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DUET Investment Holdings Limited
ABN 22 120 456 573

27 September 2012

Dear Securityholder

DUET Group (DUET) 2012 annual report

I am pleased to enclose with this letter DUET's annual report for the year ended 30 June 2012.

The annual report provides details of our activities during the year, an update on our operating companies, and DUET's concise financial report.

DUET's full financial reports and other investor reports can be accessed online at www.duet.net.au.

Your security holder communications – elect for electronic delivery

We encourage you to elect to receive DUET's annual report and all other communications from DUET electronically. To do so please visit www.investorcentre.com/au.

Once you have logged in (or registered if this will be your first visit to the site), please go to 'Update my details' and select 'Communication options'. You will then be able to elect to receive electronic communications, including electronic delivery of DUET's reports, which will benefit the environment and reduce costs to DUET's securityholders.

We hope that you find the enclosed annual report informative.

Thank you for your continuing support of DUET.

A handwritten signature in black ink, appearing to read 'D Bartholomew'.

David Bartholomew
Chief Executive Officer
DUET Group

None of the entities noted in this document is an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia) and their obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL) or AMP Bank Limited ABN 15 081 596 009 (AMP Bank). AMP Capital Holdings Limited (ABN 69 078 651 966) has arranged for an external bank limited \$2.5 million guarantee which together with an MBL limited \$2.5 million guarantee are provided to the Australian Securities and Investments Commission in respect of Corporations Act obligations of each of AMPCI Macquarie Infrastructure Management No. 1 Limited and AMPCI Macquarie Infrastructure Management No. 2 Limited as responsible entities of managed investment schemes. MBL and AMP Bank and their related corporations do not otherwise guarantee or provide assurance in respect of the obligations of AMPCI Macquarie Infrastructure Management No. 1 Limited or AMPCI Macquarie Infrastructure Management No. 2 Limited or any other entity noted in this document.

ANNUAL REPORT 2012



- 01 KEY FACTS
- 02 DUET PORTFOLIO
- 04 ABOUT DUET
- 05 HIGHLIGHTS
- 06 CHAIRMAN'S LETTER
- 07 CEO'S REPORT
- 08 DAMPIER BUNBURY PIPELINE
- 10 UNITED ENERGY
- 12 MULTINET GAS
- 14 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY MANAGEMENT
- 16 CORPORATE GOVERNANCE STATEMENT
- 29 CONCISE FINANCIAL REPORT
- 61 REMUNERATION REPORT
- 64 STAPLED SECURITYHOLDER INFORMATION
- 65 DIRECTORS' PROFILES
- 69 CORPORATE DIRECTORY

NUMBER OF SECURITYHOLDERS

17,780

TOTAL ASSETS (100% CONSOLIDATED BASIS)

\$8.12 BILLION

AVERAGE MARKET CAPITALISATION OVER FY2012

\$1.8 BILLION

LISTED ON THE ASX

08.2004

DUET's objective is to provide stable and predictable distributions for securityholders and fund these distributions from operating cash flows

DUET derives a large proportion of its revenue from regulated businesses that produce stable, predictable cash flows

DUET stapled securities comprise one unit in each of DUET1, DUET2 and DUET3, and one share in DIHL

DUET IS AN OWNER OF AUSTRALIAN REGULATED ENERGY UTILITY INFRASTRUCTURE BUSINESSES AND IS LISTED ON THE AUSTRALIAN SECURITIES EXCHANGE

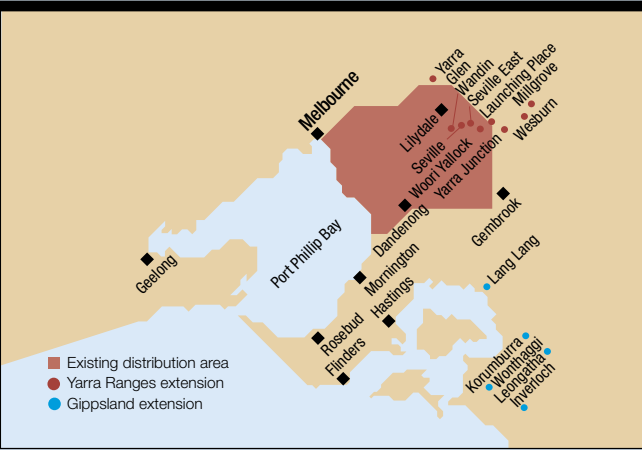
KEY FACTS



Dampier Bunbury Pipeline



United Energy Distribution

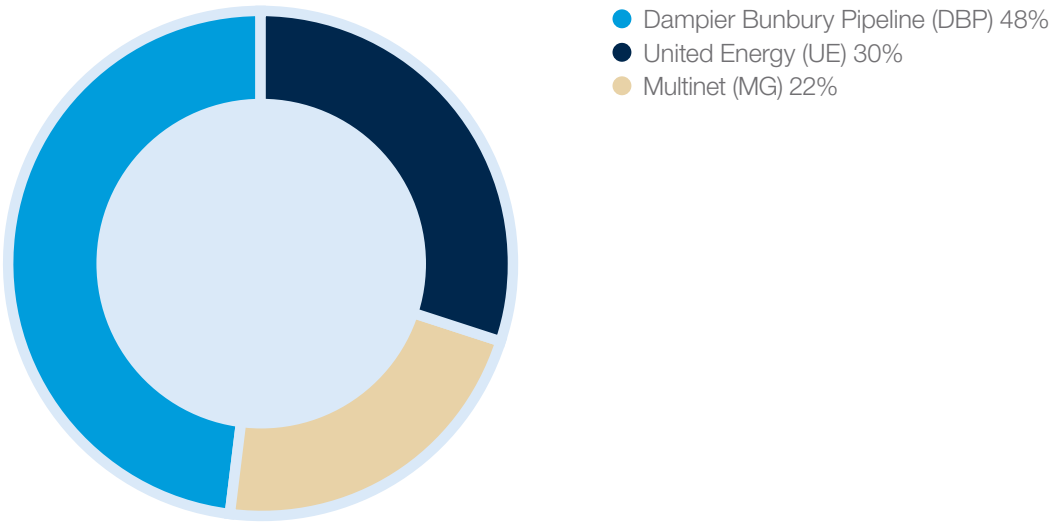


Multinet Group Holdings

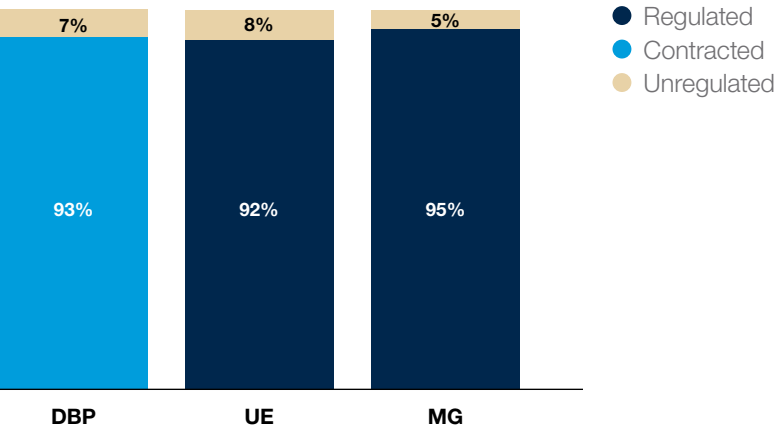
DIVERSIFIED ACROSS ENERGY SOURCE
AND GEOGRAPHIC REGION

DUET
PORTFOLIO

BUSINESS MIX BASED ON EBITDA AT 30 JUNE 2012¹



REGULATED AND CONTRACTED PROPORTION OF TOTAL REVENUE (FY2012, %)



A STRONGER AND SIMPLER INVESTMENT PROPOSITION

ABOUT DUET

¹ % Proportionate EBITDA – 12 months to 30 June 2012, excluding divested interests in WA Gas Networks and Duquesne Light.

2011			
JULY	DUET acquired additional interests in DBP (20%) and Multinet (20.1%), and sold its 25.9% interest in WAGN. United Energy commenced its new operating model with in-sourced management and corporate functions. Multinet Gas raised \$120 million in bank debt to refinance existing maturities and fund I.T. growth capex.	AUGUST	DUET raised \$277 million through a 1 for 5 non-renounceable pro rata entitlement offer. DUET repaid all its corporate level debt and all subordinated debt (SOLA) in its businesses. DUET, together with the minority shareholder, committed \$200 million in equity to degear DBP.
NOVEMBER	Multinet Gas raised \$420 million in bank debt to refinance existing maturities.	DECEMBER	DUET confirmed interim distribution for six months to 31 December 2011 of 8.0 cents per stapled security. DBP raised \$235 million in bank debt to refinance 2012 maturities.
MARCH	Multinet Gas lodged its regulatory submission for the period 2013 to 2017 with the Australian Energy Regulator.	APRIL	United Energy raised \$200 million of medium term notes to refinance existing maturities and for general corporate purposes.
		MAY	Multinet Gas appointed Comdain as preferred contractor in its southern region service territory under its new operating model.
		JUNE	DUET confirmed final distribution for the six months to 30 June 2012 of 8.0 cents per stapled security.



2012

JANUARY

Tenix successfully transitioned onto United Energy's southern region network as field contractor. United Energy was successful in its 2011–2015 Electricity Distribution Price Review.

HIGHLIGHTS

On behalf of the DUET boards, I am pleased to present the DUET annual report for the financial year to 30 June 2012.

During the year DUET continued its transformation from a geared sector-based investment fund, to an operationally focused business with active engagement in the businesses in which it invests.

As a result of major strategic and capital initiatives, DUET is simpler, stronger and has been significantly degeared. Today, the Group owns, in aggregate, majority stakes in three Australian energy utility companies with strong prospects.

Over the past 12 months DUET increased its equity interests in the gas utility businesses Dampier to Bunbury Pipeline (DBP) and Multinet Gas, as well as divesting two minority interests. The Group also raised \$277 million of new equity through a 1 for 5 non-renounceable entitlement offer.

The net proceeds of these transactions were used to degear the Group. DUET repaid its holding company debt facility, eliminated all subordinated debt and materially degeared DBP.

The market responded very favourably to these initiatives. Over the year, DUET delivered a total securityholder return of 17.6% and outperformed its benchmark index by 13.7%. This resulted in a performance fee of \$16.2 million (exclusive of GST) for the six months to 30 June 2012 being paid to the responsible entities of DUET, each of which are owned 50:50 by AMP Capital and Macquarie.

Independent Directors’ Agree Internalisation Proposal

During the periodic review of management arrangements in March, the independent directors, aware of the growing market preference for internally managed entities, identified an opportunity to reform DUET’s governance structure, while delivering an economic benefit to securityholders.

It was against the backdrop of DUET’s successful transformation, the prospect of material increases in management fees, and a greater likelihood of further performance fees, that the independent directors of the DUET Group sought an internalisation proposal from AMP Capital and Macquarie. The independent directors appointed specialist advisors and entered detailed negotiations.

On 31 July 2012 DUET’s independent directors announced that agreement had been reached to internalise the management of DUET (the Proposal), subject to the approval of securityholders and an independent expert’s report indicating that the Proposal was fair and reasonable and in the best interests of securityholders.

The independent directors believe that internalisation of management is the next important step in the evolution of DUET. Importantly, it will enhance DUET’s corporate governance framework and bring it in line with best practice. It is also expected to create value for securityholders, by delivering significant tangible benefits and providing greater certainty over future distributions.

Under the Proposal all the independent directors will remain as directors of DUET, subject to nomination and re-election by securityholders on a rotational basis. In addition, DUET’s management team, with its strong corporate knowledge and financial markets skills, will transition to the new DUET.

Securityholders will receive an Explanatory Memorandum, which sets out all aspects of the Proposal in detail and contains a copy of the independent expert’s report.

The independent directors unanimously recommend that you vote in favour of the Proposal, in the absence of a superior alternative, at the Extraordinary General Meeting in November 2012.

DUET FY2012 Financial Performance

DUET’s statutory result for FY2012 was \$44 million, down 77% on the prior corresponding period primarily due to \$112 million of DBP tax losses booked to the income statement in the prior corresponding period.

Proportionate revenue was up 6.4% and EBITDA was up 0.9%.

Proportionate earnings of 18.7 cents per stapled security were down 9.2%, affected by one-off transition costs, the recent performance fee and provisions booked in the year to 30 June 2012.

FY2012 Distribution and FY2013 Distribution Guidance

DUET achieved its FY2012 distribution guidance of 16 cents per stapled security, which was fully covered by operating cash flows from the business.

DUET has provided distribution guidance for FY2013 of 16.5 cents per stapled security, consistent with the Boards’ targeted 3% annual growth in distributions.

Both the distribution guidance and growth target are expected to continue to be covered by DUET’s operating cash flows, underpinned by the CPI-linked revenue streams of our businesses.

Outlook

With the Proposal to internalise management, DUET is at another exciting stage of its development. DUET is well positioned for future success as it focuses on delivering the best performance from its regulated operating businesses.

The Boards and management have clear business initiatives to be implemented over the next 12 months and we believe we are on track to meet DUET’s distribution growth targets. Thank you for your continued support of DUET.

John Roberts
Chairman

DUET Group

CHAIRMAN’S
LETTER

It has been an important 12 months in the evolution of the DUET Group. Along with the significant initiatives undertaken to simplify and strengthen DUET, we have also focused on bringing operational control in-house at each of our businesses. This has allowed our businesses to optimise their operating and capital expenditure, improve efficiency and network performance, while continuing to enhance customer service.

In the year to 30 June 2012 the underlying operational performance of the businesses was strong. The Group’s revenues remain stable and predictable with over 90% either regulated or contracted. The high underlying EBITDA margin of each of the businesses further enhances overall earnings certainty.

In addition, the Group continued to access global capital markets, successfully refinancing \$1.4 billion of term debt during the period. This reflects the stable investment grade credit ratings and cash flow stability of each of our businesses.

Outlined below are the highlights achieved at each of our businesses throughout the year.

Dampier to Bunbury Pipeline

Dampier to Bunbury Pipeline (DBP) is now a stand-alone gas transmission utility, with 205 staff. As a result of internalising its operations, DBP implemented changes to the pipeline’s operating configuration to reduce fuel gas and maintenance costs. It also established staff retention policies that have been effective in mitigating the ongoing wage pressure experienced in WA.

Revenue at DBP was up 6% as the full uplift from the stage 5B expansion was incorporated into the DBP tariff. EBITDA was up 2% and EBITDA margins remained around 80%.

United Energy

At United Energy, key value-adding functions such as engineering, network planning, regulation, treasury, finance and corporate functions have been brought in-house. United Energy is now focused on bringing in-house additional functions such as customer management and the call centre and network control centre over the coming two years.

United Energy has appointed two field services operators. It is pleasing to report that the hand-over of operations to Tenix in the southern region has been completed successfully. Competitive tendering for large-scale capital expenditure initiatives between the two service providers has already driven capital expenditure efficiencies. It will also provide an opportunity for United Energy to respond effectively to regulatory incentives.

United Energy’s revenues were up 9%, benefiting from a CPI-linked uplift in tariffs and increased volumes. The smart meter program also made a material contribution with approximately 40% of United Energy’s meters now installed.

CEO’S
REPORT

Multinet Gas

Over the period Multinet Gas focused on bringing key corporate services and key asset management functions in-house, with much of that work now complete. Similar to United Energy, Multinet will appoint two field services operators on its network and in doing so provide a framework for delivering capital expenditure efficiencies.

Multinet’s revenues were flat over the period, despite volumes being almost 7.5% lower than in FY2011. This positive outcome is a result of the tariff structure in place at Multinet.

Multinet Gas has submitted its regulatory proposal for 2013–2017. We are awaiting a final decision in March next year with tariff changes expected to apply from July 2013.

Outlook

We have an active business and capital management program in place for the next 12 months. Successful delivery of that program will ensure we stay on track to achieve our distribution growth target.

At United Energy we will continue to execute the extensive capital expenditure program to renew and upgrade the network and roll out smart meters to every customer. Multinet Gas is focused on bringing operations in-house efficiently and effectively and on achieving a successful outcome for the 2013 regulatory reset process.

We have already started detailed work on the 2013 and 2014 debt refinancing plans for each of our businesses with a view to completing them well ahead of the maturity dates and we continue to analyse and anticipate the requirements for DBP’s stage 6 expansion.

In addition, in support of the independent directors of DUET, we are working on all aspects of the internalisation Proposal and planning for an orderly transition to independence.

We are very enthusiastic about the future for DUET and its businesses and look forward to continuing to deliver reliable and growing distributions to our securityholders.

David Bartholomew
Chief Executive Officer

DUET Group

DAMPIER BUNBURY PIPELINE

SNAPSHOT

Interest ¹	82%
Contribution to DUET proportionate EBITDA	48%
Revenue (\$ million)	457
EBITDA (\$ million)	366
Regulatory reset date	January 2016



Business Description
The Dampier to Bunbury Natural Gas Pipeline (DBNGP) is Western Australia’s principal gas transmission pipeline. It is the only pipeline connecting the natural gas reserves of the Carnarvon and Browse basins on Western Australia’s North West Shelf with industrial, commercial and residential customers in Perth and the surrounding regions. Natural gas supplies approximately 50% of total primary energy consumption in Western Australia.

The group of companies that owns and operates the DBNGP trades under the name of DBP Transmission (DBP). As at 30 June 2012 DUET held, in aggregate, an 81.9%¹ economic interest and an 80% voting interest in DBP.

Key Investment Attributes
Revenue Streams
Almost all of DBP’s revenue is derived from contracted gas transportation tariffs, charged to wholesale customers for shipping gas along the pipeline. DBP has entered into standard long-term contracts with the major shippers using the pipeline – other than Alcoa. Under these contracts, more than 80% of the tariff is paid on a capacity reservation (take-or-pay) basis, with the remaining 20% depending on the shipper’s actual throughput.

Alcoa, as the foundation shipper, has an evergreen contract with terms and conditions (including tariff arrangements) that differ from those of other shippers.

Competitive Position
DBP has long-term contracts in place until at least 2019 with all of the shippers on the pipeline, ensuring stable and predictable revenues.

The DBNGP is essential infrastructure with no direct competition from other pipelines or any material risk of bypass by other pipelines and substantial barriers to entry for a competing pipeline to be built. It has an expected remaining useful operating life of over 50 years and a strong track record of 28 years of reliable operation.

Development and Growth Potential
Gas reserves off the coast of North West Western Australia are estimated to be over 140,000 PJ, including proven and probable gas reserves of 67,000 PJ. This is approximately 64% of Australia’s proven and probable gas reserves. The \$675 million stage 5B expansion, finalised in 2011, increased the firm full haul pipeline capacity by around 110TJ/day to a total of 845TJ/day of firm full haul capacity.

Further expansions of the pipeline will be considered as economic growth in the south-west of the state drives demand from gas-fired electricity generators and industrial customers. DBP will only invest in expansion projects on the basis of firm, long-term contractual commitments by customers.

Key Developments
Pipeline Operations
During the year DBP undertook a review of the operation of the gas compression used on the pipeline to deliver the best possible outcomes to minimise fuel gas usage and operating expenditure as pipeline throughput experienced its usual seasonal fluctuations. The work resulted in more efficient utilisation of equipment, lower fuel costs and lower maintenance costs.

Pigging
DBP undertook an intelligent pigging program to clean and inspect the interior of the pipeline, to give confidence as to its long-term safety and integrity. Phase one of the program was successfully completed in February 2012 and results have confirmed the pipeline remains in very good condition.

Phase two of the program commenced in February following extensive review and planning for the pigging of all pigable laterals that feed gas directly to customers.

Throughput
The pipeline achieved record full haul throughput of 793TJ in a day and on three consecutive dates in January 2012, delivered over 1,000TJ/day out of the system (including part haul and full haul deliveries). This was a record for the 28 years since the pipeline has been in operation. Total deliveries for the year were the highest ever recorded.

Labour Market
Growth in the oil and gas sector in Western Australia has resulted in an increasingly competitive labour market, with skills shortages in specialised areas and rising salary expectations. In response to this environment, DBP has instituted various medium-term retention policies to secure key existing personnel and to attract high calibre employees.

Regulation
DBP has long-term gas transportation contracts in place until at least 2019 with all of the major full haul gas shippers on the pipeline. However, it is still a requirement under the Western Australian gas regulatory regime that proposed Access Arrangement revisions are lodged with the Economic Regulatory Authority (ERA) for its approval at least every five years.

DBP appealed a number of aspects of the ERA’s final decision, made in December 2011, for the 2011–2015 regulatory period. The Australian Competition Tribunal handed down its determination and DBP was successful in relation to the calculation of the debt risk premium and certain capital expenditure allowances. It was unsuccessful in its submissions regarding the appropriate CPI measure and the basis for the estimation of the weighted average cost of capital. This regulatory decision will have no current commercial impact as DBP has contracted with its shippers outside the regulated tariff framework until 31 December 2015. The regulated tariff that will apply from 1 January 2016 will be subject to a further regulatory decision in 2015.

Carbon Tax Liability
DBP expects to be able to recover the increased costs, as a result of the introduction of the carbon pricing scheme, under its shipper contracts. When DBP’s standard shipper contract tariff reverts to a regulated tariff in 2016, DBP will be able to recover carbon-related expenses through the regulated revenue allowance.

Operational Overview

	Year to 30 June 2012	Year to 30 June 2011
Throughput (PJs)		
Full haul	239	233
Part haul	41	37
Back haul	39	39
Total	319	309
Occupational health and safety		
Lost time injuries	1	3
Environmental		
Scope 1 CO ₂ e emissions		264,234 t

	One month to 30 June 2012	One month to 30 June 2011
Contracted capacity (average TJ/day)		
Full haul	850	835
Part haul	278	214
Back haul	121	147
Total	1,249	1,196

FY2012 Financial Performance Summary

\$ million	Year to 30 June 2012	Year to 30 June 2011
Transmission revenue	425	405
Total revenue	457	431
EBITDA	366	360
Regulated Asset Base	3,579.5	3,643.4

Credit Ratings

Rating levels as at period end were:

S&P	BBB– (stable outlook)
Moody’s	Baa3 (stable outlook)

¹ DUET’s equity interest and related rights to distributions in DBP is expected to progressively reduce to 80% as the minority shareholder meets future equity calls.

UNITED
ENERGY

SNAPSHOT

Interest	66%
Contribution to DUET proportionate EBITDA	30%
Revenue (\$ million)	441
EBITDA (\$ million)	276
Regulatory reset date	January 2016



Business Description
United Energy’s electricity distribution network covers 1,472km² of south-east Melbourne and the Mornington Peninsula.

The distribution network transports electricity from the high voltage transmission network to residential, commercial and industrial electricity users.

United Energy’s distribution area is largely urban and, although geographically small (about 1% of Victoria’s land), serves around 25% of Victoria’s population.

As at 30 June 2012 DUET held, in aggregate, a 66% interest in United Energy.

Key Investment Attributes
Revenue Streams
United Energy’s distribution business generates predictable, regulated revenues. Approximately 92% of its total revenue comes from network tariffs. The tariffs are levied on electricity retailers, who pass these costs on to their customers. Growth in network tariff revenue is driven by volume growth and regulated network tariff charges. Other revenue comes from services that United Energy provides to its customers, such as relocating assets at the request of customers, extending existing distribution networks, providing public lighting to local council areas, and access charges for the use of United Energy assets by third parties, including telecommunication companies.

The regulatory price determinations, which regulate the majority of these revenues, apply for periods of five years.

Diverse Customer Base
Energy consumption in United Energy’s distribution area is relatively evenly spread across residential, commercial and industrial users, making United Energy less vulnerable to variations in energy use in any one of these markets.

