

**ENBRIDGE INC.**  
**CONSOLIDATED STATEMENTS OF EARNINGS**

	Three months ended March 31,	
<i>(unaudited; millions of Canadian dollars, except per share amounts)</i>	<b>2007</b>	2006
Revenues		
Commodity sales	<b>2,686.6</b>	2,705.4
Transportation	<b>602.3</b>	583.9
Energy services	<b>69.3</b>	57.4
	<b>3,358.2</b>	3,346.7
Expenses		
Commodity costs	<b>2,531.8</b>	2,592.0
Operating and administrative	<b>280.3</b>	254.4
Depreciation and amortization	<b>147.1</b>	146.0
	<b>2,959.2</b>	2,992.4
	<b>399.0</b>	354.3
Income from Equity Investments	<b>44.0</b>	54.8
Other Investment Income	<b>41.6</b>	27.5
Interest Expense	<b>(140.6)</b>	(138.3)
	<b>344.0</b>	298.3
Non-Controlling Interests	<b>(5.6)</b>	(13.4)
	<b>338.4</b>	284.9
Income Taxes	<b>(109.7)</b>	(92.3)
Earnings	<b>228.7</b>	192.6
Preferred Share Dividends	<b>(1.7)</b>	(1.7)
Earnings Applicable to Common Shareholders	<b>227.0</b>	190.9
Earnings Per Common Share	<b>0.65</b>	0.56
Diluted Earnings Per Common Share	<b>0.64</b>	0.56

*See accompanying notes to the unaudited consolidated financial statements.*

**ENBRIDGE INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Three months ended March 31,	
<i>(unaudited; millions of Canadian dollars)</i>	<b>2007</b>	2006
Earnings	<b>228.7</b>	192.6
Other Comprehensive Income/(Loss)		
Change in unrealized gains on cash flow hedges, net of tax	<b>9.2</b>	-
Reclassification of realized cash flow hedges, net of tax	<b>7.3</b>	-
Other comprehensive loss from equity investees	<b>(10.2)</b>	-
Non-controlling interest in other comprehensive income	<b>5.8</b>	-
Change in foreign currency translation adjustment	<b>(30.8)</b>	17.4
Change in unrealized gains on net investment hedges, net of tax	<b>2.1</b>	(6.3)
<b>Comprehensive Income</b>	<b>212.1</b>	203.7

*See accompanying notes to the unaudited consolidated financial statements.*

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

	Three months ended March 31,	
<i>(unaudited; millions of Canadian dollars)</i>	<b>2007</b>	2006
<b>Preferred Shares</b>	<b>125.0</b>	125.0
<b>Common Shares</b>		
Balance at Beginning of Period	<b>2,416.1</b>	2,343.8
Common Shares Issued	<b>566.4</b>	-
Dividend Reinvestment and Share Purchase Plan	<b>4.7</b>	4.2
Shares Issued on Exercise of Stock Options	<b>3.8</b>	18.2
<b>Balance at End of Period</b>	<b>2,991.0</b>	2,366.2
<b>Contributed Surplus</b>		
Balance at Beginning of Period	<b>18.3</b>	10.0
Stock-based Compensation	<b>5.0</b>	1.6
Option Exercises	<b>(0.3)</b>	(0.5)
<b>Balance at End of Period</b>	<b>23.0</b>	11.1
<b>Retained Earnings</b>		
Balance at Beginning of Period	<b>2,322.7</b>	2,098.2
Earnings Applicable to Common Shareholders	<b>227.0</b>	190.9
Cumulative Impact of Change in Accounting Policy (Note 1)	<b>(47.0)</b>	-
Common Share Dividends	<b>(112.9)</b>	(100.6)
Dividends Paid to Reciprocal Shareholder	<b>3.4</b>	3.1
<b>Balance at End of Period</b>	<b>2,393.2</b>	2,191.6
<b>Accumulated Other Comprehensive Loss</b>		
Balance at Beginning of Period	<b>(135.8)</b>	(171.8)
Cumulative Impact of Change in Accounting Policy (Note 1)	<b>48.2</b>	-
Other Comprehensive Income (Note 1)	<b>(16.6)</b>	11.1
<b>Balance at End of Period</b>	<b>(104.2)</b>	(160.7)
<b>Reciprocal Shareholding</b>		
Balance at Beginning of Period	<b>(135.7)</b>	(135.7)
Participation in Common Shares Issued	<b>(18.6)</b>	-
<b>Balance at End of Period</b>	<b>(154.3)</b>	(135.7)
<b>Total Shareholders' Equity</b>	<b>5,273.7</b>	4,397.5

