



NEWS RELEASE

Enbridge Income Fund Holdings Inc. Announces Post-Restructuring Results

Highlights

- Restructuring completed December 17, 2010.
- Saskatchewan System Phase II Expansion substantially completed in December 2010.
- Enbridge Income Fund cash available for distribution increased by \$10.1 million, or 11.2%, over 2009.
- The Fund proceeds with joint Bakken Expansion Program

Calgary, Alberta, February 2, 2011 – Enbridge Income Fund Holdings Inc. (TSX: ENF.TO) (“EIFH” or the “Company”) announced today earnings of \$1.2 million or \$0.05 per common share, reflecting the impact of its investment in Enbridge Income Fund (the “Fund”) from the date of restructuring, December 17, 2010, to December 31, 2010. On December 17, 2010, under a Plan of Arrangement approved by unitholders earlier in the year, all publicly held trust units of the Fund as well as a portion of the units held by Enbridge Inc., were exchanged on a one for one basis for shares of EIFH. The EIFH shares were listed on the TSX on December 21, 2010.

Going forward, all public investors will participate in the earnings and cash flow of the Fund through their investment in EIFH. The scope of activities of EIFH will be limited to investing in the Fund and the financial performance of EIFH will directly reflect the underlying performance of the operating assets held within the Fund. The Fund, itself, continued to deliver solid performance in 2010. Earnings for the full year were \$12.6 million and cash available for distribution totaled \$100.2 million, an increase of 11.2% over 2009.

“The fourth quarter 2010 marked our transition to a new structure, but for our investors, our value proposition of a safe and dependable high cash payout vehicle supported by high quality, long life energy infrastructure assets has not changed,” said John Whelen, President of the Fund’s Administrator, Enbridge Management Services Inc. “Our new structure is expected to provide the necessary financial flexibility and access to capital that will enable the Fund to execute its business plan and continue to grow in the future, whether organically or by acquisition.”

In the fourth quarter 2010, the Phase II expansion of the Fund’s Saskatchewan System was substantially completed and new project assets were declared in-service in December 2010; this will increase crude oil capacity across the system by approximately 125,000 barrels per day (bpd) and is expected to generate significant incremental earnings and cash flow for the Fund and for EIFH. Remaining construction activities to complete the NGL conversion project and residual seasonal and restoration work will be completed in the first quarter of 2011.

The Fund will also proceed with a joint project with its affiliate Enbridge Energy Partners, L.P. to further expand crude oil pipeline capacity to accommodate growing production from the Bakken and Three Forks formations located in Montana and North Dakota. The Bakken Expansion Program will increase takeaway capacity from the Bakken area by an initial 145,000 bpd, which can be readily expanded to 325,000 bpd.

The Bakken Expansion Program is expected to be in service in 2013, with the Fund's share of expenditures estimated to be \$190.0 million.

"The Bakken Formation continues to offer tremendous growth opportunities for our crude oil gathering business," said Mr. Whelen. "With its extensive existing infrastructure, and connection to the Enbridge Mainline System, the Saskatchewan System is able to offer producers attractive transportation options, and is expected to benefit from the continued growth in crude oil production.

"Similarly, the Fund's natural gas assets are also very well positioned to benefit from continued growth in natural gas production in the regions it serves, notably through development of liquids rich natural gas in the Montney Formation in northeastern B.C. We believe Alliance Canada's proximity to stable and growing supplies of liquids rich gas, and its unique ability to efficiently deliver high BTU content gas streams will help ensure that the pipeline will continue to be fully utilized after the expiry of the primary term of its existing capacity commitments in 2015."

The Fund's Green Energy assets continued to deliver steady results in the fourth quarter and over the full year.

Former holders of Fund trust units are reminded that they have until February 28, 2011 to choose either to effect the exchange on a tax-deferred basis if they have embedded gains on their units, or to realize any embedded gain or loss. More information, and tools to assist in making this choice, is available on the EIFH website at www.enbridgeincomefund.com.

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 the Company's and the Fund's future plans and operations, certain information provided in this News Release 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 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 and Fund distributions;*
- *the Fund's expected cash available for distribution.*

Although the Company believes that these forward-looking statements are reasonable based on the information available on the date such statements are made and processes are 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 and 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 News Release and in the Company's and the Fund's other filings 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 and the Company's and the Fund's future course of action 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 News Release 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 News Release 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. 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. The Fund's Cash Available for Distribution reconciliation is as follows:

	Three months ended		Year ended	
	December 31,		December 31,	
(millions of Canadian dollars)	2010	2009	2010	2009
Cash Provided by Operating Activities	(3.9)	9.1	67.4	94.2
ECT preferred unit distributions	10.9	10.9	43.8	43.8
Alliance Canada debt repayments	(16.9)	(15.5)	(33.9)	(31.0)
Alliance Canada cash (retained)/distributed	9.4	3.0	(6.5)	(16.5)
Green Power cash retained	(1.7)	(0.8)	(2.5)	(2.0)
Saskatchewan System maintenance capital expenditures	(2.3)	(2.7)	(4.8)	(5.6)
Change in operating assets and liabilities in the period	29.9	17.9	36.7	7.2
Cash Available for Distribution	25.4	21.9	100.2	90.1

Enbridge Income Fund Holdings Inc. Financial Performance

Period from March 26, 2010, date of incorporation, to December 31,	2010
<i>(millions of dollars, except per share amounts)</i>	
Earnings	1.2
Earnings per Common Share, basic and diluted	\$0.05
Cash flow from operating activities	-
Dividends Declared	
Dividends per Common Share	-

The Company's earnings and cash flows are derived from its investment in the Fund which is accounted for using the equity method of accounting. Earnings for the period ended December 31, 2010 of \$1.2 million (\$0.05 per common share) reflected the Company's share of the Fund's earnings attributable to common shareholders of \$1.7 million from the date of the plan of arrangement (the "Plan"), December 17, 2010, to December 31, 2010. No distributions were received from the Fund from the date of the Plan, December 17, 2010, to December 31, 2010, nor were any dividends declared to the Company's shareholders during this period.

