

DUET GROUP
FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012



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

Financial Report

for year ended 30 June 2012

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.

Financial Report

for year ended 30 June 2012

Contents

| | |
|--|----|
| Explanation of the Financial Report | 1 |
| Directors' Reports – DUET1, DUET2, DUET3 and DIHL | 2 |
| Principal Activities | 2 |
| Directors Names (and period of service) | 2 |
| Distributions and Dividends | 3 |
| Review and Results of Operations | 4 |
| Significant Changes in State of Affairs | 5 |
| Events Occurring After Balance Sheet Date | 7 |
| Indemnification and Insurance of Officers and Auditors | 7 |
| Fees Paid to RE1 and RE2 and their Associates | 7 |
| Interests in DUET Group Securities Issued During the Financial Year | 8 |
| Carrying Value of Assets | 8 |
| Directors' Holdings of Stapled Securities | 9 |
| RE1's and RE2's Holdings of Stapled Securities | 9 |
| Additional Specific DIHL Disclosures | 10 |
| DIHL's Company Secretaries | 14 |
| Meetings of DIHL's Directors | 14 |
| DIHL Remuneration Report (audited) | 14 |
| DIHL Non-Audit Services | 16 |
| Environmental Regulations | 16 |
| Auditor's Independence Declaration to the Directors of the Responsible Entities of Diversified Utility and Energy Trust No.1, Diversified Utility and Energy Trust No.2, Diversified Utility and Energy Trust No.3 and the Directors of DUET Investment Holdings Limited | 19 |
| Income Statements | 20 |
| Statements of Comprehensive Income | 21 |
| Balance Sheets | 22 |
| Statements of Changes in Equity | 24 |
| Statements of Cash Flow | 28 |
| Notes to the Financial Statements | 30 |
| 1 Summary of Significant Accounting Policies | 30 |
| 2 Profit for the Year | 45 |
| 3 Income Tax | 48 |
| 4 Remuneration of Auditors | 50 |
| 5 Distributions Paid and Proposed | 50 |
| 6 Cash and Cash Equivalents | 51 |
| 7 Receivables | 52 |
| 8 Inventories | 54 |
| 9 Other Assets | 54 |
| 10 Derivative Financial Instruments | 55 |
| 11 Investments in Associates | 61 |
| 12 Property, Plant and Equipment | 64 |

Financial Report

for year ended 30 June 2012

Contents (continued)

| | | |
|----|--|-----|
| 13 | Deferred Tax Assets | 66 |
| 14 | Intangible Assets | 68 |
| 15 | Distribution Payable | 71 |
| 16 | Payables..... | 71 |
| 17 | Interest Bearing Liabilities | 72 |
| 18 | Provisions..... | 78 |
| 19 | Other Liabilities | 80 |
| 20 | Deferred Tax Liabilities | 81 |
| 21 | Retirement Benefit Obligations..... | 82 |
| 22 | Other Non-Controlling Interest | 84 |
| 23 | Contributed Equity..... | 85 |
| 24 | Reserves | 87 |
| 25 | Retained Profits / (Accumulated Losses)..... | 87 |
| 26 | Investments in Controlled Entities | 88 |
| 27 | Earnings per Security..... | 89 |
| 28 | Cash Flow information | 91 |
| 29 | Parent Entity Information..... | 93 |
| 30 | Related Party Disclosures | 94 |
| 31 | Segment Information | 98 |
| 32 | Financial Risk Management | 105 |
| 33 | Critical Accounting Estimates and Judgements | 115 |
| 34 | Acquisitions and Disposals | 115 |
| 35 | Commitments for Expenditure | 116 |
| 36 | Contingent Liabilities..... | 117 |
| 37 | Events Occurring After Balance Sheet Date | 117 |
| | Statement by the Directors of the Responsible Entity of DUET1 | 118 |
| | Statement by the Directors of the Responsible Entity of DUET2 | 119 |
| | Statement by the Directors of the Responsible Entity of DUET3 | 120 |
| | Statement by the Directors of DIHL | 121 |
| | Independent auditor's report to the unit holders of Diversified Utility and Energy Trust No.1, Diversified Utility and Energy Trust No.2, Diversified Utility and Energy Trust No.3 and to the shareholders of DUET Investment Holdings Limited..... | 122 |

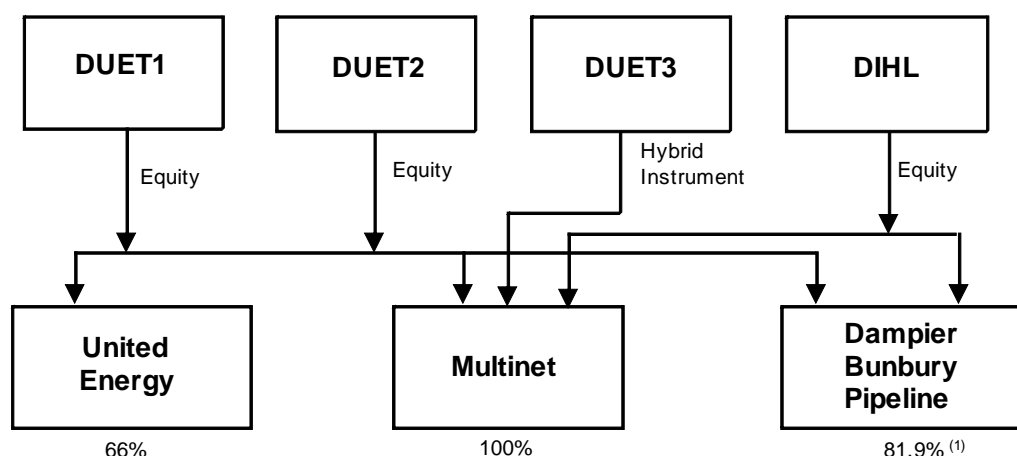
Explanation of the Financial Report for year ended 30 June 2012

Explanation of the Financial Report

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.

Financial Statements for DUET2, DUET3, DIHL and its subsidiary for the year ended 30 June 2012 have also been presented in this report jointly as permitted by ASIC class orders 05/642 and 06/441.

The Financial Report for DUET Group, presented in the first column in the attached Financial Report, serves as a summary of the financial performance and financial position of DUET Group as a whole, while the three other columns of the Financial Report provide the individual entity Financial Reports of DUET2, DUET3 and DIHL Group.

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.

Directors' Report

for year ended 30 June 2012

Directors' Reports – DUET1, DUET2, DUET3 and DIHL

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)

Directors' Report

for year ended 30 June 2012

Directors' names (and period of service) (continued)

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 8.00 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 8.00 cents per stapled security was paid on 14 August 2012 (2011: 10.00 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

for year ended 30 June 2012

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 Jul 11 - 30 Jun 12 \$'000 | DUET2 1 Jul 11 - 30 Jun 12 \$'000 | DUET3 1 Jul 11 - 30 Jun 12 \$'000 | DIHL Group 1 Jul 11 - 30 Jun 12 \$'000 |
|---|---|--|--|---|
| Revenue and other income from continuing operations | 1,222,080 | 71,401 | 22,896 | 633 |
| Profit/(loss) for the year | 43,997 | (8,882) | 20,617 | (41,618) |
| Profit/(loss) attributable to security holders | 47,549 | (8,882) | 20,617 | (41,618) |
| Earnings used in calculation of basic and diluted earnings per stapled security/unit/share ⁽¹⁾ | 77,432 | (8,882) | 20,617 | (41,618) |
| Basic earnings per stapled security/unit/share | 7.23c | (0.83)c | 1.93c | (3.89)c |
| Diluted earnings per stapled security/unit/share | 7.23c | (0.83)c | 1.93c | (3.89)c |
| Basic earnings per stapled security/unit/share based on consolidated profit for the year | 4.11c | n/a | n/a | n/a |

| | DUET Group 1 Jul 10 - 30 Jun 11 \$'000 | DUET2 1 Jul 10 - 30 Jun 11 \$'000 | DUET3 1 Jul 10 - 30 Jun 11 \$'000 | DIHL 1 Jul 10 - 30 Jun 11 \$'000 |
|---|---|--|--|---|
| Revenue and other income from continuing operations | 1,212,261 | 84,722 | 45,086 | 3,571 |
| Profit/(loss) for the year | 188,400 | 66,555 | (23,322) | 12,900 |
| Profit/(loss) attributable to security holders | 124,917 | 66,555 | (23,322) | 12,900 |
| Earnings used in calculation of basic and diluted earnings per stapled security/unit/share ⁽¹⁾ | 68,784 | 66,555 | (23,322) | 12,900 |
| Basic earnings per stapled security/unit/share | 7.70c | 7.45c | (2.61)c | 1.44c |
| Diluted earnings per stapled security/unit/share | 7.70c | 7.45c | (2.61)c | 1.44c |
| Basic earnings per stapled security/unit/share based on consolidated profit for the year | 21.08c | n/a | n/a | n/a |

⁽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 with no such item during the current period.

| | DUET Group 1 Jul 11 - 30 Jun 12 \$'000 | DUET Group 1 Jul 10 - 30 Jun 11 \$'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 |

Directors' Report

for year ended 30 June 2012

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) |

Directors' Report

for year ended 30 June 2012

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.

Directors' Report

for year ended 30 June 2012

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

Security holders 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 confidentiality clause in the policy.

Fees Paid to RE1 and RE2 and their Associates

Fees paid to RE1 and RE2 and their associates out of DUET1, DUET2, DUET3, DIHL and DUET Group's property are disclosed in Note 30 to the Financial Statements.

Directors' Report

for year ended 30 June 2012

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 Jul 11 - 30 Jun 12 '000 | DUET2 1 Jul 11 - 30 Jun 12 '000 | DUET3 1 Jul 11 - 30 Jun 12 '000 | DIHL 1 Jul 11 - 30 Jun 12 '000 |
|--|---|--|--|---|
| Securities on issue at the beginning of the year | 909,693 | 909,693 | 909,693 | 909,693 |
| Securities issued during the year | 200,138 | 200,138 | 200,138 | 200,138 |
| Securities on issue at the end of the year | 1,109,831 | 1,109,831 | 1,109,831 | 1,109,831 |

| | DUET Group 1 Jul 10 - 30 Jun 11 '000 | DUET2 1 Jul 10 - 30 Jun 11 '000 | DUET3 1 Jul 10 - 30 Jun 11 '000 | DIHL 1 Jul 10 - 30 Jun 11 '000 |
|--|---|--|--|---|
| Securities on issue at the beginning of the year | 870,560 | 870,560 | 870,560 | 870,560 |
| Securities issued during the year | 39,133 | 39,133 | 39,133 | 39,133 |
| Securities on issue at the end of the year | 909,693 | 909,693 | 909,693 | 909,693 |

Carrying Value of Assets

| | DUET Group \$'000 | DUET2 \$'000 | DUET3 \$'000 | DIHL Group \$'000 |
|--|----------------------|-----------------|-----------------|----------------------|
| Carrying Value of assets at 30 June 12 | 8,118,659 | 863,627 | 285,897 | 205,693 |
| Carrying Value of assets at 30 June 11 | 8,640,918 | 956,476 | 449,105 | 191,623 |

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' Report

for year ended 30 June 2012

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 Financial Statements 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).