*See accompanying notes to the unaudited consolidated financial statements.*

**ENBRIDGE INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>(unaudited; millions of Canadian dollars)</i>	Three months ended March 31,	
	2007	2006
<b>Cash Provided By Operating Activities</b>		
Earnings	<b>228.8</b>	192.6
Depreciation and amortization	<b>147.1</b>	146.0
Unrealized losses on derivative instruments	<b>7.1</b>	-
Equity earnings in excess of cash distributions	<b>(24.7)</b>	(34.6)
Future income taxes	<b>65.7</b>	1.6
Other	<b>(7.1)</b>	18.0
Changes in operating assets and liabilities	<b>349.0</b>	390.9
	<b>765.9</b>	714.5
<b>Investing Activities</b>		
Acquisitions	-	(101.4)
Long-term investments	<b>(0.6)</b>	(54.7)
Additions to property, plant and equipment	<b>(443.8)</b>	(153.5)
Change in construction payable	<b>(42.1)</b>	(20.9)
	<b>(486.5)</b>	(330.5)
<b>Financing Activities</b>		
Net change in short-term borrowings and short-term debt	<b>(574.1)</b>	(767.6)
Net change in non-recourse short-term debt	<b>3.3</b>	-
Long-term debt issues	<b>462.9</b>	500.0
Long-term debt repayments	<b>(534.5)</b>	-
Non-recourse long-term debt issued	<b>14.4</b>	2.0
Non-recourse long-term debt repaid	<b>(0.5)</b>	(2.6)
Distributions to from non-controlling interests	<b>(5.7)</b>	(6.1)
Common share issues	<b>567.5</b>	20.1
Preferred share dividends	<b>(1.7)</b>	(1.7)
Common share dividends	<b>(112.9)</b>	(100.6)
	<b>(181.3)</b>	(356.5)
Increase in Cash and Cash Equivalents	<b>98.1</b>	27.5
Cash and Cash Equivalents at Beginning of Period	<b>139.7</b>	153.9
Cash and Cash Equivalents at End of Period	<b>237.8</b>	181.4

*See accompanying notes to the unaudited consolidated financial statements.*

**ENBRIDGE INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

<i>(unaudited; millions of Canadian dollars)</i>	<b>March 31, 2007</b>	December 31, 2006
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	237.8	139.7
Accounts receivable and other	2,334.1	2,045.6
Inventory	302.9	868.9
	<b>2,874.8</b>	3,054.2
Property, Plant and Equipment, net	11,547.2	11,264.7
Long-Term Investments	2,226.1	2,299.4
Deferred Amounts and Other Assets	962.6	924.5
Intangible Assets	237.5	241.5
Goodwill	391.2	394.9
Future Income Taxes	160.6	200.1
	<b>18,400.0</b>	18,379.3
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities		
Short-term borrowings	236.4	807.9
Accounts payable and other	1,774.3	1,723.8
Interest payable	86.4	95.1
Current maturities and short-term debt	100.7	537.0
Current maturities of non-recourse debt	59.8	60.1
	<b>2,257.6</b>	3,223.9
Long-Term Debt	7,347.7	7,054.0
Non-Recourse Long-Term Debt	1,617.4	1,622.0
Other Long-Term Liabilities	193.4	91.1
Future Income Taxes	1,031.6	1,062.5
Non-Controlling Interests	678.6	715.2
	<b>13,126.3</b>	13,768.7
Shareholders' Equity		
Share capital		
Preferred shares	125.0	125.0
Common shares	2,991.0	2,416.1
Contributed surplus	23.0	18.3
Retained earnings	2,393.2	2,322.7
Accumulated other comprehensive loss	(104.2)	(135.8)
Reciprocal shareholding	(154.3)	(135.7)
	<b>5,273.7</b>	4,610.6
	<b>18,400.0</b>	18,379.3