Enbridge Income Fund Financial Performance

A summary of the financial results of the Company's investee, Enbridge Income Fund, for the three months and years ended December 31, 2010 and 2009 is provided below.

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2010	2009	2010	2009
<i>(millions of Canadian dollars)</i>				
Earnings				
Alliance Canada	14.1	15.3	57.3	59.3
Saskatchewan System	7.4	5.1	23.4	19.7
Green Power	0.7	0.4	2.5	4.0
Corporate	(18.1)	(17.2)	(70.6)	(70.0)
Enbridge Income Fund Earnings	4.1	3.6	12.6	13.0
Cash Available for Distribution (CAFD)				
Alliance Canada	21.3	18.0	76.4	71.7
Saskatchewan System	12.1	8.3	42.2	34.5
Green Power	0.3	1.2	4.5	4.7
Corporate	(8.3)	(5.6)	(22.9)	(20.8)
Enbridge Income Fund CAFD	25.4	21.9	100.2	90.1

The Fund's earnings and CAFD totalled \$12.6 million and \$100.2 million, respectively, for the year ended December 31, 2010. The Fund's earnings and cash available for distribution reflected stable returns from Alliance Canada and the Green Power segment, as well as growth attributable to Phase II of the Saskatchewan System Capacity Expansion, which was substantially completed and declared in-service in December 2010. The Fund's earnings for the year ended December 31, 2010 were impacted by costs related to one-time events, including the Virden crude oil release and the Plan to restructure the Fund.

Consistent with expectations, Alliance Canada recorded year-over-year declines in earnings due to a reduced return on equity on its declining investment base, partially offset by an increase in its deemed income tax recovery. Alliance Canada CAFD increased in 2010 due to a one-time distribution associated with a favourable litigation settlement.

Saskatchewan System earnings and CAFD for the year ended December 31, 2010 increased over 2009 by 18.8% and 22.3%, respectively, owing to growth in customer connections and new project assets declared in-service in December 2010 from the Phase II expansion. Saskatchewan System earnings for the year ended December 31, 2010 included pre-tax costs of \$1.5 million related to the April 2010 Virden crude oil release, net of estimated insurance proceeds.

Green Power earnings for 2009 included an unrealized non-cash derivative gain. After removing the impact of this item, Green Power earnings of \$2.5 million for 2010 are comparable with the prior year. Green Power's waste heat generation facilities delivered improved operating performance in 2010 compared with 2009, whereas the wind energy assets experienced lower production due to lower wind resources than were experienced in the prior year.

Corporate costs include distributions on preferred units of ECT, a subsidiary of the Fund, as well as corporate financing costs, incentive fees, current and future income taxes and management and administrative costs. ECT Preferred Unit distributions were declared at a rate of \$1.152 per unit in 2010, consistent with the prior year, and totalled \$43.8 million. In 2011, due to an amendment of the terms and conditions of the ECT Preferred Units, distributions on such units will no longer be reflected as a corporate cost but rather a charge to equity in the same fashion as common trust unit distributions.

Corporate costs incurred in 2010 also included one-time legal and other professional fees associated with restructuring the Fund of \$1.8 million. Compared with 2009, corporate costs for the year ended December 31, 2010 also reflected higher interest expense and lower income taxes.

ABOUT ENBRIDGE INCOME FUND HOLDINGS INC.

Enbridge Income Fund Holdings Inc. is a publicly traded corporation. The Company holds an investment in Enbridge Income Fund, a premier income fund in Canada with a low-risk profile focused on energy infrastructure assets. The Fund's assets include a 50% interest in the Canadian segment of the Alliance Pipeline, a 100% interest in the various pipelines comprising the Saskatchewan System and a 50% interest in each of NRGreen Limited Partnership and the Sunbridge wind project, as well as a 33% interest in each of the Magrath and Chin Chute wind projects. Information about Enbridge Income Fund Holdings Inc. is available on the Company's web site at www.enbridgeincomefund.com.

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**Enbridge Income Fund Holdings Inc.
Management's Discussion & Analysis
For the period from March 26, 2010, date of incorporation, to December 31, 2010**

This Management's Discussion and Analysis (MD&A) for Enbridge Income Fund Holdings Inc. (EIFH or the Company) should be read in conjunction with the audited financial statements and notes thereto contained in EIFH's 2010 Annual Report. EIFH prepared its financial statements for the period ended December 31, 2010 in accordance with Canadian generally accepted accounting principles (Canadian GAAP). All financial measures presented in this MD&A are expressed in 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 1, 2011.

OVERVIEW

EIFH 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 Enbridge Income Fund (the Fund). The Plan involved the conversion of the public interest and part of the holdings of Enbridge Inc. (Enbridge) in the Fund into corporate form while maintaining the Fund's investor value proposition of providing a safe and dependable cash payout to investors. The Plan was effective on December 17, 2010 on which date all publicly held units of the Fund and 5,000,000 units 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. Concurrently, the Company's common shares commenced trading on the Toronto Stock Exchange.

The Company's business is limited to ownership of its interest in the Fund and its objective is to pay out a high proportion of available cash in the form of quarterly dividends to shareholders. The Fund is involved in the creation and transportation of energy through its 50% interest in the Canadian segment of Alliance Pipeline, its crude oil and liquids pipelines business in Saskatchewan and investment in green power generation facilities.

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).