Directors' Report

for year ended 30 June 2012

Additional Specific DIHL Disclosures

Information on Directors

| | Experience and Directorships | Special Responsibilities |
|----------------|--|--------------------------|
| DIHL | | |
| Philip Garling | <p>B.Build (UNSW) FAIB, FAICD, FIE (Aust),</p> <p><i>Director</i></p> <p><i>Member, Nominations Committee</i></p> <p>AMPCI Macquarie Infrastructure Management No.1 Limited (appointed 17 February 2004).</p> <p>AMPCI Macquarie Infrastructure Management No.2 Limited (appointed 17 February 2004).</p> <p>DUET Investment Holdings Limited (appointed 29 June 2006).</p> <p>Philip is the AMPCH representative on Responsible Entity and DIHL boards. He has over 30 years experience in infrastructure, construction, development and investment. Philip retired from full time executive roles mid last year. He was formerly Global Head of Infrastructure at AMP Capital Investors for 9 years and was also CEO of Tenix Infrastructure.</p> <p>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 the company's Asian infrastructure strategy.</p> <p>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.</p> <p>Other current directorships are: Australian Renewable Fuels (Chairman) (ASX:ARW), Downer EDI (ASX:DOW), The Infrastructure Fund of India and the The Asian Giants Infrastructure Fund.</p> | |

Directors' Report

for year ended 30 June 2012

| | | |
|----------------|---|--|
| Ron Finlay | <p>LLB (Sydney)</p> <p><i>Independent director</i></p> <p><i>Member, Remuneration Committee</i></p> <p><i>Member, Nominations Committee</i></p> <p><i>Chairman, Independent Board Committee, RE2</i></p> <p>AMPCI Macquarie Infrastructure Management No.2 Limited DUET Investment Holdings Limited</p> <p>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).</p> <p>Other current directorships are: Macquarie Generation, NSW's largest generator, independent Chairman of AquaSure Pty Limited (SPV for the Victorian Desalination Project) and 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).</p> <p>Formerly Ron was for six years chair of the New South Wales Transport Infrastructure Development Corporation.</p> | Member of the Audit and Risk Committee |
| Douglas Halley | <p>BCom (UNSW), MBA (UNSW), FAICD, FTA</p> <p><i>Independent director</i></p> <p><i>Chairman, Remuneration Committee</i></p> <p><i>Member, Nominations Committee</i></p> <p>AMPCI Macquarie Infrastructure Management No.1 Limited DUET Investment Holdings Limited</p> <p>Doug held senior financial and general management positions for over 30 years and has strong skills in banking and industry 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, Rothschild Australia, Goodman Fielder, John Fairfax Holdings, Television & Media Services, IBM Global Services and Thomson Reuters. Since 2007 Doug has been focusing on advisory and non-executive board activities.</p> <p>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.</p> <p>Former directorships include: MIKOH Corporation Limited (1988 to 2010) Corum Group Limited (2009 to 2010).</p> | Chairman of the Audit and Risk Committee |

Directors' Report

for year ended 30 June 2012

| | | |
|--------------|---|--|
| John Roberts | <p>LLB (Canterbury)</p> <p><i>Chairman, Nominations Committee</i></p> <p>AMPCI Macquarie Infrastructure Management No.1 Limited AMPCI Macquarie Infrastructure Management No.2 Limited DUET Investment Holdings Limited</p> <p>John joined Macquarie in 1991 and is based in Sydney, Australia. He is the Macquarie representative on each of the Responsible Entity and DIHL boards.</p> <p>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 serves on a number of Boards and investment committees in MIRA to provide oversight and strategic direction to individual fund management executive teams.</p> <p>Previous roles within Macquarie include Head of Europe, Joint Head of Macquarie Capital Advisers and Global Head of Macquarie Capital Funds.</p> <p>Other directorships are: MAp Airports Limited, Southern Cross Airports Corporation Holdings Limited and Macquarie Atlas Roads Limited.</p> <p>His former directorships include Macquarie International Infrastructure Fund Limited and Macquarie Infrastructure Company Inc.</p> | Chairman |
| Emma Stein | <p>BSc (Hons) Physics (Manch), MBA (Manch)</p> <p><i>Independent director</i></p> <p><i>Member, Remuneration Committee</i></p> <p><i>Member, Nominations Committee</i></p> <p>AMPCI Macquarie Infrastructure Management No.1 Limited DUET Investment Holdings Limited</p> <p>Emma's operational utilities experience includes energy retailing and asset management, international business operations, strategy development and implementation, acquisition integration and divestment.</p> <p>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.</p> <p>Other current directorships are: Clough Limited, Programmed Maintenance Group, Alumina Limited and Transpacific Industries Limited.</p> <p>Emma is also a member of University of Western Sydney's Board of Trustees and a NSW Ambassador for the Guides.</p> <p>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.</p> | Member of the Audit and Risk Committee |

Directors' Report

for year ended 30 June 2012

Shemara
Wikramanayake
Alternate to John
Roberts

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 funds management services including infrastructure and real asset management, securities investment management and fund and equity based investment solutions.

Prior to becoming Head of Macquarie Funds Group in 2008, Shemara spent 20 years in the Macquarie Capital division. During this period, Shemara held roles as Head of Macquarie Infrastructure & 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, Shemara worked as a corporate lawyer at Blake Dawson Waldron in Sydney.

She holds no other listed entity directorships.

Scott Davies
Alternate Director to
Philip Garling

Alternate Director to Philip Garling (appointed 18 January 2012)

Scott is the alternate AMPCH representative on Responsible Entity and DIHL boards. He has over 20 years investment experience and a well-established presence in the global infrastructure space and brings a strong record of establishing and growing infrastructure businesses. Prior to joining AMP Capital in July 2011, he was CEO of ASX listed Macquarie Communications Infrastructure Group from its inception in 2002, where he was accountable for all aspects of business performance and management. This included the development and execution of the Group's strategic goals and objectives, management of relationships with key clients and stakeholders, risk management and key aspects of human relations.

Prior to this, Scott held senior investment roles for Macquarie Capital in New York and London between 1995 and 2002, where he was responsible for Macquarie Group's cross-border asset financing activities with a particular focus on the telecommunications sector. During this period he financed a large portion of the Europe-wide rollout of digital switching telephone networks by the major carriers and took the company's involvement with major European carriers from virtually non-existent to one of industry leadership. He has also held roles at Hambros Bank in London and Sydney where he was team leader in mergers and acquisitions, primarily in telecommunications. Scott's major transaction was leading the sale by Mercury Communications (a joint venture between Cable and Wireless and Bell Canada) to Siemens. He was also involved in the sale by the UK Government of the four rolling stock leasing companies (Roscos) and the Richemont privatisation of Rothmans UK.

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

Directors' Report

for year ended 30 June 2012

DIHL's Company Secretaries

The Company Secretaries of DIHL are Ms C Williams and Ms L Pickering. Ms Williams was appointed to the position of Company Secretary in 2004. She has been the global head of Legal of the Macquarie Infrastructure and Real Assets division since 1998, prior to which she performed a company secretarial/general counsel role at Bankers Trust. Ms Pickering was appointed Company Secretary of DIHL in 2006. She has been the legal manager of DUET since 2006 and also for a number of other funds having joined Macquarie in 2005. Both Ms C Williams and Ms L Pickering are practising solicitors.

Meetings of DIHL's Directors

The number of meetings each member of the DIHL board of directors and each member of the audit and risk committee was eligible to attend and actually attended during the year ended 30 June 2012 is summarised as follows:

| | Meetings of Directors | | Meetings of Audit and Risk Committee | |
|-------------------------|-----------------------|-----------------------------|--------------------------------------|-----------------------------|
| | Meetings attended | Meetings eligible to attend | Meetings attended | Meetings eligible to attend |
| Director | | | | |
| John Roberts (Chairman) | 12 | 12 | - | - |
| Philip Garling | 12 | 12 | - | - |
| Ron Finlay * | 12 | 12 | 3 | 3 |
| Douglas Halley * | 12 | 12 | 3 | 3 |
| Emma Stein * | 11 | 12 | 3 | 3 |
| Shemara Wikramanayake | - | - | - | - |
| Bodhisahwa Pahari | - | - | - | - |
| Scott Davies | - | - | - | - |

* Members of the Audit and Risk Committee

DIHL Remuneration Report (audited)

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined in AASB 124: Related Party Disclosures as those having authority and responsibility for planning, directing and controlling the activities of the entity. The Responsible Entity of the Trusts and the Directors of DIHL meet the definition of Key Management Personnel as they have authority in relation to the activities of DUET. These powers have not been delegated by the Responsible Entities or the Board, to any other person, including the CEO of DUET Group. Accordingly, there are no other Key Management Personnel of DUET Group. The following are key management personnel of DUET Group:

- The Responsible Entities (RE1 and RE2); and
- The Directors of DIHL being John Roberts, Philip Garling, Ron Finlay, Douglas Halley, Emma Stein, Shemara Wikramanayake (alternate to John Roberts) and Scott Davies (alternate to Philip Garling)

Remuneration Strategy

The remuneration strategy is designed to attract, motivate and retain Directors by identifying and recognising the contribution of each Director to the success of the Group. The remuneration of Directors consists only of Director's and committee fees.

Directors' Report

for year ended 30 June 2012

Board oversight of Remuneration

The remuneration committee is responsible for making recommendations to the board on the remuneration arrangements.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration;
- Service agreements;
- Loans to directors; and
- Share options granted to directors.

Principles used to determine the nature and amount of remuneration

The remuneration paid to directors who are not employees of AMPCH and MGL is determined with reference to current market rates for directorships of similar entities. The level of remuneration is not related to the performance of DUET. Refer to (Note 30 (a)) remuneration of non-executive directors and key management personnel for further information.

Where possible, the remuneration of directors who are also employees of MGL or AMPCH has been determined based on an appropriate allocation of the directors' time and contribution across their areas of responsibility with DIHL and other MGL or AMPCH businesses. This allocation is consistent with the remuneration of other NEDs.

Non-executive directors

The DIHL Constitution provides that directors (other than the managing or executive directors) are entitled to remuneration in aggregate not exceeding \$400,000 per annum. For the year to 30 June 2012, independent directors, being Douglas Halley, Emma Stein and Ron Finlay, were each entitled to and were paid a director's fee of \$42,500 (2011: \$42,500) per annum until 31 December 2011. This was increased to \$55,000 per annum effective 1 January 2012. DIHL paid \$48,750 in Directors fees to each of Emma Stein, Douglas Halley and Ron Finlay (2011: \$42,500 each) for the year ended 30 June 2012. Directors' fees were paid in cash. DIHL does not have any employees. Consequently there is no disclosure by DIHL of the remuneration of company executives.

DIHL's independent directors are not entitled to receive DUET Group securities or retirement benefits as part of their remuneration package.

Executives

DIHL does not have any employees. All such persons are employed by MGL or AMPCH and are seconded to RE1 and RE2 under resource agreements between them and an entity within the MGL or AMPCH groups.

Service agreements

Remuneration for the directors are formalised in service agreements. Upon termination of the service agreements, directors are not entitled to any payments, other than directors' fees payable up until the date of termination. Terminations are governed by the Constitution of DIHL.

Loans to directors

There were no loans to directors.

Share options granted to directors and executives

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

Directors' Report

for year ended 30 June 2012

DIHL Non-Audit Services

DIHL may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or DUET Group are important.

Details of the amounts paid or payable to the auditor (Ernst & Young) for audit and non-audit services provided during the year are set out in Note 4 of the Financial Report.

The board of directors has considered the position and, in accordance with the advice received from the audit and risk committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 4 of the Financial Report, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit and risk committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement APES110, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

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.

Directors' Report

for year ended 30 June 2012

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 19.

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).

Directors' Report for year ended 30 June 2012

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

Signed in accordance with a resolution of directors of AMPCI Macquarie Infrastructure Management No.2 Limited.



Philip Garling

Director
AMPCI Macquarie Infrastructure Management
No.2 Limited
Sydney
16 August 2012



John Roberts

Director
AMPCI Macquarie Infrastructure Management
No.2 Limited
Sydney
16 August 2012

Signed in accordance with a resolution of directors of DUET Investment Holdings Limited.



