable enterprises 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 require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. These financial statements represent the first annual financial statements of the Company prepared in compliance with IFRS, including IFRS 1 – First Time Adoption of International Financial Reporting Standards. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

Amounts are stated in thousands of Canadian dollars, the Company's functional and presentation currency, unless otherwise indicated.

The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. The Company's financial statements were previously prepared in accordance with Canadian GAAP. Note 11 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's Canadian GAAP financial statements for the period ended December 31, 2010.

The policies applied in these financial statements are based on IFRS issued and outstanding as of February 6, 2012, the date the Board of Directors approved the statements.

3. Summary of Significant Accounting Policies

BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for the revaluation of available-for-sale financial assets to fair value.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include short-term investments with an initial term to maturity of three months or less.

FINANCIAL INSTRUMENTS

The Company classifies financial assets and liabilities as held for trading, available-for-sale, loans and receivables and financial liabilities at amortized cost. All financial instruments are initially recorded at fair value on the statement of financial position. Subsequent measurement of the financial instrument is based on its classification.

AVAILABLE-FOR-SALE

Available-for-sale financial assets are non-derivatives that are not classified in any of the other categories. The Company's available-for-sale asset is comprised of an investment in the Fund. Available-for-sale financial assets are recognized initially at fair value plus transaction costs and subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income (OCI). Distributions from available-for-sale instruments are recognized in earnings when the Company's right to receive payment is established.

The Company accounts for its investment in trust units of the Fund as an available-for-sale financial asset rather than under the equity method of accounting, which would typically apply in situations where an investor has significant influence over an investee, due to the redeemable nature of the trust units. The Fund trust units do not qualify as equity instruments under IFRS due to the redemption feature which permits holders to redeem trust units for cash, subject to certain limitations. Further, the Company does not consolidate its investment in the Fund as its investment does not confer control. Enbridge Inc. (Enbridge) is the controlling party for accounting purposes through the combination of its direct and indirect equity interests and preferred unit investment in the Fund, as well as through Enbridge's role as manager of the Fund.

LOANS AND RECEIVABLES

Loans and receivables, which include cash and cash equivalents, accounts receivable and distributions receivable, are measured at amortized cost, using the effective interest rate method, net of any impairment losses recognized.

FINANCIAL LIABILITIES AT AMORTIZED COST

Other financial liabilities are recorded at amortized cost using the effective interest rate method and include accounts payable and accrued liabilities and dividends payable.

IMPAIRMENT

With respect to loans and receivables, the Company assesses the assets for impairment when it no longer has reasonable assurance of timely collection. If evidence of impairment is noted, the Company reduces the value of the loan or receivable to its estimated realizable amount, determined using discounted expected future cash flows.

For available-for-sale financial assets, the Company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the asset is impaired. If any such evidence of impairment exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in earnings, is removed from OCI and recognized in earnings. Impairment losses on available-for-sale equity instruments are not reversed.

INCOME TAXES

The liability method of accounting for income taxes is followed. Deferred income tax assets and liabilities are recorded based on temporary differences between the tax bases of assets and liabilities and their carrying values for accounting purposes. Deferred income tax assets and liabilities are measured using the tax rate that is expected to apply when the temporary differences reverse.

EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing earnings for the year by the weighted average number of common shares outstanding during the year. At December 31, 2011 and 2010, no potentially dilutive instruments were outstanding.

DIVIDENDS

Dividends on common shares are recognized in the Company's financial statements in the period in which the dividends are approved by the Board of Directors of the Company.

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities in the financial statements. Significant estimates and assumptions used in preparation of the financial statements include, but are not limited to: the fair value of available-for-sale financial assets *(Note 8)* and income taxes *(Note 6)*. Actual results could differ from these estimates.

FUTURE ACCOUNTING POLICY CHANGES

IFRS 9, *Financial Instruments* addresses classification and measurement of financial assets. IFRS 9 replaces the model for measuring equity instruments and will require recognition of the Company's investment in the Fund at fair value through earnings. This standard is effective for accounting periods beginning on or after January 1, 2015.

IFRS 13, *Fair Value Measurement* defines fair value and provides a single IFRS framework for the measurement and disclosure of fair value within IFRS standards. This standard is effective for accounting periods beginning on or after January 1, 2013.

4. Investment in Enbridge Income Fund

Year ended December 31,	2011	2010 [1]
(thousands of Canadian dollars)		
Balance at beginning of year	**454,763**	–
Investment acquired under the Plan	**–**	443,708
Investment acquired in the Transaction	**274,050**	–
Fair value change for the year [1]	**67,199**	11,055
Balance at end of year	**796,012**	454,763

1 2010 comparative year represents the period from March 26, 2010, date of incorporation, to December 31, 2010.

PLAN OF ARRANGEMENT

On December 17, 2010, a plan of arrangement (the Plan) to restructure the Fund became effective. Under the Plan, all publicly held trust units of the Fund and 5,000,000 trust units of the Fund held by Enbridge were exchanged on a one-for-one basis for common shares of the Company, resulting in the Company owning 25,125,000, or 72.6%, of the Fund's issued and outstanding trust units. The Company's common shares commenced trading on the Toronto Stock Exchange on December 21, 2010.

RENEWABLE ENERGY ACQUISITION

In October 2011, the Company subscribed for an additional 14,616,000 trust units of the Fund at a price of $18.75 per unit in connection with the Fund's acquisition of three renewable power generation facilities owned by Enbridge (the Transaction). The assets acquired were the 80-MW Sarnia Solar Project, the 190-MW Ontario Wind Project and the 99-MW Talbot Wind Project (the Renewable Assets). Following the Transaction and related equity financing by the Fund, the Company owns 39,741,000, or 80.7%, of the Fund's issued and outstanding trust units.

ENBRIDGE INCOME FUND

The Fund's operating segments through which it generates and transports energy are Alliance Canada, Saskatchewan System and Green Power. Alliance Canada consists of the Fund's 50% interest in the Canadian portion of the Alliance System which transports natural gas from supply areas in northwestern Alberta and northeastern British Columbia to delivery points near Chicago, Illinois. The Saskatchewan System includes four crude oil and liquids pipeline systems which connect to the Enbridge mainline at Cromer, Manitoba. The Green Power segment includes the Renewable Assets and the Fund's 33% to 50% interests in three wind power projects in Saskatchewan and southern Alberta, as well as a 50% interest in NRGreen, which operates waste heat recovery power generation facilities along the Alliance System.

Summarized financial information of the Fund, derived from the Fund's consolidated financial statements prepared in accordance with Canadian GAAP, is as follows:

Year ended December 31,	2011	2010
(thousands of Canadian dollars)		
Revenues	**392,628**	328,083
Earnings	**38,247**	12,597

December 31,	2011	2010
(thousands of Canadian dollars)		
Total assets	**3,471,418**	1,984,954
Total liabilities	**2,577,505**	1,495,544

The Fund's summarized financial information, as prepared in accordance with Canadian GAAP, would differ had it been prepared under IFRS. The most significant differences between Canadian GAAP and IFRS applicable to the Fund are as follows:

RATE REGULATION

The operations of Alliance Canada and certain assets within the Saskatchewan System are subject to regulation by various authorities which exercise statutory authority over matters such as construction, rates and ratemaking and agreements with customers. The timing of recognition of certain revenues and expenses impacted by regulation and the recognition of regulatory assets and liabilities under Canadian GAAP differs from IFRS. IFRS preparers have not historically recognized regulatory assets and liabilities. IFRS also prohibits recognition of the equity component of allowance for funds used during construction (AFUDC) as is permitted under Canadian GAAP. At December 31, 2011, the Fund's net regulatory asset as presented in accordance with Canadian GAAP was approximately $193,990 (December 31, 2010 – $203,895) including an equity component of AFUDC. The earnings impact of rate regulation was an approximate after tax decrease of $7,319 for the year ended December 31, 2011 (2010 – $12,097 increase).

Further, certain regulators prescribe the pool method of accounting for property, plant and equipment. Under Canadian GAAP similar assets are grouped and depreciated as a pool. Gains or losses are not recognized when the assets are disposed or retired. IFRS does not permit the pool method of accounting and would require gains or losses on retirement to be recognized in earnings.

TRUST UNIT PRESENTATION

Under Canadian GAAP, the Fund's trust units were presented as equity at December 31, 2011 and 2010. Under IFRS, the Fund's trust units would be recognized at amortized cost and presented as a liability by virtue of the holders' right to redeem the trust units for cash, subject to certain limitations. Under IFRS, adjustments to estimated future cash flows of a financial liability carried at amortized cost are recognized in earnings.

PREFERRED UNIT PRESENTATION

At December 31, 2011, the liability and equity components of the Fund's preferred units were recognized at $171,354 (2010 – $88,140) and $807,958 (2010 – $583,658), respectively, under Canadian GAAP. Under Canadian GAAP, the liability component is carried at amortized cost, with the value accreted over time to the June 30, 2033 redemption values. Under IFRS, the preferred units would be designated as a financial liability at fair value through profit or loss.

DISTRIBUTION INCOME

The Fund declared distributions on a quarterly basis for the three month periods ended March 31, 2011 and June 30, 2011 at a quarterly rate of $0.346 per unit. Monthly distributions were declared by the Fund at a rate of $0.115 per unit for the months of July through October and at $0.121 per unit for the months of November and December.

5. Share Capital and Share Premium

AUTHORIZED

The authorized share capital of the Company consists of an unlimited number of common shares with no par value, first preferred shares issuable in series limited to one half of the number of common shares issued and outstanding at the relevant time and one special voting share.

ISSUED AND OUTSTANDING

	2011		2010	
Year ended December 31,	Number of Shares	Amount	Number of Shares	Amount
(thousands of Canadian dollars except number of shares)				
Common shares				
Balance at beginning of year	**25,125,000**	**251,250**	–	–
Issued for cash	**14,616,000**	**274,050**	–	–
Issued pursuant to the Plan	**–**	**–**	25,125,000	251,250
Balance at end of year [1]	**39,741,000**	**525,300**	25,125,000	251,250
Special voting share [1]	**1**	**–**	1	–
Balance at end of year	**39,741,001**	**525,300**	25,125,001	251,250

1 7,909,000 (2010 – 5,000,000) common shares and the special voting share are owned by Enbridge.

PLAN OF ARRANGEMENT

Pursuant to the Plan, all 20,125,000 trust units of the Fund held by public unitholders, together with 5,000,000 trust units of the Fund held by Enbridge, were exchanged for 25,125,000 common shares of the Company.

The initial stated capital of the Company for purposes of the Business Corporations Act (Alberta) (BCA) was established to be $251,250, as determined at the discretion of the Company's Board of Directors. The residual amount of $192,458 by which the fair value of the consideration received exceeded the stated capital was assigned to Share Premium. The Board may elect in the future to reinstate Share Premium to stated capital under certain circumstances.

COMMON SHARES

Each common share represents an equal undivided beneficial interest in the net assets in the event of termination or wind-up of the Company. Holders of common shares are entitled to one vote per share at meetings of the Company's shareholders.

DIVIDENDS

The Company declared dividends on a quarterly basis for the three month periods ended March 31, 2011 and June 30, 2011 at a quarterly rate of $0.288 per share. Monthly dividends were declared by the Company at a rate of $0.096 per share for the months of July through October and at $0.103 per share for the months of November and December.

On January 13, 2012, the Company declared a dividend of $0.103 per share to be paid on February 15, 2012 to shareholders of record on January 31, 2012.

SPECIAL VOTING SHARE

Enbridge, the holder of the special voting share is entitled to receive notice of and to attend all annual and special meetings of shareholders and is entitled to elect one director to the Board for so long as it beneficially owns or controls, directly or indirectly, between 15% and 39% of the issued and outstanding common shares, provided that if it elects to exercise its right to elect one director, it will not exercise the votes attaching to the portion of common shares representing its pro-rata representation on the Board in respect of the election of the remaining directors of the Company at meetings of shareholders. Where the holder of the special voting share beneficially owns or controls, directly or indirectly, more than 39% of the issued and outstanding common shares, the right

6. Income Taxes

The initial acquisition of Fund trust units under the Plan did not constitute a business combination, nor did the transaction affect earnings. As such, recognition of the resulting deferred income tax liability relating to the estimated taxable temporary difference of $71,356 which arose on initial recognition of the investment in the Fund is not permitted.

At December 31, 2011 and 2010, deferred income taxes represented the difference in accounting and tax bases of the Investment in Enbridge Income Fund, less the deferred income tax liability not recognized on initial acquisition of the investment on December 17, 2010.

Income tax expense for the year ended December 31, 2011 was comprised of current income tax expense of $2,456 and deferred income tax expense of $488.

No cash taxes were paid for the years ended December 31, 2011 and 2010.

INCOME TAX RATE RECONCILIATION

Year ended December 31,	2011	2010 [1]
(thousands of Canadian dollars)		
Earnings before income taxes	**40,270**	–
Combined statutory income tax rate	**26.5%**	–
Income taxes at statutory income tax rate	**10,671**	–
Decrease resulting from		
Non-taxable dividend	**(7,180)**	–
Return of capital	**(547)**	–
Income tax expense	**2,944**	–
Effective income tax rate	**7.3%**	–

1 2010 comparative year represents the period from March 26, 2010, date of incorporation, to December 31, 2010.

7. Risk Management

MARKET PRICE RISK

The Company's OCI is subject to market price risk resulting from changes in the fair value of the Company's investment in the Fund, which is referenced to the Company's common share price. The Company does not typically manage this risk. A $1.00 increase or decrease in the Company's common share price at December 31, 2011 would have resulted in an increase or decrease in OCI, before income taxes of $39,741 (2010 – $25,125) due to the revaluation of the investment.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Accounts payable and accrued liabilities and dividends payable are due within one month. Income taxes payable are due by the end of February 2012. In order to manage this risk, the Company forecasts its cashflow over the near and long term and ensures that sufficient funds will be available when required. The Company's primary source of liquidity is cash distributions it receives from its investment in the Fund. Additional liquidity, if necessary, is expected to be available through access to capital markets and commercial bank credit facilities. The Company's objective is to payout a high proportion of its available cash in the form of dividends to its shareholders.

CREDIT RISK

Credit risk arises from the possibility that a counterparty may default on its contractual obligations to the Company. Accounts receivable, distributions receivable and cash and cash equivalents are subject to credit risk, the maximum exposure of which is the carrying value as presented on the statement of financial position. The Company manages its exposure to credit risk by ensuring counterparties are of high credit quality. At December 31, 2011, accounts receivable were due from Enbridge Commercial Trust and the Fund.

8. Fair Value of Financial Instruments

The fair value of financial instruments reflects the Company's best estimates of market value based on valuation techniques, supported by observable market prices where available. The fair value of cash and cash equivalents, loans and receivables and other financial liabilities approximate their carrying value due to the short period to maturity.

The fair value of the Company's available-for-sale equity securities not traded in an active market is determined using a valuation technique which references the fair value of another instrument which is substantially the same, being the quoted market price of the Company's common shares and adjusts for assets and liabilities not applicable to the Fund and other factors as required to establish the fair value of its available-for-sale investment.

The fair value measurement of the Investment in Enbridge Income Fund is classified as level 2, as the valuation technique references observable inputs, primarily the quoted market price of the Company's common shares, and adjusts for assets and liabilities not applicable to the Fund and other factors as required.

9. Capital Disclosures

The Company defines capital as shareholders' equity less cash and cash equivalents, which totaled $783,806 (2010 – $453,381) at December 31, 2011.

The Company's objectives when managing capital are to provide liquidity for additional investment in the Fund, to provide returns for shareholders and generate predictable cash flow for distribution to shareholders in the form of dividends. New capital, if necessary, may be raised through the issuance of equity securities or issuance of debt.

10. Related Party Transactions

In 2011, the Fund paid $9,213 on behalf of ENF for share issue costs incurred in connection with the offering of 11,707,000 subscription receipts by ENF. Proceeds from the offering of subscription receipts were used by ENF to purchase additional trust units of the Fund.

At December 31, 2011, accounts payable to Enbridge totaled $146 (2010 – nil) related to corporate costs paid by Enbridge on behalf of ENF in connection with the Transaction.

ENF has an agreement with Enbridge Commercial Trust (ECT) whereby ECT reimburses ENF for certain corporate costs. ECT reimbursed ENF $1,062 (2010 – $65) for corporate cost incurred in 2011. At December 31, 2011, accounts receivable from ECT totaled $349 (2010 – $65).

ENF has an agreement with Enbridge Management Services Inc. (EMSI), a wholly owned subsidiary of Enbridge, to provide management and administrative services to ENF. EMSI also provides management and administrative services to the Fund and the Fund's subsidiary, ECT. Provided that the Fund is paying a base fee to EMSI for the services received by the Fund, there is no fee payable to EMSI by ENF as was the case for the years ended December 31, 2011 and 2010.

11. Transition to IFRS

The Company has applied the same IFRS accounting policies as described in Note 3 from the date of its incorporation on March 26, 2010 throughout all periods presented. The Company's opening IFRS balance sheet is presented as at March 26, 2010, the date of incorporation.

IFRS 1, *First-time Adoption of International Financial Reporting Standards*, prohibits retrospective application with respect to estimates, and the Company's estimates in accordance with IFRS as at and for the period ended December 31, 2010 are consistent with estimates made for the same period in accordance with Canadian GAAP. No discretionary transition exemptions permitted by IFRS 1 were applied by the Company.

RECONCILIATION OF EQUITY AND COMPREHENSIVE INCOME

A reconciliation of equity as previously reported under Canadian GAAP to equity in accordance with IFRS at December 31, 2010 and comprehensive income for the period from March 26, 2010, the date of incorporation, to December 31, 2010 is as follows:

December 31,	2010
(thousands of Canadian dollars)	
Equity as reported under Canadian GAAP	143,174
IFRS adjustments:	
Investment in Enbridge Income Fund	311,589
Deferred income taxes	(1,382)
Equity as reported under IFRS	453,381

For the period from March 26, 2010, date of incorporation, to December 31,	2010
(thousands of Canadian dollars)	
Comprehensive income as reported under Canadian GAAP	564
IFRS adjustments:	
Reverse Canadian GAAP equity earnings	(1,162)
Reverse Canadian GAAP other comprehensive loss from equity investees	598
Fair value of investment in Enbridge Income Fund	11,055
Deferred income taxes	(1,382)
Comprehensive income as reported under IFRS	9,673

The transition from Canadian GAAP to IFRS had no significant impact on the cash flows of the Company.

INVESTMENT IN ENBRIDGE INCOME FUND

The Investment in Enbridge Income Fund was initially recognized at $142,610 under Canadian GAAP, a carrying amount derived from historic net asset values of the Fund. Subsequently, the investment was accounted for using the equity method of accounting. Equity earnings and other comprehensive loss from equity investees for the period from March 26, 2010 to December 31, 2010 were $1,162 and $598, respectively, resulting in an ending investment balance of $143,174 at December 31, 2010 under Canadian GAAP.

Under IFRS, although the Company has significant influence over the Fund and provides disclosures required by IAS 28, *Investments in Associates*, it is precluded from accounting for its Investment in Enbridge Income Fund using the equity method of accounting because the Fund trust units do not qualify as equity instruments for purposes of IAS 28 due to the redemption feature which permits holders to redeem trust units for cash, subject to certain limitations. Accordingly, under IFRS, the Company accounts for its Investment in Enbridge Income Fund as an available-for-sale financial asset. The Company recognized its investment acquired under the Plan at an initial fair value of $443,708 at December 17, 2010.

Under IFRS, available-for-sale financial assets are remeasured each period, with fair value changes recognized in OCI. Fair value changes of $11,055, along with associated income taxes of $1,382, were recognized in OCI for the period ended December 31, 2010.

DEFERRED INCOME TAXES

Deferred income taxes represent the income tax effect of the change in accounting treatment of the Investment in Enbridge Income Fund as described above. The deferred income tax liability which resulted from the initial acquisition of the Investment in the Fund was not permitted to be recognized under IFRS.

Enbridge Income Fund

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MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended December 31, 2011

This management's discussion and analysis (MD&A) dated February 6, 2012 should be read in conjunction with the consolidated financial statements of Enbridge Income Fund (the Fund) for the year ended December 31, 2011, prepared in accordance with Part V – Pre-changeover Accounting Standards of the Canadian Institute of Chartered Accountants (CICA) Handbook (Canadian GAAP or Part V). Unless otherwise noted, all financial information is presented in Canadian dollars and financial information pertaining to Alliance Canada and certain Green Power joint ventures reflects the Fund's proportionate share of the entities within these segments. Additional information related to the Fund, including the Fund's Annual Information Form, is filed on SEDAR at www.sedar.com.

Overview

The Fund is involved in the generation and transportation of energy through its 50% interest in the Canadian segment of Alliance Pipeline (Alliance Canada), its crude oil and liquids pipeline business in Saskatchewan (Saskatchewan System) and interests in more than 400-megawatts (MW) of renewable and alternative power generation capacity (Green Power).

