Ethane Pipeline Income Fund

Ethane Pipeline Income Trust
ARSN 118 961 167

Ethane Pipeline Income Financing Trust
ARSN 118 961 023

APA Ethane Limited
ACN 132 157 290

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ASX RELEASE 26 September 2014

The Manager

ASX Market Announcements
Australian Securities Exchange
4th Floor, 20 Bridge Street
Sydney NSW 2000

Electronic Lodgement

Dear Sir or Madam

Company Announcement

I attach the following announcement for release to the market:

- Letter to securityholders receiving the Annual Report
- Annual Report 2014
- Letter to securityholders not receiving the Annual Report

Yours sincerely

Mark Knapman
Company Secretary
APA Ethane Limited

Ethane Pipeline Income Fund

Ethane Pipeline Income Trust
ASRN 118 961 167
AFSL 327 999

Ethane Pipeline Income Financing Trust
ASRN 118 961 023

APA Ethane Limited
ACN 132 157 290

All Registry communications to:
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ASX Code: EPX
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

26 September 2014

Dear Investor

2014 Annual Report and Investor Information Session

Please find enclosed your 2014 Ethane Pipeline Income Fund ("Fund") annual report. This annual report as well as other Fund information is available on the website www.ethanepipeline.com.au.

On behalf of APA Ethane Limited, the responsible entity of the Fund, I am pleased to invite you to attend an information session. The purpose of the meeting is to give you an opportunity to meet the board and the Fund Manager, and ask questions about the Fund. The meeting details are as follows:

Date: 20 November 2014 at 11.30am.
Location: The offices of APA Group, Level 19, 580 George Street, Sydney.
No reply necessary.

At the meeting, the Chairman will provide a brief report on results and activities of the Fund and answer questions from securityholders.

Securityholders are encouraged to submit questions by 13 November 2014 via email to registrars@linkmarketservices.com.au. We will endeavour to address as many of the frequently raised topics as reasonably possible at the meeting. For those unable to attend, the presentation will be published on the website www.ethanepipeline.com.au. Please note individual responses will not be sent to securityholders.

You can help the Fund reduce both costs and impact on the environment by electing to receive the annual report electronically, not in paper form. To do so please contact the share registry on 1300 780 445 or make your election via the website www.linkmarketservices.com.au.

Thank you for supporting the Ethane Pipeline Income Fund.

Yours sincerely

Mark Knapman
Company Secretary
APA Ethane Limited

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Ethane Pipeline Income Fund

ETHANE PIPELINE INCOME FUND ANNUAL REPORT 2014

comprising:

Ethane Pipeline Income Trust
ASRN 118 961 167
ABN 58 240 488 540

Ethane Pipeline Income Financing Trust
ASRN 118 961 023
ABN 73 040 115 921

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ETHANE PIPELINE
INCOME FUND

comprising:

Ethane Pipeline Income Trust
ASRN 118 961 167
ABN 58 240 488 540

Ethane Pipeline Income Financing Trust
ASRN 118 961 023
ABN 73 040 115 921

CHAIRMAN'S REPORT

On behalf of the board of APA Ethane Limited, the responsible entity of the Ethane Pipeline Income Fund (Fund), I am pleased to report on the Fund's performance for the year to 30 June 2014.

OVERVIEW

The Fund owns the Moomba to Sydney Ethane Pipeline that supplies ethane from the Cooper Basin production facility at Moomba, South Australia (Moomba Facility) to the ethylene plant at Botany (Botany Plant) owned by the Fund's sole customer Qenos Pty Limited (Qenos). The pipeline was purpose-built to transport ethane gas from the Cooper Basin gas fields to Qenos, and was later sold with the current, long term Product Transportation Agreement (PTA), agreed with Qenos in 2000, in place.

The Fund's only significant source of revenue is from transporting ethane through the pipeline pursuant to the PTA, which continues until 2030, but may be terminated earlier by Qenos giving at least 12 months' notice. Under the terms of the PTA, Qenos is required to advise the Fund of forecast ethane quantities on an annual basis.

The basis of calculating revenue under the PTA changed from 1 October 2013 to a greater proportion of revenue being dependent on the volume of ethane transported on the pipeline.

The Fund is not a party to Qenos' ethane supply arrangements, the terms and conditions of which are confidential and negotiated between Qenos and the Cooper Basin producers. The Fund is also not privy to the current ethane supply position of the Moomba Facility.

Factors that could cause a reduction in ethane transported through the pipeline, and therefore a reduction in revenue, include constraints on the availability of ethane and lack of an agreement between the Cooper Basin producers and Qenos for further supply of ethane for transport through the pipeline. If Qenos terminates the PTA, for which it must give at least 12 months' notice, the Fund will consider alternate uses of the pipeline, the most likely use being natural gas storage.

FINANCIAL PERFORMANCE

The Fund's consolidated net profit after tax for the year is \$5.1 million, down \$2.8 million on the prior period, primarily due to reduced revenue as a result of lower volumes of ethane transported during the year and the change in the basis of calculating revenue under the PTA from 1 October 2013 referred to above.

The Fund continues the practice of quarantining funds required for major operating and capital expenditure projects scheduled to occur within the next three to five years. These projects include the Fund's share of mine subsidence work and magnetic flux leakage pigging on the pipeline scheduled to occur during FY2017.

OPERATIONS

Activity continues to focus on maintaining the long-term operational integrity of the pipeline. Operating and maintenance costs during the year remained consistent with the prior period. In the current year, FY2015, the Fund expects to incur non-routine costs for mine subsidence mitigation works along the pipeline.

The ethane pipeline continued to deliver ethane without any major operating, environmental or occupational health and safety incidents during the year.

DISTRIBUTIONS

Distributions for the year totalled 12.66 cents per stapled security, a yield of 11.72% based on the price as at 30 June 2014 (\$1.08).

The Fund will continue paying distributions from available net cash flows, which are determined after meeting all costs of the Fund.

CHAIRMAN'S REPORT CONTINUED

OUTLOOK

Qenos has advised that it has not finalised ethane supplies for the period beyond 31 December 2014 and that it remains in discussions with its ethane suppliers. Until Qenos has reached an agreement with those suppliers and gives the Fund a forecast of the ethane to be transported on the pipeline after that date, the Fund is not in a position to provide guidance beyond 31 December 2014. Qenos has indicated that it will advise the Fund on further relevant forecast volume information, as and when it becomes available.

Barring unforeseen circumstances, and based on the current forecast volumes from Qenos, quarterly cash distributions for the September 2014 and December 2014 quarters are forecast to be between 3.0 to 3.5 cents per security, or 4.0 to 4.5 cents per security inclusive of franking credits.

The Directors of the responsible entity of the Fund will keep you informed on any developments and thank you for your continued support.

Robert Wright
Chairman, APA Ethane Limited

CORPORATE GOVERNANCE STATEMENT

Ethane Pipeline Income Fund comprises two registered investment schemes, Ethane Pipeline Income Trust and Ethane Pipeline Income Financing Trust (together the Fund) the securities in which are "stapled" together, and their controlled entities.

APA Ethane Limited (Responsible Entity) was appointed the responsible entity of those trusts with effect from 23 December 2008, and this statement outlines its main corporate governance practices in relation to the Fund.

The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations articulate eight core principles of good corporate governance and, for each of those principles, recommendations as to their implementation. Adoption of the Council's recommendations is not compulsory. However, under the Listing Rules of ASX Limited (ASX) a listed entity is required to provide a statement in its annual report disclosing the extent to which it has adopted the recommendations in the reporting period and, if it has not adopted any of the recommendations, to explain why.

Each of the principles of good corporate governance has been responded to in turn in this statement and the table at the rear of this statement provides a checklist of the Responsible Entity's adoption of the ASX Corporate Governance Council's recommendations. Explanations for departure from the recommendations are provided in this statement.

Various references are made below to the Fund's web site as a source of information on corporate governance practices and documentation. The home page for that web site is www.ethanepipeline.com.au, and the tab entitled "About the Fund" leads to the corporate governance material. If you do not have internet access but wish to read that material, please telephone 1300 780 445 (or, +61 1300 780 445 if calling from outside Australia) and we will send you a copy of the relevant material.

In this statement the term Reporting Period means the period of 12 months to 30 June 2014.

This statement responds to the Second Edition of the Corporate Governance Principles and Recommendations. The ASX Corporate Governance Council issued the Third Edition of the publication in March 2014 that the Responsible Entity proposes to commence reporting against in 2015, when it reports on the 2015 financial year.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Board and its role

The Board of Directors of the Responsible Entity (Board) is accountable to securityholders for the operation of the Fund.

The role of the Board includes:

- approving the strategic direction of the Fund and monitoring management of the implementation of that strategy;
- approving acquisitions, disposals and expenditures in excess of designated limits;
- ensuring there are adequate resources available to meet Fund objectives;
- monitoring the performance of the Fund Manager referred to below;
- approving and monitoring financial reporting and capital management;
- reviewing and monitoring systems of risk management and internal control, corporate governance structures and legal compliance, and determining key policies and procedures governing the operations of the Fund;
- ensuring the Board is and remains appropriately skilled to meet the changing needs of the Fund and reviewing Board succession planning; and
- ratifying the appointment of the Company Secretary.

The Board normally meets four times each year, with additional meetings held as required. The number of times it met during the Reporting Period and directors' attendance at those meetings are set out in the directors' report for that period.

Fund Manager's role

Pursuant to a Management Services Agreement, APT (MIT) Services Pty Limited, a member of APA Group (Fund Manager), provides the Fund with fund management and administration services, and other services.

With the Fund Manager providing such services, neither the Fund nor the Responsible Entity currently employs executives or other employees.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Evaluation of performance

The ASX Corporate Governance Council recommends listed entities disclose the process for evaluating the performance of senior executives and whether such an evaluation has taken place in the reporting period. As noted, neither the Fund nor the Responsible Entity currently employs executives or other employees, and so senior executive performance reviews are not conducted.

The Board receives reports from the Fund Manager at Board meetings and through that process monitors the performance of the Fund Manager.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Board membership

The Board consists of three non-executive directors, Robert Wright, Rick Coles and Nancy Fox, whose experience and respective terms of office as directors are set out in the directors' report for the Reporting Period.

The constitution of the Responsible Entity requires there to be not less than, nor more than, three directors. The Responsible Entity may, by special resolution, increase or reduce the minimum or maximum number of directors, to the extent permitted by law.

Pursuant to the constitution of the Responsible Entity, APT Pipelines Limited, a member of APA Group, is entitled to appoint one director for so long as it or any of its related bodies corporate owns not less than 49% of the issued capital in the Responsible Entity[(1)], and any director so appointed serves as Chairman of the Board and may only be removed from office by APT Pipelines Limited. Robert Wright has been appointed by APT Pipelines Limited and is the current Chairman. He is also a director of Australian Pipeline Limited, the responsible entity of the registered investment schemes that comprise APA Group.

The ASX Corporate Governance Council's recommendation that the roles of Chairman and Chief Executive Officer should not be exercised by the same person is satisfied in the case of the Responsible Entity in that fund management and other services are provided by the Fund Manager and there is no Chief Executive Officer of the Responsible Entity or the Fund[(2)].

Independence of directors

A majority of the Board are independent directors.

The Board assesses the independence of directors on appointment and annually having regard to the independence of directors policy, which is published on the Fund's web site. This year the Board confirmed that Rick Coles and Nancy Fox are independent. Robert Wright is not considered to be an independent director due to his directorship of APA Group, a substantial securityholder and service provider of the Fund.

The ASX Corporate Governance Council recommends chairs of boards be independent directors. With Robert Wright not being considered independent, that recommendation has not been adopted by the Responsible Entity. The Board notes that APT Pipelines Limited has the right, as expressed above, to appoint a director to be the Chairman of the Board and considers the other two directors, Rick Coles and Nancy Fox, who together form a majority, to be independent. The Board also values Robert Wright's experience as a chairman and believes him to be the most appropriate person to perform that role. The Board has procedures in place should Robert Wright's role at APA Group give rise to a conflict of interest.

Selection and appointment of directors

The ASX Corporate Governance Council also recommends boards have nomination committees to provide a mechanism for the selection and appointment of directors. However, the Board comprises only three directors who have determined a separate nomination committee to be unnecessary. The functions with respect to selection and appointment of new directors, Board succession and related matters are handled by the Board. Ultimate responsibility for such matters rests with the full Board, and the Board considers the efficient handling of those matters is not diminished by the absence of a nomination committee.

The Board considers that a diverse range of skills, experience and backgrounds is required on the Board to effectively govern the business. It determines and reviews from time to time the mix of skills and diversity that it looks to achieve in its membership. Having regard to the nature of the Fund's business, that mix includes financial, strategic, operational, legal and general commercial expertise.

When looking to appoint a new director, the Board determines the skills and experience required of candidates for the role to ensure that the required mix of skills and experience will be represented on the Board and, based on that work, identifies a list of potential candidates believed to satisfy those requirements.

(1) The Responsible Entity is owned as to 49.5% by APT Pipelines Limited (a member of APA Group) and as to the remaining 50.5% by two of the Responsible Entity's directors from time to time (presently, Rick Coles and Nancy Fox), on trust for APA Group securityholders.

(2) Refer to the section of this statement entitled "Principle 1: Lay solid foundations for management and oversight" for a description of the Fund Manager's role.

CORPORATE GOVERNANCE STATEMENT CONTINUED

If the Board is not satisfied with the quality or diversity of the candidates identified in that process, it may consider it appropriate to instruct a search firm to identify additional suitable candidates. The Board recognises that an experienced search firm with a clear brief from the Board as to the required characteristics of candidates can assist in identifying potentially suitable candidates from diverse backgrounds.

The Chairman conducts an initial interview of the short-listed candidates and, subject to them being available for and interested in the position, they are then interviewed by the other directors. The Board assesses potential candidates against the predefined requirements and also considers their qualifications, backgrounds and personal qualities, and appropriate background checks are undertaken in respect to a candidate before they are appointed as a director.