Philip Garling

Director
DUET Investment Holdings Limited
Sydney
16 August 2012



John Roberts

Director
DUET Investment Holdings Limited
Sydney
16 August 2012

Auditor's Independence Declaration to the Directors of the Responsible Entities of Diversified Utility and Energy Trust No.1, Diversified Utility and Energy Trust No.2, Diversified Utility and Energy Trust No.3 and the Directors of DUET Investment Holdings Limited

In relation to our audit of the financial report of DUET Group, 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 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.

A stylized, handwritten signature of the Ernst & Young firm, written in black ink.

Ernst & Young

A handwritten signature of Kester C Brown, written in black ink.

Kester C Brown
Partner

16 August 2012

Financial Report

as at 30 June 2012

Income Statements

| | Note | DUET Group 1 Jul 11 - 30 Jun 12 \$'000 | DUET2 1 Jul 11 - 30 Jun 12 \$'000 | DUET3 1 Jul 11 - 30 Jun 12 \$'000 | DIHL Group 1 Jul 11 - 30 Jun 12 \$'000 | DUET Group 1 Jul 10 - 30 Jun 11 \$'000 | DUET2 1 Jul 10 - 30 Jun 11 \$'000 | DUET3 1 Jul 10 - 30 Jun 11 \$'000 | DIHL 1 Jul 10 - 30 Jun 11 \$'000 |
|--|------|---|--|--|---|---|--|--|---|
| Revenue | 2 | 1,220,141 | 71,401 | 22,896 | 557 | 1,189,059 | 84,722 | 40,138 | 3,571 |
| Other Income | 2 | 1,939 | - | - | 76 | 23,202 | - | 4,948 | - |
| Total Revenue and other income | | 1,222,080 | 71,401 | 22,896 | 633 | 1,212,261 | 84,722 | 45,086 | 3,571 |
| Share of net profit/(loss) of associates accounted for using the equity method | 2 | 6,754 | (71,467) | - | 11,551 | 20,789 | 13,830 | - | 19,930 |
| Net gain/(loss) on disposal of associates | 2 | 8,668 | 10,807 | 5,901 | (41,649) | - | - | - | - |
| Operating expenses | 2 | (428,251) | - | - | - | (320,464) | - | - | - |
| Depreciation and amortisation expense | 2 | (233,925) | - | - | - | (214,264) | - | - | - |
| Finance costs | 2 | (465,909) | (2,394) | (2,248) | (6,889) | (505,003) | (21,442) | (13,897) | (6,793) |
| Other expenses | 2 | (63,089) | (17,229) | (5,531) | (5,264) | (119,959) | (10,555) | (53,514) | (3,808) |
| Total expenses | | (1,191,174) | (19,623) | (7,779) | (12,153) | (1,159,690) | (31,997) | (67,411) | (10,601) |
| Profit/(loss) before income tax expense | | 46,328 | (8,882) | 21,018 | (41,618) | 73,360 | 66,555 | (22,325) | 12,900 |
| Income tax benefit/(expense) | 3 | (2,331) | - | (401) | - | 115,040 | - | (997) | - |
| Profit/(loss) for the year | | 43,997 | (8,882) | 20,617 | (41,618) | 188,400 | 66,555 | (23,322) | 12,900 |
| Profit/(loss) is attributable to: | | | | | | | | | |
| DUET1 unitholders | | 77,432 | - | - | - | 68,784 | - | - | - |
| DUET2 and DUET3 unitholders and DIHL shareholders as non-controlling interests | | (29,883) | (8,882) | 20,617 | (41,618) | 56,133 | 66,555 | (23,322) | 12,900 |
| Stapled Securityholders | | 47,549 | (8,882) | 20,617 | (41,618) | 124,917 | 66,555 | (23,322) | 12,900 |
| Other non-controlling interests | | (3,552) | - | - | - | 63,483 | - | - | - |
| Basic earnings/(loss) per stapled security/share/unit | 27 | 7.23 | (0.83) | 1.93 | (3.89) | 7.70 | 7.45 | (2.61) | 1.44 |
| Diluted earnings/(loss) per stapled security/share/unit | 27 | 7.23 | (0.83) | 1.93 | (3.89) | 7.70 | 7.45 | (2.61) | 1.44 |

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

Financial Report

as at 30 June 2012

Statements of Comprehensive Income

| | DUET Group 1 Jul 11 - 30 Jun 12 \$'000 | DUET2 1 Jul 11 - 30 Jun 12 \$'000 | DUET3 1 Jul 11 - 30 Jun 12 \$'000 | DIHL Group 1 Jul 11 - 30 Jun 12 \$'000 | DUET Group 1 Jul 10 - 30 Jun 11 \$'000 | DUET2 1 Jul 10 - 30 Jun 11 \$'000 | DUET3 1 Jul 10 - 30 Jun 11 \$'000 | DIHL 1 Jul 10 - 30 Jun 11 \$'000 |
|--|---|--|--|---|---|--|--|---|
| Profit/(loss) after income tax expense for the year | 43,997 | (8,882) | 20,617 | (41,618) | 188,400 | 66,555 | (23,322) | 12,900 |
| 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 | (11,358) | - | (24,446) | (1,427) | 11,058 | - | 33 |
| Reclassification of associate reserves on disposal | 26,818 | - | - | 25,464 | - | - | - | - |
| Reclassification of available for sale financial asset, net of tax on disposal | - | (10,957) | - | - | - | - | - | - |
| Changes in available for sale financial asset, net of tax | - | - | - | - | - | (25,399) | - | - |
| Reclassification of associates foreign currency translation reserve on disposal (including movement to date of disposal) | 12,567 | - | - | 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) | - | - | (24,144) |
| Total comprehensive income/(expense) for the year | (35,266) | (31,197) | 20,617 | (28,033) | 224,317 | 52,214 | (23,322) | (11,211) |
| 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) | (31,197) | 20,617 | (28,033) | 17,681 | 52,214 | (23,322) | (11,211) |
| Stapled Securityholders | 1,174 | (31,197) | 20,617 | (28,033) | 139,510 | 52,214 | (23,322) | (11,211) |
| Other non-controlling interests | (36,440) | - | - | - | 84,807 | - | - | - |
| Total comprehensive income/(expense) for the year | (35,266) | (31,197) | 20,617 | (28,033) | 224,317 | 52,214 | (23,322) | (11,211) |

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

Financial Report

as at 30 June 2012

Balance Sheets

| | Note | DUET Group 30 Jun 12 \$'000 | DUET2 30 Jun 12 \$'000 | DUET3 30 Jun 12 \$'000 | DIHL Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 | DUET2 30 Jun 11 \$'000 | DUET3 30 Jun 11 \$'000 | DIHL 30 Jun 11 \$'000 |
|---|------|-----------------------------------|------------------------------|------------------------------|-----------------------------------|-----------------------------------|------------------------------|------------------------------|-----------------------------|
| Current assets | | | | | | | | | |
| Cash and cash equivalents | 6 | 243,595 | 61,280 | 21,662 | 20,356 | 543,482 | 32,804 | 21,641 | 931 |
| Receivables | 7 | 67,983 | 717 | 3,116 | 204 | 321,909 | 43,975 | 188,774 | 50,561 |
| Inventories | 8 | 19,637 | - | - | - | 14,429 | - | - | - |
| Other assets | 9 | 78,648 | - | - | 106 | 103,055 | 36,000 | - | 102 |
| Derivative financial instruments | 10 | 899 | - | - | - | 5,785 | - | 4,280 | - |
| Total current assets | | 410,762 | 61,997 | 24,778 | 20,666 | 988,660 | 112,779 | 214,695 | 51,594 |
| Non-current assets | | | | | | | | | |
| Receivables | 7 | 21,507 | 660,273 | 261,119 | - | 21,968 | 643,861 | 232,461 | - |
| Other financial assets – investments in unlisted securities | | - | 861 | - | - | - | 37,327 | - | - |
| Investment in associated entities | 11 | - | 140,496 | - | 185,027 | 166,129 | 162,509 | - | 140,029 |
| Property, plant and equipment | 12 | 5,473,171 | - | - | - | 5,319,868 | - | - | - |
| Deferred tax assets | 13 | 93,552 | - | - | - | 70,820 | - | - | - |
| Intangible assets | 14 | 2,094,282 | - | - | - | 2,059,815 | - | - | - |
| Other assets | 9 | 24,018 | - | - | - | - | - | - | - |
| Derivative financial instruments | 10 | 1,367 | - | - | - | 13,658 | - | 1,949 | - |
| Total non-current assets | | 7,707,897 | 801,630 | 261,119 | 185,027 | 7,652,258 | 843,697 | 234,410 | 140,029 |
| Total assets | | 8,118,659 | 863,627 | 285,897 | 205,693 | 8,640,918 | 956,476 | 449,105 | 191,623 |
| Current liabilities | | | | | | | | | |
| Distribution payable | 15 | 88,787 | 42,304 | 16,687 | - | 90,969 | 44,303 | 13,262 | - |
| Payables | 16 | 285,146 | 10,749 | 2,899 | 3,119 | 181,533 | 3,702 | 1,835 | 1,027 |
| Interest bearing liabilities | 17 | 325,278 | 60,364 | - | 113,147 | 1,468,204 | 176,030 | 204,700 | 106,396 |
| Provisions | 18 | 16,793 | - | - | - | 9,768 | - | - | - |
| Derivative financial instruments | 10 | 116,258 | - | - | - | 46,976 | - | - | - |
| Other liabilities | 19 | 37,766 | - | - | - | 39,807 | - | - | - |
| Total current liabilities | | 870,028 | 113,417 | 19,586 | 116,266 | 1,837,257 | 224,035 | 219,797 | 107,423 |

Financial Report

as at 30 June 2012

Balance Sheets (continued)

| | Note | DUET Group 30 Jun 12 \$'000 | DUET2 30 Jun 12 \$'000 | DUET3 30 Jun 12 \$'000 | DIHL Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 | DUET2 30 Jun 11 \$'000 | DUET3 30 Jun 11 \$'000 | DIHL 30 Jun 11 \$'000 |
|---|------|-----------------------------------|------------------------------|------------------------------|-----------------------------------|-----------------------------------|------------------------------|------------------------------|-----------------------------|
| Non-current liabilities | | | | | | | | | |
| Interest bearing liabilities | 17 | 4,799,841 | - | 1,289 | - | 4,277,725 | - | 1,289 | - |
| Deferred tax liabilities | 20 | 480,788 | - | - | - | 508,777 | - | - | - |
| Derivative financial instruments | 10 | 339,863 | - | - | - | 290,776 | - | - | - |
| Provisions | 18 | 32,847 | - | - | - | 26,963 | - | - | - |
| Retirement benefit obligations | 21 | 4,278 | - | - | - | - | - | - | - |
| Other liabilities | 19 | 22,316 | - | - | - | 22,731 | - | - | - |
| Total non-current liabilities | | 5,679,933 | - | 1,289 | - | 5,126,972 | - | 1,289 | - |
| Total liabilities | | 6,549,961 | 113,417 | 20,875 | 116,266 | 6,964,229 | 224,035 | 221,086 | 107,423 |
| Net assets | | 1,568,698 | 750,210 | 265,022 | 89,427 | 1,676,689 | 732,441 | 228,019 | 84,200 |
| Equity | | | | | | | | | |
| Equity attributable to DUET1 unitholders | | | | | | | | | |
| Contributed equity | 23 | 650,331 | - | - | - | 553,887 | - | - | - |
| Reserves | 24 | (173,366) | - | - | - | (96,997) | - | - | - |
| Retained profits/accumulated (losses) | 25 | (204,763) | - | - | - | (209,585) | - | - | - |
| Unitholders interest | | 272,202 | - | - | - | 247,305 | - | - | - |
| Equity attributable to DUET2, DUET3 and DIHL Securityholders (as non-controlling interest) | | | | | | | | | |
| Contributed equity | 23 | 1,580,504 | 997,712 | 338,214 | 244,578 | 1,378,338 | 861,476 | 305,544 | 211,318 |
| Reserves | 24 | (354,356) | (247,502) | (77,525) | (29,329) | (249,474) | (129,035) | (77,525) | (42,914) |
| Retained profits/accumulated (losses) | 25 | (121,489) | - | 4,333 | (125,822) | (84,204) | - | - | (84,204) |
| DUET2, DUET3 and DIHL securityholders interest | | 1,104,659 | 750,210 | 265,022 | 89,427 | 1,044,660 | 732,441 | 228,019 | 84,200 |
| Other non-controlling interest | 22 | 191,837 | - | - | - | 384,724 | - | - | - |
| Total equity | | 1,568,698 | 750,210 | 265,022 | 89,427 | 1,676,689 | 732,441 | 228,019 | 84,200 |