Consolidated Results

Year ended December 31,	**2011**	2010	2009
(millions of Canadian dollars, except where otherwise noted)			
Cash provided by operating activities	**188.4**	67.4	94.2
Cash available for distribution [1]	**134.3**	100.2	90.1
Cash distributions declared [2]	**112.3**	83.7	83.7
Cash distributions declared per unit (dollars per unit) [2]	**1.392**	1.152	1.152

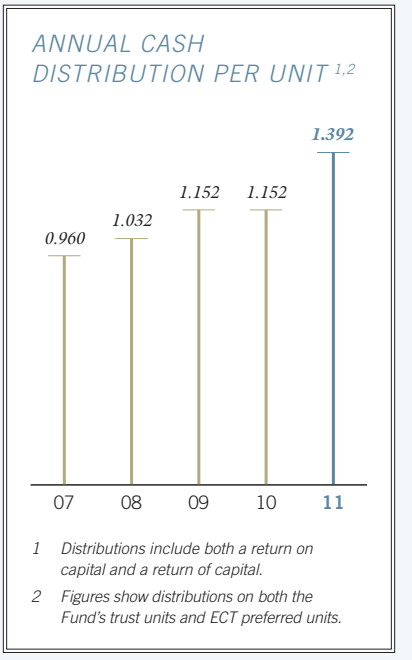
1 *See definition of this non-GAAP measure on page 44. Refer to page 58 for the reconciliation to Cash Provided by Operating Activities.*

2 *Includes distributions declared on trust units and ECT preferred units.*

The Fund generated a significant increase in both cash provided by operating activities and cash available for distribution (CAFD) in 2011 and in turn increased its distributions to unitholders. The improved financial results reflected organic growth in the Company's liquids pipeline business as well as a growing portfolio of renewable power generation assets, the largest contributors being the Saskatchewan System Phase II Expansion Project completed in late 2010 and the Fund's $1.24 billion acquisition of wind and solar assets in October 2011 (the Acquisition). The assets acquired included the 190-MW Ontario Wind Project, the 99-MW Talbot Wind Project and the 80-MW Sarnia Solar Project (the Renewable Assets). Partially offsetting the increase in CAFD from these growth initiatives was an increase in associated interest and administrative expenses, including one-time advisory and professional fees related to the Acquisition.

The Fund paid quarterly cash distributions of $0.346 per unit for the first and second quarters of 2011 and monthly distributions of $0.115 per unit for the months July through October. The contribution of incremental cash flows from the Renewable Assets enabled the Fund to increase its distribution rate to $0.121 per unit per month effective with the November 2011 distribution.

Over the last five years, the Fund has declared the following distributions:



1 *Distributions include both a return on capital and a return of capital.*

2 *Figures show distributions on both the Fund's trust units and ECT preferred units.*

NON-GAAP MEASURES

This MD&A contains references to cash available for distribution. Cash available for distribution represents cash available to fund distributions on trust units and ECT preferred units, as well as for debt repayments and reserves. This measure is important to unitholders as the Fund's objective is to provide a predictable flow of distributable cash to unitholders. Please refer to the Cash Available for Distribution reconciliation on page 58. Cash available for distribution is not a measure that has standardized meaning prescribed by Canadian GAAP and is not considered a GAAP measure. Therefore, this measure may not be comparable with similar measures presented by other issuers.

Fund Description

The Fund is an unincorporated open-ended trust established by a trust indenture under the laws of the Province of Alberta. The Fund commenced operations on June 30, 2003. Enbridge Management Services Inc. (EMSI or the Manager), a wholly owned subsidiary of Enbridge administers the Fund. EMSI also serves as the manager of Enbridge Commercial Trust (ECT), a subsidiary of the Fund, and Enbridge Income Fund Holdings Inc. (ENF), a unitholder of the Fund.

On December 17, 2010, a plan of arrangement (the Plan) to restructure the Fund took effect. Under the Plan, all 20,125,000 publicly held trust units of the Fund, as well as 5,000,000 trust units held by Enbridge, were exchanged on a one-for-one basis for shares of a taxable Canadian corporation, ENF. Concurrently, the Fund's trust units ceased trading on the Toronto Stock Exchange. Subsequent to implementation of the Plan, the Fund ceased to be a specified investment flow-through (SIFT) entity and therefore is not subject to SIFT tax legislation.

CORE BUSINESS

The Fund's activities are carried out through three operating segments:

- Alliance Canada includes the Fund's 50% interest in the Canadian portion of the Alliance System. The Alliance System is a natural gas pipeline system, comprised of Alliance Canada and Alliance US, that transports natural gas from supply areas in northwestern Alberta and northeastern British Columbia to delivery points near Chicago, Illinois.
- Saskatchewan System owns and operates crude oil and liquids pipeline systems primarily connecting producing fields in southeastern Saskatchewan and southwestern Manitoba with Enbridge's mainline pipeline for transportation to the United States. Saskatchewan System also includes the Fund's ongoing business development activities in the Bakken region.
- Green Power includes entities that produce electricity via alternative energy sources and consists of the 190-MW Ontario Wind Project, the 99-MW Talbot Wind Project, the 80-MW Sarnia Solar Project, a 50% interest in each of NRGreen and the Sunbridge wind project, as well as a 33% interest in each of the Magrath and Chin Chute wind projects.

Fund Objectives and Strategy

The Fund's objectives are to provide a predictable flow of distributable cash flow and to increase, where prudent, cash distributions per trust unit through investment in and ongoing management of lower risk energy infrastructure assets.

In order to achieve the Fund's objectives, the Manager pursues low-risk strategies, which entail:

- maximizing the efficiency and profitability of its existing assets;
- pursuing organic growth and expansion opportunities; and
- acquiring and developing new energy infrastructure businesses that are complementary and in keeping with the risk and return profile of its existing business.

Asset positioning is critical to the successful execution of the Fund's strategy. The Fund's existing assets are well positioned to take advantage of emerging sources of liquids and natural gas supply in Western Canada. The combination of Alliance Canada's proximity to shale gas plays in northeastern British Columbia and the strategic positioning of the Saskatchewan System crude oil assets in the Bakken play in southeastern Saskatchewan provide the Fund with organic growth opportunities. The Fund executed its acquisition strategy in 2011 with closing of the Transaction in October 2011. The Renewable Assets fit with the Fund's value proposition of safe and predictable cash flows and have further served to diversify the Fund's asset base.

Ready access to cost effective sources of debt and equity capital will also be critical to the successful execution of the strategy to expand existing assets and acquire or develop new energy infrastructure.

ALLIANCE CANADA

Alliance Canada manages its pipeline assets and related infrastructure with the objective of maximizing shipping capacity, optimizing operating performance and maintaining the competitiveness of its tolls. Alliance Canada has continued to meet or exceed its targets in all key areas of operational performance which include: availability, reliability, safe operations, throughput and efficiency. Alliance Canada has successfully implemented several pipeline optimization projects and will continue to pursue further efficiency initiatives, new service offerings and other growth opportunities all with the aim of sustaining the long-run competitiveness of its natural gas transportation services.

Alliance Canada's assets are located near areas of growing liquids-rich natural gas production. Alliance Canada's strategy with respect to amending its service offering over the coming years includes leveraging its geographic positioning and high pressure operating capability to move liquids-rich gas to market.

SASKATCHEWAN SYSTEM

The Saskatchewan System operates its pipelines and supporting assets with the objective of providing reliable, cost effective transportation solutions for its customers. The Saskatchewan System continues to address increases in crude oil production and growing demand for pipeline capacity in the areas served by its systems through expansion and development initiatives, such as the Phase II Saskatchewan System Capacity Expansion, which was substantially completed in late 2010, and the Bakken Expansion Program, which was announced during 2010 and is expected to be in-service in 2013.

GREEN POWER

The objective of Green Power is to produce reliable, cost effective electricity via alternative energy sources that generate predictable cash flow for the Fund. Power produced by the Green Power segment is sold pursuant to long-term Power Purchase Agreements (PPAs) and in some cases, power price swap agreements which serve to mitigate the risk of fluctuating power prices.

To successfully pursue the strategies discussed above, the Fund must mitigate certain business risks. These risks, and the Fund's strategies for managing them, are described under *Risk Management.*

Selected Operating Highlights

Year ended December 31,	2011	2010
Average daily throughput volume		
Alliance Canada *(millions of cubic feet per day)*	**1,564.0**	1,600.0
Saskatchewan System [1] *(thousands of barrels per day)*		
Westspur System	**200.2**	196.0
Saskatchewan Gathering System	**135.4**	133.4
Weyburn System	**31.0**	33.2
Virden System	**18.4**	16.2
Green Power *(thousands of megawatt hours produced)*	**608.4**	352.5

1 Totals are not presented as the same volumes can be transported through a combination of the pipelines comprising the Saskatchewan System.

Alliance Canada transportation deliveries for the year ended December 31, 2011, including Authorized Overrun Service (AOS), averaged 1,564 million cubic feet per day (mmcf/d) (18.0% in excess of firm capacity of 1,325 mmcf/d) compared with 1,600 mmcf/d (20.7% in excess of firm capacity) in 2010. AOS refers to the physical capacity available on the Alliance Canada pipeline, over and above the contracted firm capacity. The AOS service is provided to shippers at no additional cost, other than from the cost of associated fuel requirements. AOS volumes do not impact earnings; however, they increase the toll competitiveness of Alliance Canada's transportation services.

Capacity on the Westspur and Saskatchewan Gathering systems increased in 2011 following the completion of the Phase II Expansion Project in 2010; however, this incremental capacity was not utilized by shippers to its full extent due to unusually wet conditions in southeastern Saskatchewan which resulted in certain shippers shutting-in production and delaying drilling programs. Throughput variances do not directly impact earnings on the Saskatchewan Gathering and Westspur systems since these systems are cost of service based. Throughput levels directly impact earnings of the Weyburn and Virden systems, which operate on a basis similar to a common carrier and charge a market-based toll per barrel of crude oil transported.

The increase in energy production by the Green Power segment resulted from the acquisition of the Renewable Assets which closed in October 2011. The acquisition of the Renewable Assets increased the Fund's renewable power generation capacity from 91 megawatts to more than 460 megawatts.

Alliance Canada

OVERVIEW

Alliance Canada consists of 1,560 kilometres of the Alliance System's natural gas mainline pipeline beginning near Gordondale, Alberta and connecting to Alliance US at the Canada/United States border near Elmore, Saskatchewan. Alliance Canada also includes the Alliance System's lateral pipelines, which connect the mainline to a number of upstream receipt points, primarily at natural gas processing facilities in northwestern Alberta and northeastern British Columbia, and related infrastructure.

The Alliance System is designed to transport 1,325 mmcf/d of natural gas on a firm service basis primarily from supply areas in northwestern Alberta and northeastern British Columbia to delivery points near Chicago, Illinois. Additional transportation capacity is available to shippers for no additional cost other than the cost of the associated fuel requirements through Alliance Canada's AOS.

Alliance Canada has transportation agreements (TSAs) with shippers for substantially all of its available firm transportation capacity. The initial term of the TSAs expires in December 2015, with the exception of a small proportion of shippers who have elected to extend their contracts beyond 2015. Alliance Canada expects to continue to be competitive with other export pipelines given its geographic positioning and its capacity to efficiently move liquids-rich gas to market and is seeking to secure new term contracts for capacity for periods beyond 2015.

Tolls and tariffs for Alliance Canada are regulated by the National Energy Board (NEB). Alliance Canada's TSAs are designed to provide toll revenues sufficient to recover prudently incurred costs of service, including operating and maintenance costs, costs of indebtedness, an allowance for income tax, capital taxes, depreciation and an allowed return on equity of 11.26% after tax, based on a deemed 70/30 debt-to-equity ratio. Each shipper's charges are proportionate to the shipper's contracted capacity. Toll adjustments, based on variances between the cost of service forecast used to calculate the toll and the actual cost of service, are made annually. Following consultation with shippers, amended tolls are filed annually with the regulator.

Depreciation expense on the transmission plant included in the cost of service is based on negotiated depreciation rates contained in the TSAs while the depreciation expense in the financial statements is recorded on a straight-line basis of 4% per annum. The negotiated depreciated rates were less than the straight-line rates in the earlier years and will be higher than straight-line depreciation in later years of the TSAs, commencing in 2012. This resulted in the recognition of a long-term receivable, referred to as deferred transportation revenue, expected to be recovered from shippers in subsequent rates. At December 31, 2011, $100.1 million (2010 – $97.8 million) was recorded as deferred transportation revenue.

Alliance Canada's maintenance program maintains its productive capacity and helps to ensure the future sustainability of its distributions. The program includes semi-annual inspections of all compressor stations as well as internal corrosion inspections and annual pipe-to-soil surveys, atmospheric inspections, above ground indirect assessments and the repair and replacement of compressor parts. Mainline pipeline inspection is completed on a seven year recurring schedule. Other maintenance performed includes soil resistance surveys and corrosion deficiency reports. Maintenance expenditures may vary from year to year.

RESULTS OF OPERATIONS

Year ended December 31,	**2011**	2010
(millions of Canadian dollars)		
Revenues	**226.2**	230.8
Earnings	**53.4**	57.3

The decrease in revenues for the year ended December 31, 2011 of $4.6 million from 2010 was the result of Alliance Canada's reduced equity return on its depreciating investment base as well as a decrease in cost of service expenses. Under Alliance Canada's cost of service tolling model, operating costs impact revenues as such costs are recovered from shippers in tolls.

Earnings of $53.4 million for the year ended December 31, 2011 represented a decrease of $3.9 million compared with the prior year. The decline is primarily attributable to a lower equity return on Alliance Canada's depreciating investment base. The rate used to calculate the equity return is not expected to change; however, the investment base upon which the equity return is calculated will change over time due to depreciation. This decline was partially offset by an increase in the allowance for deemed income taxes, which increased due to lower capital cost allowance deductions.

REGULATORY MATTERS

2012 TOLL FILING

On October 31, 2011, following consultation with its shippers, Alliance Canada filed its 2012 tolls with the NEB. Alliance Canada's 2012 tolls increased slightly from $0.91/mcf to $0.92/mcf on January 1, 2012. The increased toll for 2012 reflects increased expenditures for pipeline maintenance and system optimization activities, pipeline integrity and compliance projects, renewal and replacement of aging applications and infrastructure and labour costs.

CAPITAL EXPENDITURES

In 2011, Alliance did not incur significant capital expenditures. In 2010, the Fund's 50% proportionate share of Alliance capital expenditures was $4.7 million and related to the construction of new receipt point interconnections and leasehold improvements and was offset by a $6.1 million recovery of original construction costs from a third party vendor.

Alliance Canada is undertaking a project to replace control panel equipment currently in operation at seven facility locations and has entered into an agreement with a supplier to replace the control panels. This project is expected to be completed by 2013. The costs associated with this project are expected to be recovered through future tolls.

BUSINESS RISKS

The risks identified below are specific to Alliance Canada. General risks that affect the Fund as a whole are described under *Risk Management*.

CONTRACTING RISK

The revenue generated by Alliance Canada is derived from tolls that are based on TSAs. The initial term of these agreements expires in December 2015, except for a small proportion of shippers who have elected to extend their existing contracts beyond 2015. Remaining shippers, representing the balance of originally contracted capacity, have elected not to extend their commitments beyond 2015 under the terms of the original contracts. Alliance Canada expects that evolving North American gas markets will bring demand for new services and requests for commercial terms that differ from those in the TSAs. Given the advantages that Alliance Canada can provide in operational efficiency, the wide spectrum of operating parameters that the Alliance System can accommodate to transport gas streams of variable heat content or energy value, the proximity to emerging gas developments and the ability to potentially incorporate new deliveries off the system into existing or new pipeline systems, natural gas marketing hubs and industrial users, Alliance Canada expects that the Alliance System will be well utilized beyond 2015 under new transportation agreements with shippers.

PIPELINE OPERATING RISKS

Operation of the Alliance System involves many risks, several of which are beyond the control of Alliance Canada, including but not limited to: breakdown or failure of equipment, information systems or processes; the performance of equipment at levels below those originally intended; catastrophic events such as natural disasters, fires, explosions, pipeline failure, wars, acts of terrorism and other similar events; lack of spare parts; operator error; and disputes with interconnecting facilities and carriers. The occurrence or continuance of any of these events could increase the cost of operating the Alliance System and/or reduce its transportation capacity, potentially impacting cash flow. Alliance Canada maintains safety policies, disaster recovery procedures and insurance coverage at industry acceptable levels to mitigate these risks.

RECOVERY OF CAPITAL

When the primary term of the TSAs expire, Alliance Canada is expected to have recovered approximately 56% of the capital cost of the Alliance Canada pipeline through depreciation charges collected from shippers. Since there is no guarantee as to the form and term of new contacts that may be established subsequent to expiry of the original TSAs, the remaining capital cost of property, plant and equipment and intangible assets, and deferred transportation revenue may not be recovered as soon as expected. In order to mitigate this risk, Alliance Canada will continue to focus on the competitiveness of its future tolls and is evaluating its service offering beyond 2015.

COMPETITION

The Alliance System faces competition for pipeline transportation services to the Chicago area from both existing and proposed pipeline projects. Existing pipelines, other than Alliance Canada, provide natural gas transportation services from the Western Canada Sedimentary Basin (WCSB) to natural gas markets in the mid-western United States. In addition, there are several proposals to upgrade existing pipelines or to build new pipelines serving such areas and markets. Any new or upgraded pipelines could either: allow shippers and competing pipelines to have

greater access to natural gas markets in addition to the markets served by the Alliance System and the pipelines to which it is connected; or offer natural gas transportation services that are more desirable to shippers than those provided by the Alliance System because of location, facilities or other factors. In addition, these pipelines could charge rates or provide transportation services to locations that result in greater net profit for shippers, with the effect of forcing Alliance Canada to realize lower revenues and cash flows. This risk is partially mitigated through TSAs, the primary term of which expires in 2015.

There is also competition from new sources of natural gas such as the Marcellus Basin, which is in close proximity to the Chicago hub served by the Alliance System. The development of the Marcellus Basin could provide an alternate source of gas to the Chicago area as well as decrease the northeastern United States region reliance on natural gas imports from Canada.

EXPOSURE TO SHIPPERS

Alliance Canada is dependent on shippers for revenues from contracted capacity on the Alliance Canada system. Failure of the shippers to fulfill their contractual obligations under the TSAs or failure to replace such shippers could have an adverse effect on the cash flows and financial condition of Alliance Canada and could impair the ability of Alliance Canada to meet its debt obligations and make distributions to its limited partners. A prolonged economic downturn in the energy industry, significant reductions in the supply of natural gas in the WCSB, competition from alternative sources of natural gas supply and from other providers of natural gas transportation services, and the price of and demand for natural gas and natural gas transportation services in markets served by Alliance Canada, among other things, could impact the ability of some or all of the shippers to fulfill their obligations under the TSAs.

CREDIT RISK

Currently, approximately 5.1% of firm capacity on Alliance Canada's system is contracted to shippers who do not have an investment grade rating or equivalent strong credit status and are required to post security. These shippers have provided security to Alliance Canada, but in no case does it fully cover more than one year's demand charges under the TSAs. There can be no assurance that the security will be adequate to compensate Alliance Canada if a shipper is unable to fulfill its obligations under its TSA.

RECOVERY OF COSTS

Pursuant to the terms of the TSAs and in accordance with the negotiated toll principles accepted by the NEB, Alliance Canada is permitted to recover from shippers costs incurred in the construction and operation of the Alliance System that are actually and reasonably incurred. There can be no certainty that all costs incurred by Alliance Canada will be recoverable through the transportation tolls. Transportation tolls are set in advance based on forecast expenses and adjusted periodically to reflect actual expenses. There is no assurance that the variances in the estimate will be recovered from shippers in subsequent periods, although historically all of these variances have been recovered.

DEPENDENCE ON INTERCONNECTED SYSTEMS AND FACILITIES

The Alliance System operates as an integrated pipeline; therefore, any matters which limit or restrict the ability of Alliance US to operate will equally affect the ability of Alliance Canada to operate. Alliance Canada may have no control over matters which may adversely affect Alliance US.

There is a significant degree of dependency on Aux Sable Liquid Products LP (Aux Sable), a related party to Alliance Canada through common ownership interest, to satisfy its requirements to provide heat content management services to Alliance US. Should Aux Sable fail to provide heat content management services for any reason, Alliance Canada may experience operational issues, including an interruption or curtailment of transportation service on the Alliance System. It is not possible to predict the extent or duration of these operational problems or their precise financial or operational effect on Alliance Canada.

Saskatchewan System

OVERVIEW

The Saskatchewan System transports crude oil from producing fields in southeastern Saskatchewan and southwestern Manitoba, as well as natural gas liquids (NGLs) from the Steelman gas processing plant, to Cromer, Manitoba where the crude oil and NGLs enter Enbridge's mainline pipeline to be transported to the United States.