In the interest of gender diversity, the Board has determined that the short-listed candidates for an available Board position must include at least one qualified female candidate and, where a search firm is engaged, the Board will instruct them accordingly.

Annual review of performance of Board, Audit Committee and directors

The Board conducts an annual review process to assess the performance of the Board, its Audit Committee and individual directors. Such performance was most recently reviewed by a discussion between the directors in June 2014.

Directors' access to records and information, Company Secretary, Fund Manager and professional advice

Subject to normal privacy requirements, directors have access to the Responsible Entity's and the Fund's records and information, and to the Company Secretary and the Fund Manager.

The Board receives regular detailed reports on financial, commercial and operational aspects of the Fund's business and may request elaboration or explanation of those reports at any time. At the annual Board strategy review, directors are updated on industry developments, regulatory changes and other background information relevant to the Board's review of strategy.

The Board collectively and each director individually may seek independent professional advice at the Fund's expense to help them carry out their responsibilities. Prior approval of the Chairman is required, but this may not be unreasonably withheld.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Code of conduct

The Responsible Entity has adopted a code of conduct that applies to all directors, executives and other employees (although neither the Responsible Entity nor the Fund currently employs personnel), as well as contractors and consultants (including the Fund Manager). The code recognises that commitment to and a reputation for honesty, integrity and trust are essential elements of success and longevity in the business of the Fund. It deals with personal conduct; use and protection of Fund assets; confidential information and its protection; insider trading; customer service; conflicts of interest; gifts and entertainment, fraud, corruption and improper transactions; and the work environment. The code of conduct is published on the Fund's web site and is supplemented by other policies, such as the securities trading policy referred to below.

Securities trading policy

The Fund's securities trading policy, published on its web site, provides that directors and designated management personnel may buy or sell Fund securities during:

- the periods, each of one calendar month, starting on the second business day after each of three events, namely the release to ASX of the half year and full year results and the Fund's annual meeting of securityholders, if such a meeting is held; and
- such other times as the Board permits,

unless exceptional circumstances apply. Directors are precluded from buying or selling securities at any time if they are aware of any price-sensitive information which has not been made public.

Diversity

Changes made to the ASX Corporate Governance Council's Principles and Recommendation in 2010 include the recommendation that companies establish a diversity policy that includes requirements for the board to establish measureable objectives for achieving gender diversity and to assess annually both the objectives and progress in achieving them.

The Responsible Entity recognises that embracing individual diversity encourages diversity of thought, which is conducive to better decision-making and opportunity for innovation. It is also about taking advantage of all available talent for the benefit of the organisation. Diversity in this context refers to all characteristics that distinguish individuals from each other, and includes ethnicity, religion, gender and age.

With respect to the Board, it is the Responsible Entity's policy, when looking to fill a Board position, to always have at least one qualified female candidate on the short-list of candidates, and it is noted that one of three current directors is female.

CORPORATE GOVERNANCE STATEMENT CONTINUED

In the circumstances where neither the Responsible Entity nor the Fund currently employs personnel, the Responsible Entity does not propose to develop a diversity policy, other than the policy with respect to the Board referred to above, nor measurable objectives for achieving gender diversity.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit Committee

The Fund is a member of the S&P/ASX All Ordinaries Index and is therefore required by ASX Listing Rule 12.7 to have an Audit Committee.

The composition of the Audit Committee is determined in accordance with the following principles:

- the committee will have at least three members;
- all members of the committee will be non-executive directors and a majority of them will be independent; and
- the committee Chairman cannot also be the Chairman of the Board.

As the Board comprises only three directors, all are members of the Audit Committee. Nancy Fox is the Chair of the committee.

The roles and responsibilities delegated to the Audit Committee are set out in the committee's charter which is published on the Fund's web site.

The Audit Committee is required by its charter to meet at least twice each year, to receive and consider the half-year and full year financial reports. The number of times it met during the Reporting Period, and the committee members' attendance at those meetings, are set out in the directors' report for that period.

The external auditor and representatives of the Fund Manager attend committee meetings at the discretion of the committee. The committee may also meet with the external auditor without representatives of the Fund Manager being present.

As the committee comprises all three directors, there is normally no need for the committee to report to the Board on the committee's activities. An exception would arise if a meeting of the committee was held by only two committee members (which is the quorum for meetings required by the committee's charter).

External auditor and their independence

Apart from reviewing the integrity of the Fund's financial reporting, the Audit Committee receives reports from the external auditor, monitors their effectiveness and independence and makes recommendations to the Board on the appointment or replacement (subject to securityholders' approval, if applicable) of the auditor.

The external auditor appointment and independence policy (published on the Fund's web site) documents the process for appointment of the auditor and for monitoring the auditor's independence. Pursuant to that policy, the lead partner and the review or concurring partner of the external auditor must be rotated at least every five years, followed by a two year minimum time out period during which they may not take part in the audit.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Responsible Entity has adopted a continuous disclosure policy aimed at ensuring that information that a person could reasonably expect to have a material effect on the Fund's security price, whether the information is positive or negative, is announced to the market by release to ASX in accordance with the ASX Listing Rules and the Corporations Act 2001.

All ASX announcements are posted on the Fund's web site as soon as reasonably possible after notification to ASX.

The continuous disclosure policy also addresses dealings with media, brokers and analysts, and the policy is published on the Fund's web site.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Communications with securityholders

The Responsible Entity aims to ensure the Fund's securityholders are informed of all significant developments affecting the Fund's state of affairs and business. Information is communicated to securityholders by a number of means, including the following:

- the interim (half yearly) report, the directors' commentary on that report and the annual report;
- announcements to ASX and media releases;
- the Fund's web site which contains information about the Fund's business and copies of the reports, ASX and media releases, presentations and other communications referred to above;
- an annual information meeting for securityholders; and
- meetings with investors, brokers and analysts after release of the half year and annual results.

Securityholders may ask questions through the email link provided on the web site, or directly to the Fund Manager by email, telephone or at meetings. Securityholders may also elect to receive the Fund's communications (including the annual report, distribution and annual tax statements and tax guides) electronically.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Annual information meeting for securityholders

As the Fund comprises of two registered investment schemes, the Responsible Entity is not obliged to convene annual meetings of the Fund's securityholders. However, since its appointment in December 2008, the Responsible Entity has held annual information meetings for securityholders, and intends to convene the next such meeting in November 2014. Details of the meeting will be provided to securityholders in September, and will be published on the Fund's web site.

At the annual information meeting, the Chairman encourages questions from securityholders and seeks to ensure the meeting is managed to give securityholders an opportunity to participate. Securityholders are also encouraged to submit questions ahead of the meeting and the Responsible Entity endeavours to address as many of the frequently raised topics as is reasonably possible at the meeting.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Board is responsible for adopting and reviewing the Fund's approach to the identification, evaluation and management of risks that are material to the fulfilment of the Fund's business objectives and for approving and overseeing the risk management system. With the Board comprising only three directors, it has not delegated those matters to a Board risk committee and considers the efficient handling of those matters is not diminished by the absence of such a committee.

The Board has adopted APA Group's risk management policy and framework and has delegated to the Fund Manager accountability for ensuring that a risk management system is established, implemented and maintained accordingly and, in consultation with APA Group's risk management personnel and relevant operational and other personnel, for:

- reviewing the measures of risk impact severity that underlies the identification of material risks, to ensure the measures remain current to the Fund's context;
- identifying material risks that may impact on the Fund's business plans and objectives and the development, implementation, performance and review of risk management plans. In doing so, consideration is given to both financial risk and non-financial risk, including operational, environmental, strategic, market-related, compliance and reputation risk;
- confirming the effectiveness of controls in management of risks within the defined appetite for retention of risk;
- collecting operational risk data and monitoring external factors, to facilitate monitoring of the Fund's risk profile; and
- reporting regularly to the Board on the risk profile and the implementation and effectiveness of risk management plans.

At least annually, the Fund Manager, in consultation with relevant operational and other personnel, reviews the Fund's risk register and the effectiveness of the internal controls used to manage or mitigate the identified risks, and subsequently reports to the Board on those matters. Management has reported to the Board during the Reporting Period on its assessment of the effectiveness of management of the Fund's material risks.

In the course of approving the financial statements for the Reporting Period, the Board considered a written statement from the APA Group General Manager Corporate Development and APA Group General Manager Finance, who perform the chief executive function and the chief financial officer function respectively for the Fund to the effect that, to the best of their knowledge and belief, their declaration pursuant to section 295A of the Corporations Act 2001 (broadly, that the financial statements give a true and fair view in all material respects of the Fund's financial position and comply in all material respects with relevant accounting standards) is founded on a sound system of risk management and internal control and that system is operating effectively in all material respects in relation to financial reporting risks, based on the management framework adopted by the Responsible Entity.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration of key management personnel

The Responsible Entity's directors are "key management personnel" for the purpose of Note 19 to the financial report for the Reporting Period and their directors' entitlements, comprising board fees and superannuation contributions, are shown in that note. The Responsible Entity pays the directors those amounts and is then reimbursed by the Fund, in accordance with the Trust's constitutions.

Board fees were reviewed during the Reporting Period and increased with effect from 1 January 2014 after a review that took into account comparative market data provided by independent remuneration consultants.

With APA Group providing fund management and administration services and other services as outlined in the section on Principle 1 in this statement, neither the Responsible Entity nor the Fund currently employs executives or other employees and no personnel, other than the directors of the Responsible Entity, are identified as "key management personnel" in the financial report for the Reporting Period.

The ASX Corporate Governance Council recommends companies clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives, but that recommendation is inapplicable in the circumstances described above.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Remuneration Committees

The ASX Corporate Governance Council also recommends boards establish Remuneration Committees. However, with the Board comprising only three directors, and with neither the Responsible Entity nor the Fund currently employing any personnel, the Board has determined a Remuneration Committee to be unnecessary.

No retirement benefits for directors

There are no schemes or arrangements for payment of retirement benefits (other than superannuation contributions) to the directors of the Responsible Entity, nor equity-based remuneration schemes.

Fund Manager's fees

The Fund Manager is entitled to certain fees for the provision of services to the Fund (as well as the reimbursement of costs) in accordance with the terms of the Management Services Agreement. Under that agreement, the Fund Manager is entitled to a base fee of 0.5% per annum of the "Net Investment Value" of the Fund, calculated and paid monthly.

The "Net Investment Value" as at the end of a calendar month is the volume weighted average market capitalisation of the Fund on ASX over the calendar month:

- plus the total indebtedness of the Fund and any entities it owns directly or indirectly (excluding indebtedness as between the Fund and Fund-owned entities) at the end of the calendar month;
- plus total firm commitments as at the end of the calendar month to future investment by the Fund and any entities it owns directly or indirectly;
- less total uncommitted cash balances as at the end of the calendar month of the Fund and any entities it owns directly or indirectly, but excluding cash balances of operating or project vehicles owned by the Fund constituting normal working capital; and
- less the book value at the end of the calendar month of any assets of the Fund (and any entities it owns directly or indirectly) which are managed by third parties (excluding infrastructure operations and maintenance arrangements).

For the Reporting Period, the base fee was $523,620.

Details about the services and the nature of fees under the Management Services Agreement were set out in the Fund's 2006 Product Disclosure Statement, a copy of which is accessible from the Fund's web site.

Responsible Entity's fees and other matters

Under the Trusts' constitutions, the Responsible Entity is entitled to be paid a fee of 2% per annum of the value of the assets of the Fund without deducting liabilities, calculated monthly. The Responsible Entity is also entitled to reimbursement from the assets of the Fund for expenses incurred in the proper performance of its duties as responsible entity of the Fund.

Under a Fee Sharing Deed with the Fund Manager however, the Responsible Entity has agreed to waive all of its fees other than an aggregate sum of $200,000 per year (adjusted for GST and input tax credits) provided the Fund Manager receives the fees it is due under the Management Services Agreement. For the year ended 30 June 2014, the total amount of such fees was $200,000.

Pursuant to each Trust's constitution:

- the Responsible Entity is not liable in contract, tort or otherwise to members for any loss suffered in any way relating to the Trust except to the extent that the Corporations Act imposes such liability;
- subject to the Corporations Act, the liability of the Responsible Entity to any person other than a member in respect of the Fund including any contracts entered into as trustee of the Trust or in relation to any assets of the Fund is limited to the Responsible Entity's ability to be indemnified from the Fund's assets; and
- the Responsible Entity is entitled to be indemnified out of the Fund's assets for any liability incurred by it in properly performing or exercising any of its powers or duties in relation to the Fund.

CORPORATE GOVERNANCE STATEMENT CONTINUED

CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS ISSUED BY ASX CORPORATE GOVERNANCE COUNCIL

		Comply Yes / No
Principle 1: Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	Yes
1.2	Companies should disclose the process for evaluating the performance of senior executives	N/A
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	Yes
Principle 2: Structure the board to add value		
2.1	A majority of the board should be independent directors	Yes
2.2	The chair should be an independent director	No
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	Yes
2.4	The board should establish a nomination committee	No
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	Yes
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	Yes
Principle 3: Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or a summary of that code as to: ■ the practices necessary to maintain confidence in the company's integrity ■ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders ■ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	Yes
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them	No
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them	No
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior management and women on the board	Yes
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3	Yes
Principle 4: Safeguard integrity in financial reporting		
4.1	The board should establish an audit committee	Yes
4.2	The audit committee should be structured so that it: ■ consists only of non-executive directors ■ consists of a majority of independent directors ■ is chaired by an independent chair, who is not chair of the board ■ has at least three members	Yes
4.3	The audit committee should have a formal charter	Yes
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	Yes

CORPORATE GOVERNANCE STATEMENT CONTINUED

		Comply Yes / No
Principle 5: Make timely and balanced disclosure		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	Yes
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	Yes
Principle 6: Respect the rights of shareholders		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	Yes
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	Yes
Principle 7: Recognise and manage risk		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	Yes
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	Yes
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	Yes
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7	Yes
Principle 8: Remunerate fairly and responsibly		
8.1	The board should establish a remuneration committee	No
8.2	The remuneration committee should be structured so that it: ■ consists of a majority of independent directors ■ is chaired by an independent director ■ has at least three members	N/A
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	N/A
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8	Yes

ETHANE PIPELINE
INCOME FUND

FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

DIRECTORS' REPORT

The Directors of APA Ethane Limited ("Responsible Entity"), the responsible entity of Ethane Pipeline Income Fund ("Fund"), present their report together with the financial report of Ethane Pipeline Income Trust ("Trust" or "EPIT") and its controlled entities (Gorodok Pty Limited and Moomba to Sydney Ethane Pipeline Trust) and Ethane Pipeline Income Financing Trust ("EPIFT"), which together form the stapled entity called Ethane Pipeline Income Fund, for the year ended 30 June 2014 ("financial year").