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

Financial Report

for year ended 30 June 2012

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 |

Financial Report

for year ended 30 June 2012

Statements of Changes in Equity (continued)

| DUET2 | 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 | 831,906 | (13,571) | (119,366) | 36,355 | - | 735,324 |
| Profit/(loss) for the year | - | - | - | - | 66,555 | 66,555 |
| Other comprehensive income/(expense) for the year | - | 11,058 | - | (25,399) | - | (14,341) |
| Total comprehensive income for the year | - | 11,058 | - | (25,399) | 66,555 | 52,214 |
| Transactions with equity holders in their capacity as equity holders: | | | | | | |
| Contributions of equity, net of transaction costs | 29,570 | - | - | - | - | 29,570 |
| Distribution paid and provided for to DUET2 equity holders | - | - | - | - | (84,667) | (84,667) |
| Transfers from reserves | - | - | (18,112) | - | 18,112 | - |
| Total equity at 30 June 2011 | 861,476 | (2,513) | (137,478) | 10,956 | - | 732,441 |
| Profit/(loss) for the year | - | - | - | - | (8,882) | (8,882) |
| Other comprehensive income/(expense) for the year | - | (11,359) | - | (10,956) | - | (22,315) |
| Total comprehensive income for the year | - | (11,359) | - | (10,956) | (8,882) | (31,197) |
| Transactions with equity holders in their capacity as equity holders: | | | | | | |
| Contributions of equity, net of transaction costs | 136,236 | - | - | - | - | 136,236 |
| Distribution paid and provided for to DUET2 equity holders | - | - | - | - | (87,270) | (87,270) |
| Transfers from reserves | - | - | (96,152) | - | 96,152 | - |
| Total equity at 30 June 2012 | 997,712 | (13,872) | (233,630) | - | - | 750,210 |

Financial Report

for year ended 30 June 2012

Statements of Changes in Equity (continued)

| DUET3 | Contributed equity \$'000 | Capital reserve \$'000 | Retained profits/ (accumulated losses) \$'000 | Total \$'000 |
|---|--|---------------------------------------|--|-------------------------|
| Total equity at 30 June 2010 | 297,901 | (26,545) | 4,551 | 275,907 |
| Loss for the year | - | - | (23,322) | (23,322) |
| Other comprehensive income/(expense) for the year | - | - | - | - |
| Total comprehensive income for the year | - | - | (23,322) | (23,322) |
| Transactions with equity holders in their capacity as equity holders: | | | | |
| Contributions of equity, net of transaction costs | 7,643 | - | - | 7,643 |
| Distribution paid and provided for to DUET3 equity holders | - | - | (32,209) | (32,209) |
| Transfers from reserves | - | (50,980) | 50,980 | - |
| Total equity at 30 June 2011 | 305,544 | (77,525) | - | 228,019 |
| Profit/(Loss) for the year | - | - | 20,617 | 20,617 |
| Other comprehensive income/(expense) for the year | - | - | - | - |
| Total comprehensive income for the year | - | - | 20,617 | 20,617 |
| Transactions with equity holders in their capacity as equity holders: | | | | |
| Contributions of equity, net of transaction costs | 32,670 | - | - | 32,670 |
| Distribution paid and provided for to DUET3 equity holders | - | - | (16,284) | (16,284) |
| Total equity at 30 June 2012 | 338,214 | (77,525) | 4,333 | 265,022 |

Financial Report

for year ended 30 June 2012

Statements of Changes in Equity (continued)

| DIHL Group | Contributed equity \$'000 | Hedging reserve \$'000 | Foreign currency translation reserve \$'000 | Other reserve \$'000 | Retained profits/ (accumulated losses) \$'000 | Total \$'000 |
|---|---------------------------------|------------------------------|---|----------------------------|---|-----------------|
| Total equity at 1 July 2010 | 206,156 | (23,564) | 6,723 | (1,962) | (97,104) | 90,249 |
| Loss for the year | - | - | - | - | 12,900 | 12,900 |
| Other comprehensive income/(expense) for the year | - | - | (24,144) | 33 | - | (24,111) |
| Total comprehensive income/(loss) for the year | - | - | (24,144) | 33 | 12,900 | (11,211) |
| Transactions with equity holders in their capacity as equity holders: | | | | | | |
| Contributions of equity, net of transaction costs | 5,162 | - | - | - | - | 5,162 |
| Total equity at 30 June 2011 | 211,318 | (23,564) | (17,421) | (1,929) | (84,204) | 84,200 |
| Profit/(loss) for the year | - | - | - | - | (41,618) | (41,618) |
| Other comprehensive income/(expense) for the year | - | (5,765) | 17,421 | 1,929 | - | 13,585 |
| Total comprehensive income/(loss) for the year | - | (5,765) | 17,421 | 1,929 | (41,618) | (28,033) |
| Transactions with equity holders in their capacity as equity holders: | | | | | | |
| Contributions of equity, net of transaction costs | 33,260 | - | - | - | - | 33,260 |
| Total equity at 30 June 2012 | 244,578 | (29,329) | - | - | (125,822) | 89,427 |

The above Statements of Changes in Equity should be read in conjunction with the accompanying Notes.

Financial Report

for year ended 30 June 2012

Statements of Cash Flow

| | Note | DUET Group 1 Jul 11 - 30 Jun 12 \$'000 | DUET2 1 Jul 11 - 30 Jun 12 \$'000 | DUET3 1 Jul 11 - 30 Jun 12 \$'000 | DIHL Group 1 Jul 11 - 30 Jun 12 \$'000 | DUET Group 1 Jul 10 - 30 Jun 11 \$'000 | DUET2 1 Jul 10 - 30 Jun 11 \$'000 | DUET3 1 Jul 10 - 30 Jun 11 \$'000 | DIHL 1 Jul 10 - 30 Jun 11 \$'000 |
|---|------|---|--|--|---|---|--|--|---|
| Cash flows from operating activities | | | | | | | | | |
| Receipts from customers (including GST) | | 1,266,902 | 116 | - | 75 | 1,247,813 | 12 | 5 | - |
| Payments to suppliers and employees (including GST) | | (452,627) | (2,396) | (657) | (4,412) | (418,380) | (1,542) | (1,717) | (1,646) |
| Income tax received/(paid) | | (401) | - | (401) | - | (968) | - | (997) | - |
| Interest received from associates | | 6,950 | 24,224 | 14,189 | - | 35,681 | 37,869 | 29,521 | - |
| Interest received from related parties | | - | 47,014 | 9,919 | 477 | - | 42,561 | 16,330 | 3,548 |
| Dividends received | | - | 21,049 | - | 32,858 | 5,402 | 17,555 | - | - |
| Other interest received | | 12,609 | 1,788 | 478 | 274 | 31,924 | 3,283 | 713 | 978 |
| Management fee paid | | (20,079) | (9,299) | (2,619) | (1,996) | (20,331) | (9,407) | (2,514) | (1,707) |
| Indirect tax net (paid) /received | | (49,906) | 690 | 163 | 101 | (50,592) | 695 | 253 | 197 |
| Net cash flows from operating activities | 28 | 763,448 | 83,186 | 21,072 | 27,377 | 830,549 | 91,026 | 41,594 | 1,370 |
| 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 | 77,662 | 196,640 | 147,130 | - | - | - | - |
| Payments for purchase of investments | | (155,500) | (49,459) | - | (238,000) | (35,404) | (120,903) | - | (30,002) |
| Amounts deposited in escrow account for asset acquisition | | - | - | - | - | (42,500) | (36,000) | - | - |
| Investment in term deposits | | - | - | - | - | 7,462 | - | - | - |
| Repayment of loans from/(to) related parties | | - | 72,118 | (112,236) | - | - | - | - | - |
| Proceeds from sale of non-current assets | | 143 | - | - | - | 279 | - | - | - |
| Net cash flows (used in)/from investing activities | | (40,900) | 100,321 | 84,404 | (90,870) | (388,035) | (156,903) | - | (30,002) |

Financial Report

for year ended 30 June 2012

Statements of Cash Flows (continued)

| | DUET Group 1 Jul 11 - 30 Jun 12 | DUET2 1 Jul 11 - 30 Jun 12 | DUET3 1 Jul 11 - 30 Jun 12 | DIHL Group 1 Jul 11 - 30 Jun 12 | DUET Group 1 Jul 10 - 30 Jun 11 | DUET2 1 Jul 10 - 30 Jun 11 | DUET3 1 Jul 10 - 30 Jun 11 | DIHL 1 Jul 10 - 30 Jun 11 |
|---|---------------------------------------|----------------------------------|----------------------------------|---------------------------------------|---------------------------------------|----------------------------------|----------------------------------|---------------------------------|
| Note | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash flows from financing activities | | | | | | | | |
| Proceeds from issue of stapled securities, net of transaction costs | 266,362 | 121,380 | 29,205 | 30,089 | - | - | - | - |
| 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 | - | (82,780) | 83,975 | 53,450 | - | 129,838 | (622) | (4,348) |
| Loans from related parties | - | (115,864) | (204,783) | 8,519 | - | (56,426) | (5,647) | 7,766 |
| Finance costs paid | (463,619) | (5,089) | (3,406) | (9,133) | (501,502) | (20,878) | (14,610) | (7,015) |
| Dividends paid to non-controlling interest | (27,317) | - | - | - | (56,309) | - | - | - |
| Distributions paid to DUET securityholders | (145,675) | (72,678) | (12,875) | - | (111,226) | (52,303) | (28,794) | 5,162 |
| Net cash flow from/(used in) financing activities | (1,024,922) | (155,031) | (107,884) | 82,925 | (367,278) | 231 | (49,673) | 1,565 |
| Net increase/(decrease) in cash and cash equivalents held | (302,374) | 28,476 | (2,408) | 19,432 | 75,236 | (65,646) | (8,079) | (27,067) |
| Cash assets at the beginning of the period | 543,482 | 32,804 | 21,641 | 931 | 464,682 | 98,450 | 30,601 | 26,290 |
| Effects of exchange rate changes on cash and cash equivalents | 2,487 | - | 2,429 | (7) | 3,564 | - | (881) | 1,708 |
| Cash and cash equivalents at the end of the year | 243,595 | 61,280 | 21,662 | 20,356 | 543,482 | 32,804 | 21,641 | 931 |

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

Financial Report

for year ended 30 June 2012

Notes to the Financial Statements

1 Summary of Significant Accounting Policies

The significant accounting policies which have been adopted in the preparation of the Financial Statements are stated to assist in a general understanding of these general purpose Financial Reports.

These general purpose Financial Reports have been prepared in accordance with Australian Accounting Standards, the Corporations Act 2001 and other authoritative pronouncements of the Australian Accounting Standards Board.

The 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) 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.

Financial Report

for year ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(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.

Financial Report

for year ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(e) Revenue recognition

Revenue is recognised for the major business activities as follows:

Electricity distribution revenue

Electricity distribution revenue earned from the use of the distribution network is recognised when electricity and related services are provided. Accrued electricity distribution revenue is determined having regard to the period since a customer's last billing date and the customer's previous consumption patterns. Electricity distribution revenue includes the cost of transmission services charged by the transmission companies, which is passed onto the customers.