Operating Initiatives
Regulation
In October 2010, the Australian Energy Regulator (AER) released its final decision for United Energy’s current regulatory period 2011–2015.

The regulator-approved annual tariff increases for the remaining three years of the current period are:

- 2013 CPI + 2%
- 2014 CPI + 6%
- 2015 CPI + 6%

In addition, in February 2012, United Energy successfully appealed several aspects of the AER’s final decision. As a result, United Energy will be entitled to around \$50 million in additional revenue to be allocated over the 2013–2015 period.

Allowed gross capital expenditure is approximately 70% higher than the allowance for the 2006–2010 regulatory period and will result in United Energy’s Regulated Asset Base (RAB) growing at a compound average annual growth rate of 6%.

The next regulatory reset date for United Energy is 1 January 2016.

Smart Metering
– Advanced Meter Infrastructure (AMI) Program
United Energy continues to roll out smart meters to most of the approximately 640,000 customers on its network. The vast majority of the IT and communications infrastructure has been successfully deployed with the meters being capable of capturing and transmitting half-hourly data.

The AMI Program involves replacing old-style meters with new smart meters and significantly enhancing United Energy’s information systems to process the increased amount of data.

These smart meters can be read remotely and allow electricity usage to be recorded in 30-minute intervals. Benefits include the introduction of innovative, more flexible tariff structures to reduce peak power consumption and costs and, potentially, to provide customers with pricing information to enable them to respond to pricing signals and reduce their overall cost of electricity.

Other benefits of smart meters can include rapid detection of outages, enhanced monitoring of quality of supply, detection of meter tampering, remote connection of electricity services, provision of information on network loads and more suitable electricity pricing plans and a point-in-time display of greenhouse gas emissions. Ultimately, smart meters will become a critical piece of infrastructure supporting United Energy’s ‘smart network’, providing automated outage detection and management, supporting home and embedded electricity generation from solar, wind and energy storage devices.

As at 30 June 2012 United Energy had installed approximately 257,970 meters, 40% of its meter base.

Customer Portal
United Energy has rolled out its new secure internet portal called ‘Easy Energy’. The secure web-based portal allows customers to track daily, weekly and seasonal consumption. Photovoltaic connected customers are able to view their savings and the system also provides the necessary information to support consumers in making decisions regarding their consumption and retailer offerings. The portal is accessible via either PC or Smartphone.

Transition of Operating and Corporate Functions
As at 1 July 2011 the previous large scale outsourced contract came to an end.

United Energy has now transitioned to a new operating model, bringing critical business management and corporate service functions in-house, and splitting the distribution area into two regions with separate field services contractors.

The transition is providing United Energy with greater control and transparency over its operations. It is already showing benefits with improved customer service, network performance and the ability to optimise operating and capital expenditures.

Network operating and field maintenance functions remain outsourced, and contracts were placed with two service providers for provision of services for five year periods commencing in January 2012. The new outsourcing arrangements include incentive and penalty arrangements under which the service providers have incentives to continually improve their efficiency and network performance. The control room functions are expected to be brought in-house by mid 2014.

Distribution System Augmentation
To address the growth in peak demand in the region, United Energy has embarked on a major program to enhance the capacity and reliability of its distribution system. The project has identified and replaced distribution transformers and substations that were nearing their capacity limits as a result of the high penetration of air-conditioning units throughout the network. The program aims to enhance the reliability of supply to United Energy’s customers, particularly during periods of very high demand on hot days. Initial load data from the smart meters is providing valuable information on specific area loading to assist with managing demand and optimising replacements of transformers.

IT Infrastructure Renewal
As part of the transition to United Energy’s new business model, a major project has been implemented to secure and enhance United Energy’s information technology infrastructure and bring major systems up to date. A new data centre has been established and key systems were successfully transferred in January 2012.

Bushfire Prevention
United Energy has worked closely with the AER and ESV to implement changes as a result of the Victorian Bushfire Royal Commission final report. The company has adopted a number of initiatives designed to improve the safety and reliability of its network and reduce the potential for fire starts. Programs under way include steel conductor replacement, fitting of vibration dampers, armour rods and spreaders as well as expansion of the scope of vegetation clearance works in high bushfire risk areas.

Carbon Tax Liability
United Energy’s scope 1 emissions are below the carbon pricing scheme threshold, hence United Energy is exempt from the carbon pricing scheme. United Energy anticipates that it will achieve full recovery of any carbon scheme related costs and revenue changes due to the potential impact on customer usage, in future regulatory decisions.

	Year to 30 June 2012	Year to 30 June 2011
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Network connections		
Small (residential and unmetered)	586,404	579,136
Medium sized business	54,600	55,503
Commercial and industrial	3,427	3,352
Total connections	644,431	637,991

Electricity load (GWh)		
Small tariff	2,954	3,037
Medium tariff	1,485	1,497
Large tariff	3,695	3,537
Total electricity load	8,134	8,071

Distribution network statistics*		
SAIFI (number of interruptions)	1.1	1.0
MAIFI (number of interruptions)	1.1	1.1
SAIDI (minutes)	78	117

Occupational health and safety		
Lost time injuries	3	0

Environmental		
Scope 1 CO ₂ e emissions		4,754 t

FY2012 Financial Performance Summary		
\$ million	Year to 30 June 2012	Year to 30 June 2011
Distribution revenue	317	303
Total revenue	441	405
EBITDA	276	274
Regulated Asset Base	1,841.9	1,641.5

Credit Ratings		
Rating levels as at period end were:		
S&P		BBB (stable outlook)
Moody’s		Baa2 (stable outlook)

* Does not include excluded events as defined by the AER.



DUET believes that many social, environmental and economic benefits arise from responsible private sector development and the operation of high-quality infrastructure. DUET is also aware that with these benefits lies the potential for risk, including environmental and social responsibility (ESR) risk.

DUET’s approach to ESR management is set out in its board policies. These policies form part of DUET’s overarching risk management framework in accordance with Principle 7 of its corporate governance statement.

It is DUET’s policy to ensure that it and each of its businesses are in compliance with the relevant regulatory frameworks and meet or exceed the minimum standards required of it. DUET’s environmental and social responsibilities are managed throughout the investment process as follows:

Underlying Business Selection – environmental and social responsibilities are reviewed as part of the acquisition due diligence process.

Ongoing Business Management – regular business board reporting enables compliance with environmental requirements to be monitored, and environmental and social responsibility issues to be identified.

Stakeholder Reporting – policies, social and environmental initiatives and compliance performance are reported internally and, where appropriate, externally.

In this section we provide details of DUET’s environmental and social responsibilities and initiatives undertaken during FY2012. DUET’s governance responsibilities and policies are covered on pages 16 to 28.

ESR-related Regulatory Requirements
DUET is not aware of any material breaches of relevant environmental or social responsibility related regulatory standards by its businesses during the year ended 30 June 2012.

ESR-related Initiatives at DUET Businesses During FY2012

Environmental Management System
All of DUET’s businesses are managed under an environmental management system externally certified to the International Standard ISO 14001 (or equivalent), either directly or through the various operating contracts with their service providers.

Management Incentives
Key performance indicators for Health, Safety and Environmental performance have been set for DBP, United Energy and Multinet’s management teams. These KPIs are integrated into the calculations of the teams’ remuneration packages.

National Greenhouse Emissions Reporting
The Federal Government’s National Greenhouse and Energy Reporting System (NGERS) is a mandatory corporate reporting system for greenhouse gas emissions, energy

consumption and production. All of DUET’s businesses have implemented measurement and reporting systems and have submitted reports in compliance with the NGERS requirements. Details of DUET’s businesses’ emissions (UED, MGH and DBP) are published on the Clean Energy Regulator’s website. (<http://www.cleanenergyregulator.gov.au/National-Greenhouse-and-Energy-Reporting/Publication-of-NGER-data/Pages/default.aspx>)

Occupational Health and Safety
All of DUET’s businesses enforce comprehensive occupational health and safety policies with their workforce and contractors.

Over recent years all of DUET’s businesses have undertaken major reviews of their safety systems and practices leading to the design and implementation of new safety programs.

All of DUET’s businesses now embrace a vision of “zero harm” in their OHS&E policies and practices.

Human Capital Development
United Energy and Multinet have recently undertaken employee engagement surveys which have resulted in the implementation of a number of programs to create a clear and shared vision, recognise extra effort and connect employees to the shared vision of the companies.

At DBP, in order to attract and retain its employees, one of the key strategy priorities is to be an “employer of choice” in the competitive WA labour market. DBP has implemented initiatives to support this objective including a commitment to long-term career options, apprenticeships, incentive plans, flexible leave arrangement and sponsorships in various charity events.

Diversity
Each of DUET’s businesses has established diversity policies and track performance against target, with regular reporting to the DUET boards.

2012 gender diversity statistics for DUET’s businesses are:

United Energy & Multinet	Male 67%	Female 33%
DBP	Male 78%	Female 22%

DBP has identified cultural diversity as a key action area and has implemented a new leave policy that includes a provision for cultural leave whereby employees who require leave for religious purposes can “swap” public holidays for DBP fixed additional holidays for those days.

DBP
Many major industrial companies rely on the pipeline to supply their energy needs, either directly or through electricity generated by gas-fired power stations. These users are fuelling the state’s economic growth, which without a reliable supply of natural gas, would not be possible.

Vehicle Tracking Safety System
Due to the long distances involved in the maintenance of the pipeline, DBP had previously implemented a vehicle and speed management monitoring system to improve vehicle-related safety.

DBP is now planning to enhance this system to provide other features to assist staff working remotely and further improve their safety.

Energy Smart Program
Since 2009, DBP has had in place a program, called the Energy Smart Program, to identify and implement opportunities to improve the energy use and reduce emissions from the DBNGP.

Not only is the program aimed at delivering significant energy and emissions savings, it also focuses on cost savings to the business. This delivers benefits to the environment, the shippers and to DBP.

Pipeline Operations
During the year DBP undertook a review of the operation of the gas compression used on the pipeline to deliver the best possible outcomes in terms of minimising fuel gas usage and operating expenditure as pipeline throughput experienced its usual seasonal fluctuations. The work resulted in more efficient utilisation of equipment, lower fuel costs and emissions and lower maintenance costs.

United Energy Smart Meters
United Energy is rolling out its Smart Meter project, which will see 640,000 homes and businesses in Melbourne and the Mornington Peninsula receive a new smart meter to help manage electricity consumption.

Customers will be connected to a ‘smart’ metering network that will allow them to better monitor and manage their energy use in order to help tackle climate change.

Customers will also benefit from faster and more convenient electricity connection services and the removal of manual and estimated meter reading services, which will be replaced by more timely, accurate and detailed automated meter readings, improving customer service.

As at 30 June 2012 approximately 40% of smart meters had been installed and were operational.

Waverley Adolescent Emergency Care
United Energy and Multinet have built a relationship with a local charitable organisation that provides support for families with teenagers in the eastern suburbs of Melbourne. United Energy and Multinet provide financial support and assistance through an employee volunteer program.

Multinet Pipeworks Projects
Multinet is implementing a number of capital works programs which will reduce gas leakage, CO₂e emission and improve the reliability of supply to customers. These include replacement of older cast iron piping systems as well as the design and construction of new high pressure pipelines.

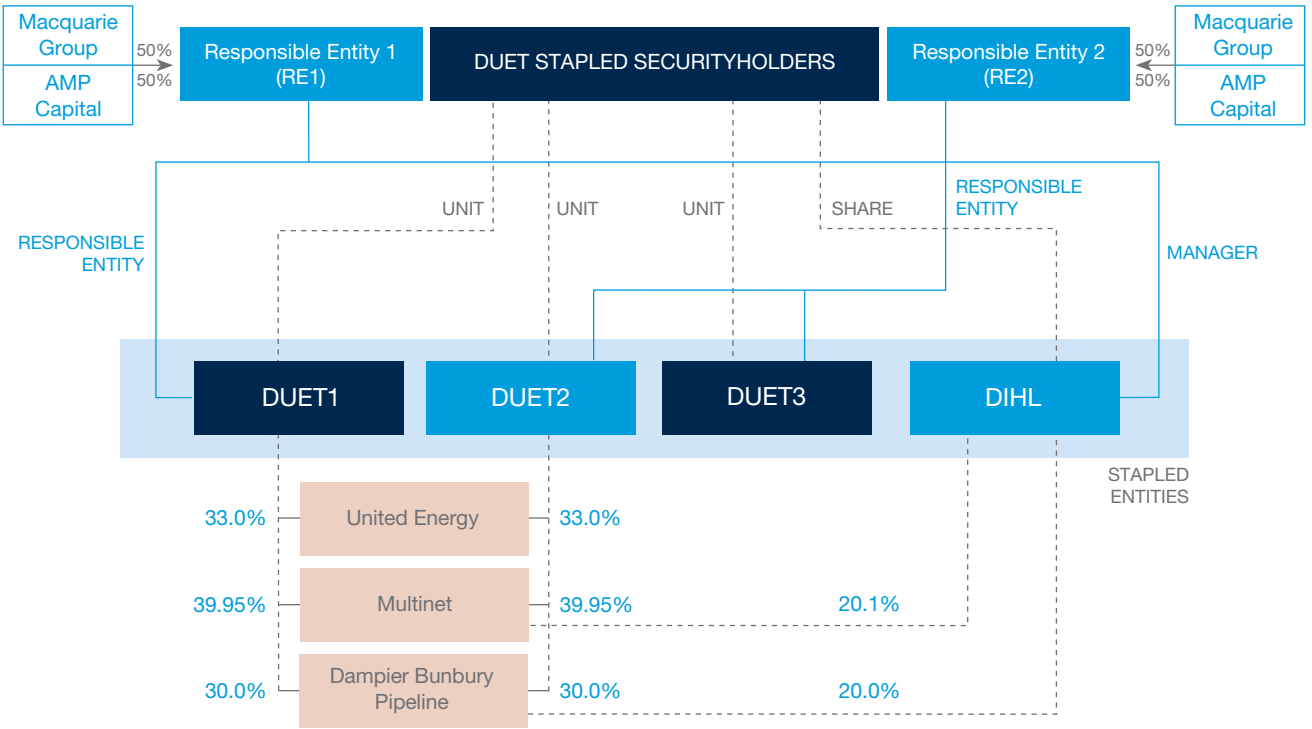
ENVIRONMENTAL AND SOCIAL RESPONSIBILITY MANAGEMENT

The DUET Group (DUET) is managed jointly by Macquarie Group (Macquarie) and AMP Capital Investors Limited (AMP Capital). DUET comprises three Australian trusts – Diversified Utility and Energy Trust No.1 (DUET1), Diversified Utility and Energy Trust No.2 (DUET2) and Diversified Utility and Energy Trust No.3 (DUET3) (collectively the trusts) and an Australian public company DUET Investment Holdings Limited (DIHL). The securities of the trusts and company are listed on the ASX and must trade and otherwise be dealt with together.

DUET’s current relationship with Macquarie and AMP Capital provides DUET with access to Macquarie’s and AMP Capital’s expertise in managing funds and their businesses, and sourcing new value-adding opportunities. However on 31 July 2012 DUET announced that it had entered into agreements with Macquarie and AMP Capital to internalise the management of DUET subject to securityholder approval.

DUET’s management arrangements are designed to promote consistency of management across all the entities in DUET. DUET’s current management arrangements and corporate governance framework are outlined below. There will be changes to these arrangements as part of the proposed internalisation of DUET management although these changes are not detailed below. Further detail on any changes to the corporate governance arrangements for DUET will be set out in the Explanatory Memorandum regarding the internalisation proposal that will be sent to securityholders.

Management Arrangements Summary
DUET’s Structure



CORPORATE GOVERNANCE STATEMENT

The managers, which are owned 50% by AMP Capital Holdings Limited (AMPCH) and 50% by Macquarie Capital Group Limited (MCGL), are AMPCI Macquarie Infrastructure Management No.1 Limited (RE1) for DUET1 and DIHL and AMPCI Macquarie Infrastructure Management No.2 Limited (RE2) for DUET2 and DUET3.

The three trusts are ASIC-registered managed investment schemes and their combined trustees/managers, RE1 and RE2, each are known as the responsible entity. RE1’s and RE2’s management roles are defined by the trust constitutions, the Corporations Act and the general law. There is no separate management agreement.

DIHL has a separate Management Services Agreement with RE1 (MSA).

There is a stapling deed in place between all entities and RE1 and RE2 setting out cooperation arrangements for the operation of the stapled structure.

The management arrangements are broadly consistent across the four entities. The following table is a high level summary of the DUET management arrangements addressing the disclosure recommended in Guidance Note 26 to the ASX Listing Rules and ASIC Regulatory Guide 231 (RG231) Disclosure Principles for Infrastructure Entities. We recommend that you also read the MSA, trust constitutions and the full RG231 disclosure available on the DUET website (www.duet.net.au).

Key term	Description	Source documents
Investment mandate	The principal investment policy is to seek to invest in and manage energy utility assets in Australia and New Zealand.	DUET 2004 PDS – section 1.3
	The principal investment policy may be varied from time to time upon giving reasonable notice to securityholders.	DUET 2009 Annual Report page 3 DUET Triple Staple 2006 Information Circular – section 3 DUET Quadruple Staple 2007 Information Circular – section 3 MSA clauses 1 and 3
Key relationship and services	Company manager The manager under the terms of the MSA is responsible to the company for: <ul style="list-style-type: none">Investment and divestment evaluation and recommendationsImplementation of investment/divestment instructions given by the boardAsset managementAsset valuationsCapital and financial management recommendationsFinancial reportingBoard reportingInvestor communications and meetingsGeneral fund administration including company secretarial services (subject to outsourcing of registry services to Computershare Investor Services Pty Limited ABN 48 078 279 277 and trust custodial services to Trust Company Limited ABN 59 004 027 749 and Perpetual Trustee Company Limited ABN 42 000 001 007Monitoring of fund operational risk, insurances and complianceLitigation managementProvision of suitably qualified personnel to perform the CEO and CFO roles for the fund.	MSA clause 3 DUET Quadruple Staple 2007 Information Circular – section 10.1.4
	Responsible entity The responsible entity has all the powers of a natural person including contracting, borrowing and investment and carries out all management functions for the trusts subject to outsourcing registry and custodial services as described above.	Trust constitutions clause 12 Corporations Act s601FB, s601FC
Term	No fixed term for the trusts or the company. The term will continue until the manager is removed or retires, or securityholders vote to wind up the stapled entities as provided for in the trust constitutions or by law.	Trust constitutions clause 21
		MSA clause 11
Extension or renewal	There are no extension or renewal provisions in the MSA.	

Key term	Description	Source documents
Termination	The trusts and company may terminate the appointment of the responsible entities and manager, without cause, by securityholder vote. The manager of the company can only be removed if either or both of the responsible entities of DUET1 or DUET2 have been removed.	Trust constitutions clause 13
	For each trust and the company the resolution must be passed by at least 50% of votes cast at meeting by securityholders entitled to vote. Managers and associates may vote their securities on the resolution unless they are receiving any consideration for their removal.	Corporations Act s601FL, s601FM, s601FN, s601FP, s253E, s915B
	The manager of the company can also be removed for cause being where the manager is in liquidation, ceases to carry on business, lacks the appropriate licence or authorisation or commits a material breach which cannot be remedied.	MSA clause 11
	In the case of the trusts, ASIC or a court may replace the responsible entities where there are solvency issues or members are likely to suffer a loss because the responsible entity has breached the Corporations Act.	
	Pursuant to the Corporations Act the responsible entity of the trust can retire if it first convenes a unitholders meeting to explain its reason for retirement and to enable unitholders to vote on a resolution to choose a new responsible entity.	
	The manager of the company may resign by giving written notice.	
	Where removal events have occurred in the case of the company, its directors retain discretion as to whether to terminate the manager. As the directors must act in the interest of securityholders, it is considered unlikely that they would not terminate the MSA in the situation where securityholders have voted to remove the responsible entities and the manager.	
	Base fees and performance fees accrued to the date of termination are payable. There are no other termination fees payable.	Trust constitutions clause 20 MSA clause 8
Fees	If the responsible entities and manager were to be sold to DUET Group to facilitate internalisation of management it is likely to require a market based payment by DUET Group for purchase of the management rights. Any significant payment would be put to securityholders for approval.	
	Base fee Payable quarterly. Base Fee = 1% per annum of Net Investment Value.	Trust constitutions clause 20 MSA clause 8
	Net Investment Value is the Market Value of DUET securities plus the amount of any fund level external borrowings and firm commitments for future investments less fund level cash or cash equivalents.	
	Market Value is the volume weighted average market capitalisation over the last 20 ASX trading days of each quarter.	
	Performance fee Payable at 30 June and 31 December if earned.	
	Payable in the event that the DUET accumulation index (the Return) outperforms the S&P/ASX 200.	
	Industrials Accumulation Index (the Benchmark Return) for the period having made up for underperformance in previous periods.	
	Performance fee = 20% of the amount (if any) by which the Return exceeds the Benchmark Return for that period. Any underperformance deficit from prior periods must be made up before future performance fees can be earned.	
	The management fees and any performance fee are paid from operating cashflow (not borrowings).	
	The responsible entity and the manager may apply or nominate another person to apply the performance fee in subscription for DUET securities subject to independent director approval. The price of the DUET securities is the volume weighted average trading price of the DUET securities traded on the ASX during the last 20 ASX trading days of the relevant period.	
	Other services provided by Macquarie and AMP companies	
	Additional market based fees may be payable for other services such as financial advisory, underwriting, broking and hedging provided on a transactional basis by Macquarie and AMP companies and as approved under the DUET related party protocol.	
	All fees paid to Macquarie and AMP companies will be reviewed and (if deemed of an arm's length nature) approved by the independent directors of DUET.	

Key term	Description	Source documents
Expenses	The responsible entity and the manager are entitled to be reimbursed for expenses incurred in relation to the proper performance of their duties.	Trust constitutions clause 20
	Expense reimbursement does not include manager administration costs such as premises, staff and facilities.	Corporations Act s601GA(2) MSA clause 9
Exclusivity	The manager is engaged by the company on an exclusive basis, although the manager itself may act for other parties.	MSA clause 4
	The responsible entities may act for other parties with the approval of Macquarie and AMPCH and may outsource their general management responsibilities to other Macquarie or non-Macquarie managers (but remain liable for their actions).	Trust constitutions clauses 12 and 17 Corporations Act s601FB
	Macquarie and AMPCH have agreed to use their best efforts to refer investment opportunities in energy utility assets in Australia and New Zealand which meet DUET's investment mandate to the responsible entities. DUET has no obligation to accept any investment opportunities.	2004 IPO PDS section 8.6
Discretions	The boards of the responsible entity of the trusts make all significant investment/ divestment and operational decisions.	Trust constitutions clause 12
	The manager mandate for the company is non discretionary. All significant investment/ divestment and operational decisions are made by the board of the company based on manager recommendations.	MSA clause 4
	The performance of management generally is oversighted by the independent directors on the responsible entity and company boards.	
Related party protocols	Due to the joint ownership of the responsible entities and the majority of independent directors on the responsible entity and company boards and their appointment arrangements, neither Macquarie nor AMP controls any of the DUET entities and they are not related parties of DUET for the purposes of the Corporations Act. However, the trusts and the company treat dealings with Macquarie and AMP as if they were related parties. Accordingly they have adopted a detailed related party protocol covering transactions with and services provided by Macquarie and AMP companies and managed vehicles which includes obtaining securityholder approval as required under the ASX listing rules or Corporations Act for certain types of related party transactions.	DUET Related Party Policy MSA clause 7
	All related party transactions or services must be on arm's length terms and approved by the DUET independent directors only.	Part 5C.7 and Chapter 2E of the Corporations Act which governs related party transactions by trusts and companies
	Asset acquisition or sale transactions with related parties for 5% or greater of fund value must generally be supported by an independent valuation.	
	Mandates for the provision of services are subject to third party independent review unless the independent directors determine otherwise on the basis of appropriate market information or practice.	
	Third party independent review is mostly carried out by the corporate advisory divisions of large accounting firms. In the case of the provision of services, the reviewers have regard to market evidence gathered from their own enquiries, including information requested from Macquarie and AMP. For asset sales or acquisitions, the reviewer carries out its own valuation if required.	
	DUET independent directors have put in place a panel of reviewers (which does not include the DUET auditor).	
	Swap and foreign exchange transactions with Macquarie companies solely for hedging purposes are given standing approval if certain conditions are met.	
	Significant volume securities transactions with a Macquarie broker require independent director approval.	
	Fees paid or payable by DUET group entities for related party services are disclosed in the DUET financial statements, in the Related Party Disclosures note.	
	ASIC relief and ASX waivers have been obtained permitting transactions (without the need to comply with requirements of the ASX listing rules or Corporations Act) between the DUET Group stapled entities and their controlled entities given that they are part of an economic group with the same securityholders.	