The consolidated financial report incorporates the assets and liabilities of all entities in the Fund as at 30 June 2014 and the results of the Fund for the financial year.

The Responsible Entity's registered office and principal place of business is as follows:

Level 19, HSBC Centre
580 George Street
SYDNEY NSW 2000

DIRECTORS

The names of the Directors of the Responsible Entity during and since the end of the financial year are:

Robert Wright	Chairman
Rick Coles	Independent Director
Nancy Fox	Independent Director

More information on the Directors is set out in the section of this report entitled "Information on Directors and Company Secretary".

PRINCIPAL ACTIVITIES

The principal activity of the Fund during the financial year was investment in the Moomba to Sydney Ethane Gas Pipeline through its wholly-owned subsidiary, Gorodok Pty Limited ("Gorodok"). The pipeline is a 1,375 km high pressure gas pipeline purpose built to transport ethane from the gas processing facility at Moomba in South Australia's Cooper Basin ("Moomba Facility") to a petrochemical plant owned by Gorodok's sole customer, Qenos Pty Limited ("Qenos") and located adjacent to the Botany Bay shipping terminal in Sydney ("Botany Plant").

Pursuant to a Product Transportation Agreement with Qenos, Gorodok provides capacity on the pipeline for the transportation of ethane supplied to Qenos by producers in the Cooper Basin from the Moomba Facility to the Botany Plant.

There were no significant changes in the nature of the activities of the Fund during the financial year.

DISTRIBUTIONS

Distributions declared and paid or payable in respect of the financial year were:

Year ended 30 June 2014	$000	Cents per security
Interim distributions paid:		
EPIT profit distribution	5,122	7.39
EPIFT profit distribution	1,546	2.23
	6,668	**9.62**
Final distribution payable[1]:		
EPIT profit distribution	1,594	2.30
EPIFT profit distribution	513	0.74
	2,107	**3.04**
	8,775	**12.66**

(1) The 30 June 2014 quarterly distribution, declared on 17 June 2014, was paid on 15 July 2014.

Distribution information is presented on an accounting classification basis. The Fund's Annual Tax Statement and Annual Tax Return Guide (released in July) provide the classification of distribution components for the purposes of preparation of securityholder income tax returns.

EPIT profit distributions for the financial year were paid as fully franked dividends and it is expected that EPIT distributions in future years will continue to be fully franked.

DIRECTORS' REPORT CONTINUED

FINANCIAL AND OPERATIONAL REVIEW

			Changes	
	2014 $000	2013 $000	$000	%
Operating results				
Revenue from ordinary activities[1]	**22,217**	26,507	(4,290)	(16.2)
EBITDA[2]	**14,260**	18,208	(3,948)	(21.7)
Profit before tax attributable to securityholders	**7,894**	11,973	(4,079)	(34.1)
Profit after tax attributable to securityholders	**5,135**	7,984	(2,849)	(35.7)
Operating cash flow[3]	**10,549**	12,351	(1,802)	(14.6)
Operating cash flow per security (cents)	**15.2**	17.8	(2.6)	(14.6)
Earnings per security (cents)	**7.4**	11.5	(4.1)	(35.7)
Distribution per security (cents)	**12.7**	15.4	(2.7)	(17.5)
Distribution payout ratio[4]	**83.6%**	86.5%		
Net tangible assets per security	**$0.57**	$0.57	–	–
Weighted average number of securities (000)	**69,302**	69,302		

(1) Excludes interest income and other income.

(2) EBITDA = Earnings Before Interest Tax Depreciation and Amortisation.

(3) Operating cash flow = net cash from operations after interest and tax payments.

(4) Distribution payout ratio = total distributions in relation to the financial year as a percentage of operating cash flow.

2014 financial performance compared to 2013

The Fund's consolidated net profit after tax for the financial year is $5.1 million (2013: $8.0 million). The decrease from the prior financial year primarily relates to a $4.3 million reduction in revenue ($3.0 million after tax) as a result of lower volumes of ethane transported during the financial year and a change in the basis of calculating revenue under the Product Transportation Agreement ("PTA"), agreed with Qenos in 2000, with effect from 1 October 2013. Prior to that date, the majority of revenue was based on a "reservation charge" component that is not dependent on volumes of ethane transported on the pipeline, and a small part of revenue was derived from a "transportation charge" component calculated on the volume of ethane transported. From 1 October 2013, the reservation component has reduced and the transportation component has increased, so that a greater proportion of revenue is dependent on the volume of ethane transported through the pipeline.

The actual volume of ethane transported during the financial year was 202,345 tonnes (2013: 221,868 tonnes). The volume of ethane transported on the pipeline is determined by Qenos and its ethane suppliers. Actual volume transported may vary from period to period for a number of reasons including, for example, changes in the availability of ethane from Qenos' suppliers or Qenos' requirements for ethane.

Operating and maintenance costs have remained consistent compared to the previous financial year. The operation and maintenance activity continues to focus on ensuring the long-term operational integrity of the pipeline. Maintenance currently expected to be conducted in the coming financial years includes the following:

- magnetic flux leakage ("intelligent" or "smart") inspection pigging and required cleaning pigging of the pipeline from Wilton to Botany, the expenditure for which is expected to be $2.5 million for the financial year ending 30 June 2017; and
- mine subsidence mitigation works along the ethane pipeline, specifically in the Appin region, due to long wall coal mining conducted by BHP. The mitigation works are required to ensure the ethane pipeline continues to remain well within its design limits. The cost of the works for the next financial year is estimated to be $0.1 million, and an additional $2.3 million for the remainder of the project during the financial year ended 30 June 2016.

DIRECTORS' REPORT CONTINUED

Statement of financial position

Trade and other receivables have decreased to $0.6 million as at 30 June 2014. The $2.5 million balance at 30 June 2013 arose due to Qenos' late payment of its June 2013 debtor amount ($2.4 million), which was subsequently received on 3 July 2013. This was the first late debtor payment by Qenos during the time in which the Fund has owned Gorodok.

At 30 June 2014 the Fund was in a tax payable position with an estimated tax liability of $0.7 million (2013: $3.4 million). This amount is comprised of an estimated liability for the financial year of $3.1 million, partially offset by income tax instalments paid ($2.4 million). An additional instalment of $0.7 million relating to the June 2014 quarter was paid in July 2014, with the residual balance due for payment in December 2014.

Provisions of $6.1 million at 30 June 2014 (2013: $5.9 million) reflect amounts provided for abandonment and mine subsidence. Cash to fund the remaining balance of the mine subsidence provision will continue to be quarantined from each distribution until completion of the project. No amount has been quarantined from distributions with respect to abandonment.

Statement of cash flows

Operating cash flow for the financial year was $10.5 million (2013: $12.4 million). The decrease on the prior financial year primarily relates to an increase in total tax payments during the year of $2.0 million to $5.7 million due to payment of the balance of the prior year tax liability ($2.3 million). The reduction in cash receipts arising from the change in the PTA pricing structure and lower ethane volumes transported compared to the prior year has been offset by an increase in cash receipts due to the June 2013 Qenos debtor amount being received in July 2013.

Cash flows from financing activities decreased due to lower distributions paid during the financial year of $9.1 million (2013: $11.1 million).

Outlook

Qenos has advised that it has not finalised ethane supplies for the period beyond 31 December 2014 and that it remains in discussions with its ethane suppliers. Until Qenos has reached an agreement with those suppliers and gives the Fund a forecast of the ethane to be transported on the pipeline after that date, the Fund is not in a position to provide guidance beyond 31 December 2014. Qenos has indicated that it will advise the Fund on further relevant forecast volume information, as and when it becomes available.

Barring unforeseen circumstances and based on current forecast volumes from Qenos, quarterly cash distributions for the September 2014 and December 2014 quarters are forecast to be between 3.0 to 3.5 cents per security, or 4.0 to 4.5 cents per security inclusive of franking credits.

Principal risks and uncertainties

The Board assesses the potential economic and non-economic consequences of risks using the framework defined by APA Group's risk management policy[1]. Principal risks and uncertainties are identified when the Board and management determine that the potential consequences are material at a Fund level or when the risk may trigger a succession of events that, in aggregate, become material to the Fund.

The following describes known principal risks and uncertainties that could materially affect the Fund. There may be additional risks unknown to the Fund and other risks, currently believed to be immaterial, which could turn out to be material.

The Corporate Governance section (refer Principle 7) of this Annual Report contains further information on the Fund's approach to risk management.

(1) The Fund Manager, APT (MIT) Services Pty Limited, is a wholly owned entity of APA Group.

DIRECTORS' REPORT CONTINUED

Factor	Nature
Single asset	The performance of the Fund and its ability to pay distributions is reliant on the performance of a single asset, the ethane pipeline. If the pipeline is damaged or its ability to transport ethane is otherwise curtailed, the revenues generated by the Fund will reduce.
Single revenue stream	The Fund's only significant source of revenue is from transporting ethane through the pipeline under the PTA which continues until 2030, but may terminate earlier in certain circumstances. Qenos may terminate the PTA by providing at least 12 months' notice, without compensation to the Fund over and above reservation and transportation charges payable during the notice period. Qenos may also terminate the Agreement if the Fund breaches its obligations under the Agreement and fails to cure the breach within a specified timetable.
Exposure to volume risk	The basis of calculating revenue under the PTA changed from 1 October 2013. As a result, revenue is more dependent on the volume of ethane transported through the pipeline. The actual volume of ethane transported through the pipeline may differ from the volumes forecast by Qenos.
Risks to ethane supply	The producers extracting ethane from the Cooper Basin may become unwilling or unable to supply Qenos the quantity of ethane it requires for its Botany Plant at a price acceptable to Qenos. Risks to ethane supply include insufficient quantities of ethane being extracted at the Cooper Basin and a reduction in the incentive for the Cooper Basin producers to sell ethane separately to natural gas.
Single customer	The Fund is dependent on the creditworthiness of its single customer, Qenos, which may default in paying the Fund for transportation of ethane through the pipeline if it becomes insolvent or for other reasons. If Qenos were to become insolvent, a sale of its Botany Plant may result in a purchaser resuming operation of the plant and wishing to use ethane transported through the pipeline for that purpose.
Ethane demand	The volume of ethane transported through the pipeline may be reduced if the demand for ethane at Qenos' Botany Plant reduces. Such demand may be affected by a number of factors, including a planned or unplanned shut-down (for example, for maintenance purposes) of Qenos' Botany Plant, a reduction in the demand for ethylene and polyethylene manufactured by the Botany Plant or a decision to use a feedstock other than ethane in the manufacturing process.

ENVIRONMENTAL REGULATIONS

The ethane pipeline and associated assets owned by the Fund are designed, constructed, tested, operated and maintained in accordance with pipeline licences issued by the relevant State technical regulators. All licences require compliance with relevant Australian and State environmental legislation and Australian standards.

The pipeline licences also require compliance with the Australian Standard AS 2885 "Pipelines-Gas and Liquid Petroleum", which has specific requirements for the management of environmental matters associated with all aspects of the high pressure pipeline industry.

In accordance with Part 3 of AS 2885, environmental management plans satisfying Part B of the Australian Pipeline Industry Association Code of Environmental Practice are in place for the ethane pipeline and are managed in accordance with the operating agreement for the pipeline and the terms and conditions of applicable licences.

The Board reviews internal operating reports which would report any environmental issues. No breaches have been reported during the financial year and the assets have been managed in accordance with the environmental management plans that are in place.

The Fund is currently registered under the National Greenhouse and Energy Reporting Act 2007, as its operations emit greenhouse gases above certain thresholds. Total emissions for financial year are to be reported by 31 October 2014. APA Group, as operator of the ethane pipeline, will be responsible for reporting greenhouse emissions from the pipeline in compliance with the Act.

SUBSEQUENT EVENTS

Except as disclosed elsewhere in this report, the Directors are unaware of any matter or circumstance occurring since the end of the financial year that has significantly affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in future financial years.