Gas distribution revenue

Gas distribution revenue earned from the use of the distribution network is recognised when gas and related services are provided. Accrued gas distribution revenue is determined having regard to the period since a customer's last billing date and the customer's previous consumption patterns.

Gas transportation revenue

Gas transportation revenue is brought to account when gas is transported for a shipper in accordance with the terms and conditions of the haulage contract.

Customer contributions

Non-refundable contributions and in-kind assets received from customers towards the cost of extending or modifying the electricity or gas distribution networks, whether on existing or new assets, are recognised as revenue and an asset respectively once control is gained of the contribution, or asset.

Interest revenue

Interest revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Interest income is brought to account on an accruals basis using the effective interest method.

Dividend and distribution revenue

Dividend and trust distributions from entities that are not associates are recognised as income on the date the right to receive the payment is established.

Metering and other operating revenue

Metering and other operating revenue is recognised as it is earned, when the goods or services are provided, as applicable.

Financial Report

for year ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(f) Deferred revenue

Deferred revenue relates to a government grant that is expected to be recognised in the Income Statement in future periods.

(g) 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 \$ million |
|------------------------|---------------|--------------------------------------|
| 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 twelve 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.

Financial Report

for year ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(h) Income tax

The income tax expense or benefit for the period is the tax payable or receivable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities and associates where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Income tax has not been brought to account in respect of DUET1, DUET2, DUET3 and DUET 2008 Funding Sub Trust as, pursuant to the Income Tax Assessment Act, the Trusts are not liable for income tax provided that their taxable income (including any assessable realised capital gains) is fully distributed to their unitholders each year.

Certain DUET3 unitholders did bear US withholding tax on US sourced interest income prior to the disposal of the investment in Duquesne Holdings LLC.

Some subsidiaries of the Group have implemented the tax consolidation legislation. DUET Group is not a tax consolidated Group.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in bank accounts, deposits at call with financial institutions and other highly liquid investments with short periods to maturity (less than 90 days) that are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

(j) Trade receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Collectability of trade receivables is reviewed on an ongoing basis. A provision for impaired receivables is established when there is objective evidence that the entity will not be able to collect all amounts due to the original terms of the receivables. Financial difficulties of the debtor and default payments are considered objective evidence of impairment. Bad debts are written off when identified.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is measured at average cost.

Financial Report

for year ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(l) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Non-financial assets, other than goodwill that may have suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.

(m) Investments

(i) Investments in associates

The Group's investment in its associates is accounted for using the equity method in the consolidated Financial Statements, DUET2 and DIHL. Under the equity method, the entity's share of the post-acquisition profits and losses of associates is recognised in the Income Statement, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements in retained earnings and reserves are adjusted against the cost of the investment. Dividends receivable from associates reduce the carrying amount of the investment. When the share of losses in an associate equals or exceeds its interest in the associate, further losses are not recognised unless it has incurred obligations or made payments on behalf of an associate.

Associates are those entities over which the entity exercises significant influence, but not control.

(ii) Other financial assets – Investments in unlisted securities

Investments in unlisted securities are classified as available-for-sale and are carried at fair value.

Available-for-sale financial assets, comprising marketable equity securities, are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non current assets unless management intends to dispose of the investment within 12 months of the reporting date. Available-for-sale values are calculated using a discounted free cash flow methodology.

Gains or losses on available-for-sale investments are recognised as other comprehensive income and accumulated in a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the Income Statement.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or Group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss is removed from equity and recognised in the Income Statement. Impairment losses recognised in the Income Statement on equity instruments classified as available for sale are not reversed through the Income Statement.

Financial Report

for year ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(n) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment charge. The cost of plant and equipment constructed by DUET Group includes the cost of materials and direct labour and a proportion of fixed and variable overheads.

Depreciation

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life to DUET Group. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives are as follows:

| Category | Useful life |
|----------------------------------|---------------|
| Buildings | 6 to 40 years |
| Plant and equipment | 1 to 60 years |
| Motor vehicles | 4 to 10 years |
| Office equipment | 3 to 15 years |
| Furniture, fixtures and fittings | 1 to 12 years |

Where items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

Assets in the course of construction are not subject to depreciation until they are put into use.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate their carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. (Refer to Note 1(l)).

Asset sales

The net proceeds on disposal of assets are brought to account at the date when control passes to the purchaser, usually when an unconditional contract of sale is signed.

(o) Intangible assets

(i) Goodwill

Goodwill represents the excess of the fair value of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or securities in a controlled entity. Goodwill is not amortised but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is thereafter carried at cost less accumulated impairment losses.

(ii) Identifiable Intangible Assets

Identifiable intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

Financial Report

for year ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(o) Intangible assets (continued)

The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the Income Statement through the depreciation and amortisation expense line item. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

No amortisation is provided for distribution licences, since in the opinion of the Directors, the life of the licence is of such duration, and the residual value would be such that the amortisation charge, if any, would not be material.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

A summary of the policies applied to the Group's intangible assets is as follows:

| | Licences | Software | Development Project Costs | Intellectual Property |
|---|--|---|---|---|
| Useful lives | Indefinite | Finite | Finite | Finite |
| Method used | Not depreciated or revalued | 3-5 Years Straight line | 5 – 7 Years Straight line | 20 years Straight line |
| Acquired | Acquired | Acquired | Internally generated | Acquired |
| Impairment test/ Recoverable amount Testing | Annually and where an indicator of impairment exists | Amortisation method reviewed at each financial year-end; and Reviewed annually for indicator of impairment. | Amortisation method reviewed at each financial year-end; and Reviewed annually for indicator of impairment. | Amortisation method reviewed at each financial year-end; and Reviewed annually for indicator of impairment. |

(p) Loans and receivables

Loans and receivables (current and non current) are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method.

(q) Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The amounts are unsecured.

(r) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as a part of the expenses.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which were recovered from or paid to the ATO are classified as operating cash flows.

Financial Report

for year ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(s) Customer deposits

Customer deposits are recognised as current liabilities and represent either refundable payments that are received in advance as finance on capital projects or advances from customers held as security over future electricity and gas usage and deposits.

(t) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Retirement benefit obligations

DUET Group primarily contributes to a superannuation fund (the fund) in respect of its permanent employees and direct-hired casual employees. DUET Group and any employee contributions are based on various percentages of their gross salaries.

Defined benefit plan

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on government bonds, as explained in Note 21), less unrecognised past service costs and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value is based on the market price information and, in the case of quoted securities, it is the published bid price. The value of any defined benefit asset recognised is restricted to the sum of any unrecognised past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. Actuarial gains and losses are recognised in full in the period in which they occur in other comprehensive income.

(u) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Financial Report

for year ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(v) Interest bearing liabilities

Bank loans, guaranteed notes and redeemable preference shares are recognised at cost, being fair value of the consideration received net of transaction costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount premium on settlement. DUET Group enters into derivatives on interest bearing liabilities. The accounting policies are as described in Note 1(z).

Borrowings are removed from the Balance Sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any new cash assets transferred or liabilities assumed, is recognised in the Income Statement as other income or other expenses.

(w) Government grants

Government Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited to deferred income account and is released to the Income Statement over the expected useful life of the relevant asset by equal annual instalments.

(x) Borrowing costs

The revised AASB 123 *Borrowing Costs* became effective from 1 January 2009. Borrowing costs incurred that are directly attributable to the acquisition, construction or production of any qualifying assets are required to be capitalised. Other borrowing costs are expensed. The standard has had no impact on DUET, as it already capitalises borrowing costs relating to qualifying assets.

(y) Distributions and dividends

A provision is made by DUET1, DUET2, DUET3 and DIHL for the amount of any distribution payable under the Constitution or declared by the Responsible Entities (RE1 and RE2) or the board of DIHL, on or before the end of the financial year but not distributed at reporting date.

(z) Derivative financial instruments

DUET Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. DUET Group does not speculatively trade in derivative financial instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are restated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps and cross currency swaps is the estimated amount that DUET Group would receive or pay to terminate the swap at the reporting date, taking into account current interest and foreign exchange rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price.

Financial Report

for year ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(z) Derivative financial instruments (continued)

(i) Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such assets, liability or firm commitment), any gain or loss on the hedging instrument is recognised in the Income Statement. The hedged item also is restated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the Income Statement. The ineffective portion of the hedge is within other income or other expense. The effective portion is within the same category of the fair value of the hedged item.

(ii) Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement within other income or other expense.

When the forecast transaction subsequently results in the recognition of a non financial asset or non financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when interest income or expense is recognised).

For cash flow hedges, other than those covered above, the associated cumulative gain or loss is removed from equity and recognised in the Income Statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the Income Statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the Income Statement.

(iii) Net investment hedge

Where a derivative or financial instrument is designated as hedging a net investment in a foreign operation, the gain or loss on the derivative or financial instrument associated with the effective portion of the hedge is initially recognised in the foreign currency translation reserve and subsequently released to the Income Statement when the investment is disposed. The ineffective portion is recognised immediately in the Income Statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

This policy is relevant only up to the date of the disposal of DUET's interest in Duquesne.

Financial Report

for year ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(aa) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the profit or loss.

Capitalises lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(ii) Group as a lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount.

(bb) Foreign currency translation

Functional and presentation currency

The Consolidated Financial Statements are presented in Australian dollars, which is DUET Group's presentation currency. The Financial Statements of the individual entities are also in Australian dollars which is the individual entity's functional and presentation currency.

Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At reporting date, amounts payable and receivable in foreign currencies are translated to Australian dollars at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit or loss for the year.

Translation

The results and financial position of DUET Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet;
- income and expenses for each Income Statement are translated at exchange rates at the dates of transactions or at an average rate as appropriate; and
- all resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising from the translation of any net investment in foreign entities are taken to security holders' equity. When a foreign operation is disposed of, a proportionate share of such exchange differences are recognised in the Income Statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Financial Report

for year ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(cc) Earnings per stapled security

(i) *Basic earnings per security*

Basic earnings per stapled security are determined by dividing the profit attributable to security holders 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.

(dd) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred to the acquirer, the liabilities incurred by the inquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

(ee) Standards and interpretations

(i) Changes in accounting policy and disclosures.

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 July 2011:

- Revised AASB 124 Related Party Disclosures effective 1 January 2011;
- AASB 119 Employee Benefits amendments effective 1 January 2013, early adopted by the Group on 1 July 2011;
- AASB 2009-12 amendments to Australian Accounting Standards effective 1 January 2011;
- AASB 2010-4 amendments to AASB 1, AASB 7, AASB 101, and AASB 134 through annual improvement;
- AASB 2010-6 amendments to AASB 7 – disclosures on transfer of financial assets;

The adoption of these new standards did not have a significant impact on the financial statements or performance of the Group.

The early adoption of the amended AASB 119 Employee Benefits did not have a significant impact on the Defined Benefit Plan as this is the first year it has been recognised. Refer to note 21 for further details.

(ii) Accounting Standards and Interpretations issued but not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 July 2011 or later periods but which have not yet been adopted. The significant ones and an assessment of the impact of these are as follows:

Financial Report

for year ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(ee) Standards and Interpretation (continued)

AASB 10 Consolidated Financial Statements

AASB 10 *Consolidated Financial Statements* is applicable to annual reporting periods beginning on or after 1 July 2013. It establishes a new control model that applies to all entities. The new control method broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority rights may give control. While the Groups do not expect the new standard to affect any of the amounts recognised in the Financial Statements, it is anticipated that the Groups will be required to increase disclosures. The Groups are continuing to finalise their assessment of the impact from this new standard.