*See accompanying notes to the unaudited consolidated financial statements.*

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). These consolidated financial statements do not include all disclosures required for annual statements and therefore should be read in conjunction with the consolidated financial statements and notes thereto included in Enbridge Inc.'s 2006 Annual Report. These accounting principles are different in some respects from United States generally accepted accounting principles (U.S. GAAP) and the significant differences that impact the Company's financial statements are described in Note 5. These interim financial statements follow the same significant accounting policies and methods of application as those included in the 2006 Annual Report, except as described in Note 1.

Earnings for interim periods may not be indicative of results for the fiscal year due to the seasonal nature of the gas distribution utility business and other factors.

Certain comparative amounts have been reclassified to conform to the current year's presentation.

### 1. CHANGES IN ACCOUNTING POLICIES

#### *Financial Instruments, Comprehensive Income and Hedging Relationships*

Effective January 1, 2007, the Company adopted new accounting standards for Financial Instruments - Recognition and Measurement, Financial Instruments - Disclosure and Presentation, Comprehensive Income, and Hedges. These policies were adopted prospectively and accordingly, the prior periods were not restated, however unrealized gains and losses related to the Company's foreign currency translation adjustments and net investment hedges are now included in Accumulated Other Comprehensive Income or Loss (AOCI).

The adoption of the new standards did not impact the Company's earnings or cash flows.

#### **Financial Instruments**

*Measurement and Presentation* - The new standards require that all financial assets and liabilities are recorded at fair value, except loans and receivables and certain instruments held to maturity. Loans and receivables and certain instruments that are held to maturity are measured at amortized cost. For instruments measured at fair value, unrealized changes in fair value are recognized in earnings, unless the instrument is an available for sale asset or is designated and an effective cash flow hedging instrument, in which case the unrealized changes are recorded in Other Comprehensive Income.

With the exception of recognizing derivative instruments, including hedge instruments, at fair value, the Company has not changed the valuation of other financial instruments.

The Company utilizes fixed price forward physical commodity contracts to manage exposure to changes in commodity prices. Certain of the Company's fixed price contracts are deemed derivative instruments and therefore recognized at fair value. Unrealized fair value changes related to these instruments are recorded in current earnings.

The Company's Energy Services businesses recognized unrealized losses of \$4.3 million (after tax) for the three months ended March 31, 2007 related to fixed price commodity purchases and sales.

The Company's regulated liquids pipeline segment utilizes a fixed price contract and related financial instrument to manage the mix of fixed and floating commodity costs. The Company recognizes the fair value of the fixed price contract, the fair value of the financial instrument and a regulatory liability that will be recognized over the life of the fixed price contract.

As a result of the new standards for derivative instruments, on January 1, 2007, the Company recognized a liability of \$5.8 million for unrealized financial instrument losses, an asset of \$29.0 million related to the fixed price commodity contracts and a regulatory liability of \$23.2 million.

At March 31, 2007, the Company recognized a liability of \$6.5 million for unrealized financial instrument losses, an asset of \$30.7 million related to the fixed price commodity contract and a regulatory liability of \$24.2 million.

*Transaction Costs* - On January 1, 2007 the Company reclassified unamortized deferred financing fees of \$52.7 million from deferred amounts and other assets to long-term debt as a result of adopting the new standards. The reclassification of debt issue costs has no impact on earnings. Financing fees are amortized using the effective interest rate method over the life of the related debt instrument.

### **Comprehensive Income**

The new standards also require the Company to present a Consolidated Statement of Comprehensive Income which consists of earnings, the effective portion of changes in unrealized gains and losses related to cash flow hedges, unrealized gains and losses of available for sale assets, and unrealized foreign exchange gains and losses related to self sustaining foreign investments and the net investment hedges of those foreign investments. The cumulative changes in Comprehensive Income are recorded in AOCI, a separate component of shareholders' equity. AOCI also includes the Company's share of the AOCI of equity investees. Unrealized gains and losses included in AOCI are reclassified to earnings when they become realized in accordance with hedge accounting standards or in the case of available for sale assets when they are sold.