DIRECTORS' REPORT CONTINUED

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Fund during the financial year.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Robert Wright (Chairman) BComm FCPA	**Appointed 10 July 2008** Robert Wright is the Chairman of the Board of Directors of the Responsible Entity and a member of its Audit Committee. Robert has over 30 years' financial management experience, having held a number of Chief Financial Officer positions, including Finance Director of David Jones Limited. He is currently the Chairman of Super Retail Group Limited and a Director of Australian Pipeline Limited, the responsible entity of the registered managed investment schemes that comprise APA Group. He was previously Chairman of SAI Global Limited, Dexion Limited and RCL Group Limited.
Rick Coles BSc (Hons) PhD	**Appointed 10 July 2008** Dr Rick Coles is an independent Director of the Responsible Entity and a member of the Board's Audit Committee. Rick has more than 30 years' experience in the petrochemical, gas and pipeline industries in Australia, the United States, Canada and Asia. He was ICI Australia Ltd's project manager for the Moomba to Sydney Ethane Gas Pipeline during its construction between 1994 and 1996 and worked in a number of roles in the ethylene business unit of ICI Australia, culminating in his 1996 appointment as the business manager of the unit. After leaving ICI Australia Ltd in 1997, Rick worked as a consultant to the oil, gas, petroleum and petrochemical industries in Australia and throughout Asia as the principal of his own consultancy firm. He also acted as Vice President, Asia of a variety of petrochemical products (including ethylene and polyethylene) for the Houston-based chemical consultants, DeWitt and Company Inc.
Nancy Fox BA JD (Law) FAICD	**Appointed 23 June 2011** Nancy Fox is an independent Director of the Responsible Entity and Chair of the Board's Audit Committee. Nancy has more than 25 years' experience in the financial services industry in Australia, Asia and the US. Nancy has held senior executive investment banking positions with Ambac Assurance Corporation, ABN Amro (now RBS Group), AIDC Ltd and Citibank. She is a lawyer by training and admitted to the Bars of New York and New Jersey (now retired). Nancy is Chairman of Adelaide Managed Funds Ltd, a subsidiary of Bendigo and Adelaide Bank, and a Director of HCF Life, Kinetic Superannuation Limited, the Australian Theatre for Young People and the Taronga Conservation Society Australia, and was previously a Director of ThinkSmart Limited and a member of the Energy Security Council. Nancy has had more than 10 years' experience as a Director, including a number of not-for-profit boards. She is a Fellow of the Australian Institute of Company Directors.
Mark Knapman (Company Secretary) BComm LLB FGIA FCIS	**Appointed 19 August 2008** Mark Knapman is the Company Secretary of the Responsible Entity. Mark has extensive experience as a Company Secretary. He is also the Company Secretary of Australian Pipeline Limited, the responsible entity of the registered managed investment schemes that comprise APA Group. He was Company Secretary and General Counsel of an ASX-listed company and Asia Pacific Legal Counsel and Company Secretary for a US multinational company prior to joining APA Group. Prior to those roles, he was a partner of an Australian law firm. Mark holds degrees in law and commerce and a Graduate Diploma in Applied Corporate Governance. He is a Fellow of the Governance Institute of Australia (formerly Chartered Secretaries Australia) and the Institute of Company Secretaries and Administrators, and is admitted to practice as a solicitor.

DIRECTORS' REPORT CONTINUED

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by Directors at any time in the three years immediately before the end of the financial year are as follows:

Director	Company	Period of directorship
Robert Wright	Australian Pipeline Limited(1)	Since February 2000
	Super Retail Group Limited	Since May 2004
	SAI Global Limited	October 2003 to October 2013
	RCL Group Limited	May 2006 to February 2012
Rick Coles	–	–
Nancy Fox	Adelaide Managed Funds Limited(2)	July 2006 to December 2011
	ThinkSmart Limited	October 2011 to March 2013

(1) Australian Pipeline Limited is the responsible entity of the registered managed investment schemes that comprise APA Group, the securities in which are quoted on the ASX.

(2) Adelaide Managed Funds Limited was the responsible entity of Adelaide Managed Funds Asset Backed Yield Trust, the securities in which were quoted on the ASX. The Fund ceased trading on ASX on 15 December 2011 after unitholders approved a winding up of the Fund.

OPTIONS GRANTED

In this report, the term "EPX securities" refers to the stapled securities each comprising a unit in the Trust stapled to a unit in EPIFT and traded on the Australian Securities Exchange ("ASX") under the ticker symbol "EPX".

No options over unissued EPX securities were granted during or since the end of the financial year. No unissued EPX securities were under option as at the date of this report. No EPX securities were issued during or since the end of the financial year as a result of the exercise of an option over unissued EPX securities.

INDEMNIFICATION AND INSURANCE OF OFFICERS

During the financial year, the Responsible Entity paid an insurance premium in respect of a contract insuring the Directors and Company Secretary of the Responsible Entity against any liability incurred in performing those roles to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Responsible Entity, in its capacity as responsible entity of Ethane Pipeline Income Trust and Ethane Pipeline Income Financing Trust (together "Trusts"), indemnifies each person who is or has been a Director or Company Secretary of the Responsible Entity or of any company the shares in which the Responsible Entity holds on trust for members of the Trusts or any related body corporate of such a company, pursuant to deeds of indemnity entered into since its appointment as responsible entity in 2008. The indemnity operates to the full extent allowed by law but only to the extent not covered by insurance, and is on terms the board considers usual for arrangements of this type.

Under its constitution, the Responsible Entity (in its personal capacity) indemnifies each person who is or has been a Director, Company Secretary or executive officer of that company. The indemnity operates to the full extent allowed by law but only to the extent not covered by insurance.

The Responsible Entity has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or external auditor of the Responsible Entity or the Fund against a liability incurred by an officer or auditor.

DIRECTORS' REPORT CONTINUED

DIRECTORS' MEETINGS

Seven meetings of the Directors of the Responsible Entity and three Audit Committee meetings were held during the financial year. The following table sets out the number of meetings attended by each Director while they were a Director or a committee member during the financial year:

	Board Meetings		Audit Committee	
Director	**Number held(1)**	**Number attended(2)**	**Number held(1)**	**Number attended(2)**
Robert Wright	7	7	3	3
Rick Coles	7	7	3	3
Nancy Fox	7	7	3	3

(1) Number of meetings held during the time the Director held office or was a member of the committee during the financial year.

(2) Number of meetings attended.

DIRECTORS' SECURITYHOLDINGS

The aggregate number of EPX securities held directly, indirectly or beneficially by Directors or their director-related entities at 30 June 2014 is 150,000.

The following table sets out each Director's relevant interests in EPX securities as at 30 June 2014:

Director	Fully paid securities at 30 June 2013	Securities acquired during the financial year	Securities disposed of during the financial year	Fully paid securities as at 30 June 2014
Robert Wright	50,000	–	–	50,000
Rick Coles	50,000	–	–	50,000
Nancy Fox	50,000	–	–	50,000

The Directors of the Responsible Entity hold no other rights or options over EPX securities. There are no contracts to which a Director is a party or under which a Director is entitled to a benefit, and that confer a right to call for or deliver EPX securities.

REMUNERATION REPORT

The Corporations Act 2001 does not require registered managed investment schemes like the Fund to include a remuneration report as part of a Directors' Report.

However, set out below is the actual remuneration received by Directors of the Responsible Entity during the financial year.

Director	Salary / Fees	Superannuation	Total paid 2014	Total paid 2013
Robert Wright	$75,000	$6,938	$79,206	$76,300
Rick Coles	$55,000	$5,088	$57,357	$54,500
Nancy Fox	$60,000	$5,550	$62,818	$59,950
Total	**$175,000**	**$17,576**	**$199,381**	**$190,750**

The Fund did not have any employees during the financial year.

DIRECTORS' REPORT CONTINUED

INFORMATION REQUIRED FOR REGISTERED SCHEMES

Fees paid to the Responsible Entity and its associates (including Directors and secretaries of the Responsible Entity, related bodies corporate and Directors and secretaries of related bodies corporate) out of the Fund's scheme property during the financial year are disclosed in Note 19 to the financial report.

Except as disclosed in this report, neither the Responsible Entity nor any of its associates holds any EPX securities.

The number of EPX securities issued during the financial year, and the number of such securities at the end of the financial year, are disclosed in Note 16 to the financial report.

The value of the Fund's assets as at the end of the financial year is disclosed in the balance sheet in total assets, and the basis of valuation is included in Note 4 to the financial statements.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 43.

ROUNDING

The Fund is an entity of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and, in accordance with that Class Order, all financial information presented in Australian dollars has been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to section 298(2) of the Corporations Act 2001.

Robert Wright
Chairman

SYDNEY, 25 August 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 30 June 2014

	Note	2014 $000	2013 $000
Revenue	5	22,364	26,728
Asset operating and management expenses	6	(6,071)	(6,234)
Depreciation and amortisation expense	6	(6,287)	(6,197)
Insurance expense		(820)	(1,017)
Finance costs	6	(227)	(213)
Employee benefit expense		(212)	(202)
Other expenses		(854)	(892)
Profit before tax		7,893	11,973
Income tax expense	8	(2,759)	(3,989)
Profit for the year		5,134	7,984
Total comprehensive income for the year		5,134	7,984
Profit attributable to:			
Securityholders of the parent		3,075	5,855
Non-controlling interest		2,059	2,129
Profit for the year		5,134	7,984
Total comprehensive income attributable to:			
Securityholders of the parent		3,075	5,855
Non-controlling interest		2,059	2,129
Total comprehensive income for the year		5,134	7,984
Earnings per security			
Basic and diluted earnings per security (cents)	17	7.4	11.5

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2014

	Note	2014 $000	2013 $000
Current assets			
Cash and cash equivalents	9	6,442	5,281
Trade and other receivables	10	602	2,454
Prepayments		198	248
Total current assets		7,242	7,983
Non-current assets			
Cash on deposit	9	2,169	2,169
Property, plant and equipment	12	33,640	36,285
Intangible assets	13	41,158	44,609
Total non-current assets		76,967	83,063
Total assets		84,209	91,046
Current liabilities			
Trade and other payables	14	2,928	3,387
Income tax payable		726	3,381
Provisions	15	150	125
Total current liabilities		3,804	6,893
Non-current liabilities			
Provisions	15	5,986	5,784
Deferred tax liabilities	8	84	393
Total non-current liabilities		6,070	6,177
Total liabilities		9,874	13,070
Net assets		74,335	77,976
Equity			
Issued capital	16	52,413	52,413
Accumulated (losses)/ profits		(3,494)	148
Total equity attributable to securityholders of the parent		48,920	52,561
Non-controlling interests:			
Ethane Pipeline Income Financing Trust:			
Issued capital	16	36,352	36,352
Accumulated losses		(10,937)	(10,937)
Total equity attributable to securityholders of Ethane Pipeline Income Financing Trust		25,415	25,415
Total equity		74,335	77,976

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2014

		Attributable to securityholders			
	Note	**Issued Capital $000**	**Accumulated profits/(losses) $000**	**Non-controlling Interest $000**	**Total Equity $000**
Balance at 1 July 2012		52,413	357	27,858	80,628
Total comprehensive income for the year		–	5,855	2,129	7,984
Distributions paid / payable to securityholders	7	–	(6,064)	(4,572)	(10,636)
Balance at 30 June 2013		52,413	148	25,415	77,976
Total comprehensive income for the year		–	3,075	2,059	5,134
Distributions paid / payable to securityholders	7	–	(6,716)	(2,059)	(8,775)
Balance at 30 June 2014		52,413	(3,494)	25,415	74,335

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2014

	Note	2014 $000	2013 $000
Cash flows from operating activities			
Cash receipts from customers		26,219	27,609
Cash paid to suppliers and employees		(10,094)	(11,750)
Interest received		147	182
Income tax paid		(5,723)	(3,690)
Net cash provided by operating activities	9	10,549	12,351
Cash flows from investing activities			
Payments for property, plant and equipment		(296)	(442)
Net cash used in investing activities		(296)	(442)
Cash flows from financing activities			
Distributions paid		(9,092)	(11,086)
Net cash used in financing activities		(9,092)	(11,086)
Net increase in cash and cash equivalents		1,161	823
Cash and cash equivalents at beginning of financial year		7,450	6,627
Cash and cash equivalents at end of financial year	9	8,611	7,450

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

1. GENERAL INFORMATION

Ethane Pipeline Income Trust ("Trust") is one of two stapled entities of Ethane Pipeline Income Fund ("Fund"), the other stapled entity being Ethane Pipeline Income Financing Trust ("EPIFT"). EPIFT is represented as the non-controlling interest in the financial statements. The Fund is listed on the Australian Securities Exchange (trading under the ticker symbol "EPX"), registered, operating and domiciled in Australia.

The financial statements represent the consolidated financial results of the Fund for the financial year ended 30 June 2014.

The Responsible Entity's registered office and its principal place of business are as follows:

Level 19, HSBC Building
580 George Street
SYDNEY NSW 2000

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Fund, except for AASB 9 Financial Instruments, which becomes mandatory for the Fund’s financial statements for the year ended 30 June 2018 and could change the classification and measurement of financial assets. The Fund does not plan to adopt this standard early and the extent of the impact has not been determined.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report and notes of the Fund comply with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"). Ethane Pipeline Income Fund is a for profit entity.

The financial statements were authorised for issue by the Directors on 25 August 2014.

(b) Basis of measurement

The financial statements have been prepared on the basis of historical cost, unless otherwise stated.

(c) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Fund's functional currency.

The Fund is an entity of a kind referred to in ASIC Class Order 98/100 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

In the application of the Fund's accounting policies, which are described in Note 4, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of assets

Determining whether property, plant and equipment, identifiable intangible assets and goodwill are impaired requires an estimation of the value-in-use or fair value of the cash-generating units. The calculations require the Fund to estimate the future cash flows expected to arise from cash-generating units and suitable discount rates in order to calculate the present value of cash-generating units.

Estimates and assumptions used are reviewed on an ongoing basis.

Useful lives of non-current assets

The Fund reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Any reassessment of useful lives in a particular year will affect the depreciation or amortisation expense.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 15: Provisions

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2014

(e) Working capital position

The working capital position as at 30 June 2014 for the Fund is a surplus of current assets to current liabilities of $3.4 million (2013: $1.1 million surplus).

The Directors continually monitor the Fund's working capital position, including forecast working capital requirements and believe operating cash flows are sufficient to accommodate payment of liabilities as and when they fall due.

(f) Removal of parent entity financial statements

The Fund has applied amendments to the Corporations Act 2001 that remove the requirement for the Fund to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in Note 25.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. Amounts disclosed as revenue are net of duties and taxes paid (i.e. GST).

Reservation charges

Reservation charges are earned and received monthly under the terms of the Product Transportation Agreement ("PTA") with a third party. Subsequent increases to the reservation charge (i.e. CPI increases) are recognised as soon as they can be measured reliably.

Transportation revenue

Transportation revenue is earned and receivable each month for transportation of ethane through the pipeline. The consideration received is based on the volume of ethane transported through the pipeline.