AASB 11 Joint Arrangements

AASB 11 *Joint Arrangements* is applicable to annual reporting periods beginning on or after 1 July 2013. It uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition, it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. While the Groups do not expect the new standard to affect any of the amounts recognised in the Financial Statements, it is anticipated that the Groups will be required to increase disclosures. The Groups are continuing to finalise their assessment of the impact from this new standard.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 *Disclosure of Interests in Other Entities* is applicable to annual reporting periods beginning on or after 1 July 2013 and includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. While the Groups do not expect the new standard to affect any of the amounts recognised in the Financial Statements, it is anticipated that the Groups will be required to increase disclosures.

AASB 13 Fair Value Measurement

AASB 13 *Fair Value Measurement* is applicable to annual reporting periods beginning on or after 1 July 2013. It establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, it provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

While the Groups do not expect the new standard to affect any of the amounts recognised in the Financial Statements, it is anticipated that the Groups will be required to increase its disclosures of its financial liabilities measured at fair value. The Groups do not intend to adopt the new standard before its operative date.

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Liabilities

AASB 2012-2 is applicable to annual reporting periods beginning on or after 1 July 2013. It principally amends AASB 7 *Financial Instruments – Disclosures* to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The Groups do not intend to adopt the new standard before its operative date.

Financial Report

for year ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(ee) Standards and Interpretation (continued)

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Liabilities

AASB 2012-3 is applicable to annual reporting periods beginning on or after 1 July 2015. It adds application guidance to *AASB 132 Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. The Groups do not intend to adopt the new standard before its operative date

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* is applicable to annual reporting periods beginning on or after 1 January 2015, with early adoption permitted. A related omnibus standard AASB 2009-11: “Amendments to Australian Accounting Standards arising from AASB 9” makes a number of amendments to other accounting standards as a result of AASB 9 and must be adopted at the same time.

AASB 9 introduces new classification and measurement models for financial assets. For financial assets, there are only two models, amortised cost and fair value. To be classified and measured at amortised cost, the asset must satisfy the business model test and have contractual cash flow characteristics. All other instruments are to be classified and measured at fair value.

The accounting for financial liabilities will continue to be performed under AASB 139 until further amendments are made by the International Accounting Standards Board. We are currently assessing the impact of these standards.

Apart from these standards, we have considered other accounting standards that will be applicable in future periods, however they have been considered insignificant to DUET.

(ff) Comparative figures

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

(gg) 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.

(hh) Contributed equity

Stapled securities are classified as equity. Incremental costs directly attributable to the issue of new stapled securities are shown in equity as a deduction, net of tax, from the proceeds.

Financial Report

for year ended 30 June 2012

2 Profit for the Year

| | DUET Group 1 Jul 11 - 30 Jun 12 \$'000 | DUET2 1 Jul 11 - 30 Jun 12 \$'000 | DUET3 1 Jul 11 - 30 Jun 12 \$'000 | DIHL Group 1 Jul 11 - 30 Jun 12 \$'000 | DUET Group 1 Jul 10 - 30 Jun 11 \$'000 | DUET2 1 Jul 10 - 30 Jun 11 \$'000 | DUET3 1 Jul 10 - 30 Jun 11 \$'000 | DIHL 1 Jul 10 - 30 Jun 11 \$'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 | - | - | - |
| Revenue from investments | | | | | | | | |
| Interest revenue | 5,539 | 57,634 | 13,724 | - | 32,831 | 69,709 | 26,623 | - |
| Distribution and dividend revenue | - | - | - | - | - | 2,701 | - | - |
| | 5,539 | 57,634 | 13,724 | - | 32,831 | 72,410 | 26,623 | - |
| Other revenue | | | | | | | | |
| Interest revenue | 12,741 | 13,662 | 9,172 | 488 | 33,999 | 12,192 | 13,515 | 3,510 |
| Customer contributions | 43,339 | - | - | - | 35,738 | - | - | - |
| Miscellaneous revenue | 1,548 | 105 | - | 69 | 7,239 | 120 | - | 61 |
| | 57,628 | 13,767 | 9,172 | 557 | 76,976 | 12,312 | 13,515 | 3,571 |
| Total revenue | 1,220,141 | 71,401 | 22,896 | 557 | 1,189,059 | 84,722 | 40,138 | 3,571 |
| (ii) Other income | | | | | | | | |
| Net Fair value gain on derivative contracts and loans | - | - | - | - | 17,296 | - | 4,948 | - |
| Net Foreign exchange gains | 1,939 | - | - | 76 | 5,906 | - | - | - |
| Total other income | 1,939 | - | - | 76 | 23,202 | - | 4,948 | - |
| Total revenue and other income | 1,222,080 | 71,401 | 22,896 | 633 | 1,212,261 | 84,722 | 45,086 | 3,571 |

Financial Report

for year ended 30 June 2012

2 Profit for the Year (continued)

| | DUET Group 1 Jul 11 - 30 Jun 12 \$'000 | DUET2 1 Jul 11 - 30 Jun 12 \$'000 | DUET3 1 Jul 11 - 30 Jun 12 \$'000 | DIHL Group 1 Jul 11 - 30 Jun 12 \$'000 | DUET Group 1 Jul 10 - 30 Jun 11 \$'000 | DUET2 1 Jul 10 - 30 Jun 11 \$'000 | DUET3 1 Jul 10 - 30 Jun 11 \$'000 | DIHL 1 Jul 10 - 30 Jun 11 \$'000 |
|--|---|--|--|---|---|--|--|---|
| (iii) Share of net profit/(loss) of associates accounted for using the equity method | | | | | | | | |
| Share of net profit/(loss) of associates | - | (11,467) | - | 5,550 | 20,789 | 13,830 | - | 19,930 |
| Share of (losses) of associate previously unrecognised | - | (60,000) | - | - | - | - | - | - |
| Share of associate income before disposal – DQE | 6,001 | - | - | 6,001 | - | - | - | - |
| Share of associate income before disposal - WAGN | 753 | - | - | - | - | - | - | - |
| | 6,754 | (71,467) | - | 11,551 | 20,789 | 13,830 | - | 19,930 |
| (iv) Net gains/(losses) on disposal of associates | | | | | | | | |
| Transfer from reserves to income statement on disposal of associates | (38,122) | 10,961 | - | (38,122) | - | - | - | - |
| Net gain/(loss) on disposal of associate – WAGN, net of transaction costs | 44,416 | (154) | - | - | - | - | - | - |
| Net gain/(loss) on disposal of associate – DQE, net of transaction costs before transfer of reserves | 2,374 | - | 5,901 | (3,527) | - | - | - | - |
| | 8,668 | 10,807 | 5,901 | (41,649) | - | - | - | - |
| (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 | 4,397 | - | - |
| Financing costs | 11,179 | 2 | 2 | 3 | 21,956 | 2 | 2 | 3 |
| Interest expense | - | 2,392 | 2,246 | 6,886 | - | 17,043 | 13,895 | 6,790 |
| - Related parties | - | 2,392 | 2,246 | 6,886 | - | 17,043 | 13,895 | 6,790 |
| - Other parties | 428,537 | - | - | - | 456,622 | - | - | - |
| | 465,909 | 2,394 | 2,248 | 6,889 | 505,003 | 21,442 | 13,897 | 6,793 |

Financial Report

for year ended 30 June 2012

2 Profit for the Year (continued)

| | DUET Group 1 Jul 11 - 30 Jun 12 \$'000 | DUET2 1 Jul 11 - 30 Jun 12 \$'000 | DUET3 1 Jul 11 - 30 Jun 12 \$'000 | DIHL Group 1 Jul 11 - 30 Jun 12 \$'000 | DUET Group 1 Jul 10 - 30 Jun 11 \$'000 | DUET2 1 Jul 10 - 30 Jun 11 \$'000 | DUET3 1 Jul 10 - 30 Jun 11 \$'000 | DIHL 1 Jul 10 - 30 Jun 11 \$'000 |
|---|---|--|--|---|---|--|--|---|
| Other expenses | | | | | | | | |
| Net loss on write off / abandonment | 4,551 | - | - | - | 4,353 | - | - | - |
| Management fees | 19,688 | 8,944 | 2,597 | 2,328 | 20,478 | 9,721 | 2,360 | 1,316 |
| Performance fees | 16,636 | 7,494 | 1,875 | 2,045 | - | - | - | - |
| Net foreign exchange losses | 357 | - | 274 | 44 | 55,870 | - | 49,708 | 226 |
| Net fair value loss on derivative contracts | 19,222 | - | - | - | 10,723 | - | - | 693 |
| Other | 2,635 | 791 | 785 | 847 | 28,535 | 834 | 1,446 | 1,573 |
| | 63,089 | 17,229 | 5,531 | 5,264 | 119,959 | 10,555 | 53,514 | 3,808 |
| Total expenses | 1,191,174 | 19,623 | 7,779 | 12,153 | 1,159,690 | 31,997 | 67,411 | 10,601 |

Financial Report

for year ended 30 June 2012

3 Income Tax

| | DUET Group 1 Jul 11 - 30 Jun 12 \$'000 | DUET2 1 Jul 11 - 30 Jun 12 \$'000 | DUET3 1 Jul 11 - 30 Jun 12 \$'000 | DIHL Group 1 Jul 11 - 30 Jun 12 \$'000 | DUET Group 1 Jul 10 - 30 Jun 11 \$'000 | DUET2 1 Jul 10 - 30 Jun 11 \$'000 | DUET3 1 Jul 10 - 30 Jun 11 \$'000 | DIHL 1 Jul 10 - 30 Jun 11 \$'000 |
|--|---|--|--|---|---|--|--|---|
| a) Tax reconciliation | | | | | | | | |
| Profit/(loss) before income tax expense | 46,328 | (8,882) | 21,018 | (41,618) | 73,360 | 66,555 | (22,325) | 12,900 |
| Tax expense/(benefit) at 30% | 13,898 | (2,665) | 6,305 | (12,485) | 22,008 | 19,966 | (6,697) | 3,870 |
| Share of net losses/(profits) of associates | (2,026) | - | - | (1,106) | (6,237) | - | - | (5,979) |
| Unused tax losses and offsets not recognised as DTA | 746 | - | - | - | 8,583 | - | - | - |
| Foreign withholding tax paid | 401 | - | 401 | - | 997 | - | 997 | - |
| Under/(over) provision from prior year | (1,414) | - | - | - | 2,901 | - | - | - |
| Tax effect of operating results of Australian Trusts | (22,754) | 2,665 | (6,305) | - | (509) | (19,966) | 6,697 | - |
| Non deductible expenses | 490 | - | - | - | 553 | - | - | - |
| Tax losses not previously recognised, recouped during the year | 12,990 | - | - | 13,591 | (24,247) | - | - | 2,109 |
| Deferred tax asset attributable to tax losses – DBP ⁽¹⁾ | - | - | - | - | (112,198) | - | - | - |
| Investment allowance claim | - | - | - | - | (2,712) | - | - | - |
| Research and development | - | - | - | - | (3,561) | - | - | - |
| Sundry items | - | - | - | - | (618) | - | - | - |
| Total income tax (credit)/expense | 2,331 | - | 401 | - | (115,040) | - | 997 | - |

(1) Relates to previously unbooked tax losses in DBP which have become probable during the prior year.