The Saskatchewan System is comprised of the Saskatchewan Gathering, Westspur, Weyburn and Virden pipeline systems. Collectively referred to as the Saskatchewan System, these crude oil and liquids pipeline systems include approximately 420 kilometres of trunk line, approximately 1,900 kilometres of gathering pipeline and related terminals and tankage facilities. The capacity of each of the Saskatchewan Gathering and the Westspur Systems is 255,000 bpd and the capacity of the Weyburn and Virden Systems is approximately 47,000 bpd and 37,000 bpd, respectively. The Saskatchewan System also includes the Fund's ongoing business development activities in the Bakken region.

The Saskatchewan System maintenance program is designed to maintain the System's productive capacity and includes sump tanks, berm and line repairs, piping modifications, and tank and meter repairs. Maintenance expenditures will vary year to year as some maintenance is performed on a cyclical basis. For example, software upgrades are scheduled every five years. Tank repairs occur annually, although the extent of repairs will fluctuate each year based on the age and size of the tank. The program also includes annual system integrity management which consists of cathodic protection, installation and maintenance, inline inspections and repairs, station and tank inspection and repairs, as well as chemical injections which serve as corrosion inhibitors.

RESULTS OF OPERATIONS

Year ended December 31,	**2011**	2010
(millions of Canadian dollars)		
Revenues	**128.3**	87.6
Earnings	**42.1**	23.4

Revenues for the year ended December 31, 2011 of $128.3 million increased $40.7 million compared with the prior year. Revenue growth is primarily due to the Phase II Expansion Project that was declared in-service in December 2010 and the resultant toll increase which took effect in February 2011. Revenues also reflected a full year contribution from the June 2010 Weyburn toll increase.

Earnings for the year ended December 31, 2011 increased by $18.7 million over the prior year due to higher earnings on the Saskatchewan Gathering and Westspur Systems following the Phase II Expansion completed in 2010 and related additions to rate base. Earnings were also positively impacted by the June 2010 Weyburn toll increase and the earnings contribution from the reactivation and reversal of Line Ex-02. In the prior year, $1.5 million of costs, net of insurance proceeds, were incurred in connection with a crude oil release on the Virden System.

BUSINESS GROWTH

A joint project to further expand crude oil pipeline capacity to accommodate growing production from the Bakken and Three Forks formations located in Montana, North Dakota, Saskatchewan and Manitoba is being undertaken by the Fund and Enbridge Energy Partners L.P. (EEP), a party related to the Fund. The Bakken Expansion Program will increase takeaway capacity from the Bakken area by an initial 145,000 barrels per day (bpd), which can be expanded to 325,000 bpd. The Bakken Expansion Program will involve construction of facilities in the United States undertaken by EEP at a cost of approximately US$0.4 billion and construction of facilities in Canada undertaken by the Fund at a cost of approximately $0.2 billion. Regulatory approvals were received for the United States program and construction activities commenced on schedule in July 2011. In Canada, NEB approval was secured in December 2011. Construction on the Canadian portion of the project is scheduled to commence in the spring of 2012 and is expected to be completed in the first quarter of 2013, subject to environmental approvals.

As a first step to providing immediate capacity to growing Bakken production in Montana and North Dakota, the Fund completed the reactivation and reversal of Line Ex-02 during the second quarter of 2011, which has provided capacity to transport through the Saskatchewan System an initial 25,000 bpd of North Dakota production.

REGULATORY MATTERS

The Saskatchewan Gathering System and the Westspur System are regulated by Saskatchewan Ministry of Energy and Resources (SMER) and the NEB, respectively. The Saskatchewan Gathering System and the Westspur System tolling agreements are based on a cost of service methodology and are designed to provide toll revenues sufficient to recover operating costs, depreciation, deemed interest expense, deemed income tax and to provide an administrative expense allowance as well as a return on the asset base. The rate base upon which the equity return is calculated will change over time due to depreciation as well as maintenance and enhancement capital additions and expansions.

The Weyburn and Virden Systems are regulated by SMER and Manitoba Innovation, Energy and Mines, respectively. Rates are established based on historical precedence, signed customer agreements, or both, and are updated to reflect changing market conditions when warranted. As a result, earnings from Weyburn and Virden reflect toll revenue less costs incurred.

The regulators exercise statutory authority over various matters such as construction and operations, and exercise authority over rates and ratemaking agreements with customers and underlying accounting principles.

On December 17, 2010, the Saskatchewan System filed amended Westspur tariffs with the NEB with an effective date of February 1, 2011. In January 2011, a shipper on the Westspur system requested the NEB make the tolls "interim" effective February 1, 2011 pending discussions between the shipper and the Saskatchewan System on information requests put forward by the shipper. Subsequently, the shipper filed a complaint with the NEB on the basis that the information provided by the Fund was not adequate to allow an assessment to be made of the reasonableness of the tolls. Six parties have filed letters with the NEB supporting the shipper's complaint. The NEB directed additional discussion among the parties and, as of February 6, 2012, the Fund continues to review the structure of its Westspur tolls with shippers.

CAPITAL EXPENDITURES

Capital expenditures for the year ended December 31, 2011 were $67.4 million (2010 – $129.6 million), including $5.4 million (2010 – $4.8 million) in maintenance capital. Capital expenditures were largely directed to the completion of remaining seasonal and restorative work on the Saskatchewan System Phase II Expansion and to a lesser extent new customer connections and development costs associated with the Bakken Expansion Program.

Saskatchewan System anticipates capital expenditures of approximately $180 million in 2012. Of this amount, $15 million is allocated to maintenance capital expenditures, the most significant portion of which is pipeline integrity. Additionally, $23 million is allocated to growth enhancement capital, primarily to support new customer connections. The remaining $142 million is expected to be spent on the Bakken Expansion Program.

BUSINESS RISKS

The risks identified below are specific to the Saskatchewan System. General risks that affect the Fund as a whole are described under *Risk Management*.

COMPETITION

The Saskatchewan System faces competition in pipeline transportation from other existing or proposed pipelines as well as other forms of transportation, most notably trucking. These alternative transportation options could charge rates or provide service to locations that result in greater net profit for shippers with the effect of forcing the Saskatchewan System to lower its transportation rates to avoid losing shippers, thereby reducing cash flow. The Saskatchewan System manages exposure to competition by ensuring its tolls are competitive and by providing

a high level of service. Further, the Saskatchewan System's right-of-way and ongoing expansion efforts to ensure available capacity have created a competitive advantage. The Phase II Expansion and the Bakken Expansion Program announced in 2010 are two examples of the Fund's ability to competitively respond to new opportunities.

DEMAND FOR SERVICES

Operations and tolls for the Saskatchewan Gathering and the Westspur Systems are based on expired agreements with certain crude oil shippers and tolls are monitored on a customer complaint basis. The majority of the volumes shipped on these systems are transported on a basis similar to a common carrier, with no specific on-going volume commitments. There is no assurance that shippers will continue to utilize these systems in the future or transport volumes on similar terms or at similar tolls.

CREDIT RISK

The Saskatchewan System's trade receivables consist primarily of amounts due from companies operating in the oil and gas exploration and development industry. The credit risk associated with these receivables is mitigated by utilization of credit exposure limits where appropriate, and requiring less creditworthy shippers to provide credit enhancement which may include letters of credit, posting of collateral, netting provisions or other contractual requirements.

Green Power

OVERVIEW

ONTARIO WIND PROJECT

The Ontario Wind Project is located near Lake Huron, Ontario and is comprised of 115 turbines with an aggregate capacity of 190-MW. Power produced from the Ontario Wind Project is sold to the Ontario Power Authority (OPA) pursuant to power purchase agreements (PPA). The PPAs have 20 year terms which expire between 2028 and 2029. The turbine manufacturer has been contracted to provide ongoing maintenance services until 2018.

TALBOT WIND PROJECT

The Talbot Wind Project is located on the northern shore of Lake Erie, Ontario and is comprised of 43 turbines with an aggregate capacity of 99-MW. Power produced from the Talbot Wind Project is sold to the OPA pursuant to a PPA which expires in 2031. Operations and maintenance of the Talbot Wind Energy Project has been contracted to a third party until 2015.

SARNIA SOLAR PROJECT

The Sarnia Solar Project is located on the southern shore of Lake Huron, in the city of Sarnia, Ontario. It is comprised of approximately 1.3 million thin film photo-voltaic panels with a surface area of 966,000m2 with an aggregate capacity of 80-MW. Power produced from the Sarnia Solar Project is sold to the OPA pursuant to PPAs which expire between 2028 and 2030. The developer of the Sarnia Solar Project has been contracted to operate and maintain the project until 2020.

WIND POWER JOINT VENTURES

Green Power also includes the Fund's interests in three wind power projects including a 50% interest in the Sunbridge Project at Gull Lake, Saskatchewan and a 33% interest in each of the Magrath and Chin Chute projects in southern Alberta. The Sunbridge, Magrath and Chin Chute wind power projects have a combined electricity capacity of 71-MW. Sunbridge consists of 17 turbines, with an aggregate capacity of 11-MW. The power from Sunbridge is delivered into the Saskatchewan power grid and is sold under a long term PPA which expires in 2022. Each of the Magrath and Chin Chute wind projects utilize 20 turbines, with an aggregate capacity of 30-MW per project. The energy produced at Magrath and Chin Chute is delivered into the Alberta power grid. The Fund has entered into long-term agreements to substantially fix the price received for its share of production on these projects. The Magrath contract expires on November 30, 2024 while the Chin Chute contracts expire on December 31, 2017.

Various inspection and monitoring methods as well as ongoing maintenance protocols are utilized to maintain the safety and integrity of the wind turbines, solar panels and related facilities, and to minimize system disruptions. The wind and solar projects owned by the Fund are subject to regular maintenance programs to maintain the life of the assets. Given the infancy of this industry, the timing and magnitude of maintenance capital expenditures will likely vary from year to year.

NRGREEN

NRGreen currently operates four non-regulated waste heat recovery facilities located along the Alliance Pipeline in Saskatchewan. The first facility located at Kerrobert, Saskatchewan has been operating since December 2006. The three other facilities, located in Loreburn, Estlin and Alameda, Saskatchewan, began operations during 2008. Electricity is generated by harnessing the waste heat produced by Alliance Canada's gas turbines at its compressor stations and converting it to electrical energy. With four waste heat recovery facilities in operation, NRGreen's facilities have the capacity to generate 20-MW of power.

The power generated from all four of the NRGreen facilities is sold under long-term PPAs to SaskPower. The PPAs expire ten years after the in-service date for each facility. However, each PPA permits two five-year renewal notices at NRGreen's election. These may be renewed successively to provide an additional ten-year extension to the initial PPA.

Regular maintenance of NRGreen's facilities is performed concurrently with the Alliance Canada semi-annual inspection of the Kerrobert, Loreburn, Estlin and Alameda compressor stations.

The Whitecourt Recovered Energy Project is a new waste heat recovery facility which will be built by NRGreen along the Alliance Pipeline near Whitecourt, Alberta. The total cost of the Whitecourt Recovered Energy Project is expected to be approximately $64 million of which $7 million will be funded with a grant from the Climate Change and Emissions Management Corporation under its Energy Efficiency Projects grant program. The Whitecourt Recovered Energy Project is expected to be in service in the third quarter of 2013.

RESULTS OF OPERATIONS

Year ended December 31,	2011	2010
(millions of Canadian dollars)		
Revenues	**38.1**	9.7
Earnings	**14.1**	2.5

Green Power revenues and earnings increased by $28.4 million and $11.6 million, respectively, in 2011 compared with 2010. $27.5 million of the increase in revenues and $11.1 million of the increase in earnings related to the acquisition of Enbridge's interests in the Renewable Assets on October 21, 2011. From the date of acquisition to December 31, 2011, strong wind resources at the Ontario Wind Project and Talbot Wind Project were partially offset by lower solar output at the Sarnia Solar Project, resulting from outages caused by heavy rainfall.

NRGreen revenues and earnings declined from 2010 levels as a result of lower power production which resulted from severe cold weather combined with lower waste heat availability and scheduled maintenance. Lower operating results from NRGreen were partially offset by the receipt of insurance proceeds related to equipment performance issues in prior periods.

Revenues and earnings from the Wind Power Joint Ventures increased from the prior year as a result of a stronger wind resource.

CAPITAL EXPENDITURES

Capital expenditures of $3.8 million in 2011 (2010 – $0.4 million) were primarily attributable to the Whitecourt Recovered Energy Project.

A significant portion of Green Power's 2012 budgeted capital expenditures of $22 million are expected to be directed to the Whitecourt Recovered Energy Project.

BUSINESS RISKS

The risks identified below are specific to the Green Power segment. General risks that affect the Fund as a whole are described under *Risk Management*.

CHANGES IN SOLAR AND WIND CONDITIONS

The generation of electricity associated with the Fund's wind and solar assets is dependent on the wind resource or solar resource at each power generation facility. The wind and solar resource fluctuates daily and seasonally. The long-term actual wind and solar resource attained at each of the power projects has generally met its expected resource, as forecast with the support of extensive long-term studies; however, there is no assurance that the resource and electricity generation at each location will continue to meet expectations.

DEPENDENCE

INVESTING ACTIVITIES

Cash used in investing activities of $1,326.9 million for the year ended December 31, 2011 included the Acquisition of Enbridge's interests in the Renewable Assets for $1,231.1 million. Capital expenditures of $71.2 million in 2011 were primarily directed to the completion of remaining seasonal and restorative work on the Saskatchewan System Phase II Expansion and development costs associated with the Bakken Expansion Program. Investing activities for the year ended December 31, 2011 also include maintenance capital expenditures within the Saskatchewan System.

FINANCING ACTIVITIES

Financing activities for the year ended December 31, 2011 included the issuance of trust units and ECT preferred units to Enbridge, receipt of the $655.0 million loan from Enbridge, an increase in outstanding indebtedness under credit facilities, the issuance of $125.0 million of MTNs, payments on non-recourse credit facilities and payment of distributions on ECT preferred units and trust units.

Amounts outstanding on the Fund's long-term credit facility increased $130.0 million in 2011. The Fund used the long-term credit facility to finance a portion of 2011 capital expenditures. In addition, the Fund used $30.0 million of the facility to repay a portion of the $655.0 million loan received from Enbridge.

In each of the first and second quarters of 2011, the Fund declared a quarterly distribution of $0.346 per unit to ECT preferred unit and trust unitholders and paid such distributions on April 15, 2011 and July 15, 2011, respectively. The Fund amended its distribution payment frequency from quarterly to monthly effective with the July 2011 monthly distribution. Accordingly, monthly distributions were declared for the months July through October at a rate of $0.115 per unit and at $0.121 per unit for the months of November and December.

During the year ended December 31, 2011, Alliance Canada made debt repayments, of which the Fund's share was $36.3 million (2010 – $33.9 million). Alliance Canada debt repayments occur semi-annually in June and December of each year.

Payments due under contractual obligations over the next five years and thereafter are as follows:

Year ended December 31,	Total	Less than 1 year	2 years	3 years	4 years	5 years	Thereafter
(millions of Canadian dollars)							
Long-term debt [1]	1,175.0	–	–	90.0	–	–	1,085.0
Non-recourse long-term debt [2]	660.6	60.4	39.9	41.6	45.2	41.5	432.0
Operating leases	29.8	4.1	3.8	3.5	3.1	4.0	11.3
	1,865.4	64.5	43.7	135.1	48.3	45.5	1,528.3

1 Long-term debt does not include deferred financing charges.

2 Non-recourse long-term debt does not include deferred financing charges or the fair value increment of long-term debt acquired.

Alliance Canada holds various classes of Master Asset Vehicle (MAV) notes which were received in exchange for Alliance Canada's investment in asset-backed commercial paper (ABCP) that was unable to be redeemed upon maturity in 2007 due to the deterioration of liquidity in the ABCP market. An "A" rating has been assigned by DBRS to 49% of the notes, a "BBB" rating is assigned to 41% of the notes, while the Class B and Class C notes are not rated. The legal maturity of the notes is July 15, 2056, but the actual expected repayment of the notes, if held to maturity, is January 22, 2017.

The investment in the MAV notes is classified as held for trading and is measured at its fair value of $4.5 million. The Fund does not anticipate that the investment in the MAV notes will have a significant impact on Alliance Canada's results from operations or cash flow.

Cash Available For Distribution [1]

Year ended December 31,	2011	2010
(millions of Canadian dollars)		
Cash provided by operating activities	**188.4**	67.4
Add/(deduct):		
ECT preferred unit distributions [2]	**–**	43.8
Alliance Canada debt repayments [4]	**(36.3)**	(33.9)
Alliance Canada other cash retained [5]	**(6.3)**	(6.5)
Green Power maintenance capital expenditures [3]	**(0.2)**	–
Green Power joint venture debt repayment	**(1.4)**	(1.0)
Green Power joint venture cash retained [5]	**(1.3)**	(1.5)
Saskatchewan System maintenance capital expenditures [3]	**(5.4)**	(4.8)
Change in operating assets and liabilities in the year [6]	**(3.2)**	36.7
Cash available for distribution	**134.3**	100.2
Cash available for distribution is comprised of the following:		
Alliance Canada distributions	**71.9**	76.4
Saskatchewan System operating income before depreciation and amortization	**83.6**	47.0
Saskatchewan System maintenance capital expenditures	**(5.4)**	(4.8)
Green Power operating income before depreciation and amortization	**22.9**	–
Green Power maintenance capital expenditures	**(0.2)**	–
Green Power joint venture distributions	**4.5**	4.5
Corporate management and administrative expense	**(16.7)**	(11.3)
Corporate interest expense	**(28.2)**	(11.1)
Corporate other income	**–**	(1.2)
Corporate current income tax recovery	**1.9**	0.7
Cash available for distribution	**134.3**	100.2
ECT preferred unit distributions declared	**58.8**	43.8
Trust unit distributions declared	**53.5**	39.9
Cash distributions declared	**112.3**	83.7

1 *See Non-GAAP measures on page 44.*

2 *The cash available for distribution above is compared with total distributions, including the ECT preferred unit distributions. Since ECT preferred units were previously treated as debt in 2010 under Canadian GAAP, with distributions deducted from earnings, the ECT preferred unit distributions have been added back to cash provided from operating activities for the year ended December 31, 2010.*

3 *Maintenance capital expenditures reduce cash available for distribution since these expenditures are funded through cash from operations.*

4 *Debt repayments in Alliance Canada are deducted from cash from operations in deriving cash available for distribution because they are funded from cash from Alliance Canada's operations.*

5 *The cash retained or distributed by Alliance Canada and certain Green Power joint ventures reflects the cash from operations of these segments that has not been distributed to the Fund or distributions in excess of cash earnings in the period. While this cash from operations is proportionately consolidated and included in the Fund's cash provided by operating activities, it is not available for distribution by the Fund until it has been received from Alliance Canada and certain Green Power joint ventures. Cash retained by Alliance Canada and certain Green Power joint ventures includes debt service reserves, capital expenditures and other cash needed to fund working capital or other requirements of these operations.*

6 *Change in operating assets and liabilities in the period reflect changes in non-cash working capital related to operating activities. The change has been added back to cash available for distribution since fluctuations in working capital are expected each period and are not indicative of changes in cash available to be distributed.*

As set out in the above table, cash available for distribution consists of operating cash flow from the Fund's underlying businesses less deductions for maintenance capital expenditures, the Fund's administrative and operating expenses, corporate segment interest expense, applicable taxes and other reserves determined by the Manager. CAFD represents cash available to fund distributions on trust units and ECT preferred units, as well as for debt repayments and reserves.

For the year ended December 31, 2011, cash distributions declared represented 83.6% of cash available for distribution compared with 83.5% for the year ended December 31, 2010.

Analysis of Cash Distributions Declared

Year ended December 31,	2011	2010
(millions of Canadian dollars)		
Cash provided by operating activities	**188.4**	67.4
Earnings	**38.2**	12.6
Cash distributions declared [1]	**112.3**	39.9
Excess of cash provided by operating activities over cash distributions declared	**76.1**	27.5
Shortfall of earnings over cash distributions declared	**(74.1)**	(27.3)

1 In 2010, ECT preferred unit distributions were excluded from this reconciliation since these distributions were reductions in determining earnings and cash provided by operating activities.

For the year ended December 31, 2011, cash provided by operating activities exceeded cash distributions declared by $76.1 million (2010 – $27.5 million). Excess cash was reserved for debt repayments, working capital requirements and maintenance capital expenditures, as well as cash retained by joint ventures.

Earnings were $74.1 million lower than cash distributions for the year ended December 31, 2011 (2010 – $27.3 million). Earnings reflected non-cash items such as amortization of deferred financing costs, depreciation and future income taxes, all of which do not impact cash flow. Depreciation does not necessarily represent the cost of maintaining productive capacity; therefore, cash required for maintenance is generally lower than depreciation expense.

Distributions

The Fund's targets to distribute a high proportion of cash available for distribution each calendar year, after prudently reserving for contingencies and debt repayment.