EIFH Financial Performance

Period from March 26, 2010, date of incorporation, to December 31,	2010
<i>(millions of dollars, except per share amounts)</i>	
Earnings	1.2
Earnings per Common Share, basic and diluted	\$0.05
Cash flow from operating activities	-
Dividends Declared	
Dividends per Common Share	-
Total Assets ¹	143.3
Total Long-term Liabilities ¹	-
Number of Common Shares Outstanding ¹	25,125,000

¹As at December 31, 2010.

The Company's earnings and cash flows are derived from its investment in the Fund which is accounted for using the equity method of accounting. Earnings for the period ended December 31, 2010 of \$1.2 million (\$0.05 per common share) reflected the Company's share of the Fund's earnings attributable to common shareholders of \$1.7 million from the date of the Plan, December 17, 2010, to December 31, 2010.

No distributions were received from the Fund from the date of the Plan, December 17, 2010, to December 31, 2010, nor were any dividends declared to the Company's shareholders during this period. Going forward, the Company expects to receive quarterly distributions from the Fund, with the first payment expected on or about April 15, 2011, and intends to adopt a quarterly dividend payout policy. The final distribution declared by the Fund prior to the Plan taking effect was to unitholders of record on December 14, 2010, and was paid on January 14, 2011.

The Company's total assets as at December 31, 2010 of \$143.3 million are comprised primarily of its investment in the Fund.

Enbridge Income Fund Financial Performance

A summary of the financial results of the Company's investee, Enbridge Income Fund, for the years ended December 31, 2010 and 2009 is provided below. Readers are also encouraged to read the Fund's financial statements and MD&A which have been filed on SEDAR at www.sedar.com.

Year ended December 31,	2010	2009
<i>(millions of Canadian dollars)</i>		
Earnings		
Alliance Canada	57.3	59.3
Saskatchewan System	23.4	19.7
Green Power	2.5	4.0
Corporate	(70.6)	(70.0)
Enbridge Income Fund Earnings	12.6	13.0
Cash Available for Distribution (CAFD) ¹		
Alliance Canada	76.4	71.7
Saskatchewan System	42.2	34.5
Green Power	4.5	4.7
Corporate	(22.9)	(20.8)
Enbridge Income Fund CAFD	100.2	90.1

¹ CAFD is a non-GAAP measure. See non-GAAP measures on page 4.

The Fund's earnings and CAFD totalled \$12.6 million and \$100.2 million, respectively, for the year ended December 31, 2010. The Fund's earnings and cash available for distribution reflected stable returns from Alliance Canada and the Green Power segment, as well as growth attributable to Phase II of the Saskatchewan System Capacity Expansion, which was substantially completed and declared in-service in December 2010. The Fund's earnings for the year ended December 31, 2010 were impacted by costs related to one-time events, including the Virden crude oil release and the Plan to restructure the Fund.

Consistent with expectations, Alliance Canada recorded year-over-year declines in earnings due to a reduced return on equity on its declining investment base, partially offset by an increase in its deemed income tax recovery. Alliance Canada CAFD increased in 2010 due to a one-time distribution associated with a favourable litigation settlement.

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Corporate costs include distributions on preferred units of ECT, a subsidiary of the Fund, as well as corporate financing costs, incentive fees, current and future income taxes and management and administrative costs. ECT Preferred Unit distributions were declared at a rate of \$1.152 per unit in 2010, consistent with the prior year, and totalled \$43.8 million. In 2011, due to an amendment of the terms and conditions of the ECT Preferred Units, distributions on such units will no longer be reflected as a corporate cost but rather a charge to equity in the same fashion as common trust unit distributions.

Corporate costs incurred in 2010 also include one-time legal and other professional fees associated with restructuring the Fund of \$1.8 million. Compared with 2009, corporate costs for the year ended December 31, 2010 also reflected higher interest expense and lower income taxes.

FORWARD-LOOKING INFORMATION

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- *expected costs related to projects under construction;*
- *expected scope and in-service dates for projects under construction;*
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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.

STRATEGY

The Company's business is limited to the ownership of its interest in the Fund, whose objectives are fully consistent with the Company's, to provide a predictable flow of distributable cash flow and to increase, where prudent, cash payouts and dividends to its investors.

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 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 is expected to provide the Fund with organic growth opportunities. 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.

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 approximately 1,560 kilometres of the Alliance System's mainline beginning near Gordondale, Alberta and connecting to Alliance US at the Canada/United States border near Carnduff, 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. Alliance Canada has transportation service agreements (TSAs) with shippers for 100% of its available firm transportation capacity. The initial term of these agreements expires in December 2015, except for 1.5% of contracted transportation capacity, which is contracted on a short-term basis to a related entity.

The TSAs are designed to provide Alliance Canada with a steady and predictable cash flow stream through 2015. 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.

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.

In December 2010, shippers representing approximately 8% of the original firm transportation capacity elected to extend their existing contracts to December 1, 2016 and also retained the option to continue to extend their capacity commitments on an annual basis. Remaining shippers, representing the balance of originally contracted capacity, elected not to extend their commitments beyond 2015 under the terms of the original contracts.

The completion of the capacity election process provides Alliance Canada the flexibility to remarket the capacity that has not been contracted beyond 2015. Over the next five years, the Alliance System is expected to transition from a single-service, single toll export pipeline to a new multi-service business model, providing customers with a choice from an assortment of transportation services. Among other things, Alliance Canada may seek to implement new receipt services and short-haul delivery to complement its existing bullet line delivery service to Chicago. Alliance Canada is well placed to benefit from incremental unconventional volumes from shale plays in British Columbia, and is currently evaluating opportunities to expand its service offerings in this area.

Strategy

Alliance Canada manages its pipeline assets and related infrastructure with the objective of maximizing shipping capacity, optimizing performance and maintaining the competitiveness of its tolls. 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 and provide Alliance Canada additional opportunities to transition from a single service, single toll export pipeline to a new multi-service business model. Alliance Canada's strategy with respect to amending its

service offering post-2015 include leveraging its geographic positioning and high pressure operating capability to move liquids-rich gas to market.