Financial Report

for year ended 30 June 2012

3 Income Tax (continued)

| | DUET Group 1 Jul 11 - 30 Jun 12 \$'000 | DUET2 1 Jul 11 - 30 Jun 12 \$'000 | DUET3 1 Jul 11 - 30 Jun 12 \$'000 | DIHL Group 1 Jul 11 - 30 Jun 12 \$'000 | DUET Group 1 Jul 10 - 30 Jun 11 \$'000 | DUET2 1 Jul 10 - 30 Jun 11 \$'000 | DUET3 1 Jul 10 - 30 Jun 11 \$'000 | DIHL 1 Jul 10 - 30 Jun 11 \$'000 |
|---|---|--|--|---|---|--|--|---|
| b) Income tax (credit)/expense | | | | | | | | |
| Income tax expense comprises: | | | | | | | | |
| - Current tax | (13,529) | - | 401 | - | (4,659) | - | 997 | - |
| - Deferred tax | 12,220 | - | - | - | (107,919) | - | - | - |
| - Under/(over) provision from prior year | 3,640 | - | - | - | (2,462) | - | - | - |
| Total income tax (credit)/expense | 2,331 | - | - | - | (115,040) | - | 997 | - |
| Income tax expenses attributable to: | | | | | | | | |
| - Profit from continuing operations | 2,331 | - | - | - | (115,040) | - | 997 | - |
| Aggregate income tax expense | 2,331 | - | - | - | (115,040) | - | 997 | - |
| Deferred income tax (revenue) expense included in income tax expense comprises: | | | | | | | | |
| - Decrease/(increase) in deferred tax assets | 34,380 | - | - | - | (46,828) | - | - | - |
| - Decrease/(increase) in deferred tax liabilities | (22,160) | - | - | - | (62,479) | - | - | - |
| | 12,220 | - | - | - | (109,307) | - | - | - |
| c) Amounts recognised directly in equity | | | | | | | | |
| Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity: | | | | | | | | |
| Net deferred tax – (credited)/debited directly to equity on revaluation of cash flow hedges | (62,940) | - | - | - | 17,809 | - | - | - |
| | (62,940) | - | - | - | 17,809 | - | - | - |
| d) Tax losses | | | | | | | | |
| Unused tax losses for which no deferred tax asset has been recognised | 689,690 | - | - | 19,701 | 611,207 | - | - | 15,298 |
| Potential tax benefit @ 30% | 206,907 | - | - | 5,910 | 183,362 | - | - | 4,589 |

Financial Report

for year ended 30 June 2012

4 Remuneration of Auditors

| | DUET Group 1 Jul 11 - 30 Jun 12 | DUET2 1 Jul 11 - 30 Jun 12 | DUET3 1 Jul 11 - 30 Jun 12 | DIHL Group 1 Jul 11 - 30 Jun 12 | DUET Group 1 Jul 10 - 30 Jun 11 | DUET2 1 Jul 10 - 30 Jun 11 | DUET3 1 Jul 10 - 30 Jun 11 | DIHL 1 Jul 10 - 30 Jun 11 |
|---|---------------------------------------|----------------------------------|----------------------------------|---------------------------------------|---------------------------------------|----------------------------------|----------------------------------|---------------------------------|
| Amounts paid or payable to Ernst & Young for: | | | | | | | | |
| Audit and Review services | 1,229,400 | 74,752 | 74,752 | 79,152 | 1,097,899 | 75,517 | 75,517 | 75,517 |
| Other assurance services* | 857,000 | 1,651 | 1,651 | 1,651 | 476,500 | 2,143 | 2,143 | 2,143 |
| Total assurance services | 2,086,400 | 76,403 | 76,403 | 80,808 | 1,574,400 | 77,660 | 77,660 | 77,660 |
| Taxation services | 107,400 | - | - | - | 61,000 | - | - | - |
| Other project advisory services | 603,500 | - | - | - | - | - | - | - |
| | 2,797,300 | - | - | - | 1,635,400 | - | - | - |

* Other assurance services relate to payments to Ernst & Young for regulatory compliance, due diligence and other review services.

5 Distributions Paid and Proposed

| | DUET Group 1 Jul 11 - 30 Jun 12 \$'000 | DUET2 1 Jul 11 - 30 Jun 12 \$'000 | DUET3 1 Jul 11 - 30 Jun 12 \$'000 | DIHL 1 Jul 11 - 30 Jun 12 \$'000 | DUET Group 1 Jul 10 - 30 Jun 11 \$'000 | DUET2 1 Jul 10 - 30 Jun 11 \$'000 | DUET3 1 Jul 10 - 30 Jun 11 \$'000 | DIHL 1 Jul 10 - 30 Jun 11 \$'000 |
|--|---|--|--|---|---|--|--|---|
| Interim distribution paid for the year ended 30 June | 87,331 | 44,966 | - | - | 88,731 | 40,365 | 19,920 | - |
| Final distribution proposed and subsequently paid for the year ended 30 June | 88,787 | 42,304 | 16,687 | - | 90,970 | 44,302 | 13,282 | - |
| | 176,118 | 87,270 | 16,687 | | 179,701 | 84,667 | 33,202 | - |
| | Cents per stapled security | Cents per unit | Cents per unit | Cents per share | Cents per stapled security | Cents per unit | Cents per unit | Cents per share |
| Interim distribution paid for the year ended 30 June | 8.000 | 4.119 | - | - | 10.000 | 4.549 | 2.245 | - |
| Final distribution proposed and subsequently paid for the year ended 30 June | 8.000 | 3.812 | 1.503 | - | 10.000 | 4.870 | 1.460 | - |

Financial Report

for year ended 30 June 2012

6 Cash and Cash Equivalents

| | DUET Group 30 Jun 12 \$'000 | DUET2 30 Jun 12 \$'000 | DUET3 30 Jun 12 \$'000 | DIHL Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 | DUET2 30 Jun 11 \$'000 | DUET3 30 Jun 11 \$'000 | DIHL 30 Jun 11 \$'000 |
|-----------------------|-----------------------------------|------------------------------|------------------------------|-----------------------------------|-----------------------------------|------------------------------|------------------------------|-----------------------------|
| Cash at bank | 205,054 | 41,028 | 21,662 | 20,356 | 292,554 | 32,804 | 21,641 | 931 |
| Short term deposits * | 38,541 | 20,252 | - | - | 250,928 | - | - | - |
| | 243,595 | 61,280 | 21,662 | 20,356 | 543,482 | 32,804 | 21,641 | 931 |

* Deposit terms are less than 90 days

Financial Report

for year ended 30 June 2012

7 Receivables

| | DUET Group 30 Jun 12 \$'000 | DUET2 30 Jun 12 \$'000 | DUET3 30 Jun 12 \$'000 | DIHL Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 | DUET2 30 Jun 11 \$'000 | DUET3 30 Jun 11 \$'000 | DIHL 30 Jun 11 \$'000 |
|---|-----------------------------------|------------------------------|------------------------------|-----------------------------------|-----------------------------------|------------------------------|------------------------------|-----------------------------|
| Current | | | | | | | | |
| Trade receivables | 79,647 | - | - | - | 55,509 | - | - | - |
| Provision for impairment of receivables | (15,006) | - | - | - | (2,227) | - | - | - |
| GST receivable | 1,758 | 717 | 212 | 187 | 380 | 181 | 41 | 18 |
| Interest receivable | | | | | | | | |
| - Associated entity | - | - | 32 | - | 914 | 815 | 1,225 | 263 |
| - Other parties | 1,584 | - | - | - | - | 457 | - | - |
| Distributions receivable | - | - | - | - | - | 2,610 | - | - |
| Other receivables related parties | - | - | 2,872 | 17 | - | - | - | 50,280 |
| Subordinated loans – associated entity ⁽¹⁾ | - | - | - | - | 79,825 | - | - | - |
| Subordinated loans – other parties | - | - | - | - | - | 39,912 | - | - |
| Promissory note – DQE Holdings LLC ⁽²⁾ | - | - | - | - | 187,508 | - | 187,508 | - |
| | 67,983 | 717 | 3,116 | 204 | 321,909 | 43,975 | 188,774 | 50,561 |
| Non-current | | | | | | | | |
| Redeemable preference shares – associated entity | - | 165,771 | - | - | - | 159,563 | - | - |
| Subordinated loans – associated entity | - | - | - | - | - | 72,118 | - | - |
| Shareholder loans – associated entities | - | 293,665 | - | - | - | 299,327 | - | - |
| Other receivables | 21,507 | - | - | - | 21,968 | - | - | - |
| Other receivables related parties | - | 200,837 | 261,119 | - | - | 112,853 | 232,461 | - |
| | 21,507 | 660,273 | 261,119 | - | 21,968 | 643,861 | 232,461 | - |

⁽¹⁾ At 30 June 11, WA Gas Networks subordinated loan was classified as current. The loan was repaid on 29 July 2011 as part of the WA Gas Networks sale process.

⁽²⁾ At 30 June 11, DQE promissory note was classified as current. Repayment of the promissory note occurred in September 2011 as part of the DQE Holdings LLC sale proceeds.

Financial Report

for year ended 30 June 2012

7 Receivables (continued)

Impairment Analysis

Trade Receivables

| | DUET Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 |
|--|-----------------------------------|-----------------------------------|
| Not yet due | 64,641 | 53,282 |
| Past due but not impaired | - | - |
| Provision for impairment loss ⁽¹⁾ | 15,006 | 2,227 |
| | 79,647 | 55,509 |

⁽¹⁾ At 30 June 12, provision for impairment loss includes \$12.9 million due to a dispute between DBP and a Shipper which is currently in arbitration.

Other balances within receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due. DUET1, DUET2, DUET3 and DIHL do not hold any trade receivables at 30 June 2012 and 30 June 2011.

Provision for impairment of receivables

Movements in the provision of impairment of receivables are as follows:

| | DUET Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 |
|---|-----------------------------------|-----------------------------------|
| Opening balance at 1 July | 2,227 | 2,241 |
| Additions to provision during the year | 12,854 | - |
| Provision for impairment written back during the year | - | (9) |
| Receivables written off during the year | (75) | (5) |
| | 15,006 | 2,227 |

The provision for impaired receivables written back during the year has been included in other expenses in the Income Statement.

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 and 20 January 2009. Interest is receivable semi-annually in arrears. If there are insufficient funds for the coupons to be paid, the deferred dividends will accumulate and compound at the coupon rates of 13.5% and 11.75% per annum.

Subordinated Loans

At 30 June 2012, the subordinated loans to associated and controlled entities had been repaid in full.

Credit Risk

There is no concentration of credit risk with respect to current and non current receivables as the Group has a number of customers throughout Australia who in turn have a large number of retail customers. Refer to note 32 for more information on the risk management policy of the Group.

Financial Report

for year ended 30 June 2012

8 Inventories

| | DUET Group 30 Jun 12 \$'000 | DUET2 30 Jun 12 \$'000 | DUET3 30 Jun 12 \$'000 | DIHL Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 | DUET2 30 Jun 11 \$'000 | DUET3 30 Jun 11 \$'000 | DIHL 30 Jun 11 \$'000 |
|----------------------------------|-----------------------------------|------------------------------|------------------------------|-----------------------------------|-----------------------------------|------------------------------|------------------------------|-----------------------------|
| Inventories | 22,329 | - | - | - | 19,377 | - | - | - |
| Less: Provision for obsolescence | (2,692) | - | - | - | (4,948) | - | - | - |
| | 19,637 | - | - | - | 14,429 | - | - | - |

9 Other Assets

| | DUET Group 30 Jun 12 \$'000 | DUET2 30 Jun 12 \$'000 | DUET3 30 Jun 12 \$'000 | DIHL Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 | DUET2 30 Jun 11 \$'000 | DUET3 30 Jun 11 \$'000 | DIHL 30 Jun 11 \$'000 |
|--|-----------------------------------|------------------------------|------------------------------|-----------------------------------|-----------------------------------|------------------------------|------------------------------|-----------------------------|
| Current | | | | | | | | |
| Accrued revenue | 57,520 | - | - | - | 57,265 | - | - | - |
| Prepaid expenses | 14,802 | - | - | 106 | 2,799 | - | - | 102 |
| Consideration paid for asset acquisition | - | - | - | - | 42,991 | 36,000 | - | - |
| Security deposit | 5,865 | - | - | - | - | - | - | - |
| Other assets | 461 | - | - | - | - | - | - | - |
| | 78,648 | - | - | 106 | 103,055 | 36,000 | - | 102 |
| Non current | | | | | | | | |
| Accrued revenue | 24,018 | - | - | - | - | - | - | - |
| | 24,018 | - | - | - | - | - | - | - |