### **Hedges**

The Company utilizes derivatives and non-derivative instruments to manage changes in commodity prices, foreign currency exchange rates and interest rates. Hedge accounting continues to be optional, it requires that the Company document the hedging relationship and test the hedging item's effectiveness in offsetting changes in fair values or cash flows of the underlying hedged item on an ongoing basis. The Company presents the earnings and cash flow effects of hedging items with the hedged transaction.

*Cash Flow Hedges* – The Company utilizes cash flow hedges to manage changes in commodity prices, foreign currency exchange rates and interest rates. The effective portion of the change in fair value of the cash flow hedging instrument is recorded in other comprehensive income and reclassified to earnings when the hedged item impacts earnings. Any hedge ineffectiveness is recorded in current period earnings.

For the Company's regulated gas distribution businesses, a portion of the gas purchases are hedged using cash flow hedges. The effective portion of changes in the fair value of the cash flow hedges are deferred as an asset or liability until they are settled offset by an asset or liability on behalf of ratepayers. Upon settlement, the recognized gain or loss is recorded as a regulatory asset or liability and refunded to or collected from ratepayers in subsequent periods. The Company recognized a liability of \$26.6 million for unrealized losses related to gas purchase hedges for regulated gas distribution businesses at January 1, 2007, and a regulatory receivable of \$26.6 million.

As a result of the new standards for cash flow hedges the Company recognized a net asset of \$79.4 million for unrealized net gains related to interest rate, foreign exchange and commodity hedges at January 1, 2007. The Company reduced deferred amounts by \$66.1 million and retained earnings (pre-tax) for historical fair value adjustments related to certain cash flow hedges.

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 and recognized concurrently with the related transaction. If the 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 they occur. During the period, the Company terminated interest rate forwards resulting in the recognition of a \$1.0 million (after tax) gain.

The Company does not use derivative instruments for speculative purposes. However, if a derivative instrument is not an effective hedge for accounting purposes or is not documented as a hedging item, changes in the fair value are recorded in current period earnings. The Company recognized unrealized mark to market derivative losses of \$2.8 million (after tax) for the three months ended March 31, 2007 related to non-qualifying instruments.

At March 31, 2007, the Company has a net asset of \$107.8 million for unrealized fair value of cash flow hedges. Cash flow hedges expire over periods ranging from less than one year to 22 years. The Company estimates that \$6.0 million (after tax) of the AOCI will be reclassified to earnings in the next 12 months.

*Fair Value Hedges* – The Company may utilize fair value hedges to hedge the value debt instruments or commodity positions. The change in fair value of the hedging instrument is recorded in earnings with changes in fair value of the hedged asset or liability that is designated as part of the hedging relationship.

If a fair value hedge is discontinued or ceases to be effective, the hedged fixed rate asset or liability ceases to be remeasured to fair value, and the fair value adjustment is recognized in earnings over the remaining life of the hedged item. If the hedged item is settled, any remaining fair value adjustment is recognized immediately in earnings. As at March 31, 2007, the Company did not have any outstanding fair value hedge.

*Net Investment Hedges* – The Company utilizes net investment hedges to manage the carrying values of U.S. Dollar and Euro denominated foreign investments. The effective portion of the change in fair value of the hedging instrument is recorded in other comprehensive income. Any ineffectiveness is recorded in current period earnings. Amounts recognized in AOCI are recognized in earnings when there is reduction of the hedged net investment resulting from dividend distributions, ownership dilutions or a sale of ownership interests.

At March 31, 2007, the Company recognized a net asset of \$381.3 million related to net investment hedges. Net investment hedges expire over periods ranging from less than one year to 15 years.