Earnings

The Fund's earnings from the Alliance Canada segment totalled \$57.3 million for the year ended December 31, 2010, a decline of 3.4% compared with the prior year. The decline is primarily attributable to a lower return on equity resulting from Alliance Canada's depreciating investment base. This was partially offset by an increase in the allowance for deemed income taxes. 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. The increase in the allowance for deemed income taxes is primarily due to lower capital cost allowance deductions.

Recent Developments

During 2010, Alliance Canada initiated construction activities on three new gathering receipt point interconnections, Septimus, Sunrise and Pine Creek. Septimus was placed into service in September 2010, and the other two receipt points are expected to be completed in the first half of 2011. All three receipt points together allow for additional gathering receipt capacity of 42 mmcf/d. These projects do not increase the mainline capacity but will enable Alliance to ship incremental gas out of the respective areas.

On October 29, 2010, following consultation with its shippers, Alliance Canada filed its 2011 tolls with the NEB. Alliance Canada's 2011 tolls increased slightly from \$0.894/mcf to \$0.914/mcf on January 1, 2011. The increased toll for 2011 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.

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 388 kilometres of trunk line, 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 barrels per day (bpd) and the capacity of the Weyburn and Virden Systems is approximately 47,000 bpd and 37,000 bpd, respectively.

The Saskatchewan Gathering System and the Westspur System are regulated by Saskatchewan Ministry of Energy and Resources (SMER) and the NEB, respectively. Both systems follow the principles for establishing tolls outlined in agreements with shippers, signed in 1985 and which expired in 1995, and now monitor established tolls on a customer complaint basis. 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 used to calculate the equity return is not expected to change. However, 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. This tolling methodology increases the stability and predictability of cash flows generated by these systems.

On December 17, 2010, Saskatchewan System filed amended Westpur tariffs with the NEB with an effective date of February 1, 2011. In January 2011, a shipper on the Westpur system requested the NEB make the tolls "interim" effective February 1, 2011, pending discussions between the shipper and Saskatchewan System on information requests put forward by the shipper. Saskatchewan System filed with the NEB a response to the shipper request on January 21, 2010, noting that Saskatchewan System

is working with the shipper to address their information requests. As of February 1, 2011, the NEB has yet to respond to the shipper request.

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.

Strategy

The Saskatchewan System operates its pipelines and supporting assets with the objective of providing reliable, cost effective transportation solutions for its customers. In order to meet growing demand for pipeline capacity and the increased crude oil production in the areas served by its systems, the Phase II Saskatchewan System Expansion was substantially completed in December 2010, and in August 2010 the Fund announced participation in the Bakken Expansion Program, which is expected to be in service in 2013.

Earnings

Earnings for the year ended December 31, 2010 increased by \$3.7 million over the prior year due to higher earnings on the Saskatchewan and Westpur systems as a result of substantially completed Phase II expansion assets that were declared in-service, additional earnings contributions from customer connections completed on the Weyburn and Saskatchewan Gathering Systems, and toll increases on the Weyburn System. These increases were partially offset by costs associated with a crude oil release on the Virden System in April 2010. Net of estimated insurance proceeds, costs associated with the release totalled \$1.5 million pre-tax.

Recent Developments

Phase II of the Saskatchewan System Capacity Expansion, which included three separate projects that served to reduce capacity constraints at a variety of locations, was substantially completed and new project assets declared in-service in December 2010. The Benson Expansion project on the Saskatchewan Gathering System included terminal modifications, pump upgrades and installation of new pipe, and the Bryant to Steelman Expansion project on the Westspur System which involved installation of new crude oil pipe, and station and terminal upgrades. Remaining construction activities on the Steelman Crude/NGL Conversion project, which involves the conversion of an existing NGL line to crude oil on the Westspur System as well as the conversion of an existing crude oil line combined with a new NGL pipeline and pump station on the Saskatchewan Gathering System to relocate NGLs from the BP Steelman Gas Plant to an existing Westspur NGL line originating at Alida, Saskatchewan, are expected to be completed in early 2011, along with remaining seasonal and restoration work. Collectively, the projects comprising the Phase II expansion will increase crude oil capacity across the gathering systems by approximately 125,000 bpd at a revised estimated total cost of \$158.0 million.

In August 2010, the Fund and Enbridge Energy Partners L.P. (EEP), an affiliate of the Fund, announced an agreement to undertake, subject to customary regulatory approvals, 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, Manitoba and Saskatchewan. The Bakken Expansion Program will increase takeaway capacity from the Bakken area by an initial 145,000 bpd, which can be readily expanded to 325,000 bpd.

Green Power

Overview

Green Power includes the Fund's interest 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. Collectively referred to as Wind Power, the Sunbridge, Magrath and Chin Chute wind power projects have a combined electricity capacity of 71 megawatts (MW). Sunbridge consists of 17 turbines, each with a capacity of 0.66 MW for a total 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, each with a capacity of 1.5 MW, for

a total 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.

Green Power also includes the Fund's 50% interest in NRGreen, which operates four non-regulated waste heat recovery facilities, generating 20 MW of power. The facilities are located in Saskatchewan along the Alliance Pipeline. 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. The power generated from all four of the NRGreen facilities is sold under long-term PPAs.

Strategy

Green Power's objective is to produce reliable, cost effective electricity via alternative energy sources to ensure stable, predictable cash flow streams. Power production by the Green Power segment is supported by long-term power purchase agreements and power swap agreements which serve to mitigate the risk of fluctuating power prices, thereby stabilizing cash flows.

Earnings

Green Power earnings totaled \$2.5 million in the year ended December 31, 2010 compared with earnings of \$4.0 million for the year ended December 31, 2010.