Interest revenue

Interest revenue is recognised using the effective interest method.

(b) Expenses

Expenses are recognised in the statement of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Amounts disclosed as expenses are net of duties and taxes paid (i.e. GST).

(c) Finance costs

Borrowing costs comprise interest expense and fees on borrowings and unwinding of the discount on provisions. All borrowing costs are recognised in profit or loss using the effective interest method.

(d) Basis of consolidation

The financial statements incorporate the financial statements of the Trust and entities controlled by the Trust (collectively referred to as the "Fund" in these financial statements). Control exists where the Trust has power over an entity, i.e. existing rights that give it the current ability to direct the relevant activities of the entity (those that significantly affect the returns); exposure, or rights, to variable returns from its involvement with the entity; and the ability to use its power to affect those returns. The units in the Stapled Entity were issued at $2 each, where the Trust and EPIFT received 40% and 60% of the equity contribution respectively. EPIFT is reflected as the non-controlling interest in the financial statements.

The results of controlled entities acquired during the financial year are included in the consolidated statement of comprehensive income from the date that control commences to the date that control ceases.

Where necessary, adjustments are made to the financial statements of controlled entities to bring their accounting policies into line with those used by other members of the Fund.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of controlled entities are identified separately from the Fund's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in a controlled entity are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are initially recorded at cost at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. They are subsequently recorded at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred that are probable and can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Fund and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the costs of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of the asset, that component is depreciated separately.

Depreciation is provided on property, plant and equipment, including buildings but excluding freehold land. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its estimated useful life. The estimated useful lives and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes recognised on a prospective basis.

The following estimated useful lives are used in the calculation of depreciation for the current and comparative years:

- Buildings 20 years
- Easements 20 years
- Plant and Equipment 4 – 20 years

(f) Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Subsequent expenditure is only capitalised when it increases the future economic benefits embodied in the specific asset to which it relates.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation

Amortisation is based on the cost of an asset less its residual value.

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of the intangible assets, from the day they are available for use. The estimated useful lives for the current and comparative years are as follows:

- SCADA System 10 years
- Product Transportation Agreement 20 years

Amortisation, useful lives and residual values are reviewed at each reporting period and adjusted if appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2014

(g) Financial assets and liabilities

Classification

Financial assets and financial liabilities compris e the following:

- Cash and cash equivalents;
- Loans and receivables including trade and other receivables; and
- Other financial liabilities, including borrowings and payables.

Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial assets are recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities designated at fair value through profit or loss are recorded.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or has expired.

Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised on an effective interest basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which are classified as non-current assets.

Other financial liabilities

Other financial liabilities comprising borrowings and payables are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, they are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Other financial liabilities are included in current liabilities, except for amounts that are not due for payment within the next 12 months, which are classified as non-current liabilities.

Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with AASB 139.

The Fund uses the weighted average method to determine realised gains and losses on derecognition of financial assets not at fair value.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or has expired.

Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each balance date to determine whether there is objective evidence of impairment. If any such indication exists, impairment testing is carried out and an impairment loss is recognised in the income statement as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent the carrying amount of the financial asset at the date the impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

(h) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:

- where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"), it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST, except for accrued revenue and accrued expense at balance dates which exclude GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables. GST receivable or GST payable is only recognised once a tax invoice has been issued or received.

Cash flows are included in the cash flow statement on a gross basis, except for the GST component of cash flows arising from investing and financing activities, which are classified as operating cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets

At the end of each reporting period, the Fund assesses whether there is any indication that an asset may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

(j) Income tax

Income tax on the profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable in respect of previous financial years. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in wholly-owned entities to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates that are expected to be applied to the temporary differences when they reverse based on tax laws that have been enacted or substantively enacted at the balance date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The parent entity, Ethane Pipeline Income Trust is the head entity of the tax consolidated group comprising all the Australian wholly owned subsidiaries of the head entity. The tax consolidated group was created on the 26th July 2006. As a result all members of the tax-consolidated group are taxed as a single entity from that date.

(k) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event, it is probable that a future sacrifice of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(l) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Fund during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(m) Issued capital

Issued capital is comprised of stapled securities, each comprising a unit in the Trust stapled to a unit in EPIFT. These securities are classified as equity. Incremental costs directly attributable to the issue of securities are recognised as a deduction from equity, net of any tax effects.

(n) Earnings per security

The Fund presents basic and diluted earnings per security ("EPS") data for its securities. Basic EPS is calculated by dividing the profit or loss attributable to ordinary securityholders of the Fund by the weighted average number of ordinary securities on issue during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary securityholders and the weighted average number of ordinary securities on issue for the effects of all dilutive potential ordinary securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2014

5. REVENUE

An analysis of revenue for the year is as follows:

	2014 $000	2013 $000
Operating revenue		
Revenue from the Product Transportation Agreement ("PTA"):		
Reservation charges	16,621	26,373
Transportation revenue	5,596	134
	22,217	26,507
Finance income		
Interest	147	177
Other income		
Contributions for subsidence mitigation and other works	–	44
	22,364	26,728

6. EXPENSES

Profit for the year includes the following expenses:

	2014 $000	2013 $000
Asset operating and management expense		
Routine maintenance	4,859	4,718
Non-routine maintenance	327	333
Management fees	724	844
Utilities	161	339
	6,071	6,234
Depreciation and amortisation expense		
Depreciation of non-current assets	2,836	2,746
Amortisation of non-current assets	3,451	3,451
	6,287	6,197
Finance costs		
Unwinding of discount on non-current provisions	227	213

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2014

7. DISTRIBUTIONS

	2014		2013	
	cents per security	Total $000	cents per security	Total $000
First quarterly distribution paid 15 October 2013 (2013: 15 October 2012)				
Profit distribution – EPIT	2.55	1,767	–	–
Profit distribution – EPIFT	0.74	513	0.84	585
Capital distribution – EPIFT	–	–	3.51	2,432
Second quarterly distribution paid 15 January 2014 (2013: 15 January 2013)				
Profit distribution – EPIT	2.54	1,761	3.24	2,245
Profit distribution – EPIFT	0.75	520	0.76	524
Third quarterly distribution paid 15 April 2014 (2013: 15 April 2013)				
Profit distribution – EPIT	2.30	1,594	2.76	1,913
Profit distribution – EPIFT	0.74	513	0.74	512
	9.62	6,668	11.85	8,211
Accrued amounts				
Final distribution payable 15 July 2014 (2013: 15 July 2013)				
Profit distribution – EPIT	2.30	1,594	2.75	1,906
Profit distribution – EPIFT	0.74	513	0.75	519
	3.04	2,107	3.50	2,425
Total profit distribution – EPIT[(1)]	9.69	6,716	8.75	6,064
Total profit distribution – EPIFT[(2)]	2.97	2,059	3.09	2,140
Total capital distribution – EPIFT	–	–	3.51	2,432
Total distributions	12.66	8,775	15.35	10,636

(1) Profit distributions from EPIT were 100% franked (2013: 100% franked).

(2) Profit distributions from EPIFT were 100% unfranked (2013: 100% unfranked).

Distribution information is presented on an accounting classification basis. The Fund's Annual Tax Statement and Annual Tax Return Guide (released in July) provides the classification of distribution components for the purposes of preparation of securityholder income tax returns.

Dividend franking account

	2014 $000	2013 $000
Amount of franking credits available to securityholders of the Fund for subsequent financial years	4,620	1,907

The ability to utilise franking credits is dependant on the ability to declare distributions. In accordance with the tax consolidation legislation, EPIT as the head entity in the tax-consolidated group has also assumed the benefit of $4.6 million (2013: $1.9 million) of franking credits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2014

8. INCOME TAX

Income tax recognised in profit or loss

	2014 $000	2013 $000
Tax expense comprises:		
Current tax expense	3,068	4,427
Deferred tax expense relating to the origination and reversal of temporary differences	(306)	(438)
Adjustments recognised in the current year in relation to deferred tax of prior years	(3)	–
Total tax expense	2,759	3,989

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

Profit before tax	7,893	11,973
Income tax expense calculated using the Fund's domestic tax rate of 30% (2013: 30%)	2,368	3,592
Effect of revenue that is exempt from taxation	(618)	(639)
Effect of expenses that are non-deductible in determining taxable profit	1,012	1,036
	2,762	3,989
Adjustments recognised in the current year in relation to deferred tax of prior years	(3)	–
	2,759	3,989

Deferred tax balances

Deferred tax (liabilities)/assets arise from the following:

	2014		
	Opening balance $000	Charged to income $000	Closing balance $000
Gross deferred tax liabilities			
Property, plant and equipment	(2,185)	239	(1,946)
Accrued and other income	(1)	1	–
	(2,186)	240	(1,946)
Gross deferred tax assets			
Provisions	1,773	68	1,841
Accrued and other expenditure	20	1	21
	1,793	69	1,862
	(393)	309	(84)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2014

8. INCOME TAX (CONTINUED)

	2013		
	Opening balance $000	Charged to income $000	Closing balance $000
Gross deferred tax liabilities			
Property, plant and equipment	(2,609)	424	(2,185)
Accrued and other income	(3)	2	(1)
	(2,612)	426	(2,186)
Gross deferred tax assets			
Provisions	1,762	11	1,773
Accrued and other expenditure	19	1	20
	1,781	12	1,793
	(831)	438	(393)

Tax consolidation

Relevance of tax consolidation to the Group

The Trust and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 26 July 2006 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Ethane Pipeline Income Trust. The members of the tax-consolidated group are identified at Note 11.

Nature of tax funding arrangement and tax sharing agreement

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Ethane Pipeline Income Trust and each of the entities in the tax-consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for the tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2014

9. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

	2014 $000	2013 $000
Cash at bank and on hand	6,442	5,281
Cash on deposit[1]	2,169	2,169
	8,611	7,450

(1) As at 30 June 2014, Gorodok Pty Limited held $2.2 million (2013: $2.2 million) on deposit to support bank guarantees in relation to various contractual agreements.

The Fund's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 18.

(b) Reconciliation of cash flows provided by operating activities

	2014 $000	2013 $000
Profit for the year	5,134	7,984
Depreciation and amortisation expense	6,287	6,197
Changes in assets and liabilities		
Trade and other receivables	1,852	(2,445)
Prepayments	50	247
Trade and other payables	(38)	32
Provisions	227	38
Income tax balances	(2,963)	298
Net cash provided by operating activities	10,549	12,351

10. TRADE AND OTHER RECEIVABLES

	2014 $000	2013 $000
Trade receivables	597	2,450
Interest receivable	5	4
	602	2,454

11. OTHER INVESTMENTS

Details of the Fund's subsidiaries at 30 June 2014 are as follows:

		Ownership interest	
	Country of Registration /Incorporation	2014 (%)	2013 (%)
Ethane Pipeline Income Fund – the Stapled Entity consists of:			
Ethane Pipeline Income Financing Trust	Australia	–	–
Ethane Pipeline Income Trust[1] and its controlled entities:			
– Moomba to Sydney Ethane Pipeline Trust[1]	Australia	100	100
– Gorodok Pty Ltd[1]	Australia	100	100

(1) These entities are members of the Ethane Pipeline Income Trust tax-consolidated group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2014

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $000	Plant and equipment $000	Work in progress $000	Total $000
Gross carrying amount				
Balance at 1 July 2012	12,658	196,399	273	209,330
Additions	–	–	493	493
Transfers	–	31	(31)	–
Balance at 1 July 2013	12,658	196,430	735	209,823
Additions	–	–	191	191
Transfers	–	916	(916)	–
Balance at 30 June 2014	12,658	197,346	10	210,014
Accumulated depreciation				
Balance at 1 July 2012	(9,237)	(161,555)	–	(170,792)
Depreciation expense	(244)	(2,502)	–	(2,746)
Balance at 1 July 2013	(9,481)	(164,057)	–	(173,538)
Depreciation expense	(244)	(2,592)	–	(2,836)
Balance at 30 June 2014	(9,725)	(166,649)	–	(176,374)
Net book value				
At 30 June 2013	3,177	32,373	735	36,285
At 30 June 2014	2,933	30,697	10	33,640

13. INTANGIBLE ASSETS

	Right to receive tariff(1) $000	Contract intangible(2) $000	Total $000
Gross carrying amount			
Balance at 1 July 2012	67,453	783	68,236
Balance at 1 July 2013	67,453	783	68,236
Balance at 30 June 2014	67,453	783	68,236
Accumulated amortisation			
Balance at 1 July 2012	(20,020)	(156)	(20,176)
Amortisation expense	(3,373)	(78)	(3,451)
Balance at 1 July 2013	(23,393)	(234)	(23,627)
Amortisation expense	(3,373)	(78)	(3,451)
Balance at 30 June 2014	(26,766)	(312)	(27,078)
Net book value			
At 30 June 2013	44,060	549	44,609
At 30 June 2014	40,687	471	41,158

(1) The PTA rights are amortised on a straight line basis over 20 years based on estimated ethane reserves. The PTA expires in 2030.

(2) Represents the contractual right to information from East Australian Pipeline Pty Limited's SCADA Communication System. Subsequent to initial recognition it is measured at cost less accumulated amortisation and accumulated impairment losses. The contract intangible is being amortised over 10 years, representing the estimated useful life of the SCADA System, from 1 July 2010. 14. Trade and other payables

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2014

14. TRADE AND OTHER PAYABLES

	2014 $000	2013 $000
Trade creditors (OpEx)	13	62
Other creditors (OpEx)	808	797
Other creditors (CapEx)	–	103
Trust distributions payable	2,107	2,425
	2,928	3,387

15. PROVISIONS

Current liabilities		
Mine subsidence[1]	150	125
Non-current liabilities		
Mine subsidence	2,275	2,300
Abandonment[2]	3,711	3,484
	5,986	5,784
	6,136	5,909

	Mine subsidence $000	Abandonment $000	Total $000
Balance at 1 July 2013	2,425	3,484	5,909
Unwind of discount	–	227	227
Balance at 30 June 2014	2,425	3,711	6,136
Current	150	–	150
Non-current	2,275	3,711	5,986
	2,425	3,711	6,136

(1) The provision for mine subsidence relates to potential mitigation work as a consequence of mine subsidence in an area where the pipeline crosses creeks. Due to the nature of the liability, the uncertainty in estimating the provision is the costs that will be incurred and the timing of those costs. It is estimated that the majority of the remaining costs involved will be incurred during the financial year ended 30 June 2016.