Key term	Description	Source documents
Change of control	<p>DUET co-invests from time to time with third parties or other Macquarie companies or managed vehicles. Co-investment arrangements may include pre-emption and tag-along or drag-along rights in favour of each other, including rights which are triggered on removal or change of control of the Macquarie or DUET manager.</p> <p>In addition, loan facilities for DUET and its businesses may provide for acceleration of loan payments if DUET is no longer managed by a Macquarie or AMP company or at the asset level, if the current trustees are replaced unless consent is obtained.</p> <p>Changes of control or removal of manager trigger events are typically put in place because counterparties (both equity and debt providers) require ongoing Macquarie and AMP company involvement in the management of the fund or particular businesses.</p> <p>Any such arrangements may be a significant impediment to the removal of the manager. Accordingly the DUET independent directors obtain separate legal advice as necessary and the arrangements are approved by the independent directors and disclosed to securityholders in market announcements for the transaction and on an ongoing basis in annual reports.</p>	
Variation to management arrangements	<p>Any variations adverse to securityholders' rights or in respect of changes to fee structures to increase fees would involve trust constitution amendments and therefore effectively require approval by 75% by value of votes cast at meeting by securityholders entitled to vote.</p> <p>There are however no specific requirements in the MSA for variations to the agreement to be approved by securityholders but given the stapled structure it is unlikely that any changes would result in material inconsistency with the trusts' provisions particularly as regards investment policy, manager termination or fees.</p>	<p>Trust constitutions clause 23</p> <p>Corporations Act s601GC</p>
Director appointment rights	<p>The responsible entities of the trusts have combined director appointment rights for 100% of the board of the company.</p> <p>Macquarie and AMPCH each appoint one director to the board of the responsible entities of the trusts and are each able to nominate one independent director to the board of the responsible entities as they are Macquarie and AMPCH joint venture vehicles. The third independent director on the board of the responsible entities is appointed by the other two independent directors.</p> <p>If the proposed internalisation obtains securityholder approval, Macquarie and AMPCH will no longer have board appointment rights post the DUET 2013 AGM.</p>	
Key relationship – significant infrastructure asset under development	<p>There are currently no significant infrastructure assets under development.</p>	
<p><i>What you can find on our website:</i></p> <ul style="list-style-type: none">– DUET1 constitution– DUET2 constitution– DUET3 constitution– DIHL constitution– DIHL Management Services Agreement.		

DUET's Approach to Corporate Governance

The DUET boards are committed to DUET's achievement of superior and sustainable financial performance and long-term prosperity, while meeting stakeholders' expectations of sound corporate governance practices. This statement outlines DUET's main corporate governance practices as at 30 June 2012. Unless otherwise stated they reflect the practices in place throughout the financial year ending on that date.

The DUET boards determine the corporate governance arrangements for DUET. As with all its business activities, DUET is proactive in respect of corporate governance and puts in place those arrangements which it considers are in the best interests of DUET and its investors and consistent with its responsibilities to other stakeholders. It actively reviews Australian and international developments in corporate governance.

In setting the corporate governance framework the DUET boards comply with a policy devised to safeguard the interests of investors. The key elements of the policy are:

- Conflicts of interest arising between DUET and related parties should be managed appropriately and, in particular:
 - Related party transactions should be identified clearly and conducted on arm's length terms
 - Related party transactions should be tested by reference to whether they meet market standards
 - Decisions about transactions with related parties should be made by parties independent of Macquarie and AMPCH.
- The boards of both the corporate vehicles and the management company/responsible entity of the trusts of listed Macquarie managed vehicles which are stapled groups will comprise at least 50% independent directors and at least one of the boards in each stapled group will have a majority of independents – see Principle 2 below for details of independence criteria.
- Chinese walls operate to separate Macquarie's investment advisory and equity capital markets business from DUET.

ASX Corporate Governance Principles

The ASX Corporate Governance Council (the Council) has Corporate Governance Principles and Recommendations (the Principles) which are designed to maximise corporate performance and accountability in the interests of shareholders and the broader economy. The Principles encompass matters such as board composition, committees and compliance procedures.

The Principles (being those under ASX's 2nd edition of Corporate Governance Principles and Recommendations dated August 2007) can be viewed at www.asx.com.au. The Principles are not prescriptive, however listed entities (including DUET) are required to disclose the extent of their compliance with the Principles, and to explain why they have not adopted a Principle if they consider it inappropriate in their particular circumstances.

DUET's corporate governance statement is in the form of a report against the Principles. DUET's corporate governance policies largely conform to the Principles. Any deviation relates mainly to DUET being an externally managed vehicle. We have noted the differences in our reporting.

Principle 1: Lay Solid Foundations for Management and Oversight

Responsibility for corporate governance and the internal working of each DUET entity rests with the board of RE1, RE2 or DIHL, as the case may be. The board of each company has adopted a formal charter of directors' functions and matters to be delegated to management, having regard to the recommendations in the Principles. An outline of the boards' responsibilities in each company's charter is set out below:

- Setting objectives, goals and strategic direction for management, with a view to maximising investor wealth
- Monitoring the implementation of DUET's investment policy
- Approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestures
- Adopting an annual budget for the managed vehicle and monitoring its financial performance
- Consulting with Macquarie and AMP Capital on the appointment or, where appropriate, removal of the CEO or CFO or their equivalents
- Participating in the review of the performances of the CEO and CFO or their equivalents and where appropriate replacing those officers
- Appointing and removing the company secretary
- Monitoring senior management's, or in the case of DIHL, RE1's performance, implementation of strategy, and resources
- Reviewing, ratifying and monitoring systems of risk management, compliance and codes of conduct
- Approving and monitoring financial and other reporting
- Setting the highest business standards and codes for ethical behaviour and monitoring compliance with them.

In addition to the matters outlined above, formal delegations provide for the DUET boards to make all decisions in respect of investments and divestments, approval of directors to be appointed to DUET's asset boards, any further funding or security required for existing investments, managed vehicle level capital management and restructuring, significant related party transactions (in accordance with the related party protocols described on page 19), approval of financial accounts, auditors, budgets for the managed vehicle, distributions, annual reports and any significant changes to policies or debt facilities. The CEO and CFO have delegated authority (through the external management arrangements and directorships on asset boards) to make decisions in respect of managed vehicle level day-to-day administration up to certain delegated levels and day-to-day matters for asset administration including appointment of advisers and approvals of asset business plans, budgets, capital expenditure, refinancings, hedging and valuations.

Full board meetings are held at least bi-monthly for RE1, RE2 and DIHL, and other meetings are called as required. Directors are provided with board reports in advance of board meetings, which contain sufficient information to enable informed discussion of all agenda items.

Each independent/non-executive director of RE1, RE2 and DIHL has received a letter of appointment which details the key terms of their appointment. This letter has been enhanced for the more recent board appointments to include all of the recommended matters in the Principles. The CEO and CFO, being DUET’s senior executives, have formalised job descriptions and, as Macquarie and AMP Capital employees, letters of appointment. To ensure that the DUET senior executives properly perform their duties, the following procedures are in place:

The CEO and CFO are AMP Capital and Macquarie employees respectively seconded to RE1 or RE2 as required. The performance of the staff is assessed as part of Macquarie’s or AMP Capital’s formal employee performance appraisal process as applicable. Employees are assessed against set behavioural and technical competencies. The assessment criteria used in determining remuneration are outlined in the remuneration report on pages 61 to 63. The relevant boards provide annual feedback on the performance of the CEO and CFO.

- A review of the performance of RE1 as adviser against its contractual obligations by the DIHL independent directors, with external assistance if required
- A formal induction program to allow senior executives to participate fully and actively in management decision-making
- Access by executives to continuing education to update and enhance their skills and knowledge.

The above process was followed for the year ended 30 June 2012.

What you can find on our website:

A summary of the RE1, RE2 and DIHL board charters.

Principle 2: Structure the Board to Add Value
1. Composition

RE1 board of directors

The RE1 board of directors is comprised as follows:

John Roberts – Chairman Executive
(Macquarie representative)

(appointed by Macquarie – 14 May 2004)
Director and Chairman

Philip Garling – Director Non-Executive
(AMPCH representative)

Executive (appointed by AMPCH – 17 February 2004)
Director

The Hon. Michael Lee – Director Independent
(appointed 16 June 2004)

Director

Douglas Halley – Director Independent
(appointed 13 February 2006)

Director

Emma Stein – Director Independent
(appointed 16 June 2004)

Director

RE2 board of directors

The RE2 board of directors is comprised as follows:

John Roberts – Chairman Executive
(Macquarie representative)

(appointed by Macquarie – 14 May 2004)
Director and Chairman

Philip Garling – Director Non-Executive
(AMPCH representative)

(appointed by AMPCH – 17 February 2004)
Director

Ron Finlay – Director Independent
(appointed 16 June 2004)

Director

Eric Goodwin – Director Independent

(appointed 16 June 2004)

Director

Duncan Sutherland* – Director Independent

(appointed 16 June 2004)

Director

(*also serves on the board of the Macquarie-owned manager of a number of unlisted managed vehicles)

DIHL board of directors

The DIHL board of directors is comprised as follows:

John Roberts – Chairman Executive

(appointed by RE1 – 29 June 2006)

Director and Chairman

Philip Garling – Director Non-Executive

(appointed by RE2 – 29 June 2006)

Director

Douglas Halley – Director Independent

(appointed by RE2 – 29 June 2006)

Director

Emma Stein – Director Independent

(appointed by RE1 – 12 July 2006)

Director

Ron Finlay – Director Independent

(appointed by RE1 and RE2 – 4 August 2006)

Director

Profiles of these directors can be found on the DUET website and later in this report.

2. Appointment to the Boards

ASX has granted listing rule waivers in respect of the rights attaching to the A, B and C special shares of DIHL (as described below) to facilitate Macquarie and AMPCH appointed directors for the Australian public company in the same way as they are appointed for the responsible entity of the trusts. These director appointment rights were put in place by DUET, Macquarie and AMPCH with a view to promoting consistency of management across the stapled entities. Macquarie and AMPCH consider the selection of appropriately experienced independent directors as an important contribution to DUET’s performance. From an investor protection viewpoint, DUET has a majority of independent directors on the combined DUET boards. Though Macquarie and AMP Capital appointees, these directors are reputable, appropriately qualified and experienced business people who satisfy objective independence criteria described further below. These directors have a duty at law to prefer the interests of DUET investors to those of Macquarie or AMPCH.

Details of the appointment arrangements are set out below.

RE1 and RE2

RE1 and RE2 are jointly owned by MCGL (a subsidiary of Macquarie Group Limited (MGL)) and AMPCH (a subsidiary of AMP Limited (AMP)) and directors are appointed to RE1 and RE2 in consultation with the MGL and AMPCH boards. The following board composition and membership criteria have been adopted by the board in consultation with MGL and AMPCH:

The board is to comprise at least four directors. Additional directors may be appointed if the board feels that additional expertise is required in specific areas, or when an outstanding candidate is identified.

- New appointments to the board require full RE1 and RE2 board approval
- Independent directors are to comprise a majority of the board
- The board is to comprise directors with an appropriate range of qualifications and expertise
- Any nominee of AMPCH or Macquarie may be removed by AMPCH or Macquarie, respectively
- The chairperson of each board will be the nominee director appointed by AMPCH for the first three years from establishment of DUET and thereafter on each third anniversary the chairperson may be rotated such that the shareholder appointing the chairperson is not the shareholder appointing the DUET CEO. The shareholder appointing the chairperson will ensure that the person is of appropriate stature to act as chairperson
- To ensure that the board has the benefit of regular new input and to avoid the potential for loss of objectivity over time, independent directors will generally retire after nine years. An independent director can continue to hold office after a nine-year term provided their ongoing candidacy is recommended by the Nomination Committee and their relevant appointing party.

Independence

Independence of directors determined by objective criteria is acknowledged as being desirable to protect investor interests and to optimise the financial performance of the fund and returns to investors.

In determining the status of a director, DUET applies the standards of independence which are similar to but not the same as the Principles. Full details of DUET’s independence criteria are as follows:

An independent director is a director of the responsible entity and/or special purpose vehicle who is not a member of management (a non-executive director) and who meets the following criteria:

- Must be appointed in a non-executive capacity and therefore must not be a director, officer or employee of any Macquarie Group Limited (MGL) Group entity or AMP Limited (AMP) Group entity
- Is not a substantial shareholder of MGL, AMP, DUET or a company holding more than 5% of the voting securities of MGL, AMP or DUET
- Is not an officer of, or otherwise associated directly with, a securityholder holding more than 5% of the voting securities of MGL, AMP or DUET (other than RE1 and RE2)
- Is not and has not within the last three years been:
 - Employed in an executive capacity by the responsible entity and/or special purpose vehicle, or by another MGL Group or AMP Group entity, or
 - A director of any such entity after ceasing to hold any such employment.
- Is not and has not within the last three years been a principal, director or employee of a material professional adviser or consultant to DUET, MGL, AMP or other MGL Group or AMP Group managed vehicles. A director who is or has within the last three years been a principal, director or employee of a material professional adviser or consultant must not participate in any consideration of the possible appointment of the professional adviser or consultant and will not participate in the provision of any service to DUET, MGL Group, AMP Group or another MGL Group or AMP Group managed vehicle.

- Is not a material supplier or customer of DUET, MGL Group, AMP Group or other MGL Group or AMP Group managed vehicles, or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer.
- Is not a director of more than two MGL Group or AMP Group-related responsible entities or special purpose vehicle boards
- Has no other interest or relationship that could interfere with the director’s ability to act in the best interests of DUET and independently of management of MGL Group or AMP Group.

The boards believe that independence is evidenced by an ability to constructively challenge and independently contribute to the work of the board. The above criteria are satisfied if any interest or relationship does not materially interfere with the exercise of a director’s independent judgement. Materiality is assessed having regard to each individual director’s circumstances, the circumstances of the supplier, customer or advisor and any other significant relationships with DUET, MGL Group, AMP Group or their respective other managed vehicles.

The main areas of difference from the independence criteria set out in the Principles is that the DUET independence criteria are designed to ensure that directors are not only independent from DUET but that they are also independent from MGL Group, AMP Group and their respective other managed vehicles. Accordingly the independence criteria must be satisfied in respect of relationships with each of DUET, MGL Group, AMP Group and other MGL Group or AMP Group managed vehicles. By way of example a partner of a professional services firm who is a director of DUET would not be able to provide professional services to DUET or any Macquarie entities or managed vehicles and would not be able to vote on the appointment of the director’s professional services firm by DUET. Additionally the professional services firm must not have earned a material portion of its annual income from doing work for any of DUET, MGL Group, AMP Group or other MGL Group or AMP Group managed vehicles for three years prior to the appointment of the director and on an ongoing basis during the currency of the directorship.

The ability of independent directors to serve on up to two separate managed vehicle boards is considered appropriate because the time commitment and level of remuneration for these roles is not so significant as to compromise independence.

If any independent director serves on two managed vehicle boards or has been determined as independent despite not satisfying all of the criteria set out in the DUET policy they will be noted as such in their description in this statement. Reasons will be provided for any independence determination.

Each year independent directors are required to provide DUET with written confirmation of their independence status and they have each undertaken to inform DUET if they cease to satisfy the DUET independence criteria at any time. The company secretary also monitors compliance with the DUET independence criteria and seeks information from the independent directors in this regard if necessary and reports to the board.

Director Selection and Diversity

The following guidelines apply to director selection and nomination:

- Contribution to the diversity of the board in particular, increasing the number of women on the board as part of the board renewal process
- Integrity
- Particular expertise (sector and functional) and the degree to which they complement the skill set of the existing board members
- Reputation and standing in the market.

In the case of prospective independent directors, actual (as prescribed by the above DUET policy definition) and perceived independence from Macquarie and AMP. Professional intermediaries and/or industry contacts may be used to identify and/or assess candidates. A board skills matrix has not been developed but regard is had to diversity and the appropriate mix of financial, professional and specific industry skills as part of the appointment process.

Nomination Committee

DUET is an externally managed vehicle with the majority of RE1 and RE2 directors being appointed by AMPCH and Macquarie (the owners of RE1 and RE2) in consultation with the RE1 and RE2 boards. Each of RE1 and RE2 have appointed a Nomination Committee which reviews board composition and succession planning and makes representations to AMPCH and Macquarie on these matters and also reviews the appointment of directors to the DIHL board as discussed below. The Nomination Committee comprises the full board. It is chaired by John Roberts and there is a majority of independent directors.

DIHL

Under the DIHL constitution, RE1 has been issued with an A Special Share (and has rights under the management services agreement) which entitles it to appoint director(s) constituting up to 40% of the DIHL board. RE2, as responsible entity of DUET2, has been issued with a B Special Share which entitles it to appoint director(s) constituting up to 40% of the DIHL board while the entities are stapled. RE1 and RE2 (in their capacity as responsible entity of DUET1 and DUET2 respectively) have each been issued with a C Special Share, which entitles them to jointly appoint director(s) constituting up to 20% of the DIHL board. None of the A, B or C Special Shares has any economic interest, which means that the holders of those shares are not entitled to any dividends and are only entitled to the par value of those shares on a winding up of DIHL.

The rationale for this approach is that under the stapling arrangements, the practical operation of the RE1, RE2 and DIHL boards is such that no significant decision (in particular strategy, capital raisings, borrowings and investments) can be made by one board without the consultation and consideration of the other board, and the DIHL board has a sufficient quorum of independent directors to vote on transactions with Macquarie or AMP companies.

In determining the status of directors, the DIHL board has adopted the standards of independence required by the DUET Policy as set out above.

Nomination Committee

As part of the DUET external management arrangements, the DIHL directors are appointed by RE1 and RE2. DIHL has appointed a Nomination Committee which reviews board composition and succession planning and makes representations to the RE1 and RE2 boards in respect of these matters. The Nomination Committee comprises the full board. It is chaired by John Roberts and has a majority of independent directors.

3. Chairman

The chairman of each board and the Nomination Committee is John Roberts. John is an executive of Macquarie and the director appointed by Macquarie, and does not satisfy the independence recommendation of the Principles. The joint venture arrangements require the responsible entities' chairman to be an executive chairman given DUET1, DUET2 and DUET3 are externally managed trusts and Macquarie and AMP branded.

The right to appoint the chairman may be rotated between AMPCH and Macquarie so that the party who has not appointed the incumbent chairman may appoint the chairman for the next three years, provided the CEO is also rotated. The appointing shareholder is required to ensure that the chairman is of appropriate stature for a listed entity.

In all cases, the chairman does not exercise the role of CEO. That role is performed by David Bartholomew, an AMP Capital employee who was appointed as CEO in February 2011. The RE1, RE2 and DIHL board charters provide that all independent directors will meet at least once per year in the absence of management and at other times as they determine.

4. Independent Professional Advice

The directors of RE1, RE2 and DIHL are entitled to obtain independent professional advice at the cost of the relevant trust or company subject to the estimated costs being first approved by the chairman as reasonable.

5. Board Performance

To ensure that the directors of RE1, RE2 and DIHL are properly performing their duties, the following procedures are in place:

- A formal annual performance self-assessment of the board, the audit and risk committees and individual directors
- A formal induction program for directors
- Access by directors to continuing education to update and enhance their skills and knowledge.

The procedure for evaluation of the boards' performance is:

- Directors are given the opportunity to discuss individual performance and feedback on performance via questionnaire and if necessary the chairman meets with each independent director to discuss the effectiveness of the board and board committees as a whole
- The board as a whole discusses and analyses board and committee performance during the year, including suggestions for change or improvement, based on the questionnaire responses and the chairman's feedback from conducting separate meetings (if any) with the independent directors.

What you can find on our website:

A summary of the RE1, RE2 and DIHL Nomination Committee Charters.

Principle 3: Promote Ethical and Responsible Decision-making

DUET is committed to being a good corporate citizen and has a robust framework of policies to achieve this.

Managing Conflicts

DUET has established protocols for identifying and managing conflicts.

In the case of the DUET Boards:

- Board members declare their interests as required under the Corporations Act, Bermuda Companies Act, ASX Listing Rules and other general law requirements
- Board members with a material personal interest in a matter are not present at a board meeting during the consideration of the matter and subsequent vote unless the board (excluding the relevant board member) resolves otherwise
- Board members with a conflict not involving a material personal interest may be required to absent themselves from the relevant deliberations of the board.

DUET also has a policy for dealing with actual, apparent or potential conflicts of interest which arise out of the fact that RE1 and RE2 are jointly owned by Macquarie and AMP Capital and that DUET may transact from time to time or share staff or information with other Macquarie Group companies or managed vehicles. In particular there is a comprehensive related party protocol which has been described on page 19 of this statement. This requires Macquarie and AMP executives who are board members to absent themselves during voting on transactions with Macquarie Group or AMP Group entities or their respective managed vehicles.

Personal conflicts that might arise generally for directors and staff are covered by the Code of Conduct referred to below.

Ethical Conduct

DUET's Code of Conduct covers DUET's dealing with external parties and how it operates internally. The Code sets the standards for dealing ethically with employees, investors, customers, regulatory bodies and the financial and wider community, and the responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour. The Code includes whistleblower, anti-corruption and dealing with governments and anti-money laundering policies.

The Code is periodically reviewed and endorsed by the DUET Boards. The Code is distributed to all directors and staff and reinforced at induction and other training programs.

Staff and Director Trading

A policy on securities dealings is in place under which directors and staff involved in the management of DUET are restricted in their ability to deal in DUET stapled securities. Security trading by DUET directors, officers and staff is permitted only during four-week special trading windows following the release of DUET's half-yearly and yearly financial results, and following the annual general meeting or lodgement with ASIC and ASX of a disclosure document for a capital raising or a cleansing statement for a rights issue.

When the trading window is not opened following results announcements, pending disclosure of significant transactional activity being undertaken by DUET, a special four-week trading window may apply following an ASX release in respect of the transaction.

Special arrangements apply for the trading by nominees of RE1 and RE2 (and their associates) of DUET securities issued in connection with performance fees. Standing instructions must be given to a Macquarie broker during a designated directors and staff trading window to sell at above a designated price with the trade to take place at any time in accordance with the instructions. Any instructions

given will be on the basis that Chinese walls are operating with the broker at all times during the currency of the instruction. Alternatively, the securities will be placed in a blind trust with an external broker during a trading window with irrevocable instructions to sell at above a designated price with the trade to take place at any time in accordance with instructions.