After removing the impact of the non-cash derivative gain from the prior year, earnings are comparable year-over-year, reflecting increased NRGreen contributions and reduced earnings from the wind power projects.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary source of liquidity is the cash distributions it receives on 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 payout a high proportion of its available cash in the form of quarterly dividends to its shareholders.

During the period ended December 31, 2010, cash flows from operating activities were nil as no distributions were received from the Fund between December 17, 2010, the date of the Plan, and December 31, 2010. Similarly, no dividends were declared to the Company's shareholders during this period. Going forward, the Company expects to receive quarterly distributions from the Fund, with the first payment expected on or about April 15, 2011, and intends to adopt a quarterly dividend payout policy. The final distribution declared by the Fund prior to the Plan taking effect was to unitholders of record on December 14, 2010, and was paid on January 14, 2011.

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

RELATED PARTY TRANSACTIONS

All 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.

EIFH has entered into an agreement with EMSI, a wholly owned subsidiary of Enbridge, to provide management and administrative services to EIFH. EMSI also provides management and administrative services to the Fund. 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 EIFH as was the case for the period ended December 31, 2010.

During 2010, EIFH entered into an agreement with ECT, a wholly owned subsidiary of the Fund, whereby ECT agreed to reimburse EIFH for its general administrative costs. At December 31, 2010, accounts receivable from ECT totalled \$0.1 million.

FINANCIAL INSTRUMENTS

As at December 31, 2010, the Company's financial instruments were comprised of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, all incurred in the normal course of the Company's operations. The fair value of each approximates their carrying values due to their short-term maturities.

RISK MANAGEMENT

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.

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 highly credit worthy related party affiliates.

Business and Other 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 EIFH and risks associated with the ownership of EIFH 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 dilutive to its subsequent proportionate share of the earnings of the Fund and its subsidiaries.

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 inability of the Fund to manage its business effectively could have a material adverse impact on the Company's operations and prospects. Further, the level of the consolidated indebtedness of the Fund and its subsidiaries from time to time could impair the Company's ability to obtain additional financing on a timely basis to take advantage of permitted business opportunities that may arise.

Availability of Financing

If the Company pays out substantially all of the distributions received from the Fund to shareholders by way of dividend, it will have to enter into financings or other transactions involving the issuance of securities by the Company in order to obtain funds for business purposes. An inability to raise new equity capital may limit the Company's ability to grow and execute its business plan. The issuance of equity securities may also be dilutive to shareholders.

CRITICAL ACCOUNTING ESTIMATES

Long-term Investment

The Company holds an investment in the Fund, representing 72.6% of the outstanding trust units of the Fund. The Company's investment in the Fund is accounted for using the equity method of accounting. Significant estimates made in accounting for this investment include the recoverability of its carrying value based on expected future cash flows. To the extent future cash flows differ from those estimated, the carrying value of the investment could differ significantly from that recorded. Management judgement was also required in concluding that the Company exercises significant influence over the Fund. Enbridge is the primary beneficiary of the Fund through the combination of its direct and indirect equity interests and preferred unit investment.

CHANGE IN ACCOUNTING POLICIES

Future Accounting Policy Changes

International Financial Reporting Standards (IFRS)

First-time adoption of Part I – International Financial Reporting Standards (IFRS or Part I) of the Canadian Institute of Chartered Accountants (CICA) Handbook is mandatory for Canadian publicly accountable enterprises on January 1, 2011. The Company intends to adopt IFRS for its interim and annual financial statements beginning January 1, 2011, including comparative financial statements for the period from its incorporation on March 26, 2010 to December 31, 2010.

Accounting and Reporting

Under IFRS, the Company will classify its Investment in Enbridge Income Fund as an available for sale financial asset. The investment in Fund trust units will be classified in this manner by virtue of the fact that the Fund trust units are considered puttable financial instruments under IFRS. Financial assets that are available for sale will be measured at fair value, with changes in fair value recognized in Other Comprehensive Income (OCI). Dividends received from available for sale financial assets will be recognized in earnings when the right to receive payment is established.

IFRS 9 Financial Instruments was issued by the International Accounting Standards Board in November 2009. The effective date of IFRS 9 is January 1, 2013. Upon adoption of IFRS 9 in 2013, the Company's

Investment in Enbridge Income Fund will continue to be measured at fair value; however, changes in fair value will be recognized in earnings.

Quantitative Impacts

Under GAAP, the Plan was accounted for as a continuity of interests whereby the exchange of Fund trust units for common shares of the Company was measured at the carrying amount, derived from the Fund's net assets attributable to common unitholders on the date of the Plan. Thereafter, the Company's investment in the Fund was accounted for using the equity method. Earnings under GAAP reflected the Company's proportionate share of the Fund's earnings attributable to common unitholders.

Under IFRS, the Investment in Enbridge Income Fund will be measured at fair value, which will differ from the carrying amount under GAAP. Subsequent to the Plan, the Fund's trust units no longer trade in an active market; therefore, fair value will be determined using a valuation technique that will include discounted cash flow analysis, with consideration of observable market inputs and the current fair value of similar instruments, where appropriate. Earnings will reflect dividends when the right to receive payment is established, which will be nil for the period from the date of incorporation to December 31, 2010 and thereafter be expected to reflect the quarterly distributions received from the Fund.

Training

The Company's transition to IFRS will be led by the Company's manager, Enbridge Management Services Inc., a wholly owned subsidiary of Enbridge. EMSI staff has been trained in IFRS and has extensive experience accounting for financial instruments.