The adoption of the new standards resulted in the following adjustments at January 1, 2007:

<i>(millions of Canadian dollars)</i>	As at January 1, 2007	
	Assets	Liabilities and Equity
Increase/(Decrease)		
Accounts Receivable and Other	5.4	
Deferred Amounts and Other Assets	55.3	
Long-Term Investments	(57.3)	
Accounts Payable and Other		57.6
Long-Term Debt		(52.7)
Other Long-Term Liabilities		42.5
Future Income Taxes		(18.9)
Non-Controlling Interest		(26.3)
Accumulated Other Comprehensive Income		48.2
Retained Earnings		(47.0)
	3.4	3.4

## Components of Accumulated Other Comprehensive Income/(Loss)

<i>(millions of Canadian dollars)</i>	Cash Flow Hedges	Equity Investees	Non- Controlling Interests	Cumulative Translation Adjustment	Net Investment Hedges	Total
Balance, January 1, 2006	-	-	-	(486.7)	428.1	(58.6)
Tax impact	-	-	-	-	(113.2)	(113.2)
	-	-	-	(486.7)	314.9	(171.8)
Changes during the period	-	-	-	17.4	(9.2)	8.2
Tax impact	-	-	-	-	2.9	2.9
	-	-	-	17.4	(6.3)	11.1
Balance March 31, 2006	-	-	-	(469.3)	308.6	(160.7)
Balance, January 1, 2007	-	-	-	(399.1)	379.1	(20.0)
Tax impact	-	-	-	-	(115.8)	(115.8)
	-	-	-	(399.1)	263.3	(135.8)
Adjustment on adoption	79.4	(57.3)	26.3	-	-	48.4
Tax impact	(20.3)	20.1	-	-	-	(0.2)
	59.1	(37.2)	26.3	-	-	48.2
Changes during the period	28.4	(16.2)	5.8	(30.8)	2.2	(10.6)
Tax impact	(11.9)	6.0	-	-	(0.1)	(6.0)
	16.5	(10.2)	5.8	(30.8)	2.1	(16.6)
Balance March 31, 2007	75.6	(47.4)	32.1	(429.9)	265.4	(104.2)

### Capital Disclosures and Financial Instruments – Disclosure and Presentation

Effective January 1, 2008, the Company will adopt new accounting standards for Capital Disclosures and Financial Instruments – Disclosure and Presentation. The Company will disclose its objectives, policies and procedures for managing capital, additional information with respect to capital compliance requirements and enhanced disclosure of risks associated with financial instruments, as well as how those risks are managed.

## 2. SEGMENTED INFORMATION

Three months ended  
March 31, 2007

<i>(millions of Canadian dollars)</i>	Liquids Pipelines	Gas Pipelines	Sponsored Investments	Gas Distribution and Services	International	Corporate	Consolidated
Revenues	273.7	86.6	63.6	2,931.6	2.7	-	3,358.2
Commodity costs	-	-	-	(2,531.8)	-	-	(2,531.8)
Operating and administrative	(101.9)	(20.3)	(17.4)	(134.0)	(3.8)	(2.9)	(280.3)
Depreciation and amortization	(39.0)	(23.0)	(18.2)	(65.6)	(0.2)	(1.1)	(147.1)
	132.8	43.3	28.0	200.2	(1.3)	(4.0)	399.0
Income from equity investments	(0.3)	-	16.6	13.2	14.8	(0.3)	44.0
Other investment income	0.2	15.3	1.0	4.3	8.9	11.9	41.6
Interest and preferred share dividends	(25.1)	(17.6)	(15.2)	(52.8)	-	(31.6)	(142.3)
Non-controlling interest	(0.2)	-	(4.0)	(1.4)	-	-	(5.6)
Income taxes	(38.5)	(15.3)	(8.6)	(54.1)	(0.4)	7.2	(109.7)
Earnings applicable to common shareholders	68.9	25.7	17.8	109.4	22.0	(16.8)	227.0