Environmental and Social Responsibility Management

DUET's approach to environmental and social responsibility management can be found on our website and is set out on pages 14 to 15 of this report.

Diversity Policy

DUET respects and values diversity in its boards and workforce at all levels and has established a diversity policy, a summary of which can be found on our website.

Macquarie and AMP (the joint venture owners of the DUET management companies) in combination appoint the majority of board members and make management staff available to DUET under formal resourcing arrangements. Accordingly DUET seeks to influence diversity in the group based on the principles outlined in its diversity policy:

- (i) at the board and DUET management levels through consultation with Macquarie and AMP. Each of Macquarie and AMP have their own diversity policies in place which are based on similar principles to those of DUET's diversity policy; and
- (ii) at the utility businesses it invests in, through DUET board representatives seeking to promote the implementation of appropriate diversity policies in these businesses to the extent that they are able under the co-ownership arrangements.

An annual review of diversity will be considered by the DUET Nomination Committees and boards. This will monitor DUET's progress in influencing diversity at the board level, in its management team and in the workforces of its utility businesses.

The achievement of gender diversity will be measured in the terms of the advancement of women as follows:

- increasing the number of women on the DUET boards over time as part of the board renewal process
- increasing the number of women in senior management roles within the group and generally in the workforce of DUET's utility businesses over the next five years.

Currently there is one woman on the DUET boards and two women (who perform a shared company secretary/general counsel role) in a six-person DUET senior management team. Overall there are approximately 30% women in the DUET management team. They perform mainly support roles.

Diversity policies and initiatives are in place at Multinet, UED and DBP and further detail is included in the environmental and social responsibility section on pages 14 to 15 of this report.

What you can find on our website:

- A summary of the code of conduct
- A summary of the main provisions of the securities (windows) trading policy
- A description of DUET's environmental and social responsibility management policy
- A summary of the diversity policy.

Principle 4: Safeguard Integrity in Financial Reporting
1. *Audit and Risk Committees*

Each of RE1, RE2 and DIHL has appointed an audit and risk committee which complies with the requirements of the Principles. They are currently comprised as follows:

RE1 Douglas Halley – Director (Committee Chairman) Independent – 3 ¹
The Hon. Michael Lee – Director Independent – 3 ¹
Emma Stein – Director Independent – 3 ¹
RE2 Duncan Sutherland – Director (Committee Chairman) Independent – 3 ¹
Ron Finlay – Director Independent – 3 ¹
Eric Goodwin – Director Independent – 3 ¹
DIHL Douglas Halley – Director (Committee Chairman) Independent – 3 ¹
Emma Stein – Director Independent – 3 ¹
Ron Finlay – Director Independent – 3 ¹

1 Meetings attended (3 held).

The qualifications of the members of each audit and risk committee can be found on the DUET website and later in this report.

2. *Audit and Risk Committee Charters*

In establishing its audit and risk committee, each of RE1, RE2 and DIHL has established a charter under which the committee is to operate. The charter is materially the same for both companies.

The responsibilities of the audit and risk committee under each charter in relation to financial reporting are to:

- Review and report to the board on the financial statements and related notes, and on the external auditor's audit of the financial statements and the report thereon
- Recommend to the board the appointment and removal of the external auditor, review the terms of its engagement including arrangements for the rotation of external audit partners, and the scope and quality of the audit
- Monitor auditor independence. The audit and risk committee meets with the external auditor at least twice a year and more frequently if required.

Details of the risk monitoring duties of the audit and risk committee are set out in the Principle 7 commentary.

3. *Auditor Independence*

The audit and risk committees have adopted a policy which includes the following to ensure the independence of the external auditor:

- The external auditor must remain independent from Macquarie and DUET at all times and must comply with APES 110: Code of Ethics for Professional Accountants pertaining to financial independence, and business and employment relationships
- The external auditor must monitor its independence and report to the board every six months that it has remained independent
- Significant permissible non-audit assignments awarded to the external auditor must be approved in advance by the audit and risk committees (or their chairmen between meetings)

- All non-audit assignments are to be reported to the audit and risk committees every six months
- The DUET audit engagement partner and review partner must be rotated every five years.

The RE1, RE2 and DIHL boards and audit and risk committees are of the view that, at the present time, Ernst & Young is best placed to provide DUET's audit services. Ernst & Young is a top tier professional services firm and has provided audit services to DUET since its establishment and is familiar with its structure and businesses. The auditor is required to be independent from DUET and Macquarie. Ernst & Young meets this requirement. The auditor attends DUET's annual general meetings and is available to answer securityholder questions on the conduct of the audit, and the preparation and content of the auditor's report.

What you can find on our website:

- The audit and risk committee charters for RE1, RE2 and DIHL
- The auditor independence policy.

Principle 5: Make Timely and Balanced Disclosure

It is DUET's policy to provide timely, open and accurate information to all stakeholders, including investors, regulators and the wider investment community. Under the terms of the stapling deed, RE1, RE2 and DIHL are obliged to exchange relevant information and coordinate ASX releases and financial reporting.

DUET has an external communications policy which includes policies and procedures in relation to disclosure and compliance with the disclosure requirements in the ASX Listing Rules. The procedures include dealing with potentially price-sensitive information which includes referral to the CEO and company secretary/general counsel and sometimes the DUET boards for a determination as to disclosure required. The ASX liaison person is the RE1 company secretary.

What you can find on our website:

- External communications policy summary.

Principle 6: Respect the Rights of Shareholders

DUET has developed a securityholder communications policy. The cornerstone of this policy is the delivery of timely and relevant information as described below.

Investors are provided with an annual report and financial statements either by accessing DUET's website or in hard copy, if specifically requested, which keep them informed of DUET's performance and operations. Investors are notified in writing when this material becomes available and are provided with details of how to access it.

DUET's policy is to lodge market-sensitive information with the ASX and place it on its website, including annual and interim result announcements and analyst presentations, as soon as practically possible. DUET's website (www.duet.net.au) contains recent announcements, presentations, past and current reports to securityholders, answers to frequently asked questions and at least a three-year summary of key financial data. Investors may also register here to receive email copies of DUET's significant ASX announcements.

Domestic investor roadshows are held regularly throughout Australia. International roadshows are also held for institutional investors. Where they contain new information, analyst and roadshow presentations are released to the ASX and included on the DUET website.

DUET also produces an analyst package which is updated annually. This comprehensive guide aims to provide transparency of DUET's investments and structure. The analyst package is released to the ASX and consists of detailed business descriptions, corresponding financial variables and financial modelling tools.

Meetings of the three DUET entities are convened at least once a year, usually in November. DIHL is required to hold an annual general meeting (AGM) each year.

In the case of the trusts, which are not required under the Corporations Act to hold an AGM, these are usually informal annual meetings unless there is formal business to be considered. An AGM is held for DIHL at the same time. Presentations by the chairman and CEO at the AGM are webcast.

For formal meetings, an explanatory memorandum on the resolutions is included with the notice of meeting.

Unless specifically stated in the notice of meeting, all holders of fully paid securities are eligible to vote on all resolutions.

In the event that securityholders cannot attend formal meetings they are able to lodge a proxy in accordance with the Corporations Act. Proxy forms can be mailed or lodged by facsimile.

What you can find on our website:

- External communications policy summary
- The latest annual report and full financial statements.

Principle 7: Recognise and Manage Risk

Each of RE1, RE2 and DIHL has formalised risk management policies. Compliance with these policies is monitored by their respective audit and risk committees.

Risks are managed through the risk management framework in place and include:

- Investment risk
- Regulatory and reporting risks
- Financial risks (such as liquidity, interest rate, currency, investment, credit)
- Legal risk (such as contract enforceability, covenants, litigation)
- Compliance risk
- Operational risks (such as people, processes, infrastructure, technology, systems, outsourcing and geographic coverage)
- Environmental and social risks
- Occupational health and safety risks
- Project risks
- Business performance risks
- Reputation risks
- Strategic risks.

As part of its risk monitoring duties each audit and risk committee is required to:

- (i) Enquire of management and the external auditor about significant risks or exposures and assess the steps management (RE1 or RE2) has taken to minimise such risk to the trusts or company as applicable
- (ii) Consider and review with the external auditor:
 - The adequacy of the trusts/company's internal controls including computerised information system controls and security
 - Any related significant findings and recommendations of the external auditor on the matter of internal controls together with management's responses thereto

- (iii) Monitor and review (at least annually) the effectiveness of the trusts/company's operational risk management framework and compliance with key risk management policies
- (iv) Review the scope of any internal audit to be conducted and the independence of internal audit team.

As required by the Corporations Act, a compliance committee and designated compliance staff assist the RE1 and RE2 boards in overseeing the trusts' risk management framework by monitoring compliance plans and ensuring that there is an underlying compliance framework including detailed policies and procedures, staff training and supervision and appropriate compliance reporting.

The compliance committee is currently comprised as follows:

- Ray Kellerman, Chairman, External
- Fiona Dixon, External
- David Bartholomew, DUET.

The external compliance committee members must satisfy the independence criteria set out in s601JB(2) of the Corporations Act. External members are required to certify their compliance with these requirements on an annual basis and otherwise notify RE1 and RE2 if they cease to satisfy the criteria.

RE1 and RE2 are subject to periodic review conducted by Macquarie's internal audit division. Each of DUET's businesses maintains its own risk management framework and supporting infrastructure to manage its own risk. DUET's ability to control or influence this framework and infrastructure differs based on DUET's level of ownership and control. It is DUET's policy to confirm that each business has an appropriate risk management framework in place to assist the business to effectively manage its risks. During the year management has reported to the audit and risk committees as to the effectiveness of DUET's management of its material risks. In addition, the RE1, RE2 and DIHL boards have received assurance from the CEO and CFO that their declaration under s295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating in all material respects in relation to financial reporting risks.

What you can find on our website:

- A description of DUET's risk management policies and framework
- A description of DUET's environmental and social responsibility management policy
- A description of DUET's occupational health and safety risk management policy
- The compliance plan for DUET1, DUET2 and DUET3
- Details of the qualifications of the DUET1, DUET2 and DUET3 compliance committee members.

Principle 8: Remunerate Fairly and Responsibly

Below is a brief description of management and performance fee arrangements for RE1 and RE2 as responsible entity and RE1 as manager, remuneration arrangements in relation to DUET staff (whose remuneration is paid by Macquarie or AMP Capital, not DUET) and also the fees paid to DUET external directors. Full details and a discussion of DUET remuneration arrangements, alignment of interest and manager and staff incentives are set out in the remuneration report on pages 61 to 63.

1. Responsible Entity and Adviser Fees

RE1, as responsible entity of DUET1 and manager of DIHL, and RE2 as responsible entity of DUET2 and DUET3, are entitled to be paid base management fees and also performance fees for discharging their management/advisory functions.

These fees are calculated in accordance with a defined formula under the trust constitutions and the management services agreement for DIHL. The fee arrangements were fully disclosed to investors on fund inception and subsequent restructure and continue to be disclosed on the DUET website and in annual reports so that investors originally invested and continue to invest on this basis. The structure and level of the fee arrangements are consistent with those paid in the market in respect of similar externally managed vehicles and are not subject to review.

Any changes to the fee provisions which would have the effect of increasing the fees would need to be approved by investors.

2. Reimbursement of Responsible Entity and Adviser Expenses

RE1 and RE2 are also entitled to be reimbursed for expenses incurred by them in relation to the proper performance of their duties, out of the assets of DUET. This includes routine ongoing expenses such as the third party costs of acquiring businesses and managing them, as well as capital raising costs, registry, audit, insurance, compliance costs and other expenses as set out in the trust constitutions and management services agreement.

3. Staff Remuneration

RE1 and RE2 make available employees, including senior executives, to discharge their obligations to the relevant DUET entity. These staff are employed by entities in Macquarie or AMP Capital and made available through formalised resourcing arrangements with RE1 and RE2. Their remuneration is not a DUET expense. It is paid by Macquarie or AMP Capital as applicable. Instead DUET pays management fees to RE1 and RE2 for providing management services. These fees are DUET expenses and are disclosed in the remuneration report on page 61 to 63. DIHL does not have employees and relies on the RE1 management staff under the management services agreement to implement operational decisions and carry out administrative functions. DUET holds its businesses through interests in special purpose project vehicles. Most of these vehicles have their own internal management paid for at the business level. Where RE1 or RE2 staff are required to serve as directors on the boards of these vehicles, or are seconded to them from time to time, any fees paid in respect of these arrangements are paid to DUET.

Senior RE1 and RE2 executives who are Macquarie employees may have some of their performance bonus retentions notionally invested by Macquarie in DUET securities so that the amount varies as if they were actually invested in the securities.

Macquarie executives may also have received MGL options or share awards as part of their remuneration package.

4. Director Remuneration

RE1 and RE2 independent director fees are paid by RE1 and RE2 in their personal corporate capacities respectively. They are not paid by the trusts.

In the case of the Macquarie executive directors, remuneration earned in connection with their roles as RE1, RE2 or DIHL directors, as the case may be, is paid by Macquarie and not by RE1, RE2 or DIHL.

DIHL non-executive director fees are paid by DIHL. None of the RE1, RE2 or DIHL directors is entitled to DUET options or securities or to retirement benefits as part of their remuneration package.

Senior Macquarie executives who are DUET directors may have some of their performance bonus retentions notionally invested by Macquarie in DUET securities so that the amount varies as if they were actually invested in the securities, and may also have received MGL options or share awards as part of their remuneration package.

5. Remuneration Committee

Each of the RE1, RE2 and DIHL Boards have constituted a remuneration committee consisting solely of independent directors. The RE1 and DIHL remuneration committees are chaired by Doug Halley and the RE2 committee is chaired by Duncan Sutherland. The remuneration committees have responsibility for reviewing and benchmarking independent director remuneration, recommending remuneration for DIHL directors to the DIHL board and making recommendations to the RE1 and RE2 boards to be passed onto the management company owners Macquarie and AMPCH as they pay RE1 and RE2 director fees. Senior executive remuneration is not paid by DUET and accordingly the DUET boards and remuneration committees do not consider executive remuneration.

What you can find on our website:

- The DUET remuneration report.
- A summary of the RE1, RE2 and DIHL remuneration committee charters.

CONCISE FINANCIAL REPORT

CONTENTS

30	DIRECTORS' REPORT
36	AUDITOR'S INDEPENDENCE DECLARATION
37	CONSOLIDATED INCOME STATEMENTS
38	CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
39	CONSOLIDATED BALANCE SHEETS
40	CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
42	CONSOLIDATED STATEMENTS OF CASH FLOWS
43	DISCUSSION AND ANALYSIS OF RESULTS
45	NOTES TO THE FINANCIAL STATEMENTS
58	STATEMENT BY THE DIRECTORS OF THE RESPONSIBLE ENTITY
59	INDEPENDENT AUDITOR'S REPORT
61	REMUNERATION REPORT
64	STAPLED SECURITY HOLDER INFORMATION
65	DIRECTORS' PROFILES
69	CORPORATE DIRECTORY

This report comprises:

Diversified Utility and Energy Trust No.1
ARSN 109 363 037

And its controlled entities

DUET Group comprises Diversified Utility and Energy Trust No.1 (ARSN 109 363 037) (DUET1) and its controlled entities, Diversified Utility and Energy Trust No.2 (ARSN 109 363 135) (DUET2), Diversified Utility and Energy Trust No. 3 (ARSN 124 997 986) (DUET3) and DUET Investment Holdings Limited (ABN 22 120 456 573) (DIHL) and its controlled entity.

AMPCI Macquarie Infrastructure Management No.1 Limited (ABN 99 108 013 672) (RE1) (AFSL 269286) is the Responsible Entity for Diversified Utility and Energy Trust No.1 (DUET1) (ARSN 109 363 037) (ABN 83 495 791 796) and the manager of DUET Investment Holdings Limited (DIHL) (ABN 22 120 456 573) and AMPCI Macquarie Infrastructure Management No.2 Limited (ABN 15 108 014 062) (RE2) (AFSL 269287) is the Responsible Entity for Diversified Utility and Energy Trust No.2 (DUET2) (ARSN 109 363 135) (ABN 85 482 841 876) and Diversified Utility and Energy Trust No. 3 (DUET3) (ARSN 124 997 986) (ABN 42 998 980 995) (in combination referred to as "DUET" or "the DUET Group"). RE1 and RE2 are joint ventures between AMP Capital Holdings Limited, a wholly owned subsidiary of AMP Limited (AMP), and Macquarie Capital Group Limited, a wholly owned subsidiary of Macquarie Group Limited (MGL).

None of the entities noted in this document is an authorised deposit taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia) and their obligations do not represent deposits or other liabilities of Macquarie Bank Limited (ABN 46 008 583 542) (MBL) or AMP Bank Limited (ABN 15 081 596 009) (AMP Bank). AMP Capital Holdings Limited (ABN 69 078 651 966) has arranged for an external bank limited \$2.5 million guarantee which together with an MBL limited \$2.5 million guarantee are provided to the Australian Securities and Investments Commission in respect of Corporations Act obligations of each of RE1 and RE2 as responsible entities of managed investment schemes. MBL and AMP Bank and their related corporations do not otherwise guarantee or provide assurance in respect of the obligations of RE1 or RE2 or any other entity noted in this document.

This report is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in DUET, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

RE1 as Responsible Entity for DUET1 and manager of DIHL, and RE2 as Responsible Entity of DUET2 and DUET3 are entitled to fees for so acting. RE1, RE2, AMP and MGL and their related corporations, together with their officers and Directors, may hold stapled securities in DUET from time to time.

DIRECTORS' REPORT

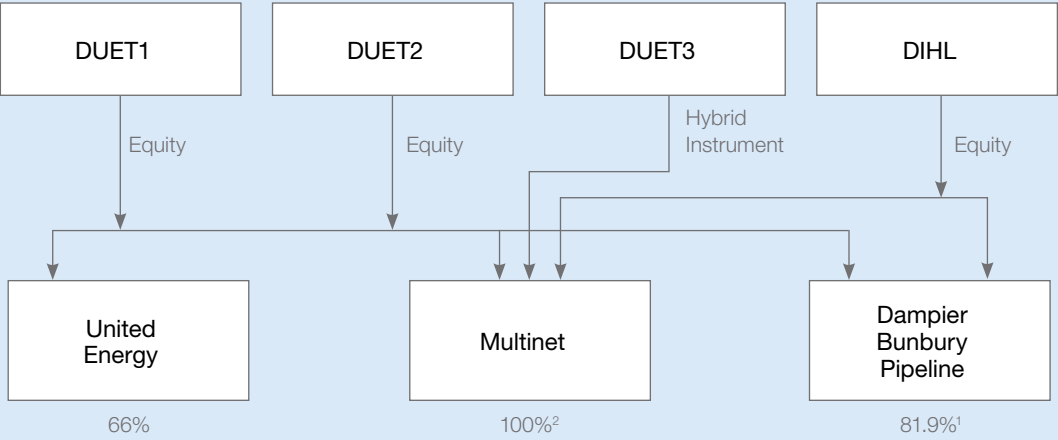
Explanation of the Financial Report

This Concise Financial Report has been prepared in accordance with Australian Accounting Standard AASB 1039 *Concise Financial Report* and the *Corporations Act 2001*. This report should be read in conjunction with the DUET Group Financial Report and the accompanying notes.

Under Australian Accounting Standards, Diversified Utility and Energy Trust No.1 (DUET1) has been deemed the parent entity of Diversified Utility and Energy Trust No.2 (DUET2), Diversified Utility and Energy Trust No.3 (DUET3) and DUET Investment Holdings Limited (DIHL or Company) and their subsidiaries (together, DUET) for accounting purposes. Therefore, the DUET1 consolidated Financial Statements include all entities forming DUET.

At 30 June 2012, DUET Group comprises DUET1, DUET2, DUET3 and DIHL and their subsidiaries. These four stapled entities DUET1, DUET2, DUET3 and DIHL trade as one listed security, DUET Group, on the Australian Securities Exchange (ASX Code: DUE).

A summary of the Group structure as at 30 June 2012 is illustrated below.



¹ DUET’s equity interest and related rights to distributions in DBP is expected to progressively reduce to 80% as the minority shareholder meets future equity calls.

In aggregate, DUET Group holds a controlling interest in the Dampier Bunbury Natural Gas Pipeline Trust and its controlled entities (DBP or Dampier Bunbury Pipeline), United Energy Distribution Holdings Limited and its controlled entities (UEDH or United Energy) and Multinet Group Holdings Limited and its controlled entities (MGH or Multinet). Accordingly the results, assets and liabilities of these entities are consolidated into the DUET Group Financial Report. DUET disposed of its investments in WA Network Holdings Pty Limited in July 2011 and DQE Holdings LLC in September 2011.

As the securities held by investors are stapled securities in DUET, the Financial Report for DUET Group provides the most concise information regarding the performance of investors’ funds, with further information on the components of the investment presented in the remaining columns.

AMPCI Macquarie Infrastructure Management No.1 Limited (RE1) acts as Responsible Entity for Diversified Utility and Energy Trust No.1 (DUET1) and manager of DUET Investment Holdings Limited (DIHL).

AMPCI Macquarie Infrastructure Management No.2 Limited (RE2) acts as Responsible Entity for Diversified Utility and Energy Trust No.2 (DUET2) and Diversified Utility and Energy Trust No.3 (DUET3).

In accordance with AASB127 *Separate and Consolidated Financial Statements*, DUET1 has been identified as the parent of the consolidated Group consisting of DUET1, DUET2, DUET3 and DIHL and the entities they control, together acting as DUET or DUET Group.

RE1 and RE2 are joint ventures between AMP Capital Holdings Limited (AMPCH), a wholly owned subsidiary of AMP Limited, and Macquarie Capital Group Limited (MCGL), a wholly owned subsidiary of Macquarie Group Limited (MGL).

The directors of RE1 submit the following report for DUET1 for the year ended 30 June 2012.

The directors of RE2 submit the following report for DUET2 and DUET3 for the year ended 30 June 2012.

The directors of DIHL submit the following report for DIHL for the year ended 30 June 2012.

The units of DUET1, DUET2 and DUET3 together with the ordinary shares in DIHL are issued as stapled securities in DUET.

Principal Activities

The principal activity of DUET1, DUET2, DUET3 and DIHL is investment in energy utility assets. The investment policy of DUET Group is to invest funds in accordance with the provisions of the Trust Constitutions and the governing documents of the individual entities within DUET Group.

Directors' Names (and period of service)

The following persons held office as directors of RE1 during the year and up to the date of this report:

- John Roberts (Chairman)
- Philip Garling
- The Hon. Michael Lee
- Emma Stein
- Douglas Halley
- Shemara Wikramanayake (alternate for John Roberts)
- Bodhisahwa Pahari (alternate for Philip Garling – resigned 17 January 2012)
- Scott Davies (alternate for Philip Garling – appointed 18 January 2012)

The following persons held office as directors of RE2 during the year and up to the date of this report:

- John Roberts (Chairman)
- Philip Garling
- Ron Finlay
- Eric Goodwin
- Duncan Sutherland
- Shemara Wikramanayake (alternate for John Roberts)
- Bodhisahwa Pahari (alternate for Philip Garling – resigned 17 January 2012)
- Scott Davies (alternate for Philip Garling – appointed 18 January 2012)

The following persons held office as directors of DIHL during the year and up to the date of this report:

- John Roberts (Chairman)
- Philip Garling
- Ron Finlay
- Douglas Halley
- Emma Stein
- Shemara Wikramanayake (alternate for John Roberts)
- Bodhisahwa Pahari (alternate for Philip Garling – resigned 17 January 2012)
- Scott Davies (alternate for Philip Garling – appointed 18 January 2012)

Distributions and Dividends

The distribution for the year ended 30 June 2012 was 16.000 cents per stapled security (2011: 20.000 cents per stapled security).