Other Business Activities

The Company's activities are limited to investment in the Fund. As such, the transition to IFRS on January 1, 2011 is not expected to have a significant impact to its business activities. No significant changes are required to the Company's information technology or data systems, its internal control over financial reporting or disclosure controls and procedures as a result of its transition to IFRS. The Company does not currently have any hedging activities, debt covenants or capital requirements that would be impacted by the transition to IFRS.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed with, or submitted to, securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified under Canadian securities law. Based on the requirements of National Instrument 52-109 of the Canadian Securities Managers, EMSI, the Manager of EIFH, under the supervision of its President and Chief Financial Officer, evaluated the effectiveness of EIFH's disclosure controls and procedures (as defined in National Instrument 52-109). Based on that evaluation, EMSI concluded that EIFH's disclosure controls and procedures were effective as of December 31, 2010.

Management's Report on Internal Controls over Financial Reporting

The Manager of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in the rules of the Canadian Securities Managers. EIFH's internal control over financial reporting is a process designed, under the supervision and with the participation of executive and financial officers of the Manager of EIFH, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with Canadian GAAP.

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 EIFH;

- 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 EIFH's assets that could have a material effect on the financial statements.

EIFH'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 the EIFH's policies and procedures.

The Manager of EIFH assessed the effectiveness of EIFH's internal control over financial reporting as of December 31, 2010, 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 EIFH maintained effective internal control over financial reporting for the period ended December 31, 2010.

OUTSTANDING SHARE DATA

As at February 1, 2011, 25,125,000 common shares and 1 special voting share of the Company were issued and outstanding.

ENBRIDGE INCOME FUND HOLDINGS INC.

Financial Statements

December 31, 2010

February 1, 2011

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 statement of financial position as at December 31, 2010 and the statement of earnings and comprehensive income, shareholders' equity, and cash flows for the period from March 26, 2010, date of incorporation, to December 31, 2010, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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 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 audit. We conducted our audit 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 audit 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, 2010 and the results of its operations and its cash flows for the period from March 26, 2010, date of incorporation, to December 31, 2010 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Calgary, Alberta

ENBRIDGE INCOME FUND HOLDINGS INC.
STATEMENT OF EARNINGS AND COMPREHENSIVE INCOME

Period from March 26, 2010, date of incorporation, to December 31, <i>(millions of Canadian dollars, except per share amounts)</i>	2010
Income from Equity Investments (Note 4)	1.2
Income Taxes (Note 6)	-
Earnings for the period	1.2
Other Comprehensive Loss from Equity Investees, net of tax	(0.6)
Comprehensive Income	0.6
Basic and Diluted Earnings per Common Share (Note 5)	0.05

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

**ENBRIDGE INCOME FUND HOLDINGS INC.
STATEMENT OF SHAREHOLDERS' EQUITY**

<u>Period from March 26, 2010, date of incorporation, to December 31,</u>	<u>2010</u>
<i>(millions of Canadian dollars)</i>	
Common Shares Issued (Note 5)	75.6
Special Voting Share Issued (Note 5)	-
Contributed Surplus (Note 5)	
Common shares issued	67.0
Earnings for the period	1.2
Accumulated Other Comprehensive Loss	(0.6)
<u>Total Shareholders' Equity</u>	<u>143.2</u>
<u>Dividends Paid per Common Share</u>	<u>-</u>

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

ENBRIDGE INCOME FUND HOLDINGS INC.
STATEMENT OF CASH FLOWS

Period from March 26, 2010, date of incorporation, to December 31,	2010
<i>(millions of Canadian dollars)</i>	
Cash Provided by Operating Activities	
Earnings for the period	1.2
Equity income in excess of cash distributions	(1.2)
Changes in operating assets and liabilities	
Change in accounts receivable	(0.1)
Change in accounts payable and accrued liabilities	0.1
<hr/>	
Cash and Cash Equivalents at End of Period	-
<hr/>	

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

**ENBRIDGE INCOME FUND HOLDINGS INC.
STATEMENT OF FINANCIAL POSITION**

December 31,	2010
<i>(millions of Canadian dollars)</i>	
Assets	
Current Assets	
Cash and cash equivalents	-
Accounts receivable (Note 10)	0.1
	0.1
Investment in Enbridge Income Fund (Note 4)	143.2
	143.3
Liabilities and Shareholders' Equity	
Current Liabilities	
Accounts payable and accrued liabilities (Note 10)	0.1
	0.1
Shareholders' Equity	
Share capital (Note 5)	
Common shares	75.6
Special voting share	-
Contributed surplus (Note 5)	67.0
Accumulated other comprehensive loss	(0.6)
Retained Earnings	1.2
	143.2
	143.3

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

Approved by the Board of Directors:

(signed) "Catherine M. Best"
Director

(signed) "Gordon G. Tallman"
Director

**ENBRIDGE INCOME FUND HOLDINGS INC.
NOTES TO THE FINANCIAL STATEMENTS**

1. GENERAL BUSINESS DESCRIPTION

Enbridge Income Fund Holdings Inc. (EIFH or the Company) is a publicly traded corporation, incorporated on March 26, 2010 under the laws of the Province of Alberta. The Company holds an equity 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 business of EIFH is limited to investment in the Fund. The Fund is involved in the creation 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 investments in green power generation facilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). Amounts are stated in Canadian dollars unless otherwise noted. The preparation of financial statements in conformity with 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 financial statements include, but are not limited to: the carrying value of its long-term investment (Note 4), allocation of contributed surplus (Note 5) and income taxes (Note 6). Actual results could differ from these estimates.

Long-term Investment

The Company exercises significant influence over the Fund, a variable interest entity, and accounts for its investment using the equity method. The Fund's primary beneficiary is Enbridge Inc. (Enbridge) through the combination of its direct and indirect equity interests and preferred unit investment in the Fund.

The Company reviews the carrying value of its long-term investment on a regular basis or as events or changes in circumstances warrant. If it is determined that the carrying value of a long-term investment exceeds its fair value, the investment is written down accordingly.