Three months ended March 31, 2006

<i>(millions of Canadian dollars)</i>	Gas						Consolidated
	Liquids Pipelines	Gas Pipelines	Sponsored Investments	Distribution and Services	International	Corporate	
Revenues	247.8	86.7	62.0	2,947.7	2.5	-	3,346.7
Commodity costs	-	-	-	(2,592.0)	-	-	(2,592.0)
Operating and administrative	(84.8)	(22.4)	(14.9)	(125.4)	(3.2)	(3.7)	(254.4)
Depreciation and amortization	(38.6)	(22.0)	(18.1)	(65.7)	(0.3)	(1.3)	(146.0)
	124.4	42.3	29.0	164.6	(1.0)	(5.0)	354.3
Income from equity investments	-	-	31.5	11.0	12.3	-	54.8
Other investment income	0.2	2.8	0.9	4.3	12.1	7.2	27.5
Interest and preferred share dividends	(23.2)	(18.8)	(15.0)	(48.7)	-	(34.3)	(140.0)
Non-controlling interest	(0.4)	-	(12.1)	(0.9)	-	-	(13.4)
Income taxes	(34.7)	(10.3)	(14.1)	(44.3)	(1.6)	12.7	(92.3)
Earnings applicable to common shareholders	66.3	16.0	20.2	86.0	21.8	(19.4)	190.9

### 3. POST-EMPLOYMENT BENEFITS

#### *Pension Plans*

The Company has three pension plans, which provide either defined benefit or defined contribution pension benefits, or both, to employees of the Company. The Liquids Pipelines and Gas Distribution and Services pension plans provide company funded defined benefit pension and/or defined contribution benefits to Canadian employees of Enbridge. The Enbridge U.S. pension plan provides company funded defined benefit pension benefits for U.S. based employees. The Company also provides post-employment benefits other than pensions (OPEB) for qualifying retired employees. Costs recognized in the period are presented below.

#### **Net Pension and OPEB Costs Recognized**

<i>(millions of Canadian dollars)</i>	Three months ended March 31,	
	2007	2006
Benefits earned during the period	13.4	10.8
Interest cost on projected benefit obligations	17.1	16.1
Expected return on plan assets	(21.9)	(21.2)
Amortization of unrecognized amounts	3.9	4.0
Amount charged to Enbridge Energy Partners L.P.	(3.1)	(2.7)
Pension and OPEB costs recognized	9.4	7.0

The above reflects the pension and OPEB cost for all of the Company's benefit plans on an accrual basis. However, in accordance with its ability to recover employee benefit costs on a pay-as-you-go basis for the regulated operations of Gas Distribution and Services, the Company records the cost of such benefits on a cash basis. Using the cash basis for the Gas Distribution and Services plans and the accrual method for other plans, the Company's pension and OPEB costs are \$7.5 million for the three month period ended March 31, 2007 (2006 - \$5.7 million).

### 4. SUBSEQUENT EVENT

Subsequent to March 31, 2007 the Company entered into firm purchase contracts for materials related to the construction of Liquids Pipelines projects. Total commitments, including these contracts are \$760 million. The minimum cancellation charge related to these contracts is approximately \$284 million.

## 5. UNITED STATES ACCOUNTING PRINCIPLES

These consolidated financial statements have been prepared in accordance with Canadian GAAP. The effects of significant differences between Canadian GAAP and U.S. GAAP for the Company are described below.

### Earnings and Comprehensive Income

	Three months ended March 31,	
<i>(millions of Canadian dollars, except per share amounts)</i>	<b>2007</b>	2006
Earnings under Canadian and U.S. GAAP	<b>227.0</b>	190.9
Other Comprehensive Income under Canadian GAAP	<b>212.1</b>	203.7
Unrealized net gain/(loss) on cash flow hedges <sup>4</sup>	-	(42.1)
Underfunded pension adjustment (net of tax) <sup>5</sup>	<b>0.8</b>	-
Comprehensive income under US GAAP	<b>212.9</b>	161.6
Earnings per common share	<b>0.65</b>	0.56
Diluted earnings per common share	<b>0.64</b>	0.56