An interim distribution for the year ended 30 June 2012 of 8.000 cents per stapled security was paid on 14 February 2012 (2011: 10.000 cents per stapled security). This consisted of 3.881 cents per unit from DUET1 (2011: 3.206 cents per unit), 4.119 cents per unit from DUET2 (2011: 4.549 cents per unit) and nil cents per unit from DUET3 (2011: 2.245 cents per unit).

A final distribution of 8.000 cents per stapled security was paid on 14 August 2012 (2011: 10.000 cents per stapled security). This consisted of 2.685 cents per unit from DUET1 (2011: 3.670 cents per unit), 3.812 cents per unit from DUET2 (2011: 4.870 cents per unit) and 1.503 cents per unit from DUET3 (2011: 1.460 cents per unit).

DIRECTORS' REPORT CONTINUED

Review and Results of Operations

The performances of the DUET Group and entities comprising DUET for the year ended 30 June 2012 was as follows:

	DUET Group 1 July 2011– 30 June 2012 \$'000	DUET Group 1 July 2010– 30 June 2011 \$'000
Revenue and other income from continuing operations	1,222,080	1,212,261
Profit/(loss) for the year	43,997	188,400
Profit/(loss) attributable to securityholders	47,549	124,917
Earnings used in calculation of basic and diluted earnings per stapled security/unit/share ¹	77,432	68,784
Basic earnings per stapled security/unit/share	7.23c	7.70c
Diluted earnings per stapled security/unit/share	7.23c	7.70c
Basic earnings per stapled security/unit/share based on consolidated profit for the year	4.11c	21.08c

1 DUET Group includes earnings of DUET1 only and has been calculated in accordance with AASB 133 Earnings per Share. DUET1 was identified as parent of DUET on transition to AIFRS.

The DUET Group profit for the year to 30 June 2012 of \$44.0 million (2011: \$188.4 million) includes significant items such as the profit on sale of its 29.0% stake in Duquesne and 25.9% interest in WAGN, a performance fee paid during the year, and changes in the fair value of derivatives (mark to market gains/(losses)) during the period. The prior year profit after tax included a one off \$112.0 million tax benefit for DBP with no such item during the current period.

	DUET Group 1 July 2011– 30 June 2012 \$'000	DUET Group 1 July 2010– 30 June 2011 \$'000
Significant gains/(losses)		
Mark to market/unrealised foreign exchange gains/(losses)	(19,222)	6,573
Accounting profit on sale of WAGN	44,424	–
Accounting profit on sale of Duquesne, excluding transfer of reserves	2,380	–
Transfer from reserves on sale of Duquesne	(38,122)	–
Equity accounted profit of associates	6,754	20,789
DBP tax benefit	–	112,000
Performance fee	(16,636)	–
Actuarial movements on Duquesne pension plan	–	14,060
Total significant gains/(losses)	(20,422)	153,422

Dampier Bunbury Pipeline

During the year under review, DBP transmitted 319 PJ (2011: 310 PJ) of gas.

United Energy

During the year under review, United Energy distributed 8,135 GWh (2011: 8,071 GWh) of electricity.

Multinet

During the year under review, Multinet distributed 56.1 PJ (2011: 60.6 PJ) of gas.

Significant Changes in State of Affairs

Asset Acquisition and Divestment

On 29 July 2011, DUET reached financial close on transactions with ATCO Ltd (ATCO) and AET&D Holdings No 2 Pty Ltd (AET&D). The total transaction is summarised as follows:

Transaction details	\$m
Acquired an additional 20.0% interest in DBP	(168.0)
Acquired an additional 20.1% interest in Multinet and sold the 25.9% interest in WAGN	45.5
Sold the subordinated debt due from WAGN	80.0
Net consideration paid by DUET	(42.5)

DUET Group Entitlement Offer

On 30 August 2011, DUET completed a fully underwritten accelerated non–renounceable pro rata entitlement offer of 1 new stapled security for every 5 existing stapled securities at an offer price of \$1.52 per new security. DUET raised approximately \$277 million, of which \$174 million was raised from the Institutional Entitlement Offer and \$103 million from the Retail Entitlement Offer.

The proceeds of the Offer were used to acquire additional stakes in DBP and Multinet, repay the corporate revolving debt facility balance and reduce gearing at DBP. DUET Group had no drawn debt at the corporate level at 30 June 2012.

Sale of Duquesne

On 13 September 2011, DUET reached financial close in relation to the sale of its 29.0% stake in Duquesne to the Government of Singapore Investment Corporation Pte Ltd (GIC) for a total consideration of US\$360 million. The hedged net sale proceeds of A\$345 million were applied to retire DUET's corporate bridge facility. DUET Group had no drawn debt at the corporate level at 30 June 2012.

Multinet Gas \$420 million Bank Debt Refinancing

On 18 November 2011, Multinet finalised a bank debt raising of \$420 million. The new debt facilities, comprising three and five year tranches totalling \$120 million and \$300 million respectively, will fund key growth capital expenditure requirements over the medium term as well as refinancing a \$335 million facility which was to mature in June 2012.

DBP Bank Debt Refinancing

During the year DBP completed two debt refinancing transactions. On 21 October 2011 DBP entered into a \$400 million, 3 year Syndicated Facility Agreement (“SFA”). These funds were used to repay the \$252.6 million SFA maturing in June 2012 along with an early prepayment of \$99.4 million against the SFA maturing in June 2014. The remaining funds were drawn down on 26 April 2012 to repay a portion of the \$275m in floating rate notes. On 23 December 2011 DBP entered into a \$235 million, 5 year SFA to partially fund the April 2012 maturing \$275 million floating rate notes.

United Energy Pricing of Medium Term Notes

During the year, United Energy priced A\$200 million of 5 year medium term notes at a fixed coupon of 6.25% p.a. Settlement of this transaction occurred in April 2012. The proceeds were applied to refinance UEDH's A\$150 million term debt facility, which was drawn to A\$100 million and matures in December 2013, and for general corporate purposes.

Events Occurring After Balance Sheet Date

Final Distribution Paid

A final distribution of 8.00 cents per stapled security was paid by DUET on 14 August 2012 (2011: 10.00 cents). This consists of a distribution of 2.685 cents per unit from DUET1 (2011: 3.670 cents), 3.812 cents per unit from DUET2 (2011: 4.870 cents) and 1.503 cents per unit from DUET3 (2011: 1.460 cents).

DUET Group Securities Issued under DRP

Securityholders participating in DUET's Distribution and Dividend Reinvestment Plan (DRP) reinvested \$13,310,336 of the distribution paid on 14 August 2012 in 6,807,220 DUET Group securities at a price of \$1.955269. As announced on 15 June 2012, DRP participation was capped to a maximum of 15% of the total distribution.

Agreement to Internalise Management

On 31 July 2012, DUET announced that it had reached agreement with AMP Capital and Macquarie Capital Group to internalise the management of DUET. Under the proposal, the consideration payable to AMP Capital and Macquarie for the internalisation will be \$82 million which will be used to subscribe for DUET stapled securities at an issue price of \$1.9715 per security. This is based on the arithmetic average of the daily volume-weighted-average DUET security prices (each rounded down to the nearest cent) for the 20 trading days from 17th July 2012 to 13th August 2012. DUET will also pay AMP Capital and Macquarie an estimated total of \$11 million to 30 June 2013 to provide a range of support services during the transition to independent management.

The proposal was negotiated by the independent directors of the DUET Boards and is subject to final documentation, an independent expert's report concluding that the proposal is fair and reasonable and in the best interests of securityholders, and a minimum 50% approval by DUET's securityholders voting at a general meeting expected to be held in late October 2012.

Indemnification and Insurance of Officers and Auditors

During the year, RE1, RE2 and the Company paid a premium to insure their respective officers. As long as these officers act in accordance with the Constitution and the law, they will remain indemnified out of the assets of the Trusts and Company of DUET Group against any losses incurred while acting on behalf of the Trusts, Company and DUET Group. The auditors of DUET Group are in no way indemnified out of the assets of the Trust, Company or DUET Group. Disclosure of further details is prohibited by a confidentially clause in the policy.

DIRECTORS' REPORT CONTINUED

Interests in DUET Group Securities Issued During the Financial Year

The movement during the year in securities on issue of DUET Group is set out below:

	DUET Group 1 July 2011– 30 June 2012 \$'000	DUET Group 1 July 2010– 30 June 2011 \$'000
Securities on issue at the beginning of the year	909,693	870,560
Securities issued during the year	200,138	39,133
Securities on issue at the end of the year	1,109,831	909,693

Carrying Value of Assets

	DUET Group 30 June 2012 \$'000	DUET Group 30 June 2011 \$'000
Carrying value of assets	8,118,659	8,640,918

The value of DUET Group, DUET2, DUET3 and DIHL Group assets is derived using the basis set out in Note 1 to the Financial Statements.

Directors' Holdings of Stapled Securities

The aggregate number of DUET Group stapled securities held directly, indirectly or beneficially by directors at the date of this Financial Report are:

	DUET Group stapled securities 2012	DUET Group stapled securities 2011
Director		
John Roberts	5,422,901	4,222,901
Philip Garling	87,300	72,750
The Hon Michael Lee	17,979	12,288
Emma Stein	50,506	43,506
Douglas Halley	134,000	95,000
Ron Finlay	20,237	14,455
Eric Goodwin	54,005	43,059
Duncan Sutherland	150,000	200,000
Shemara Wikramanayake	1,842,987	1,842,987
Scott Davies ¹	–	–

1 Appointed as an alternate for Philip Garling on 18 January 2012.

Certain employees of MGL and AMPCH associated with the management of DUET hold stapled securities in DUET Group at the date of this report. Refer to Note 30 to the DUET Group Financial Report for further details.

RE1's and RE2's Holdings of Stapled Securities

Neither RE1 or RE2 hold any stapled securities in DUET Group at the date of this Financial Report (30 June 2011: nil).

Environmental Regulations

DUET Group, DUET2, DUET3 and DIHL are not subject to any environmental regulations. The operations of the underlying assets in which the DUET Group, DUET2, DUET3 and DIHL invests are subject to environmental regulations particular to the countries in which they are located.

Dampier Bunbury Pipeline

Both the DBP Licence and DBP Access Licence place requirements on DBP as operator of the DBNGP. Environmental obligations are identified and managed through DBP's Environmental Management Plan, which sets out procedures for necessary restoration work associated with operations and construction.

The directors are not aware of any material breaches to the environmental regulations discussed above.

United Energy

United Energy is subject to significant environmental regulation under the Environmental Protection Act (EPA) 1970 (Vic). United Energy adheres to environmental management principles using compliance with ISO 14001 for proactive planning, sustainable development and self assessment for continuous improvement. United Energy did not receive any notices from the Environmental Protection Agency for violation of the Act during the year.

Multinet

Multinet is subject to significant environmental regulation under the Environmental Protection Act 1970 (Vic). Multinet adheres to environmental management principles using compliance with ISO 14001 for proactive planning, sustainable development and self assessment for continuous improvement. Multinet did not receive any notices from the Environmental Protection Agency for violation of the Act from 2004 to the date of signing this report.

Application of Class Order

The Financial Reports for DUET Group, DUET2, DUET3 and DIHL are jointly presented in one report, as permitted by ASIC Class Orders 05/642 and 06/441.

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 36.

Rounding of Amounts in the Directors' Report and the Financial Report

DUET Group, DUET2, DUET3 and DIHL are of a kind referred to in Class Order 98/0100, issued by ASIC, relating to the 'rounding off' of amounts in the directors' report and Financial Report. Amounts in the directors' report and Financial Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Share Options for DUET Group

No options over ordinary shares of DUET Group existed at 30 June 2012 (2011: nil).

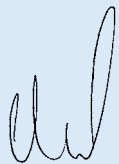
Signed in accordance with a resolution of directors of AMPCI Macquarie Infrastructure Management No.1 Limited.



Philip Garling
Director

AMPCI Macquarie Infrastructure Management
No.1 Limited

Sydney
16 August 2012




John Roberts
Director

AMPCI Macquarie Infrastructure Management
No.1 Limited

Sydney
16 August 2012

AUDITOR’S INDEPENDENCE DECLARATION




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Auditor’s Independence Declaration to the Directors of the Responsible Entity of Diversified Utility and Energy Trust No.1

In relation to our audit of the financial report of Diversified Utility and Energy Trust No.1 for the year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Kester C Brown
Partner

16 August 2012

Liability limited by a scheme approved under Professional Standards Legislation

CONSOLIDATED INCOME STATEMENTS

		DUET Group 1 July 2011– 30 June 2012 \$'000	DUET Group 1 July 2010– 30 June 2011 \$'000
	Note		
Revenue	3	1,220,141	1,189,059
Other income	3	1,939	23,202
Total revenue and other income		1,222,080	1,212,261
Share of net profit/(loss) of associates accounted for using the equity method	3	6,754	20,789
Net gain/(loss) on disposal of associates	3	8,668	–
Operating expenses	3	(428,251)	(320,464)
Depreciation and amortisation expense	3	(233,925)	(214,264)
Finance costs	3	(465,909)	(505,003)
Other expenses	3	(63,089)	(119,959)
Total expenses		(1,191,174)	(1,159,690)
Profit/(loss) before income tax expense		46,328	73,360
Income tax credit/(expense)		(2,331)	115,040
Profit/(loss) for the year		43,997	188,400
Profit/(loss) is attributable to:			
DUET1 unitholders		77,432	68,784
DUET2 and DUET3 unitholders and DIHL shareholders as non-controlling interests		(29,883)	56,133
Stapled securityholders		47,549	124,917
Other non-controlling interests		(3,552)	63,483
Basic earnings per stapled security/share/unit	5	7.23	7.70
Diluted earnings per stapled security/share/unit	5	7.23	7.70

The above Income Statements should be read in conjunction with the accompanying Notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	DUET Group 1 July 2011– 30 June 2012 \$'000	DUET Group 1 July 2010– 30 June 2011 \$'000
Profit/(loss) after income tax expense for the year	43,997	188,400
Other comprehensive income/(expense)		
Changes in fair value of cashflow hedges, net of tax:		
Gain/(loss) taken to equity	(174,559)	19,714
Transferred to Income Statement	53,687	41,774
Changes in share of associates other reserves, net of tax	4,793	(1,427)
Reclassification of associate reserves on disposal	26,818	–
Reclassification of associates foreign currency translation reserve on disposal (including movement to date of disposal)	12,567	–
Movement in defined benefit reserve	(1,319)	–
Gain/(loss) on dilution of minority interest	(1,250)	–
Changes in share of associates foreign currency translation reserve	–	(24,144)
Total comprehensive income/(expense) for the year	(35,266)	224,317
Total comprehensive income/(expense) for the year is attributable to:		
DUET1 unitholders	39,787	121,829
DUET2 and DUET3 unitholders and DIHL shareholders as non-controlling interests	(38,613)	17,681
Stapled securityholders	1,174	139,510
Other non-controlling interests	(36,440)	84,807
Total comprehensive income/(expense) for the year	(35,266)	224,317

The above Statements of Comprehensive Income should be read in conjunction with the accompanying Notes.

CONSOLIDATED BALANCE SHEETS

	Note	DUET Group 30 June 2012 \$'000	DUET Group 30 June 2011 \$'000
Current assets			
Cash and cash equivalents		243,595	543,482
Receivables		67,983	321,909
Inventories		19,637	14,429
Other assets		78,648	103,055
Derivative financial instruments		899	5,785
Total current assets		410,762	988,660
Non-current assets			
Receivables		21,507	21,968
Investment in associated entities		–	166,129
Property, plant and equipment		5,473,171	5,319,868
Deferred tax assets		93,552	70,820
Intangible assets		2,094,282	2,059,815
Other assets		24,018	–
Derivative financial instruments		1,367	13,658
Total non-current assets		7,707,897	7,652,258
Total assets		8,118,659	8,640,918
Current liabilities			
Distribution payable		88,787	90,969
Payables		285,146	181,533
Interest bearing liabilities	6	325,278	1,468,204
Provisions		16,793	9,768
Derivative financial instruments		116,258	46,976
Other liabilities		37,766	39,807
Total current liabilities		870,028	1,837,257
Non-current liabilities			
Interest bearing liabilities	6	4,799,841	4,277,725
Deferred tax liabilities		480,788	508,777
Derivative financial instruments		339,863	290,776
Provisions		32,847	26,963
Retirement benefit obligations		4,278	–
Other liabilities		22,316	22,731
Total non-current liabilities		5,679,933	5,126,972
Total liabilities		6,549,961	6,964,229
Net assets		1,568,698	1,676,689
Equity			
Equity attributable to DUET1 unitholders			
Contributed equity		650,331	553,887
Reserves		(173,366)	(96,997)
Retained profits/accumulated (losses)		(204,763)	(209,585)
Unitholders interest		272,202	247,305
Equity attributable to DUET2, DUET3 and DIHL Securityholders (as non-controlling interest)			
Contributed equity		1,580,504	1,378,338
Reserves		(354,356)	(249,474)
Retained profits/accumulated (losses)		(121,489)	(84,204)
DUET2, DUET3 and DIHL securityholders interest		1,104,659	1,044,660
Other non-controlling interest		191,837	384,724
Total equity		1,568,698	1,676,689

The above Balance Sheets should be read in conjunction with the accompanying Notes.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

DUET Group	Attributable to DUET1 Unitholders						DUET2, DUET3 and DIHL non-controlling interests \$'000	Other non-controlling interest \$'000	Total equity \$'000
	Contributed equity \$'000	Hedging reserve \$'000	Capital reserve \$'000	Other reserve \$'000	Retained profits/ (accumulated losses) \$'000	Total \$'000			
Total equity at 30 June 2010	532,697	(40,678)	(90,324)	(19,043)	(216,537)	166,115	1,101,480	247,840	1,515,435
Profit for the year	–	–	–	–	68,784	68,784	56,133	63,483	188,400
Other comprehensive income/(expense) for the year	–	27,646	–	25,399	–	53,045	(38,452)	21,324	35,917
Total comprehensive income for the year	–	27,646	–	25,399	68,784	121,829	17,681	84,807	224,317
Transactions with equity holders in their capacity as equity holders:									
Contributions of equity, net of transaction costs	21,190	–	–	–	–	21,190	42,375	–	63,565
Distribution paid and provided for to DUET equity holders	–	–	–	–	(61,829)	(61,829)	(116,876)	–	(178,705)
Dividends and distributions provided for or paid to non-controlling interests	–	–	–	–	–	–	–	(56,311)	(56,311)
Contributions of equity by non-controlling interests	–	–	–	–	–	–	–	108,388	108,388
Total equity at 30 June 2011	553,887	(13,032)	(90,324)	6,356	(209,582)	247,305	1,044,660	384,724	1,676,689
Profit for the year	–	–	–	–	77,432	77,432	(29,883)	(3,552)	43,997
Other comprehensive income/(expense) for the year	–	(47,965)	–	10,773	(453)	(37,645)	(8,730)	(32,888)	(79,263)
Total comprehensive income for the year	–	(47,965)	–	10,773	76,979	39,787	(38,613)	(36,440)	(35,266)
Transactions with equity holders in their capacity as equity holders:									
Contributions of equity, net of transaction costs	96,444	–	–	–	–	96,444	202,166	–	298,610
Distribution paid and provided for to DUET equity holders	–	–	–	–	(72,160)	(72,160)	(103,554)	–	(175,714)
Dividends and distributions provided for or paid to non-controlling interests	–	–	–	–	–	–	–	(25,592)	(25,592)
Contributions of equity by non-controlling interests	–	–	–	–	–	–	–	31,945	31,945
Change in equity as a result of acquisition	–	–	–	(39,174)	–	(39,174)	–	(162,800)	(201,974)
Total equity at 30 June 2012	650,331	(60,997)	(90,324)	(22,045)	(204,763)	272,202	1,104,659	191,837	1,568,698

CONSOLIDATED STATEMENTS OF CASH FLOWS

	DUET Group 1 July 2011– 30 June 2012 \$'000	DUET Group 1 July 2010– 30 June 2011 \$'000
Cash flows from operating activities		
Receipts from customers (including GST)	1,266,902	1,247,813
Payments to suppliers and employees (including GST)	(452,627)	(418,380)
Income tax received/(paid)	(401)	(968)
Interest received from associates	6,950	35,681
Interest received from related parties	–	–
Dividends received	–	5,402
Other interest received	12,609	31,924
Management fee paid	(20,079)	(20,331)
Indirect tax net (paid) /received	(49,906)	(50,592)
Net cash flows from operating activities	763,448	830,549
Cash flows (used in)/from investing activities		
Payments for purchase of property, plant and equipment	(313,077)	(265,434)
Payments for purchase of software	(71,560)	(52,438)
Proceeds from sale of investment, net of costs	499,094	–
Payments for purchase of investments	(155,500)	(35,404)
Amounts deposited in escrow account for asset acquisition	–	(42,500)
Investment in term deposits	–	7,462
Proceeds from sale of non-current assets	143	279
Net cash flows (used in)/from investing activities	(40,900)	(388,035)
Cash flows from financing activities		
Proceeds from issue of stapled securities, net of transaction costs	266,362	–
Proceeds from securities issued to non-controlling interests	32,010	118,267
Proceeds from borrowings lent by non-controlling interests	6,395	5,610
Proceeds from borrowing from external parties	1,053,423	3,057,579
Repayment of borrowings from external parties	(1,746,501)	(2,879,697)
Loans to related parties	–	–
Loans from related parties	–	–
Finance costs paid	(463,619)	(501,502)
Dividends paid to non-controlling interest	(27,317)	(56,309)
Distributions paid to DUET securityholders	(145,675)	(111,226)
Net cash flow from/(used in) financing activities	(1,024,922)	(367,278)
Net increase/(decrease) in cash and cash equivalents held	(302,374)	75,236
Cash assets at the beginning of the period	543,482	464,682
Effects of exchange rate changes on cash and cash equivalents	2,487	3,564
Cash and cash equivalents at the end of the year	243,595	543,482

The above Statements of Cash Flows should be read in conjunction with the accompanying Notes.

DISCUSSION AND ANALYSIS OF RESULTS

Financial Performance

Operating Performance

The net profit attributable to securityholders and non-controlling interests for DUET and its consolidated entities for the year ended 30 June 2012 is a profit of \$44.0 million (2011: \$188.4 million).

The DUET Group profit for the full year of \$44.0 million includes significant items such as the profit on sale of its 29.0% interest in Duquesne and 25.9% interest in WAGN, a performance fee paid during the year, and changes in the fair value of derivatives. Derivatives are used by DUET and its businesses as financial risk management tools. Australian accounting standards require that derivative instruments be recorded at fair value potentially leading to volatility in the income statement. Excluding the impact of significant items, DUET Group's net result after income tax for the full year was \$64.3 million as follows:

	DUET Group 1 July 2011– 30 June 2012 \$m	DUET Group 1 July 2010– 30 June 2011 \$m
Net result after income tax	44.0	188.4
<i>Add back: significant items</i>		
Consolidated MTM derivatives and fx loss/(profit)	19.2	(6.6)
Accounting profit on sale of WAGN	(44.4)	–
Accounting profit on sale of Duquesne, excluding transfer of reserves	(2.4)	–
Transfer of reserves on sale of Duquesne	38.1	–
Equity accounted profit of associates	(6.8)	(20.8)
DBP tax benefit	–	(112.0)
Performance fee	16.6	–
Duquesne actuarial (gain)/loss on defined benefit plan	–	(14.1)
Net result after income tax excluding significant items	64.3	34.9

Revenue

The total revenue for the year was \$1,222.1 million (2011: \$1,212.3 million), comprising the following:

- Distribution revenue of \$611.5 million (2011: \$579.7 million).
- Metering revenue of \$93.3 million (2011: \$71.1 million).
- Transportation revenue of \$424.8 million (2011: \$405.4 million).
- Other sales revenue of \$24.8 million (2011: \$20.9 million).
- Investment income of \$5.5 million (2011: \$32.8 million).
- Other revenue of \$59.6 million (2011: \$100.2 million).
- New connections revenue \$2.6 million (2011: \$2.2 million).