Financial Instruments

The Company classifies its financial instruments as held for trading, loans and receivables and other financial liabilities. 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.

Held for Trading

Financial assets that are classified as held for trading are measured at fair value with changes in fair value recognized in earnings. The Company has classified cash and cash equivalents as held for trading.

Loans and Receivables

Loans and receivables, which include accounts receivable, 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.

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.

Income Taxes

The liability method of accounting for income taxes is followed. Future 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. 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 an initial term to maturity of three months or less.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standards

First-time adoption of Part I – International Financial Reporting Standards (IFRS or Part I) of the Canadian Institute of Chartered Accountants (CICA) Handbook is mandatory for Canadian publicly accountable enterprises on January 1, 2011. The Company intends to adopt IFRS for its interim and annual financial statements beginning January 1, 2011, including comparative financial statements for the period from its incorporation on March 26, 2010 to December 31, 2010.

4. INVESTMENT IN ENBRIDGE INCOME FUND

<u>December 31,</u>	<u>2010</u>
<i>(millions of Canadian dollars)</i>	
Investment acquired under the Plan	142.6
Equity earnings for period	1.2
Other comprehensive loss from equity investees, net of tax	(0.6)
Cash distributions received	-
<u>Investment in Enbridge Income Fund, end of period</u>	<u>143.2</u>

Equity earnings represent EIFH's share of the Fund's earnings attributable to common unitholders of \$1.7 million for the period from December 17, 2010 to December 31, 2010. No distributions were declared by the Fund between December 17, 2010 and 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.

The Plan did not constitute a business combination. The exchange was a related party transaction and has been accounted for as a continuity of interests. The Plan represented a change in legal form but did not result in change in control of the Fund. As such, the exchange of Fund trust units for common shares of the Company was measured at the carrying amount derived from the Fund's net asset value attributable to common unitholders of \$197.3 million at December 17, 2010.

Enbridge Income Fund

The Company's earnings and cash flows are derived primarily from its investment in the Fund.

The Fund's operating segments through which it creates, transports and distributes energy are Alliance Canada, Saskatchewan System and Green Power. Alliance Canada represents the Fund's 50% interest in the Canadian segment of the Alliance Pipeline 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 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 in Saskatchewan.

Summaries of the Fund's earnings, comprehensive income and cash flows for the years ended December 31, 2010 and 2009 and financial position as at December 31, 2010 and 2009, derived from the Fund's consolidated financial statements prepared in accordance with Canadian GAAP, are as follows:

Years ended December 31,	2010	2009
<i>(millions of Canadian dollars)</i>		
Earnings		
Revenues	328.1	314.8
Operating and administrative	(121.7)	(110.7)
Depreciation and amortization	(94.3)	(91.3)
Interest expense	(56.9)	(56.0)
ECT Preferred Unit distributions	(43.8)	(43.8)
Other income	0.4	1.1
Income tax (expense) recovery	0.8	(1.1)
Earnings	12.6	13.0
Other Comprehensive Income/(Loss)	(16.2)	5.5
Comprehensive Income/(Loss)	(3.6)	18.5
Cash Flows		
Cash provided by operating activities	67.4	94.2
Cash used in investing activities	(107.4)	(41.1)
Cash provided by (used in) financing activities	43.8	(52.8)
Increase in Cash and Cash Equivalents	3.8	0.3

December 31,	2010	2009
<i>(millions of Canadian dollars)</i>		
Financial Position		
Current assets	76.4	56.1
Property, plant and equipment, net	1,305.1	1,261.2
Goodwill, deferred amounts and other assets	589.9	591.8
Current liabilities	(112.5)	(114.5)
Long-term and non-recourse debt	(1,103.6)	(1,001.2)
ECT Preferred Units	(88.1)	(380.2)
Other long-term liabilities	(25.5)	(15.6)
Future income taxes, net	(152.3)	(157.1)
Net Assets	489.4	240.5
Net Assets Attributable to ECT Preferred Units¹	(292.1)	
Net Assets Attributable to Trust Unitholders	197.3	

¹ Represents ECT Preferred Units' entitlement in the event of liquidation of the Fund of \$10 per preferred unit, less the carrying value of the liability component.

Rate Regulation and Enbridge Income Fund

The Company's income from equity investments and the carrying amount of its long-term investment are directly impacted by the earnings and financial position of the Fund, which is in turn impacted by the effects of rate 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. In order 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 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. 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.

An 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.

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 toll methodology. Toll rates 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.

The regulators do not regularly review or approve the rates established by the pipeline systems comprising the Saskatchewan System. However, in the event of a customer complaint, the regulator would review and provide a ruling on the rates in question.

Financial Statement Effects of Rate Regulation

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

December 31,	2010	2009	Estimated Settlement Period (years)	Earnings Impact ²	
<i>(millions of Canadian dollars)</i>				2010	2009
Regulatory Assets/(Liabilities)					
Alliance Canada					
Future income taxes ¹	96.5	103.0	-	(4.9)	85.0
Deferred transportation revenue ³	97.8	91.5	15	4.7	8.7
Transportation revenue adjustment ⁴	(1.5)	(2.3)	1	0.6	(0.2)
Saskatchewan System					
Future income taxes	(2.8)	(4.8)	-	1.4	(3.5)
Transportation revenue adjustment ⁴	13.9	(0.2)	1	10.3	0.4

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 transportation service agreements 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 adjustments are not included in the rate base.

Allowance for Funds Used During Construction (AFUDC)

To date, an equity component of \$67.5 million (2009 – \$67.6 million) is included in property, plant and equipment, recorded at cost. AFUDC net of accumulated depreciation, is \$45.2 million (2009 – \$47.5 million).