## Financial Position

<i>(millions of dollars)</i>	March 31, 2007		December 31, 2006	
	Canada	United States	Canada	United States
<b>Assets</b>				
Cash and cash equivalents <sup>3,6</sup>	237.8	323.4	139.7	347.0
Accounts receivable and other <sup>3,4,5,6</sup>	2,334.1	3,013.9	2,045.6	2,920.0
Inventory <sup>3,6</sup>	302.9	367.5	868.9	1,005.0
	<b>2,874.8</b>	<b>3,704.8</b>	3,054.2	4,272.0
Property, plant and equipment, net <sup>3,6</sup>	11,547.2	16,278.7	11,264.7	15,628.4
Long-term investments <sup>3</sup>	2,226.1	1,330.3	2,299.4	1,368.8
Deferred amounts and other assets <sup>2,4,5,6</sup>	962.6	1,615.9	924.5	1,540.5
Intangible assets <sup>6</sup>	237.5	341.6	241.5	348.0
Goodwill <sup>6</sup>	391.2	795.2	394.9	803.2
Future Income taxes	160.6	161.2	200.1	200.1
	<b>18,400.0</b>	<b>24,227.7</b>	18,379.3	24,161.0
<b>Liabilities and Shareholders' Equity</b>				
Short-term borrowings	236.4	236.4	807.9	807.9
Accounts payable and other <sup>1,3,4,6</sup>	1,774.3	2,766.8	1,723.8	2,818.6
Interest payable <sup>6</sup>	86.4	124.0	95.1	108.4
Current maturities and short-term debt	100.7	100.7	537.0	537.0
Current maturities of non-recourse debt <sup>3,6</sup>	59.8	95.5	60.1	83.2
	<b>2,257.6</b>	<b>3,323.4</b>	3,223.9	4,355.1
Long-term debt <sup>3,6</sup>	7,347.7	7,405.5	7,054.0	7,054.0
Non-recourse long-term debt <sup>3,6</sup>	1,617.4	4,131.8	1,622.0	4,029.6
Other long-term liabilities <sup>3,5,6</sup>	193.4	419.4	91.1	310.8
Future income taxes <sup>2,3,4,5,6</sup>	1,031.6	1,668.2	1,062.5	1,696.4
Non-controlling interests <sup>6</sup>	678.6	2,065.5	715.2	2,163.9
	<b>13,126.3</b>	<b>19,013.8</b>	13,768.7	19,609.8
<b>Shareholders' Equity</b>				
Preferred Shares	125.0	125.0	125.0	125.0
Common Shares	2,991.0	2,991.0	2,416.1	2,416.1
Contributed surplus <sup>1</sup>	23.0	-	18.3	-
Retained earnings	2,393.2	2,360.3	2,322.7	2,242.8
Additional paid in capital <sup>1</sup>	-	66.9	-	62.2
Foreign currency translation adjustment <sup>4</sup>	-	-	(135.8)	-
Accumulated other comprehensive loss <sup>4,5</sup>	(104.2)	(175.0)	-	(159.2)
Reciprocal shareholding	(154.3)	(154.3)	(135.7)	(135.7)
	<b>5,273.7</b>	<b>5,213.9</b>	4,610.6	4,551.2
	<b>18,400.0</b>	<b>24,227.7</b>	18,379.3	24,161.0

### 1. Stock-based Compensation

Effective January 1, 2006, the Company adopted Financial Accounting Standard 123 Revised 2004 (FAS 123R), Share Based Payment, on a modified prospective basis for U.S. GAAP purposes. FAS 123R requires the use of the fair value method to measure compensation expense for options and performance stock units issued after January 1, 2006 as well as for the portion of awards for which the requisite service has not been performed that are outstanding as of January 1, 2006. The Company adopted the fair value recognition provisions of the former FAS 123, Share Based Payment, effective January 1, 2003, resulting in the recognition of stock based compensation expense using the fair value method for fixed stock options issued subsequent to that date.

All Canadian – U.S. GAAP earnings differences have now been resolved with respect to stock based compensation, except that equity charges resulting from stock based compensation are recorded in additional paid in capital for U.S. GAAP purposes and contributed surplus for Canadian GAAP purposes.

## 2. *Future Income Taxes*

Under U.S. GAAP deferred income tax liabilities are recorded for rate-regulated operations, which follow the taxes payable method for ratemaking purposes. As these deferred income taxes are expected to be recoverable in future revenues, a corresponding regulatory asset is also recorded. These assets and liabilities are adjusted to reflect changes in enacted income tax rates. A deferred tax liability of \$648.1 million (2006 - \$648.7 million) is recorded for U.S. GAAP purposes and reflects the difference between the carrying value and the tax basis of property, plant and equipment. Regulated companies following the taxes payable method are not required to record this additional tax liability under Canadian GAAP. To recover the additional deferred income taxes recorded under U.S. GAAP through the ratemaking process, it would be necessary to record incremental revenue of \$939.5 million (2006 - \$926.7 million).