(2) The provision for abandonment relates to the Fund's obligation to dismantle the pipeline and restore the site on which the pipeline is located once the useful life of the asset has been expended. It is estimated that $7.9 million will be required for abandonment at the end of the estimated useful life of the pipeline, being 2026.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2014

16. ISSUED CAPITAL

	2014 $000	2013 $000
Ethane Pipeline Income Trust (EPIT)		
69,302,275 securities, fully paid (2013: 69,302,275 securities, fully paid)	52,413	52,413

	No. of securities 000	$000
Movements		
Balance at 1 July 2012	69,302	69,302
Balance at 1 July 2013	69,302	69,302
Balance at 30 June 2014	69,302	69,302

Non-controlling interest

	2014 $000	2013 $000
Ethane Pipeline Income Financing Trust (EPIFT)		
69,302,275 securities, fully paid (2013: 69,302,275 securities, fully paid)	36,352	36,352

	Note	No. of securities 000	$000
Movements			
Balance at 1 July 2012		69,302	38,784
Capital return to securityholders	7	–	(2,432)
Opening balance at 1 July 2013		69,302	36,352
Balance at 30 June 2014		69,302	36,352

Securities participate in distributions and the proceeds on winding up of the parent entity in proportion to the number of securities held.

At the securityholders' meetings each ordinary security is entitled to one vote when a poll is called, otherwise each securityholder has one vote on a show of hands.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to issued capital from 1 July 1998. Therefore, the Fund does not have a limited amount of authorised capital and issued securities do not have a par value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2014

17. EARNINGS PER SECURITY

	2014	2013
Basic and diluted earnings per security (cents)	7.4	11.5

The earnings and weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security are as follows:

Profit attributable to securityholders for calculating basic and diluted earnings per security ($000)	5,134	7,984
Adjusted weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security (000)	69,302	69,302

18. FINANCIAL INSTRUMENTS

(a) Risk management framework

The Responsible Entity of the Fund is APA Ethane Limited ("Responsible Entity"). The risk management strategy and policies of the Fund follow those of the Responsible Entity. Additionally, the Fund Manager's[1] Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Fund.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. The Fund has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or bank guarantees where appropriate as a means of mitigating any risk of loss.

Cash and cash equivalents

The Fund held cash and cash equivalents of $8.6 million at 30 June 2014 (2013: $7.5 million), which represents its maximum credit exposure on these assets. Cash and cash equivalents are held with bank and financial institution counterparties, which are rated Aa3, based on Moody's Investors Service debt ratings.

Trade and other receivables

All of the Fund's operating revenue is generated from a single customer, being Qenos Pty Limited. Under the PTA, Qenos Pty Limited is entitled to "uninterruptible access to Product Capacity", meaning the Fund cannot provide transportation services to any other party in respect of the Moomba to Sydney Ethane Pipeline.

Guarantees

As at 30 June 2014, a controlled entity of the Fund, Gorodok Pty Ltd, held cash on deposit to support bank guarantees held in relation to various contractual agreements (refer Note 24).

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2014 $000	2013 $000
Cash and cash eqivalents	9	8,611	7,450
Trade and other receivables	10	602	2,454
		9,213	9,904

(1) The Fund Manager, APT (MIT) Services Pty Limited, is a wholly owned entity of APA Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2014

18. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund has a policy dealing with liquidity risk which requires an appropriate liquidity risk management framework for the management of its short, medium and long-term funding and liquidity management requirements. Liquidity risk is managed by maintaining adequate cash reserves and by monitoring and forecasting cash flow.

Detailed below are the Fund's remaining contractual maturities for its financial liabilities, based on undiscounted cashflows and considering the earliest date on which the Fund can be required to pay. The table includes both interest and principal cash flows.

	Carrying amount $000	Contractual cashflows $000	6 mths or less $000	6-12 months $000	1- 2 years $000	2-5 years $000	More than 5 years $000
30 June 2014							
Financial liabilities							
Trade and other payables	2,928	2,928	2,928	–	–	–	–
	2,928	2,928	2,928	–	–	–	–
30 June 2013							
Financial liabilities							
Trade and other payables	3,387	3,387	3,387	–	–	–	–
	3,387	3,387	3,387	–	–	–	–

It is not expected that the cashflows above could occur significantly earlier or at significantly different amounts.

(d) Interest rate risk

The Fund earns variable interest on its cash deposits.

At the reporting date the interest rate profile of the Fund's interest-bearing financial instruments was:

	2014 $000	2013 $000
Variable rate instruments		
Financial assets	8,611	7,450

Sensitivity Analysis

The sensitivity analysis below has been determined based on the Fund's exposure to interest rates for cash held on deposit. All other financial assets and liabilities are at fixed interest rates and not accounted for at fair value through profit or loss. At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Fund's equity and net profit would increase by $82,000 or decrease by $82,000 (2013: increase by $76,000 or decrease by $76,000).

(e) Fair values versus carrying amounts

The fair values of the Fund's financial assets and liabilities as at the reporting date approximate their carrying values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2014

19. RELATED PARTIES

(a) Transactions with key management personnel

Details of key management personnel

The Fund does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage its activities. The Directors of the Responsible Entity are the key management personnel of that entity as listed below:

- Robert Wright (Chairman)
- Rick Coles (Independent Director)
- Nancy Fox (Independent Director)

Key management personnel compensation

	2014 $	2013 $
Short-term employee benefits	182,500	175,000
Post-employment benefits	16,881	15,750
	199,381	190,750

The Responsible Entity does not provide any non-cash benefits to key management personnel.

Key management personnel unit holdings

	Fully paid securities as at 30 June 2013	Securities acquired during the financial year	Securities disposed of during the financial year	Fully paid securities as at 30 June 2014
Directors:				
Robert Wright	50,000	–	–	50,000
Rick Coles	50,000	–	–	50,000
Nancy Fox	50,000	–	–	50,000

Loans to key management personnel

No loans have been made to key management personnel.

(b) Other related party transactions

Set out below are the ongoing fees paid or payable by the Trust to the Responsible Entity during the period:

	2014 $	2013 $
Responsible Entity fees	200,000	200,000
Other expense reimbursements	312,535	316,694
	512,535	516,694

No fees are payable to the Responsible Entity as at the reporting date (2013: nil).

Refer to Note 11 for details of the entities that comprise the Fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2014

20. SUBSEQUENT EVENTS

Except as disclosed elsewhere in this report, the Directors are unaware of any matter or circumstance occuring since the end of the financial year that has significantly affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in future financial years.

21. REMUNERATION OF EXTERNAL AUDITOR

	2014 $	2013 $
Amounts received or due and receivable by KPMG for:		
Auditing the financial report	83,800	81,850
Tax compliance and advice(1)	–	44,411
Other assurance services(1)	12,000	41,500
	95,800	167,761

(1) Services provided were in accordance with the external auditor independence policy. Other assurance services comprise a review of cashflow forecasts (annually) and financial model integrity (at least every three years) as required under the current ASIC Reporting Guidelines (RG231).

22. OPERATING SEGMENTS

The main business segment of the Fund is investment in pipeline infrastructure which is contracted to a third party for transportation of ethane from Moomba to Qenos Pty Limited's plant at Port Botany. The Trust operates in New South Wales, Australia only.

23. CAPITAL OR OTHER COMMITMENTS

During or since the end of the financial year the Fund has not committed to any capital or other commitments.

24. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	2014 $000	2013 $000
Contingent liabilities		
Bank guarantees	2,149	2,149

At the end of the financial year there are no contingent assets (2013: $nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2014

25. PARENT ENTITY DISCLOSURES

Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2014 $000	2013 $000
Current assets	202	92
Total assets	85,821	85,710
Current liabilities	18,997	18,864
Total liabilities	33,372	33,239
Equity		
Issued capital	52,413	52,413
Accumulated profits	36	58
	52,449	52,471
Profit for the year	6,693	33,689
Total comprehensive income	6,693	33,689

As at, and throughout the financial year ended 30 June 2014 the parent entity of the Fund was Ethane Pipeline Income Trust ("Trust").

The Trust is reporting a deficiency of current assets to current liabilities as at 30 June 2014 of $18.8 million (2013: $18.8 million) as a result of the loan payable to Gorodok and estimated current tax liability. Gorodok has agreed to provide financial support to Ethane Pipeline Income Trust where it would be deemed insolvent if and as a result of being required to repay the debt owed to Gorodok and other related parties.

During or since the end of the financial year the Trust has not committed to any capital or other commitments.

During or since the end of the financial year the Trust did not have any contingent liabilities or contingent assets.

DECLARATION BY THE DIRECTORS

of APA Ethane Limited for the financial year ended 30 June 2014

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of the Fund;

(c) in the Director's opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and

(d) the Directors have been given the declarations by the Fund Manager and Chief Financial Officer required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors.

Robert Wright
Chairman

Nancy Fox
Independent Director

SYDNEY, 25 August 2014

AUDITOR'S INDEPENDENCE DECLARATION

for the financial year ended 30 June 2014

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of APA Ethane Limited, the Responsible Entity of Ethane Pipeline Income Fund

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit

KPMG

KPMG

Anthony Jones
Partner

Sydney

25 August 2014

INDEPENDENT AUDITOR'S REPORT

for the financial year ended 30 June 2014

KPMG

Independent auditor's report to the members of Ethane Pipeline Income Fund

Report on the financial report

We have audited the accompanying financial report of Ethane Pipeline Income Fund (the Stapled Entity). The financial report includes the stapled financial statements of Ethane Pipeline Income Trust (the Trust), Ethane Pipeline Income Financing Trust and the entities they controlled as at 30 June 2014. This includes the consolidated statement of financial position as at 30 June 2014, and consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 25 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Stapled Entity.

Directors' responsibility for the financial report

The directors of the APA Ethane Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 3, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

INDEPENDENT AUDITOR'S REPORT CONTINUED

for the financial year ended 30 June 2014

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 3.

KPMG

KPMG

Anthony Jones
Partner

Sydney

25 August 2014

ETHANE PIPELINE INCOME FINANCING TRUST

FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

DIRECTORS' REPORT

The Directors of APA Ethane Limited ("Responsible Entity"), the responsible entity of Ethane Pipeline Income Financing Trust ("EPIFT"), present their report together with the financial report of EPIFT, for the year ended 30 June 2014 ("financial year"). EPIFT and Ethane Pipeline Income Trust together form the stapled entity called Ethane Pipeline Income Fund ("Fund").

The Responsible Entity's registered office and principal place of business is as follows:

Level 19, HSBC Centre
580 George Street
SYDNEY NSW 2000

DIRECTORS

The names of the Directors of the Responsible Entity at any time during and since the end of the financial year are:

Robert Wright	Chairman
Rick Coles	Independent Director
Nancy Fox	Independent Director

More information on the Directors is set out in the section of this report entitled "Information on Directors and Company Secretary".

PRINCIPAL ACTIVITIES

The principal activity of EPIFT during the financial year was to earn interest on loans advanced to related parties. EPIFT did not have any employees during the year.

There were no significant changes in the nature of the activities of EPIFT during the financial year.

DISTRIBUTIONS

Distributions paid or payable in respect of the financial year were:

Year ended 30 June 2014	$000	Cents per security
Interim distributions paid:		
Profit distribution	1,546	2.23
Final distribution payable[1]:		
Profit distribution	513	0.74
	2,059	2.97

(1) The 30 June 2014 quarterly distribution, declared on 17 June 2014, was paid on 15 July 2014.

Distribution information is presented on an accounting classification basis. The Fund's annual tax statement and annual tax return guide (released in July) provide the classification of distribution components for the purposes of preparation of securityholder income tax returns.

DIRECTORS' REPORT CONTINUED

FINANCIAL AND OPERATIONAL REVIEW

			Changes	
	2014 $000	2013 $000	$000	%
Operating results				
Revenues from ordinary activities	2,081	2,151	(70)	(3.2)
Profit attributable to securityholders	2,059	2,129	(70)	(3.3)
Operating cash flow	2,054	2,134	(80)	(3.7)

2014 financial performance compared to 2013

EPIFT's profit for the financial year has decreased by 3.3% to $2.1 million (2013: $2.1 million). The decrease on the prior financial year reflects the previously amortising nature of the loans to related parties up to 20 November 2012, which is EPIFT's primary source of income.

Statement of financial position

Total receivables (i.e. current and non-current) of $25.3 million have remained consistent with the prior year reflecting the interest only nature of the related party loans. On 20 November 2012, EPIFT entered into deeds of amendment with the Trust and Gorodok to convert its related party loans to interest only with a final balloon payment due on 30 June 2030. As a result, the entire balance receivable on the loans is classified as non-current at 30 June 2014.

Trade and other payables of $0.5 million as at 30 June 2014 are consistent with the prior year and represents the final distribution payable on 15 July 2014.

Statement of cash flows

Operating cash flow for the financial year of $2.1 million (2013: $2.1 million) has remained consistent with the prior financial year.

Cash flows from investing activities were nil for the current financial year (2013: $4.8 million), reflecting the interest only nature of the related party loan receivables.

Distribution payments for the financial year were $2.1 million (2013: $6.9 million), reflecting that no capital distributions have been paid since the quarter ended 30 September 2012.

Principal risks and uncertainties

The Board assesses the potential economic and non-economic consequences of risks using the framework defined by APA Group's risk management policy[(1)]. Principal risks and uncertainties are identified when the Board and management determines that the potential consequences are material at a Fund level or when the risk may trigger a succession of events that, in aggregate, become material to the Fund.