5. SHARE CAPITAL AND CONTRIBUTED SURPLUS

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

December 31,	2010	
	Number of Shares	Amount
<i>(millions of Canadian dollars except number of shares)</i>		
Common Shares issued pursuant to the Plan ¹	25,125,000	75.6
Special Voting Share ²	1	-
Balance, end of period	25,125,001	75.6

¹ 5,000,000 common shares are owned by Enbridge Inc.

² Owned by Enbridge Inc.

Plan of Arrangement

The Company's initial equity capitalization was established under the provisions of the Plan pursuant to which 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 fair market value of the Fund units was \$443.7 million. Under the terms of the Plan, and as permitted by section 85 of the Income Tax Act, it is expected that eligible contributing unitholders will elect to report proceeds of disposition of their units for tax purposes at a value less than the fair market value of the units.

The initial stated capital of the Company for purposes of the Business Corporations Act (Alberta) (BCA) was established to be \$250.0 million. This amount represents the \$443.7 million fair market value of the Fund units received by the Company less an amount estimated to be elected by the contributing unitholders as a reduction in their proceeds for tax purposes, less a discretionary amount of \$67.0 million determined by the Company's Board. The Board may elect in the future to reinstate the discretionary amount to stated capital under certain circumstances.

As the Plan was accounted for as a continuity of interests, the value ascribed to the initial total shareholders' equity of the Company for accounting purposes of \$142.6 million was measured at the carrying amount derived from the Fund's net asset value attributable to common unitholders of \$196.4 million at December 17, 2010. This amount differs from the initial stated capital of the Company for BCA purposes which is derived from the fair market value of the contributed units, as described above, rather than historical book value. The Board of the Company assigned \$75.6 million of the initial total shareholders' equity to common shares and \$67.0 million to Contributed Surplus, for accounting purposes. The Board may elect in future to reinstate the \$67.0 million of contributed surplus to common shares under certain circumstances.

Common Shares

Each common share represents an equal undivided beneficial interest in any dividends declared by the Company and 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. No dividends were declared to common shareholders for the period ended December 31, 2010.

Special Voting Share

Enbridge, as the holder of the special voting share, shall be entitled to receive notice of and to attend all annual and special meetings of the Company's shareholders. The holder of the special voting share shall be entitled to elect one director to the Company's Board for so long as the holder beneficially owns or controls, directly or indirectly, between 15% and 39% of the issued and outstanding common shares, provided that if the holder of the special voting share elects to appoint one director it will not exercise the votes attaching to the portion of common shares held by such holder 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 to elect one director to the Board shall cease and the holder of the special voting share shall be entitled to exercise all of the Company's votes attached to the common shares held by such holder in respect of the election of all directors of the Company at meetings of shareholders. The holder of the special voting share will not be entitled to receive, in respect of the special voting share, any dividends or to participate in any distribution of the property or assets of the Company upon the liquidation, dissolution or winding-up of the Company. The special voting share will only be transferable or assignable to an affiliate of the holder of the special voting share.

Earnings Per Common Share

Earnings per common share is calculated by dividing earnings by the weighted average number of common shares outstanding. Earnings per common share for the period of \$0.05 per common share represents earnings of \$1.2 million divided by 25,125,000, the weighted average number of common shares outstanding during the period from December 17, 2010 to December 31, 2010.

Shareholders' Rights Plan

The Shareholders' Rights Plan is designed to ensure the fair treatment of EIFH shareholders in connection with any takeover offer of the Company. Rights issued under the plan become exercisable when a person and any related parties, acquires or announces its intention to acquire 20% or more of the Company's outstanding common shares without complying with certain provisions set out in the plan or without approval of the Company's Board of Directors. Should such an acquisition occur, each rights holder other than the acquiring person and related parties will have the right to purchase common shares of the Company at a 50% discount to the market price at the time.

Dividend Reinvestment and Share Purchase Plan

Under the Dividend Reinvestment and Share Purchase Plan, registered shareholders may reinvest dividends in common shares of the Company and make additional cash payments to purchase common shares, free of brokerage or other charges.

6. INCOME TAXES

Income Tax Rate Reconciliation

Period from March 26, 2010, date of incorporation, to December 31,	2010
<i>(millions of Canadian dollars)</i>	
Earnings before income taxes	1.2
Combined statutory income tax rate	28.0%
Income taxes at statutory income tax rate	0.3
Decrease resulting from:	
Change in valuation allowance	(0.3)
Income tax expense	-
Effective income tax rate	0.0%

Components of Future Income Taxes

December 31,	2010
<i>(millions of Canadian dollars)</i>	
Future income tax liabilities/(assets)	
Differences in accounting and tax bases of investments	(21.6)
Valuation allowance	21.6
	-

7. RISK MANAGEMENT

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 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 quarterly 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 is subject to credit risk, the maximum exposure of which is its carrying value as presented on the statement of financial position. The Company manages its exposure to credit risk by ensuring counterparties are high credit worthy related party affiliates.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their carrying value due to their short-term maturities.

9. CAPITAL DISCLOSURES

The Company defines capital as shareholders' equity less cash and cash equivalents, which totalled \$143.2 million at December 31, 2010.

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 quarterly dividends. New capital, if necessary, may be raised through the issuance of equity securities or issuance of debt.

10. RELATED PARTY TRANSACTIONS

All 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.

EIFH has entered into an agreement with Enbridge Management Services Inc. (EMSI), a wholly owned subsidiary of Enbridge, to provide management and administrative services to EIFH. EMSI also provides management and administrative services to the Fund and the Fund's subsidiary, Enbridge Commercial Trust (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 EIFH as was the case for the period ended December 31, 2010.

During 2010, EIFH entered into an agreement with ECT, a wholly owned subsidiary of the Fund, whereby ECT agreed to reimburse EIFH for its corporate costs. At December 31, 2010, accounts receivable from ECT totalled \$0.1 million.