Share of Net Profit of Associates

Share of net profits of associates accounted for using the equity method for the year prior to their disposal was \$6.7 million (2011: \$20.7 million).

Net Gain on Disposal of Associates

During the year DUET Group sold its 25.9% interest in WA Network Holdings Pty Limited and its 29.0% interest in DQE Holdings LLC for a total net gain on disposal of \$8.7 million (2011: \$nil). This included the following:

- Transfer from reserves to income statement on disposal of associates (\$38.1 million)
- Net gain on disposal of WAGN net of transaction costs \$44.4 million
- Net gain on disposal of Duquesne net of transaction costs \$2.4 million

Operating Expenses

Operating expenses of \$428.2 million were incurred during the year (2011: \$320.4 million) and included the following:

- Operating fees of \$266.6 million (2011: \$223.5 million).
- Other operating expenses of \$161.6 million (2011: \$96.9 million).

Depreciation and Amortisation Expense

- Amortisation of intangible assets was \$42.9 million (2011: \$33.9 million).
- Depreciation of property, plant and equipment was \$191.0 million (2011: \$180.3 million).

Finance Costs

Finance costs of \$465.9 million (2011: \$505.0 million) were incurred during the year. This includes \$26.2 million (2011: \$26.4 million) of amortisation of borrowing costs.

Income Tax

- Under the Income Tax Assessment Acts, DUET1, DUET2, and DUET3 are not liable for income tax provided that the taxable income is fully distributed to stapled securityholders each year.
- Income tax expense of \$2.3 million (2011: benefit of \$115.0 million) was recognised during the year. The prior year tax benefit primarily relates to \$112.0 million of DBP pre-acquisition tax losses recognised in that year.

Non-controlling Interests

- Non-controlling equity interests of \$(3.6) million represent the net results of DBP, UEDH and MGH attributable to non-controlling interests (2011: \$63.5 million).

DISCUSSION AND ANALYSIS OF RESULTS CONTINUED

Earnings per Stapled Security

The basic earnings per stapled security after finance costs is 7.23 cents per stapled security (2011: 7.70 cents per stapled security).

- The weighted average number of stapled securities on issue used in the calculation of the earnings per stapled security is 1,070.5 million (2011: 893.7 million).
- Earnings per stapled security for DUET Group include earnings of DUET1 only and has been calculated in accordance with AASB 133 Earnings per Share. Earnings per stapled security on consolidated profit for the year is 4.11c (2011: 21.08c).

Financial Position

Assets

- At 30 June 2012, total assets of DUET were \$8,118.7 million (2011: \$8,640.9 million).
- Property, plant and equipment of \$5,473.2 million (2011: \$5,319.9 million) included \$5.6 million of land (2011: \$5.6 million), \$29.5 million of land and buildings (2011: \$24.9 million), \$5,146.6 million of plant and equipment (2011: \$5,043.1 million), \$46.3 million of other property, plant and equipment (2011: \$30.5 million) and \$245.1 million of plant and equipment in the course of construction (2011: \$215.6 million).
- Intangible assets of \$2,094.3 million (2011: \$2,059.8 million) comprise \$69.7 million of intellectual property (2011: \$76.1 million), \$1,035.4 million of distribution licences (2011: \$1,035.4 million) and \$789.8 million of goodwill (2011: \$789.8 million), \$144.9 million of software assets (2011: \$105.2 million), and \$52.5 million of development project costs (2011: \$53.3 million).

Liabilities

- At 30 June 2012, total liabilities of DUET were \$6,550.0 million (2011: \$6,964.2 million).

Equity

- At 30 June 2012, total equity of DUET was \$1,568.7 million (2011: \$1,676.6 million).
- Contributed equity is \$2,230.8 million (2011: \$1,932.2 million).
- Reserves are \$(527.7) million (2011: \$(346.5 million). This represents cash flow hedges measured in accordance with IFRS.

Net Asset Backing

- The net asset backing per stapled unit at 30 June 2012 is \$1.41 (2011: \$1.84).

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies

This Concise Financial Report has been prepared in accordance with Australian Accounting Standard AASB 1039 Concise Financial Report and the *Corporations Act 2001*. This report should be read in conjunction with the DUET Group Financial Report and the accompanying notes.

The significant accounting policies which have been adopted in the preparation of the DUET Group Financial Statements are stated in the DUET Group Financial Report to assist in a general understanding of that report.

The DUET Group Financial Reports were authorised for issue by the Directors on 16 August 2012. The Responsible Entities and Directors of DIHL have the power to amend and reissue these Financial Reports. A summary of the key significant accounting policies are set out below.

(a) Basis of Preparation of Financial Reports

The principal accounting policies adopted in the preparation of the Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Compliance with IFRS

The Financial Reports comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards board.

Historical Cost Convention

These Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value.

Stapled Security

The units of DUET1, DUET2, DUET3 and the ordinary shares in DIHL are combined and issued as stapled securities in DUET Group. The individual securities cannot be traded separately and can only be traded as stapled securities.

This Financial Report consists of the consolidated Financial Statements of DUET1, which comprises DUET1, DUET2, DUET3, DIHL and the entities they control, together acting as DUET.

As permitted by ASIC Class orders 05/642 and 06/441, these Financial Reports consist of the consolidated Financial Statements of DUET1 and its controlled entities (collectively referred to as “DUET” or “DUET Group”), and the Financial Statements of DUET2, DUET3 and DIHL and its subsidiary.

(b) Consolidated Accounts

The Group is required to prepare its consolidated Financial Statements in accordance with the revised AASB 127 *Separate and Consolidated Financial Statements*. Under the standard DUET2 is presented as a non-controlling interest, together with DUET3 and DIHL. This interpretation requires “non-controlling interests” formerly known as “outside equity interests” to be presented in the consolidated Balance Sheet within equity but separately from the equity owners of the parent. In addition, profit or loss and total comprehensive income has been apportioned to reflect the amount attributable to the owners of the parent and to the non-controlling interests.

(c) Principles of Consolidation

The consolidated Financial Statements incorporate the assets and liabilities of the entities, which DUET1, DUET2, DUET3 and DIHL collectively hold a majority interest in, at 30 June 2012, including those deemed to be controlled by DUET1 by identifying it as the parent of DUET on transition to AIFRS, and the results of those controlled entities for the period then ended. The effects of all transactions between entities in DUET Group are eliminated in full. Non-controlling interests in the results and equity are shown separately in the Income Statement and the Balance Sheet respectively. Non-controlling interests are those interests in partly owned subsidiaries which are not held directly or indirectly by DUET1, DUET2, DUET3 or DIHL. Non-controlling interests also represent the interests of DUET2, DUET3 and DIHL.

Where control of an entity is obtained during a financial period, its results are included in the Income Statement from the date on which control commences. Where control of an entity ceases during a financial period, its results are included for that part of the period during which control existed.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

(d) Segment Reporting

Operating segments are reported in a manner that is consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Boards of RE1, RE2 and DIHL.

For the year ended 30 June 2012 the segments are based on the core assets of DUET’s investment portfolio being Dampier Bunbury Pipeline, United Energy and Multinet.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 Summary of Significant Accounting Policies continued

(e) Net Current Asset Deficiency

At 30 June 2012 the DUET Group has a net current liability position of \$459.3 million which is primarily due to the following interest bearing borrowings having become current:

Company	Maturity date	Borrowings outstanding \$m
DBP – medium term note	April 2013	325.0
		325.0

DUET1, DUET2, and the DIHL Group have net current asset deficiencies of \$197.8 million, \$51.4 million and \$95.6 million respectively.

The net current asset deficiency at the DUET Group level is primarily due to DBP’s medium term note that is due within 12 months, as noted above, and the impact of the recognition of financial instruments, including cross-currency and interest rate swaps, at fair value in the consolidated Balance Sheet.

Notwithstanding these net current asset deficiencies, the Financial Reports have been prepared on a going concern basis as DUET Group, DUET1, DUET2 and the DIHL Group continue to generate positive cash flows and have sufficient appropriate debt and equity capital in place to enable operations to continue as a going concern.

The net current asset deficiencies at the DUET1, DUET2 and the DIHL Group level are primarily due to the classification of intercompany loans payable as current liabilities (as they are repayable on demand) whereas intercompany loans receivable are classified as non-current receivables.

Given the following, and based on current expectations, the Directors consider that DUET Group, DUET1, DUET2 and the DIHL Group will have sufficient cash available to meet their liabilities as they fall due:

- DBP is in discussions with financiers with plans to raise at least \$100 million by 31 December 2012. In addition, a further refinancing transaction for the balance is anticipated to take place well before the April 2013 maturity date of the medium term note;
- The DUET2 and DIHL related party loans are not expected to be called upon in the next 12 months;
- Any material call for repayment of the DUET2 related party loans would be met by the funds on-lent to the asset companies or through the realisation of investments; and
- Any material call for repayment of the DIHL related party loans would be met by the realisation of investments.

(f) Earnings per Stapled Security

(i) Basic Earnings per Security

Basic earnings per stapled security are determined by dividing the profit attributable to securityholders by the weighted average number of ordinary securities on issue during the year.

(ii) Diluted Earnings per Security

Diluted earnings per stapled security adjusts the figures used in the determination of basic earning per security to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary securities and the weighted average number of securities assumed to have been issued for no consideration in relation to dilutive potential ordinary securities.

(g) Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in the presentation in the current period.

(h) Rounding of Amounts

DUET Group, DUET2, DUET3 and DIHL are of a kind referred to in Class Order 98/0100, issued by ASIC, relating to the ‘rounding off’ of amounts in the Directors’ report and Financial Report. Amounts in the Directors’ report and Financial Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

2 Segment Information

The Directors of the Responsible Entities (RE1 and RE2) of DUET1, DUET2, DUET3 and the Directors of DIHL have determined the operating segments based on the reports reviewed by the chief operating decision maker, being the Boards of AMPCI Macquarie Infrastructure Management No.1 Limited (RE1), AMPCI Macquarie Infrastructure Management No.2 Limited (RE2) and DIHL.

The Boards consider the business from the aspect of each of the core portfolio assets and have identified five operating segments during the year. The segments are the investments in Dampier Bunbury Pipeline (DBP),

United Energy (UEDH), Multinet (MGH), together with the investments in WA Gas Networks (WAGN) and Duquesne (DQE) which were disposed of during the period.

DBP, UEDH, MGH and WAGN are all located in Australia. DQE is located in the United States.

The operating segments note discloses performance by individual core-portfolio asset in Australian dollars. The information is presented as DUET’s proportionate share of the earnings before interest, tax, depreciation and amortisation (“EBITDA”), EBITDA is a non-IFRS measure. There is no inter-segment revenue.

	DBP \$'000	UEDH \$'000	MGH \$'000	WAGN ² \$'000	DQE ³ \$'000	Total \$'000
DUET Group for the 12 months to 30 June 2012						
Total segment revenues	366,258	290,700	191,627	4,102	76,111	928,798
Total segment expenses	(73,242)	(108,889)	(60,303)	(1,441)	(46,688)	(290,563)
Proportionate EBITDA ¹	293,016	181,811	131,324	2,661	29,423	638,235
DUET Group for the 12 months to 30 June 2011						
Total segment revenues	258,855	265,616	155,006	36,476	343,099	1,059,052
Total segment expenses	(42,720)	(85,030)	(39,852)	(15,020)	(234,946)	(417,568)
Proportionate EBITDA ¹	216,135	180,586	115,154	21,456	108,153	641,484
Total proportionate segment assets						
30 June 2012	3,111,861	1,803,366	1,382,105	–	–	6,297,332
30 June 2011	2,313,859	1,696,353	1,264,306	249,432	1,173,946	6,697,896
Maintenance capital expenditure⁴						
30 June 2012	16,909	18,671	7,513	176	9,103	52,372
30 June 2011	11,851	46,278	8,064	2,801	41,467	110,461
Total proportionate segment liabilities						
30 June 2012	(2,567,888)	(1,664,526)	(1,212,217)	–	–	(5,444,631)
30 June 2011	(1,918,951)	(1,536,867)	(1,108,118)	(223,966)	(984,545)	(5,772,447)

1 Excludes changes in the fair value of derivatives, net foreign exchange gains/losses and actuarial losses on the Duquesne defined benefit pension plan.

2 Includes share of WAGN EBITDA up until the date of sale on 29 July 2011.

3 Includes share of Duquesne EBITDA up until the date of sale on 13 September 2011.

4 The difference between statutory additions of \$298.4 million and maintenance capital expenditure is due to growth capital expenditure from UEDH’s AML program and DBP’s pipeline expansion.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2 Segment Information continued							
A reconciliation of DUET EBITDA to profit/(loss) before income tax expense is provided as follows:							
	DBP \$'000	UEDH \$'000	MGH \$'000	WAGN \$'000	DQE \$'000	Corporate \$'000	Total \$'000
DUET Group for the 12 months to 30 June 2012							
Proportionate EBITDA	293,016	181,811	131,324	2,661	29,423	–	638,235
Additional EBITDA from controlled assets ¹	72,762	93,660	2,125	–	–	–	168,547
Exclude non-controlled assets ²	–	–	–	(2,661)	(29,423)	–	(32,084)
Corporate expenses	–	–	–	–	–	(38,828)	(38,828)
Equity accounted profits ²	–	–	–	753	6,001	–	6,754
Gains/(losses) on disposal of associates, net of transaction costs	–	–	–	–	–	8,668	8,668
Consolidated EBITDA							751,292
Controlled assets							
Interest income	2,385	1,368	1,976	–	–	–	5,729
Depreciation and amortisation	(80,925)	(118,794)	(34,206)	–	–	–	(233,925)
Finance costs	(230,478)	(138,749)	(87,641)	–	–	–	(456,868)
Net fx gains(losses)	64	1,780	–	–	–	–	1,844
Changes in fair value of derivatives	1,116	(21,794)	1,456	–	–	–	(19,222)
Non-controlled assets							
Change in fair value of derivatives	–	–	–	–	–	–	–
Change in defined benefit pension plan	–	–	–	–	–	–	–
Corporate							
Interest income	–	–	–	–	–	12,551	12,551
Depreciation and amortisation	–	–	–	–	–	–	–
Finance costs	–	–	–	–	–	(9,041)	(9,041)
Net foreign exchange gains/(losses)	–	–	–	–	–	(262)	(262)
Changes in fair value of derivatives	–	–	–	–	–	–	–
Other eliminations	–	–	–	–	–	–	(5,770)
Profit before income tax expense							46,328

1 To consolidate 100% of controlled asset EBITDA.
2 Excludes proportionate EBITDA of associates and includes the equity accounted result.

2 Segment Information continued							
	DBP \$'000	UEDH \$'000	MGH \$'000	WAGN \$'000	DQE \$'000	Corporate \$'000	Total \$'000
DUET Group for the 12 months to 30 June 2011							
Proportionate EBITDA	216,135	180,585	115,153	21,457	108,153	–	641,483
Additional EBITDA from controlled assets ¹	144,090	93,029	28,968	–	–	–	266,087
Exclude non-controlled assets ²	–	–	–	(21,456)	(108,153)	–	(129,609)
Corporate expenses	–	–	–	–	–	(22,060)	(22,060)
Other	–	–	–	–	–	(800)	(800)
Equity accounted profits ²	–	–	–	859	(23,298)	–	(22,439)
Consolidated EBITDA							732,662
Controlled assets							
Interest income	5,388	10,260	8,955	–	–	–	24,603
Depreciation and amortisation	(78,135)	(105,330)	(30,799)	–	–	–	(214,264)
Finance costs	(231,482)	(143,961)	(86,513)	–	–	–	(461,956)
Changes in fair value of derivatives	(10,031)	6,851	7,407	–	–	–	4,227
Non-controlled assets							
Change in fair value of derivatives ³	–	–	–	–	21,128	–	21,128
Change in defined benefit pension plan	–	–	–	–	22,100	–	22,100
Corporate							
Interest income	–	–	–	–	–	42,228	42,228
Finance costs	–	–	–	–	–	(43,047)	(43,047)
Net foreign exchange gains/(losses)	–	–	–	–	–	(49,964)	(49,964)
Changes in fair value of derivatives	–	–	–	–	–	300	300
Other eliminations	–	–	–	–	–	–	(4,657)
Profit before income tax expense							73,360

1 To consolidate 100% of controlled asset EBITDA.
2 Excludes proportionate EBITDA of associates and includes the equity accounted result.
3 Includes amortisation of the fair value of electricity contracts recognised on acquisition reported by the non-controlled asset within operating costs.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2 Segment Information continued

A reconciliation of DUET total proportionate segment revenues to total consolidated revenues is provided as follows:

	30 June 2012 \$'000	30 June 2011 \$'000
Segment revenue	928,798	1,059,052
Other revenue	17,450	59,688
Revenue attributable to investments accounted for under the equity method	(80,214)	(379,576)
TUOS adjustment	72,156	62,076
Revenue attributable to non-controlling interest	281,949	387,819
Total revenue from continuing operations	1,220,141	1,189,059

A reconciliation of DUET total proportionate segment assets to total consolidated assets is provided as follows:

	30 June 2012 \$'000	30 June 2011 \$'000
Total proportionate segment assets	6,297,332	6,697,896
Balance of controlled entity assets	1,639,624	2,757,357
Exclude non-controlled assets	–	(1,423,378)
Cash and cash equivalents	175,150	125,455
Derivatives	–	6,230
Other assets	107	103
Receivables	827	311,126
Equity accounted investments	–	166,129
Intangible assets	2,020	–
Deferred tax assets	2,836	–
Property, plant and equipments	763	–
Total assets	8,118,659	8,640,918

A reconciliation of DUET total proportionate segment liabilities to total consolidated liabilities is provided as follows:

	30 June 2012 \$'000	30 June 2011 \$'000
Total proportionate segment liabilities	(5,444,631)	(5,772,447)
Balance of controlled entity liabilities	(981,215)	(1,884,791)
Exclude non-controlled liabilities	–	1,208,511
Distribution payable	(88,787)	(90,969)
Deferred tax liability	(721)	–
Payables	(34,607)	(10,260)
Interest bearing liabilities	–	(414,273)
Total liabilities	(6,549,961)	(6,964,229)

3 Profit for the Year

	DUET Group 1 July 2011– 30 June 2012 \$'000	DUET Group 1 July 2010– 30 June 2011 \$'000
(i) Revenue		
Sales revenue		
Distribution revenue	611,465	579,677
Metering revenue	93,279	71,066
Transportation revenue	424,832	405,388
New connections revenue	2,579	2,199
Other sales revenue	24,819	20,922
	1,156,974	1,079,252

3 Profit for the Year continued

	DUET Group 1 July 2011– 30 June 2012 \$'000	DUET Group 1 July 2010– 30 June 2011 \$'000
Revenue from investments		
Interest revenue	5,539	32,831
	5,539	32,831
Other revenue		
Interest revenue	12,741	33,999
Customer contributions	43,339	35,738
Miscellaneous revenue	1,548	7,239
	57,628	76,976
Total revenue	1,220,141	1,189,059
(ii) Other income		
Net Fair value gain on derivative contracts and loans	–	17,296
Net Foreign exchange gains	1,939	5,906
Total other income	1,939	23,202
Total revenue and other income	1,222,080	1,212,261
(iii) Share of net profit/(loss) of associates accounted for using the equity method		
Share of net profit/(loss) of associates	–	20,789
Share of associate income before disposal – DQE	6,001	–
Share of associate income before disposal – WAGN	753	–
	6,754	20,789
(iv) Net gains/(losses) on disposal of associates		
Transfer from reserves to income statement on disposal of associates	(38,122)	–
Net gain/(loss) on disposal of associate – WAGN, net of transaction costs	44,416	–
Net gain/(loss) on disposal of associate – DQE, net of transaction costs before transfer of reserves	2,374	–
	8,668	–
(v) Expenses		
Operating expenses		
Operating fees	266,592	223,527
Other operating expenses	161,659	96,937
	428,251	320,464
Depreciation and amortisation expense		
Depreciation of property, plant and equipment	191,042	180,310
Amortisation of intangible assets	42,883	33,954
	233,925	214,264
Finance costs		
Amortisation of borrowing costs	26,193	26,425
Financing costs	11,179	21,956
Interest expense – other parties	428,537	456,622
	465,909	505,003
Other expenses		
Net loss on write off/abandonment	4,551	4,353
Management fees	19,688	20,478
Performance fees	16,636	–
Net foreign exchange losses	357	55,870
Net fair value loss on derivative contracts	19,222	10,723
Other	2,635	28,535
	63,089	119,959
Total expenses	1,191,174	1,159,690

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4 Distributions Paid and Proposed		
	DUET Group 1 July 2011– 30 June 2012 \$'000	DUET Group 1 July 2010– 30 June 2011 \$'000
Interim distribution paid for the year ended 30 June	87,331	88,731
Final distribution proposed and subsequently paid for the year ended 30 June	88,787	90,970
	176,118	179,701
	Cents per stapled security	Cents per stapled security
Interim distribution paid for the year ended 30 June	8.000	10.000
Final distribution proposed and subsequently paid for the year ended 30 June	8.000	10.000
5 Earnings per Security		
(a) Basic Earnings per Stapled Security		
	DUET Group As at 30 June 2012 '000	DUET Group As at 30 June 2011 '000
Basic earnings per stapled security	7.23c	7.70c
Earnings used in calculation of basic earnings per stapled security	77,432	68,784
Weighted average number of stapled securities used in calculating basic earnings per stapled security	1,070,532	893,674
(b) Reconciliation of Earnings used in Calculating Basic Earnings per Stapled Security		
	DUET Group As at 30 June 2012 '000	DUET Group As at 30 June 2011 '000
Basic earnings per stapled security		
Profit/(loss) for the year	43,997	188,400
(Profit)/loss for the year attributable to non-controlling interests	33,435	(119,616)
Profit/(loss) attributable to the ordinary securityholders of the company used in calculating basic earnings per stapled security	77,432	68,784
(c) Diluted Earnings per Stapled Security		
	DUET Group As at 30 June 2012 '000	DUET Group As at 30 June 2011 '000
Diluted earnings per stapled security*	7.23c	7.70c
Earnings used in calculation of diluted earnings per stapled security	77,432	68,784
Weighted average number of stapled securities used in calculating diluted earnings per stapled security	1,070,532	893,674
* Where diluted earnings per stapled security is anti-dilutive, the figure for diluted earnings per stapled security is shown the same as the figure for basic earnings per stapled security.		
(d) Weighted Average Number of Shares used as the Denominator		
	DUET Group As at 30 June 2012 '000	DUET Group As at 30 June 2011 '000
Weighted average number of stapled securities used as the denominator in calculating basic earnings per stapled security	1,070,532	893,674
Weighted average number of stapled securities used as the denominator in calculating diluted earnings per stapled security	1,070,532	893,674

6 Interest Bearing Liabilities		
	DUET Group 30 June 2012 '000	DUET Group 30 June 2011 '000
Current		
Bank loan	325,000	597,352
	325,000	597,352
Unsecured		
Bank loans	–	349,500
Guaranteed notes	–	526,759
Borrowings from related parties	–	–
	–	876,259
Finance lease liabilities	811	–
Capitalised borrowing transaction costs	(533)	(5,407)
Total current interest bearing liabilities	325,278	1,468,204
Non-current		
Secured		
Bank loans	1,016,068	724,008
Guaranteed notes	1,175,000	1,500,000
	2,191,068	2,224,008
Unsecured		
Bank loans	633,923	346,999
Guaranteed notes	1,826,585	1,564,204
Redeemable preference shares	170,794	164,399
Borrowings from related party	–	–
	2,631,302	2,075,602
Finance lease liability	20,816	21,628
Capitalised borrowing transaction costs	(43,345)	(43,513)
Total non current interest bearing liabilities	4,799,841	4,277,725
Total interest bearing liabilities	5,125,119	5,745,929

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6 Interest Bearing Liabilities continued		
Financing Arrangements		
At balance date the Group had access to the following lines of credit:		
	Undrawn balance 30 June 2012 '000	Undrawn balance 30 June 2011 '000
DUET 1		
Related party loans	37,147	37,147
DUET 2		
Related party loans	–	–
DUET 3		
Related party loans	18,711	18,711
DIHL		
Related party loans	200,000	200,000
DUET 2008 Funding Sub Trust		
Tranche A 364 days: 2012	n/a	–
Tranche B 3 year: 2014	n/a	130,500
Tranche C 3 year: 2011	200,000	n/a
Total	200,000	130,500
Dampier Bunbury Pipeline		
<i>Term loan</i>	72,000	23,000
Working capital facility	5,000	–
	77,000	23,000
United Energy		
Senior corporate facility – Tranche B Capex facility	75,000	–
Senior corporate facility – Tranche C	193,000	237,000
Bank loans – working capital facility and AIMRO Capex	80,000	71,000
	348,000	308,000
Multinet		
Senior corporate facility	22,577	40,000
Capital expenditure facility	115,500	55,500
Bank loans – working capital facility	20,000	30,000
	158,077	125,500
Total	1,038,935	842,858

6 Interest Bearing Liabilities continued

Bank Loans
DUET Group
DUET Group has utilised \$nil of the \$200.0 million syndicated corporate senior debt facility.