## 3. *Accounting for Joint Ventures*

U.S. GAAP requires the Company's investments in joint ventures to be accounted for using the equity method. However, under an accommodation of the U.S. Securities and Exchange Commission, accounting for jointly controlled investments need not be reconciled from Canadian to U.S. GAAP if the joint venture is jointly controlled by all parties having an equity interest in the entity. Joint ventures in which all owners do not share joint control are reconciled to U.S. GAAP. The different accounting treatment affects only display and classification and not earnings or shareholders' equity.

## 4. *Accumulated Other Comprehensive Loss*

At March 31, 2007, Accumulated Other Comprehensive Loss of \$175.0 million (2006 - \$159.2 million) consists of the cumulative translation adjustment and net investment hedges of \$164.5 million (2006 - \$113.6 million), net unrealized gains of \$60.3 million (2006 - \$26.0 million) on cash flow hedges, and an underfunded pension status of \$70.8 million (2006 - \$71.6 million). As of January 1, 2007, the cumulative translation adjustment and unrealized gains or losses on cash flow hedges are recognized in accumulated other comprehensive loss under Canadian GAAP. As a result, the only Canadian – U.S. GAAP difference in accumulated other comprehensive loss is the underfunded status of the pension and OPEB plans. The Company estimates that approximately \$2.8 million, related to pension and OPEB plans, at March 31, 2007, will be reclassified into earnings during the next twelve months, in addition to \$6.0 million for cash flow hedges.

Financial instruments are now recognized in Canadian GAAP in the same manner as U.S. GAAP, eliminating any future Canadian – U.S. GAAP differences related to derivatives and hedges for the Company. As a result of the Canadian adoption certain comparative balances have been re-classified for U.S. GAAP purposes, including the recognition of regulated non-financial instruments and offsetting regulatory liabilities as well as OCI from equity investees. In addition, transaction costs arising from the issuance of debt are now recorded net against the related long-term debt. For U.S. GAAP these transaction costs are reclassified to deferred amounts and other assets.

## 5. *Pension Funding Status*

The Company has adopted FAS 158, *Employers' Accounting for Defined Pension and Other Postretirement Plans*, effective December 31, 2006. FAS 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit post retirement plan or OPEB as an asset or liability and to recognize changes in the funded status in the year in which they occur through comprehensive income. FAS 158 adjustments result in the Company recognizing a net liability of \$109.0 million (2006 - \$110.1 million) for the underfunded status of the plans, a deferred tax asset of \$38.2 million (2006 - \$38.5 million) and accumulated other comprehensive loss of \$70.8 million (2006 - \$71.6 million). As required by FAS 158, the Company will change the measurement date of its defined benefit pension plan from September 30, to December 31, effective the year ended December 31, 2008.

## 6. *Consolidation of a Limited Partnership*

In June 2005, the U.S. Emerging Issues Task Force (EITF) reached a consensus on EITF issue 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* (EITF 04-5), addressing when a general partner, or general partners as a group, control and should therefore consolidate a limited partnership. Under EITF 04-5, a sole general partner is presumed to control a limited partnership when certain conditions are met.

Effective January 1, 2006, the Company adopted, without restatement of prior periods, EITF 04-5. As a result of adopting EITF 04-5, the Company is consolidating its 16.6% interest in Enbridge Energy Partners (EEP) for U.S. GAAP purposes, resulting in an increase to both assets and liabilities of \$5,231.3 million (2006 - \$5,084.8) and no changes to equity and earnings.

## 7. *Uncertain Tax Positions*

On January 1, 2007, the Company adopted FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109*. FIN 48 addresses the threshold for recognizing a tax position in the financial statements. The adoption of FIN 48 did not have a material impact on our consolidated financial statements.