TAXATION OF DISTRIBUTIONS AND DIVIDENDS

Under Canadian tax laws, a component of the Fund's cash distributions is taxable in the hands of the unitholder, with the remaining portion treated as a return of capital. In addition, a portion of the distribution can take the form of a non-taxable inter-corporate dividend. Based on current operations, 23% of cash distributed in 2011 was taxable for income tax purposes. The remaining amount distributed represented a non-taxable return of capital and non-taxable dividend.

SUSTAINABILITY OF DISTRIBUTIONS AND PRODUCTIVE CAPACITY

The current level of distributions may change based on the performance of the Fund's businesses, the level of continued investment or the Fund's ability to raise capital. The Board of Trustees periodically approves changes to distributions in accordance with the Fund's distribution objective. Distributable cash flow is defined to generally mean cash from operating, investing and financing activities, less certain items, including repayment of any indebtedness required in the period and any cash withheld as a reserve as determined by the Manager.

The sustainability of the Fund's distributions is a function of several factors: the demand for the services provided by its businesses; the effective maintenance of the productive capacity of its assets; its ability to economically obtain financing to fund growth; operational requirements; and, its ability to comply with covenants in its debt agreements as well as repay or refinance its debt as it comes due.

Each operating segment maintains its productive capacity and ensures the future sustainability of its distributions through regular maintenance programs and periodic maintenance capital expenditures. Maintenance capital expenditures are funded through cash from operations. Refer to the *Capital Expenditures* sections within the description of each operating segment for further discussion on planned maintenance and enhancement capital activities for 2012.

Selected Annual Financial Information

	2011	2010	2009
(millions of Canadian dollars, except where otherwise noted)			
Revenues	**392.6**	328.1	314.8
Earnings	**38.2**	12.6	13.0
Total assets	**3,471.4**	1,984.9	1,919.3
Total long-term liabilities	**2,399.8**	1,373.6	1,560.3

Significant items that have impacted the selected annual financial information are as follows:

- The increase in total assets in 2011 resulted from the acquisition of the Renewable Assets which was partly financed with a $655.0 million long term loan.
- 2011 revenues reflected the completion of the Saskatchewan System Phase II Expansion Project in late 2010 and revenues generated by the Renewable Assets acquired in October 2011.
- The increase in earnings in 2011 reflected the modification of the terms of the ECT preferred units which resulted in charging ECT preferred unit distributions to equity whereas ECT preferred unit distributions were charged to earnings in 2010 and prior years.
- The decrease in long-term liabilities in 2010 reflected the modification of the ECT preferred units pursuant to the Plan effected in December 2010 which resulted in a portion of the principal amount of this instrument being recorded as equity in 2010.
- Earnings in 2010 were negatively impacted by higher operating costs related to one-time occurrences, including the Virden crude oil release and costs associated with restructuring the Fund.

Related Party Transactions

The following related party transactions are provided in the normal course of business and, unless otherwise noted, measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

ALLIANCE CANADA

A subsidiary of Enbridge provides management services to Sable NGL Services L.P. (SNGL Services), a joint venture entity in which the Fund holds a 50% interest. SNGL Services paid management fees of $0.3 million during the year ended December 31, 2011 (2010 – $0.1 million). SNGL recorded revenues of $3.5 million (2010 – $2.5 million) and expenses of $6.7 million (2010 – $3.9 million) for natural gas sales and purchases with an affiliate of Enbridge, of which the Fund's interest is 50%. At December 31, 2011, $0.3 million (2010 – $0.2 million) related to management fees and operating expenses was included in the Fund's accounts payable and accrued liabilities.

Alliance Canada has contracts with shippers who are also affiliates of the Fund through common ownership interests of Enbridge, a related party by virtue of its ECT preferred units and trust unit investment in the Fund. The Fund's share of Alliance Canada's revenue from affiliates for the year ended December 31, 2011 is $21.4 million (2010 – $16.0 million) of which $1.9 million (2010 – $1.7 million) was included in accounts receivable and other at December 31, 2011. The terms of these contracts are the same as those agreed to with independent third parties.

Administrative and operation services are provided by Alliance Canada to Alliance Pipeline US, an entity related to the Fund through common ownership interests. The Fund's share of amounts charged to Alliance Pipeline US during the year ended December 31, 2011 was $19.7 million (2010 – $15.0 million) of which $1.8 million (2010 – $2.1 million) was included in accounts receivable and other as at December 31, 2011.

Administrative and facility support services are provided by Alliance Canada to Aux Sable Canada LP and Aux Sable Liquid Products LP, which are entities related to the Fund through common ownership. The Fund's

share of amounts charged to Aux Sable Canada LP and Aux Sable Liquid Products LP during the year ended December 31, 2011 were $0.2 million (2010 – $0.2 million) and $0.1 million (2010 – $0.1 million), respectively.

SASKATCHEWAN SYSTEM

The Saskatchewan System does not have any employees and uses the services of Enbridge for managing and operating the business. These services, which are charged at cost in accordance with service agreements, were $22.7 million for 2011 (2010 – $20.5 million) of which $1.6 million (2010 – $1.8 million) was included in accounts payable and accrued liabilities at December 31, 2011.

The Saskatchewan System has contracts with shippers who are also affiliates of the Fund through common ownership interests of Enbridge. Revenue from affiliates for the year ended December 31, 2011 was $6.5 million (2010 – $1.0 million) of which $0.3 million was included in accounts receivable and other at December 31, 2011 (2010 – nil). The terms of these contracts are the same as those agreed to with independent third parties.

GREEN POWER

In October 2011, the Fund received a $655.0 million loan from Enbridge which was used to partially finance the acquisition of Enbridge's interests in the Renewable Entities. The outstanding balance was $500.0 million at December 31, 2011. Interest expense of $7.5 million was incurred by the Fund on this loan for the year ended December 31, 2011, and as at December 31, 2011, $7.5 million was included in accounts payable and accrued liabilities.

Certain renewable power projects do not have employees and use the services of Enbridge for managing and operating the business. These services totaled $0.8 million for 2011 (2010 – $0.3 million) with $0.3 million (2010 – $0.2 million) included in accounts payable and accrued liabilities at December 31, 2011.

The Fund has a contract to sell to Enbridge all available emission reduction credits generated by the Fund's interest in the Chin Chute and Magrath projects. The contract has an initial 20-year term ending October 1, 2026 and provides for a fixed price of $5 per tonne of avoided CO_2 emissions, based on a negotiated rate of converting megawatts generated to tonnes of emissions reduced, plus applicable taxes. The Fund earned $0.3 million (2010 – $0.2 million) for the sale of these emission reduction credits in the year ended December 31, 2011.

One of the Fund's wind power projects, Magrath, has a long-term Power Purchase Agreement (PPA), expiring in 2024, with Enbridge Pipelines Inc., a wholly owned subsidiary of Enbridge. The terms of the PPA are for the sale of the project's total wind power production at a fixed price. Revenues of $0.1 million (2010 – $0.3 million) related to this PPA are reported within the Fund's revenue for the year ended December 31, 2011.

CORPORATE

In 2011, the Fund paid share issue costs totaling $9.2 million incurred in connection with the offering of 11,707,000 subscription receipts by ENF. Proceeds from the offering of subscription receipts were used by ENF to purchase additional trust units of the Fund.

Under the management and administrative agreements with EMSI, a wholly owned subsidiary of Enbridge, an incentive fee is payable annually to EMSI based on cash distributions above a base distribution level. During the year ended December 31, 2011, incentive fees were $10.4 million (2010 – $8.3 million), of which, $10.4 million (2010 – nil) was included in accounts payable and accrued liabilities. In addition, a base fee of $0.1 million is payable annually for providing administrative and management services and was included in accounts payable and accrued liabilities at December 31, 2011 (2010 – $0.1 million).

ECT reimburses ENF for certain general administrative costs. As at December 31, 2011, $0.3 million was included in accounts payable and accrued liabilities (2010 – $0.1 million) in respect of amounts owing under this agreement.

Risk Management

Maintaining a reliable and low risk business model is central to the Fund's objective of paying out a predictable flow of cash flow to unitholders. The Fund actively manages both financial and non-financial risks it is exposed to. The Fund performs an annual corporate risk assessment to identify all potential risks. Risks are ranked based on severity and likelihood and result in ongoing mitigants. In addition, a Cash Flow at Risk (CFAR) policy to manage risk has been adopted by the Fund. CFAR is a statistically derived measurement that quantifies the maximum adverse impact on cash flows over a specified period of time within a pre-defined level of statistical confidence. The Fund's CFAR limit has been set at 2.5% of CAFD.

MARKET PRICE RISK

The Fund's earnings, cash flows and OCI are subject to movements in interest rates, foreign exchange rates and commodity prices (collectively, market price risk). Formal risk management policies, processes and systems have been designed to mitigate these risks.

The following summarizes the types of market price risks to which the Fund is exposed and the risk management instruments used to mitigate them.

INTEREST RATE RISK

The Fund's earnings and cash flows are exposed to short term interest rate variability due to the regular repricing of its variable rate debt, primarily credit facilities. Floating to fixed interest rate swaps are used to hedge against the effect of future interest rate movements. The Fund has implemented a hedging program to mitigate the volatility of short–term interest rates on interest expense through 2016 at an average rate of 2.18%. At December 31, 2011, a 1.0% increase across the interest rate yield curve at that date, with all other variables constant, would have resulted in a $1.8 million decrease (2010 – $1.1 million) in earnings due to increased interest expense related to the Fund's variable rate debt outstanding at December 31, 2011 assuming the variable rate debt outstanding had been outstanding for the entire period.

The Fund's earnings and cash flows are also exposed to variability in longer term interest rates ahead of anticipated fixed rate debt issuances. Forward starting interest rate swaps may be used to hedge against the effect of future interest rate movements. A total of $100.0 million of future fixed rate term debt issuances have been hedged at an average swap rate of 3.35%. At December 31, 2011, a 1.0% increase across the interest rate yield curve at that date, with all other variables constant, would have resulted in a $13.8 million increase (2010 – $2.1 million) in OCI in the year due to the revaluation of interest rate derivatives outstanding.

FOREIGN EXCHANGE RISK

The Fund's earnings, cash flows and OCI are subject to foreign exchange rate variability due to certain United States dollar denominated expenses, and, through its investment in Alliance Canada, certain Euro denominated expenses.

The impact of a $0.05 strengthening of the Canadian dollar across the forward curve relative to the United States dollar at December 31, 2011 would not have had an impact (2010 – nil) in earnings and would have caused a $0.6 million decrease (2010 – nil) in OCI in the year due to the revaluation of foreign exchange derivative instruments. The impact of a $0.01 strengthening of the Canadian dollar relative to the Euro would not have had an impact (2010 – nil) in earnings and would not have had an impact (2010 – $0.1 million decrease) in OCI in the year due to the revaluation of foreign exchange derivative instruments held by Alliance Canada.

COMMODITY PRICE RISK

The Fund's earnings and cash flows are exposed to changes in commodity prices due to certain power generation operations and related floating rate supply agreements, as well as through commitments to purchase and sell natural gas in connection with capacity held on the Alliance System. The Fund uses power derivative instruments to fix a portion of the variable price exposures that may arise from these activities.

For the year ended December 31, 2011, a $5/MWh increase in the price of power would have resulted in no change (2010 – nil) in earnings, and would have decreased OCI by $1.4 million (2010 – $1.4 million) due to the revaluation of commodity derivatives.

TOTAL DERIVATIVE INSTRUMENTS

The following table summarizes the balance sheet location and fair value of the Fund's derivatives instruments. The Fund did not have any outstanding fair value or net investment hedges as at December 31, 2011 and 2010.

December 31, 2011	Derivative Instruments used as Cash Flow Hedges	Non-Qualifying Derivative Instruments	Total Derivative Instruments
(millions of Canadian dollars)			
Accounts receivable and other			
Interest rate contracts	**0.3**	**–**	**0.3**
	0.3	**–**	**0.3**
Deferred amounts and other assets			
Interest rate contracts	**1.2**	**–**	**1.2**
	1.2	**–**	**1.2**
Accounts payable and other			
Interest rate contracts	**(1.9)**	**–**	**(1.9)**
Foreign exchange contracts	**(0.1)**	**–**	**(0.1)**
Commodity contracts	**(1.0)**	**–**	**(1.0)**
	(3.0)	**–**	**(3.0)**
Other long-term liabilities			
Interest rate contracts	**(8.5)**	**–**	**(8.5)**
Foreign exchange contracts	**(0.6)**	**–**	**(0.6)**
Commodity contracts	**(6.5)**	**(0.3)**	**(6.8)**
	(15.6)	**(0.3)**	**(15.9)**
Total net derivative liability			
Interest rate contracts	**(8.9)**	**–**	**(8.9)**
Foreign exchange contracts	**(0.7)**	**–**	**(0.7)**
Commodity contracts	**(7.5)**	**(0.3)**	**(7.8)**
	(17.1)	**(0.3)**	**(17.4)**

December 31, 2010	Derivative Instruments used as Cash Flow Hedges	Non-Qualifying Derivative Instruments	Total Derivative Instruments
(millions of Canadian dollars)			
Deferred amounts and other assets			
Commodity contracts	1.6	–	1.6
	1.6	–	1.6
Accounts payable and other			
Interest rate contracts	(1.4)	–	(1.4)
Foreign exchange contracts	(0.1)	–	(0.1)
	(1.5)	–	(1.5)
Other long-term liabilities			
Interest rate contracts	(1.6)	–	(1.6)
Commodity contracts	–	(0.4)	(0.4)
	(1.6)	(0.4)	(2.0)
Total net derivative asset/(liability)			
Interest rate contracts	(3.0)	–	(3.0)
Foreign exchange contracts	(0.1)	–	(0.1)
Commodity contracts	1.6	(0.4)	1.2
	(1.5)	(0.4)	(1.9)

The following table summarizes the maturity and total notional principal or quantity outstanding related to the Fund's derivative instruments.

	2011		2010	
December 31,	Maturity	Notional Principal or Quantity Outstanding	Maturity	Notional Principal or Quantity Outstanding
Interest rate contracts *(millions of Canadian dollars)*	**2012 – 2016**	**375.0**	2013	75.0
U.S. dollar forwards *(millions of United States dollars)*	**2019 – 2020**	**18.8**	–	–
Euro forwards *(millions of Canadian dollars)*	**2012**	**0.2**	2011 – 2012	4.6
Commodity contracts – power *(megawatts per hour)*	**2012 – 2024**	**5.4**	2017 – 2024	4.8

THE EFFECT OF DERIVATIVE INSTRUMENTS ON THE STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

The following table presents the effect of cash flow hedges on the Fund's consolidated earnings and comprehensive income.

Year ended December 31,	**2011**	2010
(millions of Canadian dollars)		
Amount of unrealized gain/(loss) recognized in OCI		
Interest rate contracts	**(7.8)**	1.0
Foreign exchange contracts	**(0.6)**	–
Commodity contracts	**(9.4)**	1.7
Total unrealized gain/(loss) recognized in OCI	**(17.8)**	2.7
Amount of gain/(loss) reclassified from AOCI to earnings *(effective portion)*		
Interest rate contracts [1]	**2.0**	0.2
Commodity contracts [2]	**0.2**	(0.2)
Total gain reclassified from AOCI to earnings *(effective portion)*	**2.2**	–

1 Gain/(loss) reported within Interest Expense in the Consolidated Statements of Earnings.

2 Gain/(loss) reported within Revenues in the Consolidated Statements of Earnings.

The Fund estimates that $2.7 million of accumulated other comprehensive loss related to cash flow hedges will be reclassified to earnings in the next 12 months. Actual amounts reclassified to earnings depend on the interest rates, foreign exchange rates and commodity prices in effect when derivative contracts that are currently outstanding mature. For all forecasted transactions, the maximum term over which the Fund is hedging exposures to the variability of cash flows is 24 months at December 31, 2011.

NON-QUALIFYING DERIVATIVES

The following table presents the unrealized gains and losses associated with changes in the fair value of the Fund's non-qualifying derivatives.

Year ended December 31,	**2011**	2010
(millions of Canadian dollars)		
Commodity contracts [1]	**–**	(0.1)
Total unrealized derivative fair value loss	**–**	(0.1)

1 Loss reported within Revenues in the Consolidated Statements of Earnings.

LIQUIDITY RISK

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations, including commitments, as they become due. In order to manage this risk, the Fund forecasts the cash requirements over the near and long term to determine whether sufficient funds will be available when required. The Fund's primary sources of liquidity and capital resources are funds generated from operations, draws under committed credit facilities and the issuance of medium-term notes. The Fund maintains a current shelf prospectus with Canadian securities regulators, which enables, subject to market conditions, ready access to Canadian public capital markets. Cash flow from operations, in combination with available committed credit facilities and, if required, capital markets funding, is expected to be sufficient to meet the forecast liquidity requirements of the Fund.

MATURITIES OF FINANCIAL INSTRUMENTS

The Fund generally has no financial instruments, other than derivative instruments, maturing beyond one year with the exception of its long-term debt and long-term portion of loans from affiliates.

For the years ending December 31, 2012 through 2016, and thereafter, the Fund has estimated the following undiscounted cash flows will arise from its derivative instruments based on valuation at the balance sheet date.

	2012	2013	2014	2015	2016	Thereafter
(millions of Canadian dollars)						
Cash inflows	0.3	0.1	0.1	0.1	0.1	0.2
Cash outflows	(2.9)	(2.7)	(1.1)	(1.1)	(1.0)	(12.8)
Net cash flows	(2.6)	(2.6)	(1.0)	(1.0)	(0.9)	(12.6)

CREDIT RISK

Entering into derivative financial instruments may result in exposure to credit risk. Credit risk arises from the possibility that a counterparty will default on its contractual obligations and is limited to those contracts where the Fund would incur a loss in replacing the instrument. The Fund enters into risk management transactions only with institutions that possess investment grade credit ratings. Credit risk relating to derivative counterparties is mitigated by utilization of credit exposure limits, contractual requirements and frequent assessment of counterparty credit worthiness.

At December 31, 2011 and 2010, the Fund had group credit concentrations and maximum credit exposure in the following counterparty segments. Net derivative positions by counterparty segment have been presented below; however, the Fund is exposed to credit risk only on derivative asset positions.

December 31,	**2011**	2010
(millions of Canadian dollars)		
Canadian financial institutions	**1.5**	–
Canadian infrastructure entities	**–**	1.6
	1.5	1.6

Credit risk also arises from trade and other receivables and is mitigated through credit exposure limits and by requiring less creditworthy shippers to provide credit enhancement which may include letters of credit, posting of collateral, netting provisions or other contractual requirements. The maximum exposure to credit risk related to non-derivative financial assets is their carrying value.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table summarizes the Fund's financial instrument carrying and fair values and provides a reconciliation to the Consolidated Statement of Financial Position.

Demand for the Fund's services is also affected by the supply of and demand for power generated by facilities within the Green Power segment. This risk is mitigated by the long-term PPAs entered into with customers.

OPERATING RISK

The operation of Alliance Canada, the Saskatchewan System and Green Power involves risks, including the failure of equipment, information systems or processes, poor performance of equipment (whether due to misuse, unexpected degradation or design, construction or manufacturing defects), lack of spare parts, operator error, failure of internal controls, non-compliance with legal or other obligations, labour disputes, disputes or issues with interconnected facilities and carriers and catastrophic events such as natural disasters, fires, explosions, fractures, acts of terrorists and saboteurs, occurrence of a pandemic and other similar events, many of which are beyond the control of the respective systems. The occurrence or continuance of any of these events could increase the cost of operating Alliance Canada, the Saskatchewan System and Green Power and reduce transportation or generation capacity, thereby potentially impacting cash flow. The Fund employs various inspection and monitoring methods to manage pipeline, turbine and facility integrity as well as to minimize system disruptions. Additionally, the Fund maintains safety policies, disaster recovery procedures and insurance coverage at industry acceptable levels in the case of an incident.

The Fund and its operating affiliates have extensive programs to manage system integrity, which includes the development and use of in-line inspection tools. Maintenance, excavation and repair programs are directed to the areas of greatest benefit and pipe is replaced or repaired as required. The Company also maintains insurance coverage for significant pipeline leaks and has a security program designed to reduce security-related risks. While the Fund feels the level of insurance is adequate, it may not be sufficient to cover all potential losses.

ENVIRONMENTAL COSTS AND LIABILITIES

The operation of the Saskatchewan System and Alliance Canada are subject to federal, provincial and local laws and regulations relating to environmental protection and operational safety. Risks of substantial environmental costs and liabilities, including those from leaks and explosions, are inherent in pipeline operations and there can be no assurance that significant costs and liabilities, including those relating to claims for damages to property and persons resulting from operations of Alliance Canada and/or the Saskatchewan System, will not be incurred. To mitigate this risk, Alliance Canada and the Saskatchewan System have established safety and environmental policies that are designed to ensure that all aspects of their operations comply with existing regulations relating to personal safety and protection of the environment. It is not possible to predict the effect that any future changes in environmental laws and regulations will have on future earnings and there can be no assurance that environmental costs incurred by Alliance Canada or the Saskatchewan System will be partially or fully recoverable under their tolls.