Dampier Bunbury Pipeline
During the year DBP completed two debt refinancing transactions. On 21 October 2011, DBP entered into a \$400 million, 3 year Syndicated Facility Agreement (“SFA”). These funds were used to repay the \$252.6 million SFA maturing in June 2012 along with an early prepayment of \$99.4 million against the SFA maturing in June 2014. The remaining funds were drawn down on 26 April 2012 to repay a portion of the A\$275m in floating rate notes.

On 23 December 2011, DBP entered into a \$235 million, 5 year SFA to partially fund the April 2012 maturing \$275 million floating rate notes.

A working capital facility is in place with a \$20 million limit maturing in May 2013.

United Energy
Term bank loans under the senior corporate facilities comprise two \$120.0 million tranches, which have maturity dates of June 2014 and June 2018. A working capital facility with facility limit of \$30.0 million matures in April 2014.

Tranche C of the senior corporate facilities is a capex facility with a facility limit of \$260 million maturing in June 2014. The smart meter debt facility is a \$50 million capex facility maturing in December 2013 for the purpose of funding the roll-out of Advanced Metering Infrastructure (this facility was cancelled by UEDH in July 2012).

Multinet
Multinet had refinanced the \$205.0 million term bank loan facility due in June 2012 and entered into a new \$300 million senior corporate facility maturing in November 2016. A working capital facility with a facility limit of \$20.0 million matures in July 2014.

A \$70 million term bank loan maturing in April 2012 was refinanced on 12 July 2011 and a new \$50 million IT growth capex bank debt facility was entered into. Both of the new facilities mature in July 2014.

Tranche B of the senior corporate facilities, a capex facility with a facility limit of \$130 million due in June 2012, was refinanced with a new \$120 million capex facility maturing in November 2014.

Guaranteed Notes
Dampier Bunbury Pipeline
There are three tranches of floating rate note facilities outstanding with credit support provided by Ambac Assurance Corporation. There is one tranche of \$275.0 million, which matures in April 2017 and two further tranches of \$325.0 million, which mature in April 2013 and April 2018.

A \$425.0 million floating rate note matures in September 2015.

A \$150.0 million fixed rate note with a coupon of 8.25% matures in September 2015.

United Energy
US\$200.0 million (A\$263.0 million) 5.45% fixed rate guaranteed notes maturing in April 2016, were issued on 19 November 2003.

UEDH drew down on funds raised through a US Private Placement in December 2010. The notes are fixed rate for four years (US\$70 million at an interest rate of 3.91%) and seven years (US\$365 million at an interest rate of 5.01%).

A\$500 million floating rate guaranteed notes maturing in October 2014, were issued on 31 October 2005.

A\$200 million fixed rate notes maturing in April 2017, were issued in April 2012.

Scheduled payment of principal and interest on the notes is guaranteed by a related entity within the UEDH Group.

Long term currency swaps have been entered into to convert the USD exposure on the guaranteed notes into an Australian dollar exposure. The swaps entitle the Group to receive an agreed amount of USD and oblige it to pay an agreed amount of Australian dollars at the date of maturity of the guaranteed notes. The value of the guaranteed notes presented above is after the impact of the amount payable under the currency swap agreement.

Multinet
In July 2011 the A\$150 million 4.2% fixed rate guaranteed note maturing on 29 July 2011 and A\$100 million floating rate notes maturing on 29 July 2011 were refinanced using proceeds raised from the US Private Placement notes (described below).

A\$300 million floating rate guaranteed notes were issued on 15 June 2007, matured in July 2011 and were refinanced. The refinanced notes mature on 10 July 2017.

US\$135.0 million 4.2% fixed rate US Private Placement loan notes maturing on 8 November 2015, were issued on 8 November 2010.

US\$50.0 million 4% fixed rate US Private Placement loan note maturing on 10 August 2015, were issued on 9 August 2010.

Scheduled payment of principal and interest on the notes is guaranteed by a related entity within the MGH Group.

Redeemable Preference Shares
The redeemable preference shares issued by United Energy are deferred cumulative preference shares that are redeemable on the date 20 years from the dates of issue, being 23 July 2003, 21 January 2009, 29 January 2009 and 11 March 2011. Interest is paid semiannually or at any time a declaration is made by the board of Directors of United Energy. The annual dividend rate on the shares is 13.5% and 11.75% per annum.

Borrowings from Related Parties
Loan agreements between DUET parent entities are included in borrowings from associates. These loans have a maturity of 9 years and pay interest at 8% per annum. At 30 June 2012, the amounts payable to associated entities by DUET2 is \$60.4 million (2011: \$176 million), by DUET3 is \$1.3 million (2011: \$204.7 million), and by DIHL \$113.1 million (2011: \$106.4 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7 Investments in Controlled Entities					
				Equity holding 30 June 2012 %*	Equity holding 30 June 2011 %*
	Year end	Country of incorporation	Class of shares/units		
Name of entity					
Duet Group					
Amistel Pty Ltd	30 June	Australia	Ordinary	100.0	79.9
Australia Energy Finance Pty Ltd	30 June	Australia	Ordinary	100.0	79.9
Australian Energy Fund No.2	30 June	Australia	Ordinary	100.0	80.9
Energy Partnership (Gas) Pty Ltd	30 June	Australia	Ordinary	100.0	79.9
Energy Partnership (Holdings) Pty Ltd	30 June	Australia	Ordinary	100.0	79.9
Energy Partnership Pty Ltd	30 June	Australia	Ordinary	100.0	79.9
Multinet Gas (DB No1) Pty Ltd	30 June	Australia	Ordinary	100.0	79.9
Multinet Gas (DB No2) Pty Ltd	30 June	Australia	Ordinary	100.0	79.9
Multinet Gas Distribution Partnership	30 June	Australia	Ordinary	100.0	79.9
Multinet Gas (IE) Pty Ltd	30 June	Australia	Ordinary	100.0	79.9
Multinet Group Holdings Pty Ltd	30 June	Australia	Ordinary	100.0	79.9
Pacific Indian Energy Services Pty Ltd (PIES)	30 June	Australia	Ordinary	–	57.3
Power Partnership Pty Ltd	30 June	Australia	Ordinary	66.0	66.0
UEIP Pty Ltd	30 June	Australia	Ordinary	66.0	66.0
United Energy Distribution Pty Ltd	30 June	Australia	Ordinary	66.0	66.0
United Energy Distribution Holdings Pty Ltd	30 June	Australia	Ordinary	66.0	66.0
United Energy Finance Pty Ltd	30 June	Australia	Ordinary	66.0	66.0
United Energy Finance Trust	30 June	Australia	Ordinary	66.0	66.0
United Nominee Assets Pty Ltd	30 June	Australia	Ordinary	66.0	66.0
Utilicorp Australia (Gas) Finance Pty Ltd	30 June	Australia	Ordinary	100.0	79.9
Utilicorp Australia (Gas) Holdings Pty Ltd	30 June	Australia	Ordinary	100.0	79.9
Utilicorp Southern Cross Pty Ltd	30 June	Australia	Ordinary	100.0	79.9
Utilities Consulting Service Pty Ltd	30 June	Australia	Ordinary	66.0	66.0
UE & Multinet Pty Ltd (formerly Energy Retail Holdings Pty Ltd)	30 June	Australia	Ordinary	83.0	–
Dampier Bunbury Investment Company Pty Ltd	30 June	Australia	Ordinary	100.0	–
DUET Dampier Bunbury Pty Ltd	30 June	Australia	Ordinary	100.0	100.0
DBNGP Trust	30 June	Australia	Ordinary	81.9	60.0
DBNGP Holdings Pty Ltd	30 June	Australia	Ordinary	81.9	60.0
DBNGP Finance Company Pty Ltd	30 June	Australia	Ordinary	81.9	60.0
DBNGP WA Pipeline Trust	30 June	Australia	Ordinary	81.9	60.0
DBNGP (WA) Nominees Pty Ltd	30 June	Australia	Ordinary	81.9	60.0
DBNGP (WA) Transmission Pty Ltd	30 June	Australia	Ordinary	81.9	60.0
DBNGP Compressor Co. Pty Ltd	30 June	Australia	Ordinary	81.9	60.0
DBNGP (WA) Finance Pty Ltd	30 June	Australia	Ordinary	81.9	60.0
DBP Services Co Pty Ltd	30 June	Australia	Ordinary	80.0	–
DBP Services Trust	30 June	Australia	Ordinary	80.0	–
DBP Services Co Nominees Pty Ltd	30 June	Australia	Ordinary	80.0	–
DUET 2008 Debt Funding Trust	30 June	Australia	Ordinary	100.0	100.0

* The equity holding is the equity holding of DUET Group. DUET1, as the deemed parent of the Group, is the deemed parent of these entities.

8 Critical Accounting Estimates and Judgements

The preparation of the Financial Report in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. Estimates and judgements are continually evaluated and are based on historical cost experience and other factors, including reasonable expectations of future events. Management believes the estimates used in the preparation of the Financial Report are reasonable. Actual results in the future may differ from those reported.

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Estimated Impairment of Goodwill and Indefinite Life Intangibles

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1(l) of the DUET Group Financial Report. The recoverable amounts of cash generating units have been determined based on value-in-use and fair value less costs to sell calculations. These calculations require the use of assumptions. Refer Note 14 of the DUET Group Financial Report for details of these assumptions and the potential impact of changes to these assumptions.

(b) Derivative Financial Instruments

The fair values of over-the-counter derivatives are determined using valuations techniques adopted by the Directors with assumptions that are based on market conditions existing at each reporting date.

(c) Income Taxes

The Group is subject to income taxes in Australia. Currently the Group has some tax losses available for use that have not been brought to account as deferred tax assets. This is based on an assumption that the use of these losses in the foreseeable future is not probable. If this assumption was to change, the corresponding tax assets may be recognised in the Groups’ Balance Sheet. Refer Note 3 of the DUET Group Financial Report for level of current tax losses not recognised.

(d) Significance of Inputs in Fair Value Hierarchy

An unobservable valuation input is considered significant if stressing the unobservable input to the valuation model would result in a greater than 10% change in the overall fair value of the instrument.

9 Acquisitions and Disposals

Acquisition of Additional Interest in DBP Trust

On 29 July 2011, DIHL acquired 100% of the issued capital of Dampier Bunbury Investment Company Pty Limited (“DBIC”) for a consideration of \$168 million. DBIC held a 20.0% equity interest in DBNGP Trust (“DBP Trust”) at 30 June 2012, which has been equity accounted into DIHL’s consolidated result. This increased DUET Group’s aggregated economic interest in DBP to 81.9% at 30 June 2012. DUET Group’s equity interest and related rights to distributions in DBP is expected to progressively reduce to 80% as the minority shareholder meets future equity calls.

Acquisition of Additional Interest in Multinet Group Holdings Pty Ltd

On 29 July 2011, DIHL acquired 20.1% of the issued capital of Multinet Group Holdings Pty Limited (“MGH”) for a consideration of \$30 million. This is equity accounted for in DIHL’s consolidated result. The acquisition brings DUET Group’s aggregated ownership in MGH to 100%.

Disposal of WAGN

On 29 July 2011, DUET disposed of its interest in WAGN.

Summary

The total transactions referred to above are summarised as follows:

Transaction details	\$m
Acquired an additional 20.0% interest in DBP	(168.0)
Acquired an additional 20.1% interest in Multinet and sold the 25.9% interest in WAGN	45.5
Sold the subordinated debt due from WAGN	80.0
Net consideration paid by DUET	(\$42.5)

Disposal of Duquesne

On 13 September 2011, DUET reached financial close in relation to the sale of its interest in Duquesne.

10 Events Occurring After Balance Sheet Date

Final Distribution Paid

A final distribution of 8.00 cents per stapled security was paid by DUET on 14 August 2012 (2011: 10.00 cents). This consists of a distribution of 2.685 cents per unit from DUET1 (2011: 3.670 cents), 3.812 cents per unit from DUET2 (2011: 4.870 cents) and 1.503 cents per unit from DUET3 (2011: 1.460 cents).

DUET Group Securities Issued under DRP

Securityholders participating in DUET’s Distribution and Dividend Reinvestment Plan (DRP) reinvested \$13,310,336 of the distribution paid on 14 August 2012 in 6,807,220 DUET Group securities at a price of \$1.955269. As announced on 15 June 2012, DRP participation was capped to a maximum of 15% of the total distribution.

Agreement to Internalise Management

On 31 July 2012, DUET announced that it had reached agreement with AMP Capital and Macquarie Capital Group to internalise the management of DUET. Under the proposal, the consideration payable to AMP Capital and Macquarie for the internalisation will be \$82 million which will be used to subscribe for DUET stapled securities at an issue price of \$1.9715 per security. This is based on the arithmetic average of the daily volume-weighted-average DUET security prices (each rounded down to the nearest cent) for the 20 trading days from 17th July 2012 to 13th August 2012. DUET will also pay AMP Capital and Macquarie an estimated total of \$11 million to 30 June 2013 to provide a range of support services during the transition to independent management.

The proposal was negotiated by the independent directors of the DUET Boards and is subject to final documentation, an independent expert’s report concluding that the proposal is fair and reasonable and in the best interests of securityholders, and a minimum 50% approval by DUET’s securityholders voting at a general meeting expected to be held in late October 2012.

STATEMENT BY THE DIRECTORS
OF THE RESPONSIBLE ENTITY

ON THE CONCISE FINANCIAL REPORT OF THE DUET GROUP

In the opinion of the directors of AMPCI Macquarie Infrastructure Management No.1 Limited as the Responsible Entity for Diversified Utility and Energy Trust No.1, the accompanying concise report of the DUET Group comprising DUET1 and the entities it controls and is deemed to control, for the financial year ended 30 June 2012, set out on pages 29 to 57:

- Has been derived from or is consistent with the full financial report for the financial year; and
- Complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*

Signed in accordance with a resolution of directors:



Philip Garling
Director

Sydney
16 August 2012




John Roberts
Director

Sydney
16 August 2012

INDEPENDENT AUDITOR’S REPORT

TO THE UNITHOLDERS OF DIVERSIFIED UTILITY AND ENERGY TRUST NO.1



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Fax: +61 3 8650 7777
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Independent auditor’s report to the unitholders of Diversified Utility and Energy Trust No.1

Report on the Concise Financial Report

We have audited the accompanying concise financial report of Diversified Utility and Energy Trust No.1 which comprises the balance sheet as at 30 June 2012, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and related notes, derived from the audited financial report of the stapled entity DUET Group comprising Diversified Utility and Energy Trust No.1, Diversified Utility and Energy Trust No.2, Diversified Utility and Energy Trust No.3 and DUET Investment Holdings Limited, and the entities they controlled during the year, for the year ended 30 June 2012. The concise financial report also includes discussion and analysis of results and the directors’ declaration. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

Directors’ Responsibility for the Concise Financial Report

The Directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*, and for such internal controls as the directors determine are necessary to enable the preparation of the concise financial report.


Auditor’s Responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures which were conducted in accordance with ASA 810 *Engagements to Report on Summary Financial Statements*. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Diversified Utility and Energy Trust No.1 for the year ended 30 June 2012. We expressed an unmodified audit opinion on the financial report in our report dated 16 August 2012. The Australian 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 for the year is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity’s preparation of the concise financial report 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 controls. Our procedures included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of audit evidence supporting the amounts, discussion and analysis of results, and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with AASB 1039 *Concise Financial Reports* and whether the discussion and analysis complies with the requirements laid down in AASB 1039 *Concise Financial Reports* and whether the discussion and analysis of results complies with the requirements laid down in AASB 1039 *Concise Financial Reports*.

Liability limited by a scheme approved under Professional Standards Legislation

INDEPENDENT AUDITOR’S REPORT CONTINUED
TO THE UNITHOLDERS OF DIVERSIFIED UTILITY AND ENERGY TRUST NO.1



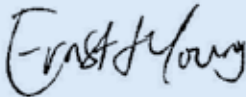
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence


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

Auditor’s Opinion

In our opinion, the concise financial report, including the discussion and analysis of results and the directors’ declaration of Diversified Utility and Energy Trust No.1 for the year ended 30 June 2012 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.



Ernst & Young



Kester C Brown
Partner

Melbourne
16 August 2012

REMUNERATION REPORT

As noted in the corporate governance statement, DUET is an externally managed vehicle comprising three Australian trusts and an Australian public company:

- DUET1
- DUET2
- DUET3, and
- DIHL.

The combined trustees, known as a responsible entity, for each of the trusts are RE1 and RE2 which are owned 50% by AMPCH and 50% by Macquarie Capital Group Limited, a wholly owned subsidiary of Macquarie Group Limited (Macquarie). RE1 also manages DIHL.

RE1 and RE2 make available employees (including senior executives) to discharge their obligations to the relevant DUET entity. These staff are employed by entities in the Macquarie Group or AMP Group and made available to DUET through formalised resourcing arrangements with RE1 and RE2. Their remuneration is not a DUET expense. It is paid by Macquarie Group and AMP Group as appropriate. Instead DUET pays management fees to RE1 and RE2 (and therefore the Macquarie Group and AMP Group) for providing management and advisory services. These fees are a DUET expense and are therefore disclosed below.

Under the Corporations Act, it is only Australian listed companies that are required to prepare a remuneration report. Accordingly, the remuneration report that appears in the DIHL directors’ report is only for DIHL, and only DIHL securityholders participate in a non-binding advisory vote in respect of it. DUET1, DUET2, DUET3 and the DUET Group as a whole are not required to prepare a remuneration report.

However, consistent with what is referred to above as an actual expense to DUET, we have set out below details of the management fees paid by DUET together with qualitative disclosure detailing how RE1 and RE2 staff are incentivised and their interests aligned with DUET.

Management Fees

Under the terms of the trust constitutions and the management services agreement, RE1 and RE2 are entitled to base and performance fees for acting as responsible entity and manager to the stapled entities that comprise DUET.

Base management and performance fees are calculated in accordance with a defined formula under the constitutions of DUET1, DUET2, DUET3 and the management services agreement with DIHL. The management fee structure is linked to market performance and, in the case of performance fees, ongoing outperformance against an external benchmark.

The management fees paid or payable by DUET to RE1 and RE2 for the financial year ending 30 June 2012 were:

Base fee	\$19.2 million
Performance fee	\$16.2 million

The fee arrangements were fully disclosed to investors on fund inception and subsequent restructure and capital raisings and continue to be disclosed on the DUET website and in annual reports. Investors originally invested and continue to invest with this knowledge. The structure and level of the fee arrangements are consistent with those paid in the market in respect of similar externally managed vehicles and are not subject to review. Any changes to the structure of the fee provisions which would have the effect of increasing the fees would need to be approved by DUET stapled securityholders. As part of the proposed internalisation of DUET management to be put to securityholders, the base fees will become nominal (if any) and there will be no performance fees. However, the current arrangements are more fully described below.

Base Fees

Base fees are calculated quarterly, with reference to the average market capitalisation of DUET over the last 20 trading days of the quarter. The base fee is calculated as 1.0% per annum of the net investment value of DUET at the end of each quarter.

For the purposes of calculating the base fee, the net investment value of DUET is determined as follows:

- The volume weighted average market capitalisation over the last 20 ASX trading days of each quarter, plus
- Fund level external borrowings, plus
- Firm commitments for future investment, less
- Fund level cash or cash equivalents.

The quantum of the base management fee can increase or decrease as a result of both the movement in DUET securities on issue and any movement in the security price. Investors can effectively control the growth of securities on issue and therefore any base fee increases by factors such as deciding whether or not to support a capital raising involving the issue of new DUET securities or to participate in the Dividend and Distribution Reinvestment Plan.

As capital raisings are predominantly undertaken to fund new acquisitions, retire bridging debt for new acquisitions or to de-gear the business, RE1 and RE2 are incentivised to ensure that each initiative is seen as disciplined and of value by the market in order to attract investor support for the raising and general ongoing support for the security price.

REMUNERATION REPORT CONTINUED

Performance Fees

A performance fee is payable by DUET half-yearly in arrears in the event that the DUET accumulation index outperforms the S&P/ASX 200 Industrials Accumulation Index in the period, having made up for any underperformance in previous years.

The performance fee is 20% of the dollar amount of the net outperformance for the period.

Where DUET underperforms the benchmark a fee deficit exists. Before any future performance fees can be earned, all accumulated deficits from prior periods of underperformance must be eliminated ensuring that any performance fees are paid as a result of sustained benchmark outperformance. This requirement for sustained outperformance creates a strong alignment of interest between RE1, RE2 and DUET securityholders.

Fees are apportioned between DUET1, DUET2, DUET3 and DIHL based on each entity’s share of the net assets of DUET. The net market values of the assets are used in the calculation of this apportionment.

Oversight of Fee Payments

There is independent oversight in respect of the calculation and payment of management fees as follows:

The payment of management fees (both base and performance fees) are audited as part of the annual financial statement audit and through the audit of the stapled scheme’s compliance plan:

- The performance fee calculation is subject to review by DUET’s auditors, Ernst & Young
- The performance fee calculation is checked by an actuarial firm
- DUET’s independent directors review the external certifications and authorise payment of the performance fee.

Reinvestment of Performance Fees

Under DUET’s constituent documents, non-executive directors of RE1, RE2 and DIHL acting in the interests of stapled securityholders have the discretion as to whether or not the performance fee is applied for a subscription in new DUET stapled securities.