For a description of known principal risks and uncertainties that could materially affect the Fund, please refer to the Director's Report of the Fund's Annual Report. There may be additional risks unknown to the Fund and other risks, currently believed to be immaterial, which could turn out to be material.

The Corporate Governance section (refer Principle 7) of the Fund's Annual Report contains further information on the Board's approach to risk management.

ENVIRONMENTAL REGULATIONS

EPIFT's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

(1) The Fund Manager, APT (MIT) Services Pty Limited, is a wholly owned entity of APA Group.

ETHANE PIPELINE INCOME FINANCING TRUST

DIRECTORS' REPORT CONTINUED

OTHER INFORMATION

Details of directors and the Company Secretary are on page 16. Further information on directorships, attendance at meetings, securityholdings, remuneration, options granted and indemnification of officers and external auditors are found in the Ethane Pipeline Income Fund directors' report on pages 17 to 19.

SUBSEQUENT EVENTS

Except as disclosed elsewhere in this report, the Directors are unaware of any matter or circumstance occurring since the end of the financial year that has significantly affected or may significantly affect the operations of EPIFT, the results of those operations or the state of affairs of EPIFT in future financial years.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of EPIFT during the financial year.

INFORMATION REQUIRED FOR REGISTERED SCHEMES

Fees paid to the Responsible Entity and its associates (including Directors and secretaries of the Responsible Entity, related bodies corporate and Directors and secretaries of related bodies corporate) out of the Fund's scheme property during the financial year are disclosed in Note 14 to the financial report.

Except as disclosed in this report, neither the Responsible Entity nor any of its associates holds any EPX securities.

The number of EPX securities issued during the financial year, and the number of such securities at the end of the financial year, are disclosed in Note 11 to the financial report.

The value of the Fund's assets as at the end of the financial year is disclosed in the statement of financial position in total assets, and the basis of valuation is included in Note 4 to the financial statements.

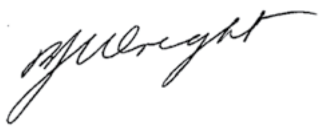
AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 64.

ROUNDING

EPIFT is an entity of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and, in accordance with that Class Order, all financial information presented in Australian dollars has been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to section 298(2) of the Corporations Act 2001.



Robert Wright
Chairman

SYDNEY, 25 August 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 30 June 2014

	Note	2014 $000	2013 $000
Revenue	5	2,081	2,151
Other expenses	6	(22)	(22)
Profit for the year		2,059	2,129
Total comprehensive income for the year			
Profit attributable to:			
Securityholders of EPIFT		2,059	2,129
Total comprehensive income attributable to:			
Securityholders of EPIFT		2,059	2,129
Earnings per security			
Basic and diluted earnings per security (cents)	12	3.0	3.1

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2014

	Note	2014 $000	2013 $000
Current assets			
Cash and cash equivalents	8	592	603
Trade and other receivables	9	–	1
Total current assets		592	604
Non-current assets			
Trade and other receivables	9	25,346	25,346
Total non-current assets		25,346	25,346
Total assets		25,938	25,950
Current liabilities			
Trade and other payables	10	523	535
Total current liabilities		523	535
Total liabilities		523	535
Net assets		25,415	25,415
Equity			
Issued capital	11	36,352	36,352
Accumulated losses		(10,937)	(10,937)
Total equity attributable to securityholders		25,415	25,415

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2014

		Attributable to securityholders		
	Note	Issued Capital $000	Accumulated losses $000	Total Equity $000
Balance at 1 July 2012		38,784	(10,926)	27,858
Total comprehensive income for the year		–	2,129	2,129
Distributions to securityholders of EPIFT	7	(2,432)	(2,140)	(4,572)
Balance at 30 June 2013		36,352	(10,937)	25,415
Total comprehensive income for the year		–	2,059	2,059
Distributions to securityholders of EPIFT	7	–	(2,059)	(2,059)
Balance at 30 June 2014		36,352	(10,937)	25,415

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2014

	Note	2014 $000	2013 $000
Cash flows from operating activities			
Receipts from customers		3	1
Payments to suppliers		(31)	(18)
Interest received		2,082	2,151
Net cash provided by operating activities	8	2,054	2,134
Cash flows from investing activities			
Loans to related parties – repayments received		–	4,751
Net cash provided by investing activities		–	4,751
Cash flows from financing activities			
Distributions paid		(2,065)	(6,928)
Net cash used in financing activities		(2,065)	(6,928)
Net decrease in cash and cash equivalents		(11)	(43)
Cash and cash equivalents at beginning of financial year		603	646
Cash and cash equivalents at end of financial year	8	592	603

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

1. GENERAL INFORMATION

Ethane Pipeline Income Financing Trust ("EPIFT") is a registered managed investment scheme under the Corporations Act 2001 and is domiciled in Australia. EPIFT and Ethane Pipeline Income Trust ("Trust") together form the stapled entity Ethane Pipeline Income Fund ("Fund"), which is traded on the Australian Securities Exchange under the ticker symbol "EPX".

The financial statements represents the results of EPIFT for the financial year ended 30 June 2014.

EPIFT's registered office and its principal place of business are as follows:

Level 19, HSBC Centre
580 George Street
SYDNEY NSW 2000

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Fund, except for AASB 9 Financial Instruments, which becomes mandatory for the Fund's financial statements for the year ended 30 June 2018 and could change the classification and measurement of financial assets. The Fund does not plan to adopt this standard early and the extent of the impact has not been determined.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the the Corporations Act 2001, Australian Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report and notes of EPIFT comply with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"). Ethane Pipeline Income Financing Trust is a for profit entity.

The financial statements were authorised for issue by the Directors on 25 August 2014.

(b) Basis of measurement

The financial statements have been prepared on the basis of historical cost, unless otherwise stated.

(c) Functional and presentation currency

The financial statements are presented in Australian dollars, which is EPIFT's functional currency.

EPIFT is an entity of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

In the application of the Fund's accounting policies, which are described in Note 4, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to EPIFT and the revenue can be reliably measured. Amounts disclosed as revenue are net of duties and taxes paid (i.e. GST).

Interest revenue

Interest revenue is recognised using the effective interest method.

(b) Expenses

Expenses are recognised in the statement of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Amounts disclosed as expenses are net of duties and taxes paid (i.e. GST).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2014

(c) Financial instruments

Classification

Financial assets and financial liabilities comprise the following:

- Cash and cash equivalents;
- Loans and receivables including trade and other receivables; and
- Other financial liabilities, including borrowings and payables.

Recognition

EPIFT recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial assets are recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities designated at fair value through profit or loss are recorded.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or has expired.

Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised on an effective interest basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which are classified as non-current assets.

Other financial liabilities

Other financial liabilities comprising borrowings and payables are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, they are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Other financial liabilities are included in current liabilities, except for amounts that are not due for payment within the next 12 months, which are classified as non-current liabilities.

Derecognition

EPIFT derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with AASB 139.

EPIFT uses the weighted average method to determine realised gains and losses on derecognition of financial assets not at fair value.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or has expired.

Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each balance date to determine whether there is objective evidence of impairment. If any such indication exists, impairment testing is carried out and an impairment loss is recognised in the income statement as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent the carrying amount of the financial asset at the date the impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

(d) Goods and services tax

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax ("GST"), except:

- where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"), it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST, except for accrued revenue and accrued expense at balance dates which exclude GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables. GST receivable or GST payable is only recognised once a tax invoice has been issued or received.

Cash flows are included in the cash flow statement on a gross basis, except for the GST component of cash flows arising from investing and financing activities, which are classified as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Impairment

At the end of each reporting period, EPIFT assesses whether there is any indication that an asset may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

(f) Income tax

Under current legislation EPIFT is not subject to income tax as its taxable income and any taxable gain is fully distributed to securityholders.

EPIFT's distributable income is calculated in accordance with its Constitution and applicable legislation, and is fully distributed to securityholders who are presently entitled to income under the Constitution. Realised capital losses are not distributed to securityholders but are retained in EPIFT to be offset against any future realised capital gains.

(g) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by EPIFT during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(h) Issued capital

Issued capital is comprised of units in EPIFT. Each unit in EPIFT is stapled to a unit in the Trust, which together form the stapled entity Ethane Pipeline Income Fund. These securities are are classified as equity. Incremental costs directly attributable to the issue of securities are recognised as a deduction from equity, net of any tax effects.

(i) Earnings per security

EPIFT presents basic and diluted earnings per security ("EPS") data for its securities. Basic EPS is calculated by dividing the profit or loss attributable to ordinary securityholders of EPIFT by the weighted average number of ordinary securities on issue during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary securityholders and the weighted average number of ordinary securities on issue for the effects of all dilutive potential ordinary securities.

5. REVENUE

An analysis of revenue for the year is as follows:

	Note	2014 $000	2013 $000
Operating revenue			
Interest on loans to related parties	14(b)	2,078	2,142
Finance income			
Interest		3	9
		2,081	2,151

6. OTHER EXPENSES

Profit for the year includes the following expenses:

Professional fees	14	13
Custody fees	7	8
Other	1	1
	22	22

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2014

7. DISTRIBUTIONS

	2014		2013	
	cents per security	Total $000	cents per security	Total $000
First quarterly distribution paid 15 October 2013 (2013: 15 October 2012)				
Profit distribution	0.74	513	0.84	585
Capital distribution	–	–	3.51	2,432
Second quarterly distribution paid 15 January 2013 (2012: 13 January 2012)				
Profit distribution	0.75	520	0.76	524
Third quarterly distribution paid 15 April 2014 (2013: 15 April 2013)				
Profit distribution	0.74	513	0.74	512
	2.23	1,546	5.85	4,053
Accrued amounts				
Final distribution payable 15 July 2014 (2013: 15 July 2013)				
Profit distribution	0.74	513	0.75	519
	0.74	513	0.75	519
Total profit distribution[(1)]	2.97	2,059	3.09	2,140
Total capital distribution	–	–	3.51	2,432
Total distributions	2.97	2,059	6.60	4,572

(1) Profit distributions were 100% unfranked (2013: 100% unfranked).

Distribution information is presented on an accounting classification basis. The Fund's Annual Tax Statement and Annual Tax Return Guide (released in July) provide the classification of distribution components for the purposes of preparation of securityholder income tax returns.

8. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash and cash equivalents

	2014 $000	2013 $000
Bank balances	592	603

EPIFT's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 13.

(b) Reconciliation of cash flows from operating activities

Profit for the year	2,059	2,129
Adjustments for:		
Change in trade and other receivables	1	(1)
Change in trade and other payables	(6)	6
Net cash from operating activities	2,054	2,134

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2014

9. TRADE AND OTHER RECEIVABLES

	Note	2014 $000	2013 $000
Current assets			
Other trade receivables		–	1
		–	1
Non-current assets			
Loans receivable – related parties	14(b)	25,346	25,346
		25,346	25,347

The related party loans accrued interest at the rate of 8.2% (2013: 8.2%) per annum. Interest and principal are payable in arrears on the last business day of each quarter. On 20 November 2012, EPIFT entered into deeds of amendment with the Trust and Gorodok Pty Limited to convert both related party loan amounts to interest only with a final balloon payment due on 30 June 2030.

10. TRADE AND OTHER PAYABLES

Other creditors	10	16
Distributions payable	513	519
	523	535

11. ISSUED CAPITAL

Securities		
69,302,275 securities, fully paid (2013: 69,302,275 securities, fully paid)	36,352	36,352

	Note	No. of securities 000	$000
Movements			
Balance at 1 July 2012		69,302	38,784
Distribution – capital return	7	–	(2,432)
Balance at 30 June 2013		69,302	36,352
Balance at 30 June 2014		69,302	36,352

Ordinary securities participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of securities held.

At the securityholders' meetings each ordinary security is entitled to one vote when a poll is called, otherwise each securityholder has one vote on a show of hands.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to issued capital from 1 July 1998. Therefore, EPIFT does not have a limited amount of authorised capital and issued securities do not have a par value.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2014

12. EARNINGS PER SECURITY

	2014	2013
Basic and diluted earnings per security (cents)	3.0	3.1

The earnings and weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security are as follows:

Profit attributable to securityholders for calculating basic and diluted earnings per security ($000)	2,059	2,129
Adjusted weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security ('000)	69,302	69,302

13. FINANCIAL INSTRUMENTS

(a) Risk management framework

"The Responsible Entity of EPIFT is APA Ethane Limited ("Responsible Entity"). The risk management strategy and policies of EPIFT follow those of the Responsible Entity. Additionally, the Fund Manager's[1] Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of EPIFT.

EPIFT manages its capital structure to ensure that it is able to continue as a going concern while maximising the return to security holders through the optimisation of the debt to equity structure.

EPIFT's overall strategy remains unchanged from 2013.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to EPIFT. EPIFT has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or bank guarantees where appropriate as a means of mitigating any risk of loss.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2014 $000	2013 $000
Cash and cash equivalents	8	592	603
Trade and other receivables	9	25,346	25,347
		25,938	25,950

The carrying amount of financial assets recorded in the financial statements, net of any allowances, represents EPIFT's maximum exposure to credit risk in relation to those assets.

(1) The Fund Manager, APT (MIT) Services Pty Limited, is a wholly owned entity of APA Group.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2014

13. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk

Liquidity risk is the risk that EPIFT will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. EPIFT has a policy dealing with liquidity risk which requires an appropriate liquidity risk management framework for the management of it's short, medium and long-term funding and liquidity management requirements. Liquidity risk is managed by maintaining adequate cash reserves and by monitoring and forecasting cash flow.

Detailed below are EPIFT's remaining contractual maturities for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities taking account of the earliest date on which EPIFT can be required to pay. The table includes both interest and principal cash flows.