EASEMENT RIGHTS

Alliance Canada, Saskatchewan System and Green Power have acquired easement rights from landowners, tenants and service lease owners in order to construct, install and operate their pipelines and wind turbines. These easement rights were obtained through voluntary negotiation and, in certain cases, through statutory rights of entry. There can be no assurance that legal challenges will not be brought forward with respect to the form, content, or recording of such easements, or to business segments' compliance with the terms of such easements during the construction and operation of the pipelines or wind turbines.

EXECUTION RISK

The Fund's ability to successfully execute the development of its organic growth projects, such as the Bakken Expansion Program, may be influenced by capital constraints, third-party opposition, changes in shipper support for projects over time, delays or changes in government and regulatory approvals, cost escalations, construction delays, shortages and in-service delays. Early stage project risks include right-of-way procurement, special interest group opposition, Crown consultation, and environmental and regulatory permitting. Cost escalations may impact project economics. Construction delays due to slow delivery of materials, contractor non-performance, weather conditions and shortages may impact project development. Labour shortages, inexperience and productivity issues

may also affect the successful completion of the projects. To mitigate these risks, clearly defined management and governance structures for all major projects are established and strategic relationships with landowners, suppliers, contractors and other stakeholders are formed and maintained. Additionally, Enbridge, the Fund's Manager and the Fund's joint venture interests ensure that compensation programs, communications and working environments are designed to attract, develop and retain qualified personnel.

SPECIAL INTEREST GROUPS

The Fund is exposed to the risk of higher costs, delays or even project cancellations due to increasing pressure on government and regulators by aboriginal groups, landowners and other special interest groups. Recent Supreme Court decisions have increased the ability of special interest groups to make claims and oppose projects in regulatory and legal forums. The Fund and its contractors work proactively with special interest groups to identify and develop an appropriate response to concerns regarding its projects.

WORKFORCE DEVELOPMENT

With increased rates of retirement due to the current workforce demographic, the Fund relies on Enbridge's strong recruiting efforts, comprehensive training and leadership development programs, as well as succession planning initiatives to ensure the Manager has qualified staff to provide services to the Fund.

JOINT VENTURE PARTNERS

Certain segments of the Fund consist of joint venture partnerships with the Fund's ownership interests ranging from 33% to 50%. In these joint ventures, the Fund does not have full control to execute initiatives without consent from the joint venture partners. This risk is mitigated through formal governance procedures as well as ongoing dialogue with joint venture partners.

Critical Accounting Estimates

DEPRECIATION

Depreciation of property, plant and equipment, the Fund's largest asset with a net book value of $2,337.2 million, or 67% of total assets at December 31, 2011, is generally provided on either a straight-line basis over the estimated service lives of the assets or a unit of throughput basis commencing when the asset is placed in service. When it is determined that the estimated service life of an asset does not reflect the expected remaining period of benefit, prospective changes are made to the estimated service life. In general, estimates of service lives are based on third party engineering studies, experience and industry practice. There are a number of assumptions inherent in estimating the service lives of the Fund's assets including the level of development, exploration, drilling, reserves and production of crude oil and natural gas in the supply areas served by the Fund's pipelines as well as the demand for crude oil and natural gas and the integrity of the Fund's systems. Changes in these assumptions could result in adjustments to the estimated service lives, which could result in material changes to depreciation expense in future periods in any of the Fund's operating segments.

REGULATORY ASSETS AND LIABILITIES

Alliance Canada and certain pipelines within the Saskatchewan System are subject to regulation by various authorities, including but not limited to, the NEB and SMER. Regulatory bodies exercise statutory authority over matters such as construction, rates and ratemaking, and agreements with customers. To recognize the economic effects of the actions of the regulator, the timing of recognition of certain revenues and expenses in operations may differ from that otherwise expected under Canadian GAAP for non rate–regulated entities. Regulatory assets represent amounts that are expected to be recovered from customers in future periods through rates. Regulatory liabilities represent amounts that are expected to be refunded to customers in future periods through rates. On refund or recovery of this difference, no earnings impact is recorded. Effectively, the income statement captures only the approved costs and the related revenue rather than the actual costs and related revenue. As of December 31, 2011,

the Fund's regulatory assets totalled $200.3 million (2010 – $208.2 million) and regulatory liabilities totalled $6.3 million (2010 – $4.3 million). To the extent that the regulator's actions differ from the Fund's expectations, the timing and amount of recovery or settlement of regulatory balances could differ significantly from those recorded.

ASSET RETIREMENT OBLIGATIONS

The fair value of asset retirement obligations (AROs) associated with the retirement of long-lived assets are recognized as long-term liabilities in the period when they can be reasonably determined. The fair value approximates the cost a third party would charge in performing the tasks necessary to retire such assets and is recognized at the present value of expected future cash flows. AROs are added to the carrying value of the associated asset and depreciated over the asset's useful life. The corresponding liability is accreted over time through charges to earnings and is reduced by actual costs of decommissioning and reclamation. The present value of expected future cash flows is determined using assumptions such as the probability of abandonment in place versus removal and the estimated costs required upon retirement in each case, the discount rate and the estimated time to retirement. Changes in the assumptions used to calculate the present value of expected future cash flows could result in material changes to the asset retirement obligation and the accretion expense in future periods.

In May 2009, the NEB released a report on the financial issues associated with pipeline abandonment and established a goal for pipelines regulated under the NEB Act to begin setting aside funds for abandonment no later than January 1, 2015. Since then, the NEB has issued several revised "base case assumptions" based on feedback from member companies. Companies have the option to follow the base case assumptions or to submit pipeline specific applications.

In November 2011, as required by the NEB, applications for the Fund's regulated pipelines systems, including Alliance Canada and Westspur System, were filed largely based on the base case assumptions issued by the NEB specifically for the purpose of this filing. The NEB is also requiring regulated pipeline companies to file a proposed process for collecting and setting aside the funds for abandonment by November 30, 2012 for Group 1 companies and by March 31, 2013 for Group 2 companies. Both of the required submissions will require NEB approval and will result in increases to transportation tolls and regulatory liabilities, the amount of which is uncertain at this time.

Currently, for certain of the Fund's assets, including Alliance Canada, there is insufficient information to reasonably determine the timing and/or method of settlement for estimating the fair value of the ARO. In these cases, the ARO cost is considered indeterminate for accounting purposes, as there is no data or information that can be derived from past practice, industry practice or the estimated economic life of the asset.

GOODWILL

Goodwill represents the excess of the purchase price over the fair value of net identifiable assets upon acquisition of a business. Goodwill is not subject to amortization but is tested for impairment at least annually and written down to fair value if impairment occurs. For the purposes of impairment testing, reporting units comprise business operations with similar economic characteristics and strategies and may represent either a business segment or a business unit within a business segment. Potential impairment is identified when the carrying value of a reporting unit, including allocated goodwill, exceeds its fair value. Goodwill impairment is measured as the excess of the carrying amount of the reporting unit's allocated goodwill over the implied fair value of the goodwill, based on the fair value of the assets and liabilities of the reporting unit.

The determination of fair value of the assets and liabilities of the reporting unit involves the use of valuation techniques, including present value calculations of estimated future cash flows. This requires the use of various assumptions about future income, future operating costs, future demand, throughputs and discount rates. Any changes in these assumptions could result in an impairment of goodwill.

Change in Accounting Policies

BUSINESS COMBINATIONS

Effective January 1, 2011, the Fund adopted Part V Section 1582, *Business Combinations*, which replaces Section 1581. The new standard requires assets and liabilities acquired in a business combination to be measured at fair value at the acquisition date and if applicable, any original equity interest in the investee to be re-measured to fair value through earnings on the date control is obtained. The standard also requires that acquisition-related costs, such as advisory or legal fees, incurred to effect a business combination be expensed in the period in which they are incurred. In accordance with the transitional provisions of this standard, Section 1582 was adopted prospectively and, accordingly, assets and liabilities that arose from business combinations occurring before January 1, 2011 were not restated. The adoption of this standard resulted in the recognition of $3.6 million of transaction costs for the year ended December 31, 2011.

UNITED STATES GAAP

First-time adoption of Part I – International Financial Reporting Standards (Part I or IFRS) of the CICA Handbook was mandatory for Canadian publicly accountable enterprises on January 1, 2011, with the exception of certain qualifying entities. Part I is mandatory for qualifying entities, including those with operations subject to rate regulation, for periods beginning on or after January 1, 2012. The Fund is a qualifying entity for purposes of this deferral and presented its financial statements in accordance with pre-changeover accounting standards, Part V of the CICA Handbook, during the 2011 deferral period.

As a rate regulated accounting standard has not been finalized by the International Accounting Standards Board, the Fund does not intend to adopt IFRS in 2012 but rather United States generally accepted accounting principles (U.S. GAAP).

The Fund will be permitted to prepare its financial statements in accordance with U.S. GAAP for purposes of meeting its Canadian continuous disclosure obligations under a three-year exemption granted by securities regulators in Canada and will adopt U.S. GAAP for interim and annual financial statements beginning on January 1, 2012. Alliance Canada, a significant investee of the Fund, is also permitted to prepare its financial statements in accordance with U.S. GAAP under a similar order and will adopt U.S. GAAP effective January 1, 2012.

In preparation for the U.S. GAAP conversion, Enbridge, whose U.S. GAAP conversion project includes the Fund, formed a U.S. GAAP project team and developed a transition plan and governance structure to monitor the progress of the transition. Enbridge has engaged a public accounting firm to assist with the project and to provide technical accounting advice on the interpretation and application of U.S. GAAP. Management has reported regularly to the Audit Committee of the Board of Trustees on the progress of the conversion to U.S. GAAP.

ACCOUNTING AND REPORTING

The Fund has identified known U.S. GAAP differences. The most significant differences identified to date are expected to impact the following areas:

- Equity accounting treatment of joint ventures;
- Measurement and presentation of ECT preferred units and trust units;
- Accounting for transfers of assets between entities under common control;
- Hedge accounting as it applies to hedged risks within joint ventures; and
- Presentation of deferred financing costs.

The Fund has also substantially completed the preparation of model U.S. GAAP financial statements to identify the type of information and level of detail required to be disclosed under U.S. GAAP and has substantially completed restatement of comparative periods.

To facilitate users understanding of the transition, subsequent to filing its Canadian GAAP financial statements for the year ended December 31, 2011 and before filing its first interim report under U.S. GAAP, the Fund will provide, for information purposes, its 2011 financial statements restated under U.S. GAAP along with comparative periods and related note disclosures.

TRAINING

The owner of the Fund's manager, Enbridge, has experience reporting under U.S. GAAP and has reconciled its financial statements to U.S. GAAP for many years as a SEC registrant. Enbridge has a detailed plan to provide supplemental U.S. GAAP training to internal personnel impacted by the conversion. Training initiatives were completed in 2011 and ongoing training is planned for 2012.

INFORMATION SYSTEMS AND BUSINESS PROCESSES

The Company has completed testing system changes necessary to support the conversion to U.S GAAP and to sustain U.S. GAAP reporting in 2012 and beyond. Implementation of these changes will take place in the first quarter of 2012. Impacts to internal controls over financial reporting and disclosures have been evaluated and no significant impacts were noted.

Selected Quarterly Financial Information

	2011				2010			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
(millions of Canadian dollars, except per unit amounts)								
Revenue	**128.2**	**92.4**	**86.2**	**85.8**	89.4	81.1	80.3	77.3
Earnings	**6.9**	**7.7**	**11.1**	**12.5**	4.1	3.4	1.5	3.6
Cash distributions declared [1]	**36.9**	**25.2**	**25.1**	**25.1**	20.9	20.9	20.9	20.9

1 Cash distributions declared on trust units and ECT preferred units.

Significant items that have impacted quarterly financial information are as follows:

- Revenues in the fourth quarter of 2011 reflected the contribution of the Renewable Assets which were acquired on October 21, 2011 and generated revenues of $27.5 million in the quarter.
- Earnings in the fourth quarter of 2011 reflected earnings from the Renewable Assets of $11.1 million which were offset by interest on the $655.0 loan from Enbridge issued to partially finance the acquisition, and income tax expense.
- The Fund issued an additional 14,616,000 trust units and 16,051,000 ECT preferred units in October 2011 in connection with the acquisition of the Renewable Assets. Incremental cash flows generated by the Renewable Assets enabled the Fund to increase the monthly distribution per unit to $0.121 effective with the November 2011 distribution. The increase in units outstanding and the increase in the amount of the monthly distribution per unit resulted in a corresponding increase in cash distributions declared.
- Earnings in the third quarter of 2011 reflected acquisition-related costs of $3.6 million incurred in connection with the Transaction.
- Following a modification to the terms of the ECT preferred units in December 2010, distributions on these units are recorded as a charge to equity; previously, they were presented as interest expense and were deducted from earnings. ECT preferred unit distributions charged to earnings totaled $10.9 million per quarter from the first quarter of 2010 through to the fourth quarter of 2010.
- Increased cash distributions declared in the first three quarters of 2011 compared with the same periods in 2010 reflected an increase in the distribution from $0.288 per unit to $0.346 per unit.
- Phase II of the Saskatchewan System expansion was substantially completed and placed in service in December 2010.

- Earnings in the second quarter of 2010 were negatively impacted by higher operating costs related to one-time occurrences, including the Virden crude oil release and costs associated with restructuring the Fund.
- Fourth quarter revenues from the Fund's regulated entities, including Alliance Canada, the Westspur System and the Saskatchewan Gathering System, are typically higher than other quarters due to higher cost of service recoveries. The maintenance schedules of both Alliance Canada and the Saskatchewan System have some seasonal variance which generally results in more maintenance projects being undertaken in the latter half of the year.

Supplementary Information

Outstanding Unit Data	Number of Units Outstanding
Trust units	49,241,000
ECT preferred units	54,074,750

Outstanding unit information is provided as at February 6, 2012.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Enbridge Income Fund

We have audited the accompanying consolidated financial statements of Enbridge Income Fund, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010 and the consolidated statements of earnings, comprehensive income (loss), unitholders' equity, and cash flows for the years then ended, 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 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.

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 Enbridge Income Fund as at December 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

CHARTERED ACCOUNTANTS
Calgary, Alberta
February 6, 2012
PricewaterhouseCoopers LLP, Chartered Accountants

CONSOLIDATED STATEMENTS OF EARNINGS

Year ended December 31,	2011	2010
(millions of Canadian dollars)		
Revenues	**392.6**	328.1
Expenses		
Operating and maintenance	**119.2**	110.4
Management and administrative	**16.7**	11.3
Depreciation and amortization	**127.2**	94.3
	263.1	216.0
	129.5	112.1
Other income	**1.2**	0.4
Interest expense *(Note 12)*	**(80.4)**	(56.9)
ECT preferred unit distributions *(Note 13)*	**–**	(43.8)
	50.3	11.8
Income taxes *(Note 16)*	**(12.1)**	0.8
Earnings	**38.2**	12.6

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Year ended December 31,	**2011**	2010
(millions of Canadian dollars)		
Earnings	**38.2**	12.6
Other comprehensive income/(loss)		
Change in unrealized loss on cash flow hedges, net of tax	**(15.0)**	(16.0)
Reclassification of cash flow hedges to earnings, net of tax	**4.5**	(0.2)
Other comprehensive loss	**(10.5)**	(16.2)
Comprehensive income/(loss)	**27.7**	(3.6)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

Year ended December 31,	2011	2010
(millions of Canadian dollars)		
Trust units		
Balance at beginning of year	**333.4**	333.4
Issued *(Note 15)*	**264.8**	–
Balance at end of year	**598.2**	333.4
ECT preferred units		
Balance at beginning of year	**583.7**	583.7
Issued *(Note 13)*	**224.3**	–
Balance at end of year	**808.0**	583.7
Deficit		
Balance at beginning of year	**(407.4)**	(88.8)
Earnings	**38.2**	12.6
Distributions to unitholders	**(53.5)**	(39.9)
ECT preferred unit distributions	**(58.8)**	–
ECT preferred unit amendment *(Note 13)*	**–**	(291.3)
Balance at end of year	**(481.5)**	(407.4)
Accumulated other comprehensive loss		
Balance at beginning of year	**(20.3)**	(4.1)
Other comprehensive loss, net of tax	**(10.5)**	(16.2)
Balance at end of year	**(30.8)**	(20.3)
Total unitholders' equity	**893.9**	489.4

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31,	2011	2010
(millions of Canadian dollars)		
Cash provided by operating activities		
Earnings	**38.2**	12.6
Charges/(credits) not affecting cash		
Depreciation and amortization	**127.2**	94.3
Amortization of deferred financing charges	**1.4**	1.8
Amortization of fair value increment on debt	**(4.0)**	(4.4)
Future income taxes	**13.8**	(0.3)
Accretion on ECT preferred unit liability	**6.6**	0.3
Other	**2.0**	0.1
Changes in operating assets and liabilities *(Note 22)*	**3.2**	(37.0)
	188.4	67.4
Investing activities		
Additions to property, plant and equipment	**(71.2)**	(128.6)
Additions to intangible assets	**(0.8)**	(1.2)
Change in construction payable	**(23.8)**	22.4
Acquisition *(Note 5)*	**(1,231.1)**	–
	(1,326.9)	(107.4)
Financing activities		
Net change in long-term credit facility	**130.0**	(80.1)
Short-term borrowings	**21.0**	5.4
Loan from affiliate	**655.0**	–
Affiliate loan repayments	**(155.0)**	–
Debt issue costs	**(1.9)**	(1.4)
Long-term debt issues	**125.0**	200.0
Net change in non-recourse long-term credit facility	**(1.4)**	(0.9)
Repayment of non-recourse long-term debt	**(36.3)**	(33.9)
ECT preferred unit distributions declared	**(58.8)**	–
Trust unit distributions declared	**(53.5)**	(39.9)
Change in distributions payable	**9.2**	–
Trust units issued	**274.0**	–
Preferred units issued	**301.0**	–
Share issue costs *(Note 15)*	**(9.2)**	–
	1,199.1	49.2
Increase in cash and cash equivalents	**60.6**	9.2
Cash and cash equivalents, beginning of year	**30.8**	21.6
Cash and cash equivalents, end of year	**91.4**	30.8
Cash and cash equivalents	**69.3**	15.2
Cash and cash equivalents in trust *(Note 17)*	**22.1**	15.6
	91.4	30.8
Supplementary cash flow information		
Income taxes paid	**–**	–
Interest paid	**61.5**	56.9

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,	2011	2010
(millions of Canadian dollars)		
Assets		
Current assets		
Cash and cash equivalents	**91.4**	30.8
Accounts receivable and other	**68.9**	55.0
	160.3	85.8
Property, plant and equipment, net *(Note 7)*	**2,337.2**	1,305.1
Intangible assets *(Note 8)*	**403.4**	83.4
Goodwill *(Note 9)*	**365.7**	308.1
Deferred amounts and other assets	**204.2**	198.4
Future income taxes *(Note 16)*	**0.6**	4.1
	3,471.4	1,984.9
Liabilities and unitholders' equity		
Current liabilities		
Short-term borrowings	**30.4**	9.4
Accounts payable and accrued liabilities	**74.4**	72.9
Distributions payable	**12.5**	3.3
Current portion of non-recourse long-term debt *(Note 11)*	**60.4**	36.3
	177.7	121.9
Long-term debt *(Note 10)*	**1,170.1**	415.7
Non-recourse long-term debt *(Note 11)*	**622.1**	687.9
ECT preferred units *(Note 13)*	**171.4**	88.1
Long-term liabilities	**24.1**	10.4
Asset retirement obligations *(Note 14)*	**17.4**	15.1
Future income taxes *(Note 16)*	**394.7**	156.4
	2,577.5	1,495.5
Unitholders' equity		
Trust units *(Note 15)*	**598.2**	333.4
ECT preferred units *(Note 13)*	**808.0**	583.7
Deficit	**(481.5)**	(407.4)
Accumulated other comprehensive loss	**(30.8)**	(20.3)
	893.9	489.4
	3,471.4	1,984.9

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Trustees of Enbridge Commercial Trust on behalf of Enbridge Income Fund:

CATHERINE M. BEST
Trustee

GORDON G. TALLMAN
Trustee

1. Nature and Description of the Fund

Enbridge Income Fund (the Fund) is an unincorporated open-ended trust established by a trust indenture under the laws of the Province of Alberta. The Fund commenced operations on June 30, 2003. Enbridge Management Services Inc. (EMSI), a wholly owned subsidiary of Enbridge Inc. (Enbridge), administers the Fund. EMSI also serves as the manager of Enbridge Commercial Trust (ECT), a subsidiary of the Fund and Enbridge Income Fund Holdings Inc. (ENF), a unitholder of the Fund.

In December 2010, the court approved plan of arrangement (the Plan) to restructure the Fund took effect. Under the Plan, all publicly held trust units of the Fund, as well as 5,000,000 trust units held by Enbridge, were exchanged on a one-for-one basis for shares of a taxable Canadian corporation, ENF. Concurrently, the trust units ceased trading on the Toronto Stock Exchange. Subsequent to implementation of the Plan, the Fund ceased to be a specified investment flow-through (SIFT) entity and therefore is not subject to SIFT tax legislation.