Under ASX Listing Rule waiver requirements, the ability to reinvest performance fees is subject to DUET securityholder approval every three years and is seen by DUET as creating further alignment between DUET management and DUET securityholders. These approvals were last refreshed at the DUET 2010 AGM.

The issue price for the new DUET stapled securities is the volume weighted average trading price of all DUET stapled securities traded on the ASX during the last 20 trading days of the relevant half-year period.

Expense Reimbursement

RE1 and RE2 are also entitled to be reimbursed for expenses incurred by them in relation to the proper performance of their duties, out of the assets of DUET.

This includes routine ongoing expenses such as the third party costs of acquiring assets and managing them, as well as capital raising costs, registry, audit, insurance, compliance costs and other expenses as set out in the trust constitutions and Advisory Deed.

Fees paid or payable by DUET Group entities for related party services are disclosed in the DUET financial statements.

Directors

No director of RE1 or RE2 is remunerated by DUET. The independent directors of RE1 and RE2 receive fees of \$110,000 per annum from RE1 or RE2 respectively, except where an independent director is also a director of DIHL in which case that director only receives \$55,000 from RE1 or RE2 respectively, with \$55,000 paid to the independent director by DIHL. The Macquarie and AMPCH nominee directors on the RE1 and RE2 boards are employed and remunerated by the Macquarie Group and AMP Group respectively.

The fees paid to the independent and non-executive directors of RE1, RE2 and DIHL are determined by reference to current market rates for directorships. The level of fees is not related to the performance of DUET. The boards of RE1, RE2 and DIHL will consider remuneration payable to their independent and non-executive directors from time to time. Remuneration for the independent and non-executive directors is approved by the boards and any increases are benchmarked to market based on external advice. Under the DIHL constitution, aggregate director fees are capped at \$400,000. Any increase to this cap requires shareholder approval.

None of the RE1, RE2 and DIHL independent and non-executive directors are entitled to DUET options or securities or to retirement benefits as part of their remuneration package.

Senior Macquarie executives who are DUET directors may have some of their performance bonus retentions notionally invested by Macquarie in DUET securities so that the amount varies as if they were actually invested in the securities, and may also have received Macquarie options or share awards as part of their remuneration package.

Executives

DUET management is employed by the Macquarie Group or AMP Group. Their remuneration is paid by the Macquarie Group or AMP Group and is not recharged to DUET.

AMP Executives

The remuneration of AMP executives who are involved in the management of DUET is not disclosed because the executives are not employed by DUET.

AMP executive remuneration comprises base salary, superannuation and short-term and long-term incentives. Payment of a portion of short-term incentives may be deferred, and all long-term incentives are deferred, for up to two years. Executives must be employed by AMP Group at the time incentives and deferred incentives are due for payment in order to receive them.

While some DUET management are AMP Group employees, there is a strong alignment of interest between those employees and DUET investors as all AMP executives have a significant component of their remuneration at risk and dependent on performance. For the AMP executives who are part of the DUET management team, their performance is measured against their contribution to the performance of DUET.

Performance assessment of AMP Group employees takes place half-yearly. The RE1, RE2 and DIHL boards, which comprise a majority of independent and non-executive directors, provide feedback in respect of the DUET CEO’s performance and can request that he be replaced if not performing satisfactorily.

Macquarie Executives

The remuneration of Macquarie executives that are involved in the management of DUET is not disclosed because the executives are not employed by DUET.

While some DUET management are Macquarie Group employees there is a strong alignment of interest between those employees and DUET investors. This is evidenced by Macquarie Group’s remuneration system which ensures that a significant amount of remuneration is at risk and solely dependent on performance. The remuneration package of all Macquarie Group executives consists of a base salary and an annual profit share allocation.

The base salary is reviewed annually and the profit share allocation, which is not guaranteed, is based on performance. Performance assessment of Macquarie Group employees takes place half-yearly. The RE1, RE2 and DIHL boards, which comprise a majority of independent and non-executive directors, provide feedback in respect of the DUET CFO’s performance and can request that he be replaced if not performing satisfactorily.

The levels of base salary for senior executives take into consideration the role of the individual and market conditions. However, the levels of base salary can be low compared to similar roles in non-investment banking companies.

The profit share allocations to executives provide substantial incentives for superior performance but low or no participation for less satisfactory outcomes. Profit share allocations are therefore highly variable and can comprise a high proportion of total remuneration in the case of superior performance. The level of profit share received by members of the DUET management team is driven predominantly by their individual contribution to the performance of DUET, taking into account the following elements:

- Strong operational performance of DUET’s underlying assets
- Management and leadership of DUET and the assets controlled by DUET
- Acquisitions and subsequent management of the assets purchased to ensure performance is in line with the business plans
- Effective risk management and capital management
- Maintenance of Macquarie’s reputation and track record in respect of its branded funds.

There is no formulaic approach to determining DUET management’s profit share allocation. It is completely discretionary and takes into account factors outlined above as well as input from the DUET boards in the case of the DUET CFO. Deferral and restriction arrangements apply to a portion of allocated profit share to encourage a long-term perspective and commitment from Macquarie employees.

Senior DUET executives may have some of their performance bonus retentions notionally invested by Macquarie in DUET securities so that the amount varies as if they were actually invested in the securities.

Executives may also have received Macquarie options or share awards as part of their remuneration package.

STAPLED SECURITYHOLDER INFORMATION

AS AT 20 AUGUST 2012

Distribution of Stapled Securities

Investor ranges	Holders	Total stapled securities	% of issued stapled securities
1 – 1,000	1,184	535,591	0.05
1,001 – 5,000	4,795	15,041,221	1.35
5,001 – 10,000	4,659	34,564,498	3.10
10,001 – 100,000	6,854	165,378,885	14.81
100,001 and over	325	901,118,411	80.70
Total	17,817	1,116,638,606	100
Investors with less than the minimum marketable parcel:	408	22,849	0.002

Twenty Largest Investors

Investor	Number of stapled securities	% of issued stapled securities
1. HSBC Custody Nominees (Australia) Limited	208,392,645	18.66
2. National Nominees Limited	119,216,323	10.68
3. JP Morgan Nominees Australia Limited	102,845,097	9.21
4. JP Morgan Nominees Australia Limited	81,920,335	7.34
5. Citicorp Nominees Pty Limited	61,447,067	5.50
6. AMP Life Limited	48,130,420	4.31
7. BNP Paribas Noms Pty Ltd	33,077,602	2.96
8. BNP Paribas Noms Pty Ltd	24,450,873	2.19
9. JP Morgan Nominees Australia Limited	23,079,567	2.07
10. Citicorp Nominees Pty Limited	19,795,251	1.77
11. Macquarie Capital Group Ltd	10,212,997	0.91
12. Questor Financial Services Limited	9,762,106	0.87
13. RBC Investor Services Australia Nominees Pty Limited	9,137,798	0.82
14. Argo Investments Limited	8,513,603	0.76
15. HSBC Custody Nominees (Australia) Limited	7,474,773	0.67
16. Queensland Investment Corporation	6,946,484	0.62
17. HSBC Custody Nominees (Australia) Limited	6,803,802	0.61
18. UBS Wealth Management Australia Nominees Pty Ltd	5,170,681	0.46
19. Aotearoa Investment Company Pty Limited	4,939,518	0.44
20. RBC Investor Services Australia Nominees Pty Limited	4,669,703	0.42
Total	795,986,645	71.28

Details of Substantial Stapled Securityholders

Holder	Date of substantial holder notice	Number of stapled securities	% of issued stapled securities
AMP Capital Holdings/Macquarie Capital Group Limited ¹	2 August 2012	138,279,996	12.46
Lazard Asset Management Pacific Co	12 December 2011	88,018,776	8.06

Unquoted Securities

DIHL has issued one A Special Share, one B Special Share and one C Special Share on the terms and conditions set out in Principle 2 of the corporate governance statement.

¹ On 31 July 2012, AMP Capital Holdings Limited and Macquarie Capital Group Limited entered into a Heads of Agreement with respect to the DUET Group upon which they became associates pursuant to section 12 of the Corporations Act.

DIRECTORS' PROFILES

John Roberts
LLB (Canterbury)
Chairman
Chairman, Nomination Committee
AMPCI Macquarie Infrastructure Management No.1 Limited (appointed 14 May 2004)

AMPCI Macquarie Infrastructure Management No.2 Limited (appointed 14 May 2004)

DUET Investment Holdings Limited (appointed 29 June 2006)

John is the Macquarie representative on responsible entity and DIHL boards. John joined Macquarie in 1991 and is based in Sydney, Australia. John is executive chairman of the Macquarie Funds Group, which has over US\$300 billion of capital under management and includes the activity of the Macquarie Infrastructure and Real Assets division (MIRA). John is on all Investment Committees or boards of directors in MIRA to provide oversight and strategic direction to individual fund management executive teams.

Previous roles within Macquarie include Head of Europe; Joint Head of Macquarie Capital Advisers; and Global Head of Macquarie Capital Funds.

Other directorships are: MAp Airports Limited, Southern Cross Airports Corporation Holdings Limited, Macquarie Atlas Roads Limited.

His former directorships include Macquarie International Infrastructure Fund Limited and Macquarie Infrastructure Company Inc.

Shemara Wikramanayake
LLB, BCom (UNSW)
Alternate Director to John Roberts
(appointed 25 November 2010)

Shemara is an Executive Director of Macquarie and Head of the Macquarie Funds Group, which offers a diverse range of products, including infrastructure and real asset management, securities investment management and fund and equity based structured products.

Prior to becoming Head of Macquarie Funds Group, Shemara spent 20 years in the Macquarie Capital division. During this period, Shemara held roles as Head of Macquarie Infrastructure and Real Assets, North America; Head of Prudential, Sydney; and established and led the corporate advisory businesses in New Zealand, Hong Kong and Malaysia.

Prior to joining Macquarie in 1987, Shemara worked as a corporate lawyer at Blake Dawson Waldron in Sydney.

She holds no other listed entity directorships.

Philip Garling
B.Build (UNSW) FAIB, FAICD, FIE (Aust)
Director
Member, Nomination Committee
AMPCI Macquarie Infrastructure Management No.1 Limited (appointed 17 February 2004)

AMPCI Macquarie Infrastructure Management No.2 Limited (appointed 17 February 2004)

DUET Investment Holdings Limited (appointed 29 June 2006)

Philip is the AMPCH representative on responsible entity and DIHL boards. He has over 30 years' experience in infrastructure, construction, development and investment. He retired from full-time executive roles mid last year. He was formerly Global Head of Infrastructure at AMP Capital Investors for nine years and was also CEO of Tenix Infrastructure.

Philip was also a long-term senior executive with Lend Lease Corporation, culminating in his role as CEO of Lend Lease Capital Services, the development capital and infrastructure investment and development arm of Lend Lease. He also spent two years in Singapore implementing Lend Lease's Asian infrastructure strategy.

Philip holds the Advanced Diploma from the Australian Institute of Company Directors and is a Fellow of the Australian Institute of Building, Australian Institute of Company Directors and Institution of Engineers Australia.

Other current directorships are: Downer EDI, Australian Renewable Fuels (chair), The Infrastructure Fund of India and Asian Giants Infrastructure Fund (chair).

The Hon. Michael Lee
BSc (UNSW), BEng (Hons1) (UNSW), FIE (Aust)
Independent director
Member, Audit & Risk Committee
Member, Remuneration Committee
Member, Nomination Committee
AMPCI Macquarie Infrastructure Management No.1 Limited (appointed 16 June 2004)

Michael is an electrical engineer. He served in the Australian Parliament for 17 years, and was Minister for Resources, Tourism, Communications and The Arts in the Keating Government. He is currently president of the NSW Branch of the Australian Labor Party.

Other current directorships are: MAp Airports Limited; Chairman, Communications Alliance Limited, Superpartners Limited, and the National Film and Sound Archive.

Former roles include Chairman, NSW TAFE Commission board and the Central Coast Campuses board; a director of Essential Energy (formerly Country Energy); a councillor of the City of Sydney; and a member of the NSW Architects Registration board.

DIRECTORS' PROFILES CONTINUED

Doug Halley
BCom (UNSW), MBA (UNSW), FAICD, FTA
Independent director
Chairman, Audit & Risk Committee
Chairman, Remuneration Committee
Member, Nomination Committee
AMPCI Macquarie Infrastructure Management No.1 Limited
(appointed 13 February 2006)

DUET Investment Holdings Limited
(appointed 29 June 2006)

Doug held senior financial and general management positions for over 30 years in Australia, UK and the Netherlands. He has strong skills in banking and commercial sectors in treasury, finance, business development, investor relations, restructuring, corporate strategy and large scale acquisitions and divestments.

His experience has been gained in executive positions at national or Asia Pacific level with Philips Electrical, Hill Samuel Australia (now Macquarie Bank), Rothschild Australia, Goodman Fielder, John Fairfax Holdings, Television & Media Services, IBM Global Services and Thomson Corporation (now Thomson Reuters). Since 2007 Doug has been focusing on advisory and non-executive board activities.

Other current directorships are: Chairman, Foyson Resources Limited; Chairman, Aurora Community Television Limited; Print & Digital Publishing Pty Limited (“Time Out Sydney”); and Chairman, Advisory Board of Australian Enterprises Holdings Pty Limited.

Former directorships include: MIKOH Corporation Limited (1988 to 2010) and Corum Group Limited (2009 to 2010).

Emma Stein
BSc (Hons) Physics (Manch), MBA (Manch)
Independent director
Member, Audit & Risk Committee
Member, Remuneration Committee
Member, Nomination Committee
AMPCI Macquarie Infrastructure Management No.1 Limited
(appointed 16 June 2004)

DUET Investment Holdings Limited
(appointed 12 July 2006)

Emma's operational utilities experience includes energy retailing and asset management, international business operations, strategy development and implementation, acquisition integration and divestment.

Prior to leaving the UK in 2003, Emma was the UK managing director for French utility Gaz de France's energy retailing operations. She was also a non-executive director for Cofathec Heatsave Limited and an executive UK board director for Gaz de France Energy.

Other current directorships are: Clough Limited; Programmed Maintenance Group; Alumina Limited; and Transpacific Industries Limited.

Emma is also a member of University of Western Sydney's board of Trustees and a NSW Ambassador for the Guides.

Formerly, Emma was a non-executive director of ARC Energy and of Merlin Petroleum Limited (Australian oil and gas exploration and production companies) and Transfield Services Infrastructure Fund.

Ron Finlay
LLB (Sydney)
Independent director
Member, Audit & Risk Committee
Member, Remuneration Committee
Member, Nomination Committee
AMPCI Macquarie Infrastructure Management No.2 Limited
(appointed 16 June 2004)

DUET Investment Holdings Limited
(appointed 4 August 2006)

Ron is a lawyer and chief executive of Finlay Consulting, with over 37 years' experience in property, construction, development and infrastructure projects, including as project manager or facilitator of major infrastructure projects in Australia and overseas for both public and private sector organisations (such as the Commonwealth Government Solar Flagships Program).

Other current directorships are: Macquarie Generation, NSW's largest generator; independent Chairman on a number of government and private sector Project Control Groups and Dispute Resolution Boards for major projects (such as Brisbane's New Parallel Runway Project and the Brisbane Legacy Way Project).

Formerly, Ron was for six years chair of the New South Wales Transport Infrastructure Development Corporation.

Eric Goodwin
BEng (UNSW), MIE (Aust)
Independent director
Member, Audit & Risk Committee
Member, Remuneration Committee
Member, Nomination Committee
AMPCI Macquarie Infrastructure Management No.2 Limited
(appointed 16 June 2004)

Eric joined the Lend Lease Group in 1963 as a cadet engineer. During his 43-year career with Lend Lease he held a number of senior executive and subsidiary board positions in their Australian operations. Eric has extensive experience in design, construction and project management, general management and investment and funds management. Eric managed the MLC property portfolio during the 1980s and was the founding fund manager of Australian Prime Property Fund.

Other current directorships are: Macquarie Global Property Fund Advisors; the GPT Group; and Eureka Funds Management Limited. Eric is also the Chair of Jarjum College Council.

Duncan Sutherland
BA (Yale), MBA (Wayne State)
Independent director
Chairman, Audit & Risk Committee
Chairman, Remuneration Committee
Member, Nomination Committee
AMPCI Macquarie Infrastructure Management No.2 Limited
(appointed 16 June 2004)

Duncan has broad experience in the mining, metals and auto industries, where his focus areas included acquisitions and divestments, business analysis and corporate planning. Duncan joined CRA Limited in 1980, and was most recently responsible for acquisitions and divestments and corporate strategy. After CRA merged with RTZ in 1995 to form Rio Tinto, Duncan was appointed managing director, Energy Developments, responsible for business development and the management of acquisitions and divestments in the energy sector. During his career, Duncan has also worked overseas in the USA, Europe, Brazil and Argentina.

Other current directorships are: independent director of a Macquarie-owned manager of a number of unlisted managed vehicles and a director of Haileybury College, Melbourne.

Scott Davies
LLB
Alternate Director to Phil Garling
(appointed 18 January 2012)

Scott is the Global Head of Infrastructure at AMP Capital and currently alternate director to Phil Garling on the RE1, RE2 and DIHL boards. Scott has over 20 years investment experience in infrastructure. Prior to joining AMP Capital in July 2011, he was CEO of ASX listed Macquarie Communications Infrastructure Group from its inception in 2002 until its acquisition in 2009.

Between 1995 and 2002, Scott held senior investment roles for Macquarie Capital in New York and London. He has also held similar roles at Hambros Bank in London and Sydney and previously worked as a corporate lawyer in Sydney.

Other current directorships are: Australian Pacific Airports Corporation, The Infrastructure Fund of India, Codan Ltd and the Asian Giants Infrastructure Fund.

Principle 8: Remunerate Fairly and Responsibly
Below is a brief description of management and performance fee arrangements for RE1 and RE2 as responsible entity and RE1 as manager, remuneration arrangements in relation to DUET staff (whose remuneration is paid by Macquarie or AMP Capital, not DUET) and also the fees paid to DUET external directors. Full details and a discussion of DUET remuneration arrangements, alignment of interest and manager and staff incentives are set out in the remuneration report on pages 61 to 63.

1. Responsible Entity and Adviser Fees
RE1, as responsible entity of DUET1 and manager of DIHL, and RE2 as responsible entity of DUET2 and DUET3, are entitled to be paid base management fees and also performance fees for discharging their management/ advisory functions.

These fees are calculated in accordance with a defined formula under the trust constitutions and the management services agreement for DIHL. The fee arrangements were fully disclosed to investors on fund inception and subsequent restructure and continue to be disclosed on the DUET website and in annual reports so that investors originally invested and continue to invest on this basis. The structure and level of the fee arrangements are consistent with those paid in the market in respect of similar externally managed vehicles and are not subject to review.

Any changes to the fee provisions which would have the effect of increasing the fees would need to be approved by investors.

2. Reimbursement of Responsible Entity and Adviser Expenses
RE1 and RE2 are also entitled to be reimbursed for expenses incurred by them in relation to the proper performance of their duties, out of the assets of DUET. This includes routine ongoing expenses such as the third party costs of acquiring businesses and managing them, as well as capital raising costs, registry, audit, insurance, compliance costs and other expenses as set out in the trust constitutions and management services agreement.

3. Staff Remuneration
RE1 and RE2 make available employees, including senior executives, to discharge their obligations to the relevant DUET entity. These staff are employed by entities in Macquarie or AMP Capital and made available through formalised resourcing arrangements with RE1 and RE2. Their remuneration is not a DUET expense. It is paid by Macquarie or AMP Capital as applicable. Instead DUET pays management fees to RE1 and RE2 for providing management services. These fees are DUET expenses and are disclosed in the remuneration report on page 61 to 63. DIHL does not have employees and relies on the RE1 management staff under the management services agreement to implement operational decisions and carry out administrative functions. DUET holds its businesses through interests in special purpose project vehicles. Most of these vehicles have their own internal management paid for at the business level. Where RE1 or RE2 staff are required to serve as directors on the boards of these vehicles, or are seconded to them from time to time, any fees paid in respect of these arrangements are paid to DUET.

Senior RE1 and RE2 executives who are Macquarie employees may have some of their performance bonus retentions notionally invested by Macquarie in DUET securities so that the amount varies as if they were actually invested in the securities.

Macquarie executives may also have received MGL options or share awards as part of their remuneration package.

4. Director Remuneration
RE1 and RE2 independent director fees are paid by RE1 and RE2 in their personal corporate capacities respectively. They are not paid by the trusts.

In the case of the Macquarie executive directors, remuneration earned in connection with their roles as RE1, RE2 or DIHL directors, as the case may be, is paid by Macquarie and not by RE1, RE2 or DIHL.

DIHL non-executive director fees are paid by DIHL. None of the RE1, RE2 or DIHL directors is entitled to DUET options or securities or to retirement benefits as part of their remuneration package.

Senior Macquarie executives who are DUET directors may have some of their performance bonus retentions notionally invested by Macquarie in DUET securities so that the amount varies as if they were actually invested in the securities, and may also have received MGL options or share awards as part of their remuneration package.

5. Remuneration Committee
Each of the RE1, RE2 and DIHL Boards have constituted a remuneration committee consisting solely of independent directors. The RE1 and DIHL remuneration committees are chaired by Doug Halley and the RE2 committee is chaired by Duncan Sutherland. The remuneration committees have responsibility for reviewing and benchmarking independent director remuneration, recommending remuneration for DIHL directors to the DIHL board and making recommendations to the RE1 and RE2 boards to be passed onto the management company owners Macquarie and AMPCH as they pay RE1 and RE2 director fees. Senior executive remuneration is not paid by DUET and accordingly the DUET boards and remuneration committees do not consider executive remuneration.

- What you can find on our website:**
- The DUET remuneration report.
 - A summary of the RE1, RE2 and DIHL remuneration committee charters.



CORPORATE DIRECTORY

Directors The RE1 board of directors is comprised as follows:	
Name and position	Executive/Independent
John Roberts Chairman	Executive Macquarie
Philip Garling Director	Non-Executive AMPCH Representative
The Hon. Michael Lee Director	Independent
Doug Halley Director	Independent
Emma Stein Director	Independent

The RE2 board of directors is comprised as follows:	
Name and position	Executive/Independent
John Roberts Chairman	Executive Macquarie
Philip Garling Director	Non-Executive AMPCH Representative
Ron Finlay Director	Independent
Eric Goodwin Director	Independent
Duncan Sutherland Director	Independent

The DIHL board of directors is comprised as follows:	
Name and position	Executive/Independent
John Roberts Chairman	Executive Macquarie
Philip Garling Director	Non-Executive AMPCH Representative
Doug Halley Director	Independent
Emma Stein Director	Independent
Ron Finlay Director	Independent

Secretaries of RE1, RE2 and DIHL	
Christine Williams	
Leanne Pickering	

Responsible Entities
AMPCI Macquarie Infrastructure Management No.1 Limited (ABN 99 108 013 672) (AFSL 269286) (RE1) as responsible entity of Diversified Utility and Energy Trust No.1 (DUET1) and
AMPCI Macquarie Infrastructure Management No.2 Limited (ABN 15 108 014 062) (AFSL 269287) (RE2) as responsible entity of Diversified Utility and Energy Trust No.2 (DUET2) and as responsible entity of Diversified Utility and Energy Trust No.3 (DUET3)

and
DUET Investment Holdings Limited (ABN 22 120 456 573) (DIHL)
Level 11
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PO Box 4294
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Facsimile: (612) 8232 4713
Website: www.duet.net.au

Registry
Computershare Investor Services Pty Limited
GPO Box 2975
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or
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