	Carrying amount $000	Contractual cashflows $000	6 mths or less $000
30 June 2014			
Financial liabilities			
Trade and other payables	523	523	523
30 June 2013			
Financial liabilities			
Trade and other payables	535	535	535

It is not expected that the cashflows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(d) Interest rate risk

Financial assets earn interest at fixed interest rates with the exception of cash and cash equivalents, which earn variable interest.

Profile

At the reporting date the interest rate profile of EPIFT's interest-bearing financial instruments was:

	2014 $000	2013 $000
Fixed rate instruments		
Financial assets	25,346	25,347
Variable rate instruments		
Financial assets	592	603

Sensitivity Analysis

The sensitivity analysis below has been determined based on EPIFT's exposure to interest rates for cash held on deposit. All other financial assets and liabilities are at fixed interest rates and not accounted for at fair value through profit or loss. At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, EPIFT's equity and net profit would increase by $2,000 or decrease by $2,000 (2013: increase by $5,000 or decrease by $5,000).

Fair values versus carrying amounts

The fair values of EPIFT's financial assets and liabilities as at the reporting date approximate their carrying values.

14. RELATED PARTIES

(a) Transactions with key management personnel

Details of key management personnel

EPIFT does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage its activities. The Directors of the Responsible Entity are the key management personnel of that entity as listed below:

- Robert Wright (Chairman)
- Rick Coles (Independent Director)
- Nancy Fox (Independent Director)

Key management personnel compensation

	2014 $	2013 $
Short-term employee benefits	182,500	175,000
Post-employment benefits	16,881	15,750
	199,381	190,750

The remuneration costs are reimbursed to APA Ethane Limited by the Trust and as such is represented in the Trust's financial statements.

The Responsible Entity does not provide any non-cash benefits to key management personnel.

Key management personnel unit holdings

	Fully paid securities as at 30 June 2013	Securities acquired during the financial year	Securities disposed of during the financial year	Fully paid securities as at 30 June 2014
Directors:				
Robert Wright	50,000	–	–	50,000
Rick Coles	50,000	–	–	50,000
Nancy Fox	50,000	–	–	50,000

Loans to key management personnel

No loans have been made to key management personnel.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2014

14. RELATED PARTIES (CONTINUED)

(b) Other related party transactions

Significant transactions with related parties are set out below:

	2014 $	2013 $
Non-current loans and receivables:		
Ethane Pipeline Income Trust	14,374,900	14,374,900
Gorodok Pty Limited	10,971,071	10,971,071
	25,345,971	25,345,971
	25,345,971	25,345,971

Significant transactions with related parties are set out below:

Interest income:		
Ethane Pipeline Income Trust	1,178,742	1,210,017
Gorodok Pty Limited	899,628	931,769
	2,078,370	2,141,786

Loans with both related parties are priced at an arm's length basis, with scheduled repayments. On 20 November 2012, EPIFT entered into deeds of amendment with the Trust and Gorodok Pty Limited to convert both loan amounts to interest only with a final balloon payment due on 30 June 2030. None of the balances are secured.

15. SUBSEQUENT EVENTS

Except as disclosed elsewhere in this report, the Directors are unaware of any matter or circumstance occurring since the end of the financial year that has significantly affected or may significantly affect the operations of EPIFT, the results of those operations or the state of affairs of EPIFT in future financial years.

16. AUDITORS' REMUNERATION

Amounts received or due and receivable by KPMG for:		
Auditing the financial report	13,500	13,000

17. OPERATING SEGMENTS

The main business segment of EPIFT is the advancement of loans to related parties. EPIFT operates in New South Wales, Australia only.

18. CAPITAL OR OTHER COMMITMENTS

During or since the end of the financial year EPIFT has not committed to any capital or other commitments.

19. CONTINGENCIES

During or since the end of the financial year EPIFT has not had any contingent liabilities or assets.

DECLARATION BY THE DIRECTORS

of APA Ethane Limited for the financial year ended 30 June 2014

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that Ethane Pipeline Income Financing Trust will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of Ethane Pipeline Income Financing Trust;

(c) in the Director's opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and

(d) the Directors have been given the declarations by the Fund Manager and Chief Financial Officer required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors.

Robert Wright
Chairman

Nancy Fox
Independent Director

SYDNEY, 25 August 2014

AUDITOR'S INDEPENDENCE DECLARATION

for the financial year ended 30 June 2014

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of APA Ethane Limited, the Responsible Entity of Ethane Pipeline Income Financing Trust

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit

KPMG

KPMG

Anthony Jones
Partner

Sydney

25 August 2014

INDEPENDENT AUDITOR'S REPORT

for the financial year ended 30 June 2014

Independent auditor's report to the members of Ethane Pipeline Income Financing Trust

Report on the financial report

We have audited the accompanying financial report of Ethane Pipeline Income Financing Trust (the Trust), which comprises the statement of financial position as at 30 June 2014, and statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 19 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the APA Ethane Limited (the Responsible Entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 3, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Trust's financial position and of its performance.

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

INDEPENDENT AUDITOR'S REPORT CONTINUED

for the financial year ended 30 June 2014

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Ethane Pipeline Income Financing Trust is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Trust's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 3.

KPMG

Anthony Jones
Partner

Sydney

25 August 2014

ADDITIONAL INFORMATION

Additional information required by the Listing Rules of Australian Securities Exchange Limited and not provided elsewhere in this report (the information is applicable as at 29 August 2014).

TWENTY LARGEST HOLDERS

	No. of Securities	%
Australian Pipeline Limited	4,213,049	6.08
Australian Executor Trustees Ltd	1,209,924	1.75
Mr Andrew Bruce + Mrs Wendy Bruce	1,201,898	1.73
Citicorp Nominees Pty Limited	1,103,744	1.59
HSBC Custody Nominees (Australia) Limited	951,536	1.37
Washington H Soul Pattinson & Co Ltd	600,000	0.87
SCA FT Pty Ltd	554,678	0.80
ABN AMRO Clearing Sydney Nominees Pty Ltd	516,347	0.75
Cooks Superannuation Fund Pty Ltd	452,390	0.65
Mr Andrew Bruce + Mrs Wendy Bruce	450,000	0.65
Mr George Raymond Filewood + Mrs Pauline Rowena Filewood	390,951	0.56
Custodial Services Limited	350,000	0.51
UBS Wealth Management Australia Nominees Pty Ltd	328,000	0.47
Mrs Robyn Killin Mcauliffe + Mr Robert Killin Mcauliffe	325,000	0.47
Donetta Pty Limited	305,000	0.44
Depeto Pty Limited	300,000	0.43
Navigotor Australia Ltd	296,698	0.43
Mr John William Carstairs	248,880	0.36
Brispot Nominees Pty Ltd	235,772	0.34
Mr Stanley John Evans + Mrs Beverley Joy Evans	220,000	0.32
Total for top 20	**14,253,867**	**20.57**

DISTRIBUTION OF HOLDERS

Ranges	No. of Holders	%	No. of Securities	%
1 – 1,000	359	7.55	219,773	0.32
1,001 – 5,000	1,683	35.39	5,382,330	7.77
5,001 – 10,000	1,228	25.83	9,115,578	13.15
10,001 – 100,000	1,425	29.97	34,874,997	50.32
100,001 and over	60	1.26	19,709,597	28.44
Total	**4,755**	**100.00**	**69,302,275**	**100.00**

111 holders hold less than a marketable parcel of securities (market value less than $500, or 424 securities based on a market price on 29 August 2014 of $1.18)

ADDITIONAL INFORMATION CONTINUED

SUBSTANTIAL HOLDERS

By notice dated 8 April 2008, Australian Pipeline Limited advised that it had an interest in 4,213,049 ordinary securities.

VOTING RIGHTS

On a show of hands, each member of a registered scheme has one vote.

On a poll, each member of the scheme has one vote for each dollar of the value of the total interests they have in the scheme.

RESPONSIBLE ENTITY AND REGISTERED OFFICE

APA Ethane Limited ACN 132 157 290

HSBC Building
Level 19,
580 George Street
Sydney NSW 2000

PO Box R41,
Royal Exchange NSW 1225

Telephone: +61 2 9693 0000
Facsimile: +61 2 9693 0093

www.ethanepipeline.com.au

EPX GROUP REGISTRY

Link Market Services Limited

Level 12,
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Sydney NSW 2000

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Sydney South NSW 1235 Australia

Telephone: +61 1300 780 445
Facsimile: +61 2 9287 0303

www.linkmarketservices.com.au

ON-MARKET BUY-BACK

There is no current on-market buy-back.

DISCLAIMER

#RM-14126

Ethane Pipeline Income Fund

Ethane Pipeline Income Trust ASRN 118 961 167 AFSL 327 999
Ethane Pipeline Income Financing Trust ASRN 118 961 023
APA Ethane Limited ACN 132 157 290

All Registry communications to:
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
Telephone: +61 1300 780 445
Facsimile: +61 2 9287 0303
ASX Code: EPX
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

26 September 2014

Dear Investor

2014 Annual Report and Investor Information Session

The Ethane Pipeline Income Fund ("Fund") annual report for 2014 is now available on the website www.ethanepipeline.com.au. The enclosed letter from the Chairman outlines the Fund's performance and operations for the year.

On behalf of APA Ethane Limited, the responsible entity of the Fund, I am pleased to invite you to attend an information session. The purpose of the meeting is to give you an opportunity to meet the board and the Fund Manager and ask questions about the Fund. The meeting details are as follows:

Date: 20 November 2014 at 11.30am.
Location: The offices of APA Group, Level 19, 580 George Street, Sydney.
No reply necessary.

At the meeting, the Chairman will provide a brief report on results and activities of the Fund and answer questions from securityholders.

Securityholders are encouraged to submit questions by 13 November 2014 via email to registrars@linkmarketservices.com.au. We will endeavour to address as many of the frequently raised topics as reasonably possible at the meeting. For those unable to attend, the presentation will be published on the website www.ethanepipeline.com.au. Please note that individual responses will not be sent to securityholders.

Thank you for supporting the Ethane Pipeline Income Fund.

Yours sincerely

Mark Knapman
Company Secretary
APA Ethane Limited

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Ethane Pipeline Income Fund

Ethane Pipeline Income Trust
ARSN 118 961 167

Ethane Pipeline Income Financing Trust
ARSN 118 961 023

APA Ethane Limited
ACN 132 157 290

Level 19, HSBC Building
580 George Street
Sydney NSW 2000

Phone: 02 9693 0000
Fax: 02 9693 0093
www.ethanepipeline.com.au

Dear Investor

On behalf of the board of APA Ethane Limited, the responsible entity of the Ethane Pipeline Income Fund (**Fund**), I am pleased to report on the Fund's performance for the year to 30 June 2014.

Overview

The Fund owns the Moomba to Sydney Ethane Pipeline that supplies ethane from the Cooper Basin production facility at Moomba, South Australia (**Moomba Facility**) to the ethylene plant at Botany (**Botany Plant**) owned by the Fund's sole customer Qenos Pty Limited (**Qenos**). The pipeline was purpose-built to transport ethane gas from the Cooper Basin gas fields to Qenos, and was later sold with the current, long term Product Transportation Agreement (**PTA**), agreed with Qenos in 2000, in place.

The Fund's only significant source of revenue is from transporting ethane through the pipeline pursuant to the PTA, which continues until 2030, but may be terminated earlier by Qenos giving at least 12 months' notice. Under the terms of the PTA, Qenos is required to advise the Fund of forecast ethane quantities on an annual basis.

The basis of calculating revenue under the PTA changed from 1 October 2013 to a greater proportion of revenue being dependent on the volume of ethane transported on the pipeline.

The Fund is not a party to Qenos' ethane supply arrangements, the terms and conditions of which are confidential and negotiated between Qenos and the Cooper Basin producers. The Fund is also not privy to the current ethane supply position of the Moomba Facility.

Factors that could cause a reduction in ethane throughput on the pipeline, and therefore a reduction in revenue, include constraints on the availability of ethane and lack of an agreement between the Cooper Basin producers and Qenos for further supply of ethane for transport through the pipeline. If Qenos terminates the PTA, for which it must give at least 12 months' notice, the Fund will consider alternate uses of the pipeline, the most likely use being natural gas storage.

Financial performance

The Fund's consolidated net profit after tax for the year is $5.1 million, down $2.8 million on the prior period, primarily due to reduced revenue as a result of lower volumes of ethane transported during the year and the change in the basis of calculating revenue under the PTA from 1 October 2013 referred to above.

The Fund continues the practice of quarantining funds required for major operating and capital expenditure projects scheduled to occur within the next three to five years. These projects include the Fund's share of mine subsidence work and magnetic flux leakage pigging on the pipeline scheduled to occur during FY2017.

Operations

Activity continues to focus on maintaining the long-term operational integrity of the pipeline. Operating and maintenance costs during the year remained consistent with the prior period. In the current year, FY2015, the Fund expects to incur non-routine costs for mine subsidence mitigation works along the pipeline.

The ethane pipeline continued to deliver ethane without any major operating, environmental or occupational health and safety incidents during the year.

Distributions

Distributions for the year totalled 12.66 cents per stapled security, a yield of 11.72% based on the price as at 30 June 2014 ($1.08).

The Fund will continue paying distributions from available net cash flows, which are determined after meeting all costs of the Fund.

Outlook

Qenos has advised that it has not finalised ethane supplies for the period beyond 31 December 2014 and that it remains in discussions with its ethane suppliers. Until Qenos has reached an agreement with those suppliers and gives the Fund a forecast of the ethane to be transported on the pipeline after that date, the Fund is not in a position to provide guidance beyond 31 December 2014. Qenos has indicated that it will advise the Fund on further relevant forecast volume information, as and when it becomes available.

Barring unforeseen circumstances, and based on the current forecast volumes from Qenos, quarterly cash distributions for the September 2014 and December 2014 quarters are forecast to be between 3.0 to 3.5 cents per security, or 4.0 to 4.5 cents per security inclusive of franking credits.

The Directors of the responsible entity of the Fund will keep you informed on any developments and thank you for your continued support.

Robert Wright

Chairman, APA Ethane Limited