The Fund conducts its business through three operating segments: Alliance Canada, Saskatchewan System and Green Power. These segments are strategic business units established along service lines by management to assess operational performance and to achieve the Fund's long-term objectives.

ALLIANCE CANADA

Alliance Canada consists of the Fund's 50% interest in the Canadian portion of the 3,000 kilometer (km) Alliance System. The Alliance System, comprised of Alliance Canada and Alliance US, transports natural gas primarily from supply areas in northwestern Alberta and northeastern British Columbia to delivery points near Chicago, Illinois. The Canadian portion includes approximately 1,560 km of the Alliance System's high-pressure, natural gas transmission system as well as its lateral pipeline system, which connects the mainline to a number of upstream receipt points, and related infrastructure.

SASKATCHEWAN SYSTEM

The Saskatchewan System includes four crude oil and liquids pipeline systems: Saskatchewan Gathering, Westspur, Weyburn, and Virden. Together these systems include approximately 420 km of trunk line and approximately 1,900 km of gathering pipeline with operating capacities ranging from 37,000 barrels of oil per day (bpd) to 255,000 bpd. The Saskatchewan System also includes business development activities in the Bakken region.

GREEN POWER

Green Power includes the 80-megawatt (MW) Sarnia Solar Project, the 190-MW Ontario Wind Project, the 99-MW Talbot Wind Project and the Fund's 33% to 50% interests in three wind power projects in Saskatchewan and southern Alberta. Green Power also includes the Fund's 50% interest in NRGreen, which operates waste heat recovery power generation facilities along the Alliance System.

2. Summary of Significant Accounting Policies

The consolidated financial statements of the Fund have been prepared in accordance with Part V – Pre-changeover Accounting Standards of the Canadian Institute of Chartered Accountants (CICA) Handbook (Canadian GAAP or Part V). Amounts are stated in Canadian dollars unless otherwise noted. The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities in the financial statements. Significant estimates and assumptions used in preparation of the consolidated financial statements include, but are not limited to: carrying values of regulatory assets and liabilities *(Note 6)*; depreciation rates

and carrying value of property, plant and equipment *(Note 7)*; measurement of and amortization rates of intangible assets *(Note 8)*; measurement of goodwill *(Note 9)*; fair values of financial instruments *(Notes 18 and 19)*; income taxes *(Note 16)*, and fair value of asset retirement obligations *(Note 14)*. Actual results could differ from these estimates.

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Fund, its subsidiaries and its proportionate share of the accounts of its joint venture interests.

REGULATION

Both Alliance Canada and the systems comprising the Saskatchewan System are subject to regulation by various authorities, including the National Energy Board (NEB), Saskatchewan Ministry of Energy and Resources (SMER) and Manitoba Innovation, Energy and Mines. Regulatory bodies exercise statutory authority over matters such as construction, rates and ratemaking and agreements with customers. To recognize the economic effects of the actions of the regulator, the timing of recognition of certain revenues and expenses in these operations may differ from that otherwise expected under Canadian GAAP for non rate-regulated entities.

Regulatory assets represent amounts that are expected to be recovered from customers in future periods through rates. Regulatory liabilities represent amounts that are expected to be refunded to customers in future periods through rates. In the absence of rate regulation, the Fund would not recognize regulatory assets or liabilities and the earnings impact would be recorded in the period the expenses are incurred or revenues are earned. Long-term regulatory assets are recorded in Deferred amounts and other assets and current regulatory assets are recorded in Accounts receivable and other. Long-term regulatory liabilities are recorded in Long-term liabilities, whereas current regulatory liabilities are recorded in Accounts payable and accrued liabilities. Regulatory assets are assessed for impairment if the Fund identifies an event indicative of possible impairment. The recognition of regulatory assets and liabilities is based on the actions, or expected future actions of the regulator. To the extent that the regulator's actions differ from the Fund's expectations, the timing and amount of recovery or settlement of regulatory balances could differ significantly from those recorded.

Allowance for Funds Used During Construction (AFUDC) is included in the cost of property, plant and equipment and is depreciated over future periods as part of the total cost of the related asset. AFUDC includes both an interest component and, if approved by the regulator, a cost of equity component. In the absence of rate regulation, the Fund would capitalize only the interest component; therefore, the capitalized equity component, the corresponding earnings during the construction phase and the subsequent depreciation would not be recognized.

Certain regulators prescribe the pool method of accounting for property, plant and equipment where similar assets with comparable useful lives are grouped and depreciated as a pool. When those assets are retired or otherwise disposed of, gains and losses are not reflected in earnings but are booked as an adjustment to accumulated depreciation. Entities not subject to rate regulation write off the net book value of the retired asset and include any resulting gain or loss in earnings.

REVENUE RECOGNITION

For businesses which are not rate-regulated, revenues are recorded when products have been delivered or services have been performed and the amount of revenue can be reliably measured. Customer credit worthiness is assessed prior to agreement signing as well as throughout the contract duration.

The Saskatchewan Gathering and Westspur systems within the Saskatchewan System as well as Alliance Canada generate revenues under the cost of service model which is designed to provide toll revenues sufficient to recover prudently incurred costs of service as well as to provide an allowed return. Therefore, revenue is recognized at the amount that is expected to be recovered from shippers in future tolls under the cost of service model. Differences between the recorded transportation revenue and actual toll receipts give rise to regulatory receivable or payable balances.

Revenues from operating leases of certain Green Power assets are recognized on a straight-line basis over the term of the lease.

FINANCIAL INSTRUMENTS

The Fund classifies financial assets and financial liabilities as held for trading, loans and receivables, other financial liabilities or instruments in qualifying hedging relationships. All financial instruments are initially recorded at fair value on the consolidated statement of financial position. Subsequent measurement of the financial instrument is based on its classification. At December 31, 2011 and 2010, the Fund had no held to maturity or available for sale instruments.

HELD FOR TRADING

Financial assets and liabilities that are classified as held for trading are measured at fair value with changes in fair value recognized in earnings in Revenues. The Fund has classified cash and cash equivalents, short-term borrowings, the Alliance Canada investment in Master Asset Vehicle (MAV) notes and its non-qualifying derivative instruments as held for trading.

LOANS AND RECEIVABLES

Loans and receivables, which include Accounts receivable and other, are measured at amortized cost using the effective interest rate method, net of any impairment losses recognized.

OTHER FINANCIAL LIABILITIES

Other financial liabilities are recorded at amortized cost using the effective interest rate method and include Accounts payable and accrued liabilities, Distributions payable, Long-term debt, Non-recourse long-term debt and the liability portion of the ECT preferred units.

DERIVATIVES IN QUALIFYING HEDGING RELATIONSHIPS

The Fund uses derivative financial instruments to manage exposure to changes in commodity prices, foreign exchange rates and interest rates. Hedge accounting is optional and requires the Fund to document the hedging relationship and test the hedging item's effectiveness in offsetting changes in the fair values or cash flows of the underlying hedged item on an ongoing basis. The Fund presents the earnings and cash flow effects of hedging items with the hedged transaction. Derivatives in qualifying hedging relationships are categorized as cash flow hedges or fair value hedges. At December 31, 2011 and 2010, the Fund held no fair value hedges.

CASH FLOW HEDGES

The Fund uses cash flow hedges to manage exposure to changes in interest rates, power prices, foreign exchange rates and natural gas prices. The effective portion of the change in the fair value of a cash flow hedging instrument is recorded in Other comprehensive income (OCI) and reclassified to earnings when the hedged item impacts earnings. Any hedge ineffectiveness is recorded in current period earnings.

If a derivative instrument designated as a cash flow hedge ceases to be effective or is terminated, hedge accounting is discontinued and the gain or loss at that date is deferred in OCI and recognized concurrently with the related transaction. If a hedged anticipated transaction is no longer probable, the gain or loss is recognized immediately in earnings. Subsequent gains and losses from ineffective derivative instruments are recognized in earnings in the period in which they occur.

IMPAIRMENT

With respect to loans and receivables, the Fund assesses the assets for impairment when it no longer has reasonable assurance of timely collection. If evidence of impairment is noted, the Fund reduces the value of the loan or receivable to its estimated realizable amount, determined using discounted expected future cash flows.

TRANSACTION COSTS

Transaction costs are incremental costs directly related to the acquisition of a financial asset or the issuance of a financial liability. The Fund incurs transaction costs primarily through the issuance of debt and classifies these costs with the related debt. These costs are recorded as a reduction of the related liability and are amortized using the effective interest rate method over the life of the related debt instrument.

INCOME TAXES

Pursuant to the Income Tax Act (Canada) as presently enacted, the Fund and ECT, as trusts, are not subject to income taxes to the extent that taxable income and taxable capital gains are paid or payable to unitholders. However, certain subsidiary corporations are taxable and applicable income and capital taxes have been reflected in these consolidated financial statements.

The liability method of accounting for income taxes is followed for subsidiary corporations. Future income tax assets and liabilities are determined based on temporary differences between the tax bases of assets and liabilities and their carrying values for accounting purposes. Future income tax assets and liabilities are measured using the tax rate that is expected to apply when the temporary differences reverse.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include short-term investments with a term to maturity of three months or less when purchased. Cash and cash equivalents include amounts held in trust pursuant to Alliance Canada's financing agreements which require amounts for current principal and interest payments to be deposited into debt service trust accounts. Alliance Canada can only distribute funds in non-trust accounts to its partners.

PROPERTY, PLANT AND EQUIPMENT

Expenditures for construction, expansion, major renewals and betterments are capitalized. Maintenance and repair costs are expensed as incurred. Expenditures for project development are capitalized if they are expected to have a future benefit. The Fund capitalizes interest incurred during construction.

Depreciation of property, plant and equipment is generally provided on a straight-line basis over the estimated service life of the assets commencing when the asset is placed in service. Certain pipeline assets in service within the Saskatchewan System are depreciated based on unit of throughput.

INTANGIBLE ASSETS

Intangible assets consist primarily of acquired power production and incentive agreements for wind and solar projects, long-term transportation service agreements (TSAs) with shippers on Alliance Canada, and computer software. Intangible assets are amortized on a straight-line basis over their expected lives.

IMPAIRMENT OF LONG-LIVED ASSETS

The Fund reviews the carrying values of its long-lived assets as events or changes in circumstances warrant. If it is determined that the carrying value of an asset exceeds the undiscounted cash flows expected from the asset, the asset is written down to fair value.

4. Segmented Information

Year ended December 31, 2011	Alliance Canada	Saskatchewan System	Green Power	Corporate	Consolidated
(millions of Canadian dollars)					
Revenues	**226.2**	**128.3**	**38.1**	**–**	**392.6**
Operating and maintenance	**(66.7)**	**(44.2)**	**(8.3)**	**–**	**(119.2)**
Management and administrative	**–**	**–**	**–**	**(16.7)**	**(16.7)**
Depreciation and amortization	**(65.3)**	**(45.1)**	**(16.8)**	**–**	**(127.2)**
	94.2	**39.0**	**13.0**	**(16.7)**	**129.5**
Other income	**–**	**0.4**	**0.8**	**–**	**1.2**
Interest expense	**(41.1)**	**–**	**(0.7)**	**(38.6)**	**(80.4)**
Income taxes	**0.3**	**2.7**	**1.0**	**(16.1)**	**(12.1)**
Earnings/(loss)	**53.4**	**42.1**	**14.1**	**(71.4)**	**38.2**
Goodwill	**308.1**	**–**	**57.6**	**–**	**365.7**
Additions to property, plant and equipment	**–**	**67.4**	**3.8**	**–**	**71.2**
Total assets	**1,428.8**	**449.9**	**1,547.1**	**45.6**	**3,471.4**

Year ended December 31, 2010	Alliance Canada	Saskatchewan System	Green Power	Corporate	Consolidated
(millions of Canadian dollars)					
Revenues	230.8	87.6	9.7	–	328.1
Operating and maintenance	(66.8)	(40.6)	(3.0)	–	(110.4)
Management and administrative	–	–	–	(11.3)	(11.3)
Depreciation and amortization	(63.9)	(26.2)	(4.2)	–	(94.3)
	100.1	20.8	2.5	(11.3)	112.1
Other income/(expense)	0.3	(0.2)	0.3	–	0.4
Interest expense	(43.3)	–	(0.4)	(13.2)	(56.9)
ECT preferred unit distributions	–	–	–	(43.8)	(43.8)
Income taxes	0.2	2.8	0.1	(2.3)	0.8
Earnings/(loss)	57.3	23.4	2.5	(70.6)	12.6
Goodwill	308.1	–	–	–	308.1
Additions to property, plant and equipment	(1.4)	129.6	0.4	–	128.6
Total assets	1,488.6	411.9	74.0	10.4	1,984.9

5. Acquisition

On October 21, 2011, the Fund acquired 100% interests in the following entities which were wholly-owned by subsidiaries of Enbridge: Talbot Windfarm LP, Talbot Windfarm GP Inc., Enbridge Renewable Energy Infrastructure Canada Inc., 1682399 Ontario Corp., Enbridge Renewable Energy Infrastructure Limited Partnership (ERIP) and ERIP's wholly-owned subsidiary, Ontario Sustainable Farms Inc. (collectively the Renewable Entities). Cash consideration was $1.24 billion (the Acquisition), inclusive of working capital adjustments of $11.2 million. The Acquisition is a related party transaction and has been recorded at the exchange amount.

The components of the net cash consideration for this acquisition were as follows:

(millions of Canadian dollars)	
Acquisition price	1,230.0
Working capital adjustments	11.2
Less: cash acquired	(10.1)
	1,231.1

The Acquisition has been accounted for using the purchase method as follows:

FAIR VALUE OF NET ASSETS ACQUIRED

(millions of Canadian dollars)	
Cash	10.1
Accounts receivable [1]	15.3
Property, plant and equipment	1,073.4
Intangible assets	329.7
Goodwill	57.6
Accounts payable	(2.5)
Asset retirement obligation	(2.3)
Long-term liabilities	(0.6)
Future income taxes	(239.5)
	1,241.2

1 The gross contractual accounts receivable are $15.3 million and are expected to be fully collectible.

From the date of the Acquisition to December 31, 2011, the Renewable Entities' revenues and earnings totaled $27.5 million and $11.1 million, respectively. If the date of the Acquisition had been January 1, 2011, pro forma consolidated revenues and earnings of the Fund would have been $500.5 million and $40.4 million, respectively. These pro forma amounts are estimates derived from the financial information of the Renewable Entities and do not necessarily reflect what results would have actually been had the Acquisition occurred on January 1, 2011. The goodwill recognized is not expected to be deductible for income tax purposes.

6. Financial Statement Effects of Rate Regulation

GENERAL INFORMATION ON RATE REGULATION AND ITS ECONOMIC EFFECTS

ALLIANCE CANADA

Shippers on the Alliance System entered into 15-year transportation contracts, expiring in December 2015, which set out the cost of service toll methodology used to calculate annual tolls. Alliance Canada is regulated by the NEB, with whom Alliance files toll adjustments annually. The tolls include a return on equity component of 11.26% after tax and are based on a deemed 70% debt and 30% equity structure.

SASKATCHEWAN SYSTEM

The Saskatchewan Gathering System and the Westspur System are regulated by SMER and the NEB, respectively. Both systems follow the cost of service methodology. Tolls are subject to change from time to time based on the differences between the estimated cost of service and actual costs incurred and include a 6.5% return on a semi-depreciated rate base. Saskatchewan tolls are specified in tariffs filed with the NEB.

FINANCIAL STATEMENT EFFECTS

Accounting for rate-regulated entities has resulted in recognition of the following regulatory assets and liabilities:

December 31,	2011	2010	Estimated Settlement Period (years)	Earnings Impact [2] 2011	Earnings Impact [2] 2010
(millions of Canadian dollars)					
Regulatory assets/(liabilities)					
Alliance Canada					
Future income taxes [1]	**87.7**	96.5	–	**(6.5)**	(4.9)
Deferred transportation revenue [3]	**100.1**	97.8	14	**1.7**	4.7
Transportation revenue adjustment [4]	**(1.7)**	(1.5)	1	**(0.2)**	0.6
Saskatchewan System					
Future income taxes	**(4.6)**	(2.8)	–	**(1.3)**	1.4
Transportation revenue adjustment [4]	**12.5**	13.9	2	**(1.0)**	10.3

1 *The regulatory asset is the corresponding balance to a future income tax liability that relates primarily to future income taxes associated with property, plant and equipment. The balance has been recognized as a regulatory asset since the flow-through treatment of taxes for rate-setting purposes would ensure eventual recovery of these balances as the temporary differences reverse. The recovery period will depend on the period in which the future income tax amounts reverse. In the absence of rate regulation, the liability method of accounting for income taxes would be utilized and future income tax expense would be accrued.*

2 *The effect of rate regulation resulted in an increase/(decrease) in after tax reported earnings.*

3 *Deferred transportation revenue is related to the cumulative difference between GAAP depreciation expense included in the financial statements of Alliance Canada and depreciation expense included in transportation tolls. Alliance Canada expects to recover this difference over a number of years when depreciation rates in the TSAs are expected to exceed the GAAP depreciation rates, beginning in 2012. This regulatory asset is not included in the rate base.*

4 *The transportation revenue adjustment is the cumulative difference between actual expenses and estimated expenses included in transportation tolls. The transportation revenue adjustment is not included in the rate base.*

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC)

To date, an equity component of $67.5 million (2010 – $67.5 million) is included in the cost of property, plant and equipment. AFUDC net of accumulated depreciation is $42.6 million (2010 – $45.2 million).

7. Property, Plant and Equipment

December 31, 2011	Depreciation Rate	Cost	Accumulated Depreciation	Net
(millions of Canadian dollars)				
Alliance Canada				
Pipeline in service	**4.0%**	**1,249.3**	**(452.3)**	**797.0**
Plant assets	**6.7% – 33.3%**	**15.0**	**(13.7)**	**1.3**
Other assets	**9.3% – 33.3%**	**10.1**	**(4.1)**	**6.0**
		1,274.4	**(470.1)**	**804.3**
Saskatchewan System				
Pipeline in service	**4.4% – 33.3%**	**558.2**	**(177.9)**	**380.3**
Under construction	**–**	**23.0**	**–**	**23.0**
		581.2	**(177.9)**	**403.3**
Green Power				
Wind turbines, solar panels and other	**2.0% – 33.3%**	**1,158.6**	**(29.0)**	**1,129.6**
		1,158.6	**(29.0)**	**1,129.6**
		3,014.2	**(677.0)**	**2,337.2**

December 31, 2010	Depreciation Rate	Cost	Accumulated Depreciation	Net
(millions of Canadian dollars)				
Alliance Canada				
Pipeline in service	4.0%	1,247.7	(395.7)	852.0
Plant assets	6.7% – 33.3%	14.8	(13.1)	1.7
Other assets	20.0% – 33.3%	10.1	(3.5)	6.6
		1,272.6	(412.3)	860.3
Saskatchewan System				
Pipeline in service	4.4% – 33.3%	496.9	(134.6)	362.3
Under construction	–	16.9	–	16.9
		513.8	(134.6)	379.2
Green Power				
Wind turbines and other	2.0% – 33.3%	80.4	(14.8)	65.6
		80.4	(14.8)	65.6
		1,866.8	(561.7)	1,305.1

The cost and accumulated depreciation of property, plant and equipment under operating leases at December 31, 2011 was $34.9 million and $6.4 million, respectively (2010 – cost: $34.7 million, accumulated depreciation: $4.7 million).

8. Intangible Assets

December 31, 2011	Amortization Rate	Cost	Accumulated Amortization	Net
(millions of Canadian dollars)				
Alliance Canada				
Long-term transportation agreements	**4.4%**	**116.0**	**(43.8)**	**72.2**
Software	**20.0% – 33.0%**	**16.2**	**(14.9)**	**1.3**
Saskatchewan System				
Software	**16.7% – 33.3%**	**2.6**	**(1.2)**	**1.4**
Green Power				
Power purchase and production incentive agreements	**4.0% – 8.4%**	**333.7**	**(5.2)**	**328.5**
		468.5	**(65.1)**	**403.4**

December 31, 2010	Amortization Rate	Cost	Accumulated Amortization	Net
(millions of Canadian dollars)				
Alliance Canada				
Long-term transportation agreements	4.4%	116.0	(38.7)	77.3
Software	20.0% – 33.0%	16.4	(14.1)	2.3
Saskatchewan System				
Software	16.7% – 33.3%	1.8	(0.6)	1.2
Green Power				
Production incentive agreements	8.4%	4.0	(1.4)	2.6
		138.2	(54.8)	83.4

Total amortization expense for intangible assets was $10.3 million (2010 – $6.7 million) for the year ended December 31, 2011.

9. Goodwill

December 31,	2011	2010
(millions of Canadian dollars)		
Balance, beginning of year	**308.1**	308.1
Acquired *(Note 5)*	**57.6**	–
Balance, end of year	**365.7**	308.1

10. Long-Term Debt

December 31,	2011	2010
(millions of Canadian dollars)		
Medium Term Notes		
5.25% due December 22, 2014	**90.0**	90.0
5.00% due June 22, 2017	**100.0**	100.0
4.00% due December 20, 2018	**125.0**	–
4.85% due November 12, 2020	**100.0**	100.0
Credit facilities	**260.0**	130.0
Affiliate loan	**500.0**	–
Deferred financing charges and other	**(4.9)**	(4.3)
Total long-term debt	**1,170.1**	415.7

MEDIUM TERM NOTES

The Medium Term Notes (MTNs) are unsecured and redeemable by the Fund prior to maturity, in whole or in part, from time to time, at the option of the Fund at a price equal to the greater of the applicable Government of Canada yield price plus a premium and par. Interest on the MTNs maturing in 2014, 2017 and 2018 are payable semi-annually in June and December. Interest on the MTN due 2020 is payable semi-annually in May and November.

At December 31, 2011, the MTNs have a fair value of $433.5 million (2010 – $295.1 million) based on quoted market prices.

CREDIT FACILITIES

At December 31, 2011, the Fund's credit facilities were comprised of a $500.0 million (2010 – $300.0 million), 364 day, standby facility with a syndicate of commercial banks. The Fund has the option to extend the June 7, 2013 maturity date of the outstanding amounts drawn under the facility by an additional year from the end of the applicable revolving term. The working capital portion of the facility is $30.0 million (2010 – $10.0 million).

The Fund's credit facility includes covenants that limit outstanding debt to a multiple of EBITDA (earnings before interest, taxes, depreciation and amortization). At December 31, 2011 and 2010, the Fund was compliant with all covenants. At December 31, 2011, $8.3 million (2010 – $0.4 million) of letters of credit were outstanding under the Fund's credit facilities and $231.7 million (2010 – $169.6 million) was undrawn and available. The weighted average interest rate on indebtedness incurred on all of the Fund's credit facilities for the year ended December 31, 2011 was 2.8% (2010 – 2.1%).

AFFILIATE LOAN

In October 2011, the Fund received a $655.0 million loan from Enbridge to partially finance the Acquisition. The loan has a ten year maturity and accrues interest at the rate of 6.0% per annum with interest payable semi-annually in May and November of each year. The loan is repayable at any time, in whole or in part, without penalty and is unsecured and subordinate to all external debt issued by the Fund. In December 2011, the Fund repaid $155.0 million of this loan to Enbridge.

11. Non-Recourse Long-Term Debt

December 31,	2011	2010
(millions of Canadian dollars)		
Alliance Canada		
Bank credit facility	**1.0**	1.0
Senior notes		
7.230% due 2015	**60.7**	81.7
4.928% due 2019	**60.0**	60.0
7.181% due 2023	**160.6**	161.8
5.546% due 2023	**85.4**	93.1
7.217% due 2025	**126.6**	129.6
6.765% due 2025	**144.7**	148.1
NRGreen		
Bank credit facility	**21.6**	23.1
	660.6	698.4
Fair value increment on long-term debt acquired	**25.2**	29.2
Deferred financing charges	**(3.3)**	(3.4)
Total non-recourse debt	**682.5**	724.2
Current portion of non-recourse debt	**(60.4)**	(36.3)
Non-recourse long-term debt	**622.1**	687.9

Non-recourse long-term debt maturities for the years ending December 31, 2012 through 2016 are $60.4 million, $39.9 million, $41.7 million, $45.2 million, and $41.5 million, respectively, and $431.9 million thereafter.

At December 31, 2011, Alliance Canada senior notes have a fair value of $747.5 million (2010 – $757.8 million) based on quoted market prices.

ALLIANCE CANADA BANK CREDIT FACILITY

Alliance Canada maintains an unsecured committed extendible revolving credit facility in the amount of $200.0 million with an expansion provision to facilitate timely increases of the facility to $300.0 million if required. The facility agreement contains provisions to extend the facility up to four years on each anniversary of the closing date. The existing credit facility matures on October 30, 2015.

Interest is accrued and payable based on bankers' acceptance rates, plus applicable margins, for terms not exceeding six months. Amounts outstanding under the credit facility at December 31, 2011 bear interest at an average rate of 1.84% (2010 – 1.64%).

At December 31, 2011 and 2010, Alliance Canada's credit facility had $80.0 million of letters of credit outstanding and $118.0 million in undrawn credit available, of which the Fund's proportionate share is 50%. The outstanding letters of credit secure six months of interest and principal payments on Alliance Canada's senior notes.

ALLIANCE CANADA SENIOR NOTES

The Fund recorded the senior notes at their fair value on the date of acquisition of its interest in Alliance Canada. The difference between the fair value and the principal amount of the debt is amortized using the effective interest method over the remaining life of the debt. The senior notes are non-recourse to the Fund as security provided by Alliance Canada is limited to the rights and assets of Alliance Canada and does not extend to the rights and assets of the Fund.

The senior notes may be redeemed by Alliance Canada at any time at a price equal to the greater of (i) the applicable Government of Canada yield price plus a premium and (ii) par, together with accrued interest. Alliance Canada may be required to redeem the senior notes, in whole or in part, from proceeds received under insurance claims or other claims for damages if the proceeds are not applied to repair or rebuild the Alliance System.

Interest on the senior note due in 2019 is payable semi-annually in June and December in arrears on June 16 and December 16 of each year. The bonds are non-amortizing with the entire principal due and payable upon maturity. Interest on the remaining senior notes are payable semi-annually in June and December. Principal repayments are closely tied to the recovery rates for depreciation contained in the TSAs.

Certain assets of Alliance Canada are pledged as collateral to Alliance Canada's lenders and to the lenders to Alliance Pipeline US. Alliance Canada's long-term debt is collateralized by a first priority perfected security interest in Alliance Canada's TSAs with its shippers, Alliance Canada's NEB permit, certain other material contracts, the trust accounts into which Alliance Canada's transportation revenue is deposited and a floating charge debenture over Alliance Canada's real property and tangible personal property. Alliance Canada is required to meet certain financial conditions and adhere to certain covenants on an ongoing basis. As at December 31, 2011 and 2010, Alliance Canada was compliant with all conditions and covenants.

NRGREEN BANK CREDIT FACILITY

NRGreen's credit facility consists of a single operating facility of $52.0 million maturing on November 14, 2012, in accordance with its extension terms. The maturity date of the operating facility may be extended by one year on November 14 of each year.

Interest is accrued and payable based on bankers' acceptance rates, plus applicable margins, for terms not exceeding six months. Amounts outstanding under the credit facility bear interest at 2.95%.

The facility is secured by a first ranking floating charge over all property of NRGreen and an assignment of material contracts. The NRGreen credit facility is non-recourse to the Fund as security provided by NRGreen is limited to the rights and assets of NRGreen and does not extend to the rights and assets of the Fund.

12. Interest Expense

December 31,	2011	2010
(millions of Canadian dollars)		
Interest expense on:		
Long-term debt	**30.7**	13.0
Non-recourse long-term debt	**45.8**	47.4
Amortization of deferred financing fees and bank charges	**1.9**	2.5
ECT preferred unit accretion	**6.6**	0.3
Capitalized interest	**(0.6)**	(1.9)
Amortization of the fair value increment on debt	**(4.0)**	(4.4)
	80.4	56.9

Capitalized interest related primarily to Saskatchewan System expansion activities.

Interest obligations on the Fund MTNs for each of the years ending December 31, 2012 through 2016 are $19.7 million, $19.6 million, $19.6 million, $15.0 million and $14.9 million, respectively. Interest obligations on non-recourse long-term debt for the years ending December 31, 2012 through 2016 are $41.9 million, $39.2 million, $36.4 million, $33.5 million and $30.6 million, respectively.

13. ECT Preferred Units

December 31,	2011 Units	2011 Amount Equity	2011 Amount Liability	2010 Units	2010 Amount Equity	2010 Amount Liability
(millions of Canadian dollars except number of units)						
ECT preferred units, series 1						
Balance, beginning of year	**38,023,750**	**583.7**	**88.1**	38,023,750	–	380.2
ECT preferred unit amendment	**–**	**–**	**–**	–	583.7	(292.4)
Accretion	**–**	**–**	**5.7**	–	–	0.3
Balance, end of year	**38,023,750**	**583.7**	**93.8**	38,023,750	583.7	88.1
ECT preferred units, series 2						
Issued	**16,051,000**	**224.3**	**76.7**	–	–	–
Accretion	**–**	**–**	**0.9**	–	–	–
Balance, end of year	**16,051,000**	**224.3**	**77.6**	–	–	–
Total ECT preferred units	**54,074,750**	**808.0**	**171.4**	38,023,750	583.7	88.1

ECT preferred units, series 1 and ECT preferred units, series 2 are entitled to non-cumulative distributions when declared by ECT, have no direct voting rights except in limited circumstances and mature on June 30, 2033.

The liability components of the ECT preferred units, series 1 and ECT preferred units, series 2 are carried at amortized cost, using a discount rate of 6.5%, with the value accreted over time to the June 30, 2033 redemption value of $380.2 million and $301.0 million, respectively.

Prior to December 17, 2010, the effective date of the Plan to restructure the Fund, the ECT preferred units provided the holder, Enbridge, the option to request redemption (the Liquidity Right) based on a redemption price referenced to the market value of a trust unit. Any such redemption was to be paid in cash. The Liquidity Right was originally required to be recorded at the fair value on the date of issue, June 30, 2003, and was therefore assigned a value of nil at the time the Fund was created. Subsequent re-measurement of the Liquidity Right was precluded in accordance with the transitional provisions of CICA Handbook Section 3855, under which the Fund chose, as permitted, March 31, 2004 as its transition date for embedded derivatives.

Pursuant to the Plan the attributes of the ECT preferred units were amended, resulting in the elimination of the Liquidity Right and the creation of the Exchange Right. The Exchange Right provides Enbridge, the holder of the ECT preferred units, with the right to exchange ECT preferred units for trust units on a one-for-one basis any time prior to redemption. The amendments were deemed to be an extinguishment for accounting purposes and the deemed issuance of the amended ECT preferred units, series 1 to Enbridge was recorded at fair value, with recognition of the liability and equity components of $87.8 million and $583.7 million, respectively. The resultant difference in the carrying values of the instruments exchanged with Enbridge, a related party, was reflected as a charge to deficit.

Following the modification of the ECT preferred units in December 2010, distributions on ECT preferred units are charged to equity and are no longer reflected as a corporate cost. Cash distributions of $58.8 million (2010 – $43.8 million) were declared on the ECT preferred units during the year ended December 31, 2011.

Total accretion expense of $6.6 million (2010 – $0.3 million) is reflected in interest expense for the year ended December 31, 2011.

14. Asset Retirement Obligations

December 31,	2011	2010
(millions of Canadian dollars)		
Obligations, beginning of year	**15.1**	12.4
Acquired *(Note 5)*	**2.3**	–
Liabilities incurred	**0.9**	1.7
Change in estimate	**(1.7)**	–
Accretion expense	**1.1**	1.0
Abandonment costs incurred	**(0.3)**	–
Obligations, end of year	**17.4**	15.1

A legal obligation exists for the retirement of certain assets within the Saskatchewan System and Green Power operating segments. The undiscounted amount of expected cash flows required to settle the asset retirement obligations related to assets in the Saskatchewan System and Green Power segments is estimated at $189.1 million (2010 – $84.4 million) and estimated to be settled between 2016 and 2060. The liability for the expected cash flows as recognized in the financial statements reflects a weighted average discount rate of 8.0%.

Although a legal obligation exists for costs associated with retirement of the Alliance Canada pipeline and certain other assets, it is not possible to make a reasonable estimate of AROs due to the indeterminate timing and scope of the asset retirements.

15. Trust Units

	2011		2010	
December 31,	Number of Units	Amount	Number of Units	Amount
(millions of Canadian dollars, except number of units)				
Common trust units, beginning of year	**34,625,000**	**333.4**	34,625,000	333.4
Issued	**14,616,000**	**274.0**	–	–
Share issue costs	**–**	**(9.2)**	–	–
Common trust units, end of year [1]	**49,241,000**	**598.2**	34,625,000	333.4

1 9,500,000 (2010 – 9,500,000) of these trust units are owned by Enbridge Inc.

On October 21, 2011, the Fund issued 14,616,000 trust units priced at $18.75 per unit for gross proceeds of $274.0 million to partially finance the Acquisition.

Pursuant to the Trust Indenture, an unlimited number of trust units may be issued. Each unit represents an equal 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 voting and have equal rights and privileges. At any given time, the Fund is required to reserve a sufficient number of trust units to satisfy the Exchange Right.

Trust units are redeemable at any time at the option of the holder. At December 31, 2011 and 2010, the redemption price per trust unit is equal to the net asset value per trust unit, calculated with reference to the market price of an ENF common share, adjusted for non-consolidated assets and liabilities of ENF. The maximum amount payable by the Fund in respect of redemptions in any calendar month is limited to $0.1 million. To the extent that a unitholder is not entitled to receive cash upon the redemption of trust units, the redemption price shall be satisfied, subject to all necessary regulatory approvals, by way of a distribution of Fund property, which may include ECT notes or other assets held by the Fund.

For the year ended December 31, 2011, the Fund declared $53.5 million (2010 - $39.9 million) in cash distributions to trust unitholders. The amount of cash distributed consisted of all amounts received by the Fund including income, interest, dividends, return of capital, if any, from investments held by the Fund, less amounts paid by the Fund in connection with any cash redemptions or repurchase of trust units and amounts which the administrator or Trustees of ECT held as reserves.

16. Income Taxes

INCOME TAX RATE RECONCILIATION

December 31,	2011	2010
(millions of Canadian dollars)		
Earnings before income taxes	**50.3**	11.8
Combined statutory income tax rate	**28.6%**	29.2%
Income taxes at statutory rate	**14.4**	3.4
Increase/(decrease) resulting from:		
Taxable trust distributions	**(9.2)**	(19.7)
Temporary differences not recognized in non-taxable entities	**0.9**	(0.1)
Distributions on ECT preferred units	**–**	12.3
Future income taxes related to regulated operations	**8.5**	3.7
Rate differential	**(2.0)**	(0.4)
Other	**(0.5)**	–
Income tax expense/(recovery)	**12.1**	(0.8)
Effective income tax rate	**24.0%**	(6.8%)

COMPONENTS OF FUTURE INCOME TAXES

December 31,	2011	2010
(millions of Canadian dollars)		
Future income tax liabilities/(assets)		
Differences in accounting and tax bases of:		
Property, plant and equipment and intangible assets	**387.3**	115.8
Regulatory liabilities, net	**43.4**	45.7
Non-capital loss carryforward	**(28.1)**	(3.4)
Fair value increment on long-term debt acquired	**(6.5)**	(7.5)
Asset retirement obligations	**(3.7)**	(3.1)
Cash flow hedges	**(2.4)**	–
Other	**4.1**	4.8
	394.1	152.3

Current income taxes for the year ended December 31, 2011 was a recovery of $1.7 million (2010 – a recovery of $0.6 million). At December 31, 2011, the benefit of federal unused loss carry forwards recognized by the Fund was $109.8 million. Unused tax loss carry forwards expire in the year ending December 31, 2031.

to the partners. At the completion of each fiscal quarter, Alliance Canada determines the amount of cash and cash equivalents necessary to satisfy this requirement and applies to have funds, if any, in excess of this amount transferred to a non-trust account. Only funds in non-trust accounts may be distributed to the partners of Alliance Canada.

18. Risk Management

MARKET PRICE RISK

The Fund's earnings, cash flows and OCI are subject to movements in interest rates, foreign exchange rates and commodity prices (collectively, market price risk). Formal risk management policies, processes and systems have been designed to mitigate these risks.

The following summarizes the types of market price risks to which the Fund is exposed and the risk management instruments used to mitigate them.

INTEREST RATE RISK

The Fund's earnings and cash flows are exposed to short term interest rate variability due to the regular repricing of its variable rate debt, primarily credit facilities. Floating to fixed interest rate swaps are used to hedge against the effect of future interest rate movements. The Fund has implemented a hedging program to mitigate the volatility of short–term interest rates on interest expense through 2016 at an average rate of 2.18%.

The Fund's earnings and cash flows are also exposed to variability in longer term interest rates ahead of anticipated fixed rate debt issuances. Forward starting interest rate swaps may be used to hedge against the effect of future interest rate movements. A total of $100.0 million of future fixed rate term debt issuances have been hedged at an average swap rate of 3.35%.

At December 31, 2011, a 1.0% increase across the interest rate yield curve at that date, with all other variables constant, would have resulted in no change (2010 – nil) in earnings and would have caused a $13.8 million increase (2010 – $2.1 million) in OCI in the year due to the revaluation of interest rate derivatives outstanding at December 31, 2011, and a $1.8 million decrease (2010 – $1.1 million) in earnings due to increased interest expense related to the Fund's variable rate debt outstanding at December 31, 2011 assuming the variable rate debt outstanding had been outstanding for the entire period.

FOREIGN EXCHANGE RISK

The Fund's earnings, cash flows and OCI are subject to foreign exchange rate variability due to certain United States dollar denominated expenses, and, through its investment in Alliance Canada, certain Euro denominated expenses.

The impact of a $0.05 strengthening of the Canadian dollar across the forward curve relative to the United States dollar at December 31, 2011 would not have had an impact (2010 – nil) in earnings and would have caused a $0.6 million decrease (2010 – nil) in OCI in the year due to the revaluation of foreign exchange derivative instruments. The impact of a $0.01 strengthening of the Canadian dollar relative to the Euro would not have had an impact (2010 – nil) in earnings and would not have had an impact (2010 – $0.1 million decrease) in OCI in the year due to the revaluation of foreign exchange derivative instruments held by Alliance Canada.

COMMODITY PRICE RISK

The Fund's earnings and cash flows are exposed to changes in commodity prices due to certain power generation operations and related floating rate supply agreements, as well as through commitments to purchase and sell natural gas in connection with capacity held on the Alliance System. The Fund uses power derivative instruments to fix a portion of the variable price exposures that may arise from these activities.

For the year ended December 31, 2011, a $5/MWh increase in the price of power would have resulted in no change (2010 – nil) in earnings, and would have decreased OCI by $1.4 million (2010 – $1.4 million) due to the revaluation of commodity derivatives.

TOTAL DERIVATIVE INSTRUMENTS

The following table summarizes the balance sheet location and fair value of the Fund's derivatives instruments. The Fund did not have any outstanding fair value or net investment hedges as at December 31, 2011 and 2010.

December 31, 2011	Derivative Instruments used as Cash Flow Hedges	Non-Qualifying Derivative Instruments	Total Derivative Instruments
(millions of Canadian dollars)			
Accounts receivable and other			
Interest rate contracts	**0.3**	**–**	**0.3**
	0.3	**–**	**0.3**
Deferred amounts and other assets			
Interest rate contracts	**1.2**	**–**	**1.2**
	1.2	**–**	**1.2**
Accounts payable and other			
Interest rate contracts	**(1.9)**	**–**	**(1.9)**
Foreign exchange contracts	**(0.1)**	**–**	**(0.1)**
Commodity contracts	**(1.0)**	**–**	**(1.0)**
	(3.0)	**–**	**(3.0)**
Other long-term liabilities			
Interest rate contracts	**(8.5)**	**–**	**(8.5)**
Foreign exchange contracts	**(0.6)**	**–**	**(0.6)**
Commodity contracts	**(6.5)**	**(0.3)**	**(6.8)**
	(15.6)	**(0.3)**	**(15.9)**
Total net derivative liability			
Interest rate contracts	**(8.9)**	**–**	**(8.9)**
Foreign exchange contracts	**(0.7)**	**–**	**(0.7)**
Commodity contracts	**(7.5)**	**(0.3)**	**(7.8)**
	(17.1)	**(0.3)**	**(17.4)**

December 31, 2010	Derivative Instruments used as Cash Flow Hedges	Non-Qualifying Derivative Instruments	Total Derivative Instruments
(millions of Canadian dollars)			
Deferred amounts and other assets			
Commodity contracts	1.6	–	1.6
	1.6	–	1.6
Accounts payable and other			
Interest rate contracts	(1.4)	–	(1.4)
Foreign exchange contracts	(0.1)	–	(0.1)
	(1.5)	–	(1.5)
Other long-term liabilities			
Interest rate contracts	(1.6)	–	(1.6)
Commodity contracts	–	(0.4)	(0.4)
	(1.6)	(0.4)	(2.0)
Total net derivative asset/(liability)			
Interest rate contracts	(3.0)	–	(3.0)
Foreign exchange contracts	(0.1)	–	(0.1)
Commodity contracts	1.6	(0.4)	1.2
	(1.5)	(0.4)	(1.9)

The following table summarizes the maturity and total notional principal or quantity outstanding related to the Fund's derivative instruments.

	2011		2010	
December 31,	Maturity	Notional Principal or Quantity Outstanding	Maturity	Notional Principal or Quantity Outstanding
Interest rate contracts *(millions of Canadian dollars)*	**2012 – 2016**	**375.0**	2013	75.0
U.S. dollar forwards *(millions of United States dollars)*	**2019 – 2020**	**18.8**	–	–
Euro forwards *(millions of Canadian dollars)*	**2012**	**0.2**	2011 – 2012	4.6
Commodity contracts - power *(megawatts per hour)*	**2012 – 2024**	**5.4**	2017 – 2024	4.8

THE EFFECT OF DERIVATIVE INSTRUMENTS ON THE STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

The following table presents the effect of cash flow hedges on the Fund's consolidated earnings and comprehensive income.

Year ended December 31,	2011	2010
(millions of Canadian dollars)		
Amount of unrealized gain/(loss) recognized in OCI		
Interest rate contracts	**(7.8)**	1.0
Foreign exchange contracts	**(0.6)**	–
Commodity contracts	**(9.4)**	1.7
Total unrealized gain/(loss) recognized in OCI	**(17.8)**	2.7
Amount of gain/(loss) reclassified from AOCI to earnings *(effective portion)*		
Interest rate contracts [1]	**2.0**	0.2
Commodity contracts [2]	**0.2**	(0.2)
Total gain reclassified from AOCI to earnings *(effective portion)*	**2.2**	–

1 Gain/(loss) reported within Interest expense in the Consolidated Statements of Earnings.

2 Gain/(loss) reported within Revenues in the Consolidated Statements of Earnings.

The Fund estimates that $2.7 million of accumulated other comprehensive loss related to cash flow hedges will be reclassified to earnings in the next 12 months. Actual amounts reclassified to earnings depend on the interest rates, foreign exchange rates and commodity prices in effect when derivative contracts that are currently outstanding mature. For all forecasted transactions, the maximum term over which the Fund is hedging exposures to the variability of cash flows is 24 months at December 31, 2011.

NON-QUALIFYING DERIVATIVES

The following table presents the unrealized gains and losses associated with changes in the fair value of the Fund's non-qualifying derivatives.

Year ended December 31,	2011	2010
(millions of Canadian dollars)		
Commodity contracts [1]	**–**	(0.1)
Total unrealized derivative fair value loss	**–**	(0.1)

1 Loss reported within Revenues in the Consolidated Statements of Earnings.

LIQUIDITY RISK

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations, including commitments *(Note 21)*, as they become due. In order to manage this risk, the Fund forecasts the cash requirements over the near and long term to determine whether sufficient funds will be available when required. The Fund's primary sources of liquidity and capital resources are funds generated from operations, draws under committed credit facilities and the issuance of medium-term notes. The Fund maintains a current shelf prospectus with Canadian securities regulators, which enables, subject to market conditions, ready access to Canadian public capital markets. Cash flow from operations, in combination with available committed credit facilities and, if required, capital markets funding, is expected to be sufficient to meet the forecast liquidity and capital resource requirements of the Fund.

MATURITIES OF FINANCIAL INSTRUMENTS

The Fund generally has no financial instruments, other than derivative instruments, maturing beyond one year with the exception of its long-term debt and long-term portion of loans from affiliates *(Notes 10 and 23)*.

For the years ending December 31, 2012 through 2016, and thereafter, the Fund has estimated the following undiscounted cash flows will arise from its derivative instruments based on valuation at the balance sheet date.

	2012	2013	2014	2015	2016	Thereafter
(millions of Canadian dollars)						
Cash inflows	0.3	0.1	0.1	0.1	0.1	0.2
Cash outflows	(2.9)	(2.7)	(1.1)	(1.1)	(1.0)	(12.8)
Net cash flows	(2.6)	(2.6)	(1.0)	(1.0)	(0.9)	(12.6)

CREDIT RISK

Entering into derivative financial instruments may result in exposure to credit risk. Credit risk arises from the possibility that a counterparty will default on its contractual obligations and is limited to those contracts where the Fund would incur a loss in replacing the instrument. The Fund enters into risk management transactions only with institutions that possess investment grade credit ratings. Credit risk relating to derivative counterparties is mitigated by utilization of credit exposure limits, contractual requirements and frequent assessment of counterparty credit worthiness.

At December 31, 2011 and 2010, the Fund had group credit concentrations and maximum credit exposure in the following counterparty segments. Net derivative positions by counterparty segment have been presented below; however, the Fund is exposed to credit risk only on derivative asset positions.

December 31,	**2011**	2010
(millions of Canadian dollars)		
Canadian financial institutions	**1.5**	–
Canadian infrastructure entities	**–**	1.6
	1.5	1.6

Credit risk also arises from trade and other receivables and is mitigated through credit exposure limits and by requiring less creditworthy shippers to provide credit enhancement which may include letters of credit, posting of collateral, netting provisions or other contractual requirements. The maximum exposure to credit risk related to non-derivative financial assets is their carrying value.

19. Fair Value of Financial Instruments

The following table summarizes the Fund's financial instrument carrying and fair values and provides a reconciliation to the Consolidated Statement of Financial Position.

December 31, 2011	Held for Trading	Loans and Receivables	Other Financial Liabilities	Qualifying Derivatives	Non-financial Instruments	Total	Fair Value [1]
(millions of Canadian dollars)							
Assets							
Cash and cash equivalents	**91.4**	**–**	**–**	**–**	**–**	**91.4**	**91.4**
Accounts receivable and other	**–**	**63.4**	**–**	**0.3**	**5.2**	**68.9**	**63.7**
Deferred amounts and other assets	**4.5**	**–**	**–**	**1.2**	**198.5**	**204.2**	**5.7**
Liabilities							
Short-term borrowings	**30.4**	**–**	**–**	**–**	**–**	**30.4**	**30.4**
Accounts payable and accrued liabilities	**–**	**–**	**63.8**	**3.0**	**7.6**	**74.4**	**66.8**
Distributions payable	**–**	**–**	**12.5**	**–**	**–**	**12.5**	**12.5**
Long-term debt	**–**	**–**	**1,170.1**	**–**	**–**	**1,170.1**	**693.5**
Non-recourse long-term debt	**–**	**–**	**682.5**	**–**	**–**	**682.5**	**792.0**
ECT preferred units	**–**	**–**	**171.4**	**–**	**–**	**171.4**	**N/A**
Long-term liabilities	**0.3**	**–**	**–**	**15.6**	**8.2**	**24.1**	**15.9**

December 31, 2010	Held for Trading	Loans and Receivables	Other Financial Liabilities	Qualifying Derivatives	Non-financial Instruments	Total	Fair Value [1]
(millions of Canadian dollars)							
Assets							
Cash and cash equivalents	30.8	–	–	–	–	30.8	30.8
Accounts receivable and other	–	52.3	–	–	2.7	55.0	52.3
Deferred amounts and other assets	4.5	–	–	1.6	192.3	198.4	6.1
Liabilities							
Short-term borrowings	9.4	–	–	–	–	9.4	9.4
Accounts payable and accrued liabilities	–	–	71.4	1.5	–	72.9	72.9
Distributions payable	–	–	3.3	–	–	3.3	3.3
Long-term debt	–	–	415.7	–	–	415.7	425.1
Non-recourse long-term debt	–	–	724.2	–	–	724.2	780.7
ECT preferred units	–	–	88.1	–	–	88.1	N/A
Long-term liabilities	0.4	–	4.1	1.6	4.3	10.4	2.0

1 Fair value does not include non-financial instruments, or affiliate long-term amounts payable resulting from related party transactions carried at historical cost including ECT preferred units and the affiliate loan from Enbridge Inc.

The fair value of financial instruments reflects the Fund's best estimates based on generally accepted valuation techniques or models and supported by observable market prices and rates, where available. When such prices are not available, the Fund uses discounted cash flow analysis from applicable yield curves based on observable market inputs. The fair value of financial instruments, other than derivatives, represents the amounts that would have been received from or paid to counterparties to settle these instruments at the reporting date.

The fair value of Cash and cash equivalents and Short-term borrowings approximates their carrying value due to their short-term maturities. The fair value of the Company's long-term debt and non-recourse long-term debt is based on quoted market prices for instruments of similar yield, credit risk and tenure. The fair value of other financial assets and liabilities other than derivative instruments approximate their cost due to the short period to maturity. Changes in the fair value of financial liabilities other than derivative instruments are due primarily to fluctuations in interest rates.

Alliance Canada holds various classes of MAV notes which were received in exchange for Alliance Canada's investment in asset-backed commercial paper (ABCP) that was unable to be redeemed upon maturity in 2007 due to the deterioration of liquidity in the ABCP market. The MAV notes consist of 49% MAV2 Class A-1 notes, 41% MAV2 Class A-2 notes, 7% MAV2 Class B notes and 3% MAV2 Class C notes. The Class A-1 has been assigned an "A" rating from DBRS and A-2 notes have been assigned a "BBB" rating from DBRS. The Class B and Class C notes are not rated. The legal maturity of the notes is July 15, 2056, but the actual expected repayment of the notes, if held to maturity, is January 22, 2017.

The investment in the MAV notes is classified as held for trading and is measured at fair value. Due to the lack of an active market for the investment, there is uncertainty regarding the fair value of the assets underlying the MAV notes, and the estimate of fair value may differ from the actual fair value that will be realized. As at December 31, 2011, Alliance Canada's MAV notes are recognized on the Fund's Consolidated Statement of Financial Position in Deferred amounts and other assets at their estimated fair value of $4.5 million. No fair value change has been reflected in earnings for the year ended December 31, 2011 (2010 - $0.3 million decrease).

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund categorizes those financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement.

LEVEL 1

Level 1 includes financial instruments measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date. An active market for a financial instrument is considered to be a market where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund did not have any financial instruments categorized as Level 1 as at December 31, 2011 or 2010.

LEVEL 2

Level 2 includes financial instrument valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Financial instruments in this category are valued using models or other industry standard valuation techniques derived from observable market data. Such valuation techniques include inputs such as quoted forward prices, time value, volatility factors and broker quotes that can be observed or corroborated in the market for the entire duration of the financial instrument. Financial instruments valued using Level 2 inputs include non-exchange traded derivatives such as over-the-counter interest rate swaps for which observable inputs can be obtained.

LEVEL 3

Level 3 includes financial instrument valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the financial instruments' fair value. Generally, Level 3 financial instruments are longer dated transactions, occur in less active markets, occur at locations where pricing information is not available or have no binding broker quote to support Level 2 classification. The Fund has developed methodologies, benchmarked against industry standards, to determine fair value for these financial instruments based on extrapolation of observable future prices and rates. Financial instruments valued using Level 3 inputs include long-dated derivative power contracts and the Alliance Canada MAV notes.

The Fund uses the most observable inputs available to estimate the fair value of its financial instruments. When possible, the Fund estimates the fair value of its financial instruments based on quoted market prices. If quoted market prices are not available, the Fund uses estimates from third party brokers. For non-exchange traded derivatives classified in Levels 2 and 3, the Fund uses standard valuation techniques to calculate the estimated fair value. These methods include discounted cash flows for forwards and swaps. Depending on the type of financial instrument and nature of the underlying risk, the Fund uses observable market prices (interest, foreign

exchange and commodity) as primary inputs to these valuation techniques. Finally, the Fund considers its own credit default swap spread as well as the credit default swap spreads associated with its counterparties in its estimation of fair value.

The Fund has categorized its financial instruments measured at fair value as follows:

December 31, 2011	Level 1	Level 2	Level 3	Total
(millions of Canadian dollars)				
Financial assets				
Current derivative assets	**–**	**0.3**	**–**	**0.3**
Long-term derivative assets	**–**	**1.2**	**–**	**1.2**
Alliance Canada's MAV notes	**–**	**–**	**4.5**	**4.5**
Financial liabilities				
Current derivative liabilities	**–**	**(2.0)**	**(1.0)**	**(3.0)**
Long-term derivative liabilities	**–**	**(9.1)**	**(6.8)**	**(15.9)**
Total net asset/(liability)	**–**	**(9.6)**	**(3.3)**	**(12.9)**

December 31, 2010	Level 1	Level 2	Level 3	Total
(millions of Canadian dollars)				
Financial assets				
Long-term derivative assets	–	–	1.6	1.6
Alliance Canada's MAV notes	–	–	4.5	4.5
Financial liabilities				
Current derivative liabilities	–	(1.5)	–	(1.5)
Long-term derivative liabilities	–	(1.6)	(0.4)	(2.0)
Total net asset/(liability)	–	(3.1)	5.7	2.6

Changes in the net fair value of assets and liabilities classified as Level 3 in the fair value hierarchy were as follows:

December 31,	**2011**	2010
(millions of Canadian dollars)		
Balance at beginning of year	**5.7**	(0.2)
Total gains/(losses), realized and unrealized		
Included in earnings	**–**	–
Included in other comprehensive income	**(9.3)**	1.6
Settlements	**0.3**	(0.2)
Transfers into level 3	**–**	4.5
Balance at end of year	**(3.3)**	5.7

20. Capital Disclosures

The Fund defines capital as unitholders' equity (excluding AOCI), long-term debt, and ECT preferred units, less cash and cash equivalents (net of proportionately consolidated cash and cash equivalents). Non-recourse debt, consisting of debt proportionately consolidated from joint venture interests, is excluded from the Fund's definition of capital as it is not controlled or managed exclusively by the Fund.

The Fund's capital is calculated as follows:

December 31,	2011	2010
(millions of Canadian dollars)		
Long-term debt	**1,170.1**	415.7
Unitholders' equity, net of AOCI [2]	**924.7**	509.7
ECT preferred units	**171.4**	88.1
Cash and cash equivalents, net of short-term borrowings [1]	**(30.8)**	(3.0)
	2,235.4	1,010.5

1 Excludes cash and cash equivalents of the Fund's joint venture interests.

2 Includes the equity component of the ECT preferred units.

The Fund balances several objectives when managing capital including:

a. enabling its businesses to operate at the highest efficiency;
b. ensuring liquidity and access to capital for growth opportunities; and
c. providing acceptable returns and generating predictable cash flow for distribution to unitholders.

To promote access to capital and liquidity on reasonable terms, the Fund targets to maintain an investment grade credit rating. New capital can be raised through the issuance of short and long-term debt. The relative amount of debt and equity in the Fund's structure is managed with a view to adhering to such limits as well as maintaining credit metrics within parameters established by the rating agencies and lenders. The Fund's credit facilities include covenants that limit outstanding debt to a multiple of EBITDA (earnings before interest, taxes, depreciation and amortization). As at December 31, 2011 and 2010, the Fund was in full compliance with its covenants.

21. Commitments

At December 31, 2011, the Fund had commitments as detailed below:

	Total	Less than 1 year	2 years	3 years	4 years	5 years	Thereafter
(millions of Canadian dollars)							
Operating leases	**29.8**	**4.1**	**3.8**	**3.5**	**3.1**	**4.0**	**11.3**
Maintenance agreements	**68.1**	**10.3**	**10.8**	**11.0**	**11.2**	**9.1**	**15.7**
Wind land lease commitments	**18.0**	**1.0**	**1.1**	**1.1**	**1.1**	**1.1**	**12.6**
Total	**115.9**	**15.4**	**15.7**	**15.6**	**15.4**	**14.2**	**39.6**

The Fund's share of contracts for purchases of services and materials total $47.1 million, which are expected to be paid within the next 5 years.

22. Changes in Operating Assets and Liabilities

Year ended December 31,	2011	2010
(millions of Canadian dollars)		
Accounts receivable and other	**1.7**	(16.5)
Accounts payable and accrued liabilities	**15.6**	(15.5)
Deferred amounts and other assets	**(18.0)**	(8.3)
Long-term liabilities	**3.9**	3.3
	3.2	(37.0)

23. Related Party Transactions

The following related party transactions are provided in the normal course of business and, unless otherwise noted, measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

ALLIANCE CANADA

A subsidiary of Enbridge provides management services to Sable NGL Services L.P. (SNGL Services), a joint venture entity in which the Fund holds a 50% interest. SNGL Services paid management fees of $0.3 million during the year ended December 31, 2011 (2010 – $0.1 million). SNGL recorded revenues of $3.5 million (2010 – $2.5 million) and expenses of $6.7 million (2010 – $3.9 million) for natural gas sales and purchases with an affiliate of Enbridge, of which the Fund's interest is 50%. At December 31, 2011, $0.3 million (2010 – $0.2 million) related to management fees and operating expenses was included in the Fund's accounts payable and accrued liabilities.

Alliance Canada has contracts with shippers who are also affiliates of the Fund through common ownership interests of Enbridge, a related party by virtue of its ECT preferred units and trust unit investment in the Fund. The Fund's share of Alliance Canada's revenue from affiliates for the year ended December 31, 2011 is $21.4 million (2010 – $16.0 million) of which $1.9 million (2010 – $1.7 million) was included in accounts receivable and other at December 31, 2011. The terms of these contracts are the same as those agreed to with independent third parties.

Administrative and operation services are provided by Alliance Canada to Alliance Pipeline US, an entity related to the Fund through common ownership interests. The Fund's share of amounts charged to Alliance Pipeline US during the year ended December 31, 2011 was $19.7 million (2010 – $15.0 million) of which $1.8 million (2010 – $2.1 million) was included in accounts receivable and other as at December 31, 2011.

Administrative and facility support services are provided by Alliance Canada to Aux Sable Canada LP and Aux Sable Liquid Products LP, which are entities related to the Fund through common ownership. The Fund's share of amounts charged to Aux Sable Canada LP and Aux Sable Liquid Products LP during the year ended December 31, 2011 were $0.2 million (2010 – $0.2 million) and $0.1 million (2010 – $0.1 million), respectively.

SASKATCHEWAN SYSTEM

The Saskatchewan System does not have any employees and uses the services of Enbridge for managing and operating the business. These services, which are charged at cost in accordance with service agreements, were $22.7 million for 2011 (2010 – $20.5 million) of which $1.6 million (2010 – $1.8 million) was included in accounts payable and accrued liabilities at December 31, 2011.

The Saskatchewan System has contracts with shippers who are also affiliates of the Fund through common ownership interests of Enbridge. Revenue from affiliates for the year ended December 31, 2011 was $6.5 million (2010 – $1.0 million) of which $0.3 million was included in accounts receivable and other at December 31, 2011 (2010 – nil). The terms of these contracts are the same as those agreed to with independent third parties.

GREEN POWER

In October 2011, the Fund received a $655.0 million loan from Enbridge which was used to partially finance the acquisition of Enbridge's interests in the Renewable Entities. The outstanding balance was $500.0 million at December 31, 2011. Interest expense of $7.5 million on this loan was incurred by the Fund for the year ended December 31, 2011, and as at December 31, 2011, $7.5 million was included in accounts payable and accrued liabilities.

Certain renewable power projects do not have employees and use the services of Enbridge for managing and operating the business. These services totaled $0.8 million for 2011 (2010 – $0.3 million) with $0.3 million (2010 – $0.2 million) included in accounts payable and accrued liabilities at December 31, 2011.

The Fund has a contract to sell to Enbridge all available emission reduction credits generated by the Fund's interest in the Chin Chute and Magrath projects. The contract has an initial 20-year term ending October 1, 2026 and provides for a fixed price of $5 per tonne of avoided CO_2 emissions, based on a negotiated rate of converting megawatts generated to tonnes of emissions reduced, plus applicable taxes. The Fund earned $0.3 million (2010 – $0.2 million) for the sale of these emission reduction credits in the year ended December 31, 2011.

One of the Fund's wind power projects, Magrath, has a long-term Power Purchase Agreement (PPA), expiring in 2024, with Enbridge Pipelines Inc., a wholly owned subsidiary of Enbridge. The terms of the PPA are for the sale of the project's total wind power production at a fixed price. Revenues of $0.1 million (2010 – $0.3 million) related to this PPA are reported within the Fund's revenue for the year ended December 31, 2011.

CORPORATE

In 2011, The Fund paid $9.2 million for share issue costs incurred in connection with the offering of 11,707,000 subscription receipts by ENF. Proceeds from the offering of subscription receipts were used by ENF to purchase additional trust units of the Fund.

Under the management and administrative agreements with EMSI, a wholly owned subsidiary of Enbridge, an incentive fee is payable annually to EMSI based on cash distributions above a base distribution level. During the year ended December 31, 2011, incentive fees were $10.4 million (2010 – $8.3 million), of which, $10.4 million (2010 – nil) was included in accounts payable and accrued liabilities. In addition, a base fee of $0.1 million (2010 – $0.1 million) is payable annually for providing administrative and management services and was included in accounts payable and accrued liabilities at December 31, 2011.

ECT has an agreement with ENF under which it reimburses ENF for certain general and administrative costs. As at December 31, 2011, $0.3 million was included in accounts payable and accrued liabilities (2010 – $0.1 million) in respect of amounts owing under this agreement.

Shareholder and Investor Information

If you have inquiries regarding the following:

- additional financial information
- industry and company developments
- latest news releases or investor presentations
- any other investment-related inquiries

please contact Enbridge Investor Relations or visit the Enbridge Income Fund Holdings Inc. website at enbridgeincomefund.com.

STOCK EXCHANGE