Financial Report

for year ended 30 June 2012

10 Derivative Financial Instruments

| | DUET Group 30 Jun 12 \$'000 | DUET2 30 Jun 12 \$'000 | DUET3 30 Jun 12 \$'000 | DIHL Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 | DUET2 30 Jun 11 \$'000 | DUET3 30 Jun 11 \$'000 | DIHL 30 Jun 11 \$'000 |
|---|-----------------------------------|------------------------------|------------------------------|-----------------------------------|-----------------------------------|------------------------------|------------------------------|-----------------------------|
| Current assets | | | | | | | | |
| Interest rate swap contracts | 783 | - | - | - | 215 | - | - | - |
| CPI index hedge contracts | - | - | - | - | 1,082 | - | - | - |
| Cross currency swaps | - | - | - | - | - | - | - | - |
| Revenue swaps | - | - | - | - | 207 | - | - | - |
| Forward exchange contracts | 116 | - | - | - | 4,281 | - | 4,280 | - |
| Total current derivative financial instrument assets | 899 | - | - | - | 5,785 | - | 4,280 | - |
| Non current assets | | | | | | | | |
| Forward exchange contracts | - | - | - | - | 1,950 | - | 1,949 | - |
| Revenue swaps | - | - | - | - | 85 | - | - | - |
| CPI index hedge contracts | - | - | - | - | 7,496 | - | - | - |
| Interest rate swap contracts | 1,021 | - | - | - | 4,127 | - | - | - |
| Cross currency swaps | 346 | - | - | - | - | - | - | - |
| Total non current derivative financial instrument assets | 1,367 | - | - | - | 13,658 | - | 1,949 | - |
| Current liabilities | | | | | | | | |
| Interest rate swap contracts | 91,638 | - | - | - | 21,222 | - | - | - |
| CPI index hedge contracts | 15,904 | - | - | - | - | - | - | - |
| Cross currency swaps | 8,644 | - | - | - | 24,780 | - | - | - |
| Forward exchange contracts | 15 | - | - | - | 974 | - | - | - |
| Revenue swaps | 57 | - | - | - | - | - | - | - |
| Total current derivative financial instrument liabilities | 116,258 | - | - | - | 46,976 | - | - | - |
| Non current liabilities | | | | | | | | |
| Interest rate swap contracts | 192,252 | - | - | - | 131,038 | - | - | - |
| Forward exchange contracts | 77 | - | - | - | - | - | - | - |
| CPI index hedge contracts | 52,040 | - | - | - | - | - | - | - |
| Cross currency swaps | 95,494 | - | - | - | 159,738 | - | - | - |
| Total non current derivative financial instrument liabilities | 339,863 | - | - | - | 290,776 | - | - | - |

Financial Report

for year ended 30 June 2012

10 Derivative Financial Instruments (continued)

Instruments used by the Group

DUET Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer to Note 32).

(i) *Interest rate swap contracts - cash flow hedges*

Bank loans and guarantee notes of the Group currently bear an average variable interest rate of 4.11% (2011: 4.95%). Accordingly, the Group has entered into interest rate swap contracts under which it has the right to receive interest at variable rates and is obliged to pay interest at fixed rates.

Swaps in place cover approximately 100% (2011: 100%) of the loan principal outstanding and are timed to expire as the loan repayments are due or to coincide with the next prevailing regulatory reset.

The recognised fair value of interest rate swaps on the Balance Sheet as a net liability at 30 June 2012 was \$281.0 million (2011: net liability of \$147.8 million was recognised), of which \$101.2 million (2011: \$46.2 million) was the after tax amount recognised in the hedging reserve.

The notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

| | 30 Jun 12 \$'000 | Weighted average fixed interest rates 2012 | 30 Jun 11 \$'000 | Weighted average fixed interest rates 2011 |
|------------------|---------------------|---|---------------------|---|
| Less than 1 year | 1,095,000 | 7.01% | 1,446,000 | 5.95% |
| 1 – 2 years | 1,150,000 | 5.84% | 2,003,971 | 7.21% |
| 2 – 3 years | 725,000 | 6.93% | 755,000 | 5.67% |
| 3 – 4 years | 3,645,000 | 6.68% | 525,000 | 6.91% |
| 4 – 5 years | 820,000 | 5.57% | 1,795,000 | 6.81% |
| Over 5 years | - | - | 620,000 | 5.35% |
| | 7,435,000 | 6.50% | 7,144,971 | 6.51% |

The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit or loss when the hedge interest expense is recognised. The ineffective portion is recognised in the Income Statement immediately. In the year ended 30 June 2012 a debit of \$1.7 million (2011: a debit of \$189 million) was transferred to the profit or loss.

(ii) *Interest rate swap contracts – fair value hedges*

The recognised fair value of interest rate swaps on the Balance Sheet at 30 June 2012 was \$nil (2011: an asset of \$0.2 million was recognised).

Financial Report

for year ended 30 June 2012

10 Derivative Financial Instruments (continued)

(ii) Interest rate swap contracts – fair value hedges (continued)

The notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

| | 30 Jun 12 \$'000 | Weighted average fixed interest rates 2012 | 30 Jun 11 \$'000 | Weighted average fixed interest rates 2011 |
|------------------|---------------------|---|---------------------|---|
| Less than 1 year | - | - | 150,000 | 6.38% |
| 1 – 2 years | - | - | - | - |
| 2 – 3 years | - | - | - | - |
| 3 – 4 years | - | - | - | - |
| 4 – 5 years | - | - | - | - |
| Over 5 years | - | - | - | - |
| | - | - | 150,000 | 6.38% |

(iii) Interest rate swap contracts – held for trading

The below interest rate swaps are undesignated in hedge relationships and are therefore classified as held for trading. The aim is that the swaps will be designated into hedging relationships when the debt is drawn down.

The recognised fair value of interest rate swaps on the Balance Sheet as a net liability at 30 June 2012 was \$1.1 million (2011: \$0.2 million), of which a loss of \$8.3 million (2011: loss of \$25.8 million) was recognised in the Income Statement.

The notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

| | 30 Jun 12 \$'000 | Weighted average fixed interest rates 2012 | 30 Jun 11 \$'000 | Weighted average fixed interest rates 2011 |
|------------------|---------------------|---|---------------------|---|
| Less than 1 year | 44,500 | 7.38% | - | - |
| 1 – 2 years | - | - | 29,000 | 7.38% |
| 2 – 3 years | - | - | - | - |
| 3 – 4 years | - | - | - | - |
| 4 – 5 years | - | - | - | - |
| Over 5 years | - | - | - | - |
| | 44,500 | 7.38% | 29,000 | 7.38% |

Financial Report

for year ended 30 June 2012

10 Derivative Financial Instruments (continued)

(iv) *Cross currency and interest rate swap contracts - cash flow and fair value hedges*

A portion of the guaranteed notes of the Group are denominated in US dollars (USD) and currently bear interest at an average fixed rate of 4.72% (2011: 5.79%). It is Group policy to protect the loans from exposure to increasing interest rates and fluctuating foreign exchange rates.

Cross Currency Swaps and interest rate swaps have been designated in hedge relationships to manage the Groups exposure to these risks. The cross currency swaps in place cover approximately 100% of the loan principal outstanding and are timed to expire as the loan repayments are due.

The recognised fair value of cross currency and interest rate swaps designated in cash flow hedges under this hedging relationship on the Balance Sheet at 30 June 2012 as a net liability was \$103.8 million (2011: \$190.3 million) of which \$16.2 million (2011: \$12.9 million) was the after tax amount recognised in the hedge reserve.

The notional principal amounts and periods of expiry of the cross currency swap contracts are as follows:

| | 30 Jun 12 \$'000 | Weighted average fixed interest rates 2012 | 30 Jun 11 \$'000 | Weighted average fixed interest rates 2011 |
|------------------|---------------------|---|---------------------|---|
| Less than 1 year | - | - | - | - |
| 1 – 2 years | - | - | - | - |
| 2 – 3 years | 154,083 | 3.91% | - | - |
| 3 – 4 years | 1,018,097 | 5.00% | 154,083 | 3.91% |
| 4 – 5 years | - | - | 1,018,096 | 5.25% |
| Over 5 years | 803,434 | 5.01% | 803,433 | 5.01% |
| | 1,975,614 | 4.92% | 1,975,612 | 5.05% |

The settlement dates coincide with the dates on which interest is payable on the underlying debt. The cross currency contracts are settled on a gross basis while the CPI indexed interest rate swaps are settled on a net basis.

The fair value gain or loss from remeasuring hedging instruments designated in cash flow hedge relationships is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit or loss when the hedge interest expense is recognised. The ineffective portion is recognised in the Income Statement immediately. In the year ended 30 June 2012 a loss of \$13.9 million (2011: loss of \$114.9 million) was transferred to the profit or loss.

Fair value Hedges

As part of the joint hedge relationships a portion of the cross currency swaps have been designated into fair value hedge relationships to protect fair value movements in the USD denominated fixed rate loans.

During the period a gain of \$26.2 million (2011: gain of \$1.5 million) was recorded in the income statement on the hedging instruments designated in a fair value relationship. A corresponding loss of \$25.9 million (2011: loss of \$1.4 million) was recorded in the income statement on the fair adjustment of the USD denominated interest bearing liabilities.

(v) *CPI Index hedge contracts – cash flow hedges*

United Energy has entered into indexed CPI (Consumer Price Index) swaps together with cross currency interest swaps that effectively hedge interest rate and CPI risk.

The recognised fair value of CPI hedge contracts on the Balance Sheet at 30 June 2012 as a net liability was \$67.9 million (2011: a net asset of \$8.6 million was recognised), which \$13.9 million (2011: \$1.6 million) was the after tax amount recognised in the hedge reserve.

Financial Report

for year ended 30 June 2012

10 Derivative Financial Instruments (continued)

At 30 June 2012 and 2011, the notional principal amounts and periods of expiry of the CPI hedge contracts are as follows:

| | 30 Jun 12 \$'000 | Weighted average fixed interest rates 2012 ⁽¹⁾ | 30 Jun 11 \$'000 | Weighted average fixed interest rates 2011 ⁽¹⁾ |
|------------------|---------------------|--|---------------------|--|
| Less than 1 year | - | - | - | - |
| 1 – 2 years | - | - | - | - |
| 2 – 3 years | - | - | - | - |
| 3 – 4 years | 2,200,000 | 5.15% | - | - |
| 4 – 5 years | - | - | 2,200,000 | 4.91% |
| Over 5 years | - | - | - | - |
| | 2,200,000 | 5.15% | 2,200,000 | 4.91% |

⁽¹⁾ Fixed interest rate is escalated each year due to CPI.

The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit or loss when the hedge interest expense is recognised. The ineffective portion is recognised in the Income Statement immediately. In the year ended 30 June 2012 a gain of \$nil million (2011: a gain of \$0.6 million) was transferred to the Income Statement.

(vi) Revenue CPI swap contracts – cash flow hedge

Energy Partnership (Gas) Pty Ltd (EPG), a subsidiary of Multinet, is a regulated distribution business which operates in an environment where an Independent Regulator (the Australian Energy Regulator) determines the tariff regime every 5 years. The tariff for each of the 5 years is set as a function of the prior period tariff and an escalation based on CPI. EPG sought to replicate the revenue indexation assumptions used in the regulatory determination by entering into a CPI revenue swap with its hedging counterparties.

The hedging structure is such that EPG's base revenue is swapped from floating escalation to fixed escalation at an agreed annual escalation rate for 5 years starting from January 2008.

The cash flow hedge has been deemed ineffective for hedge accounting purposes and any gain or loss from remeasuring the hedging instrument at fair value is recognised in the Income Statement immediately. The recognised fair value of the revenue swap on the Balance Sheet at 30 June 2012 as a net liability was \$0.1 million (2011: an asset of \$0.3 million), of which a loss of \$0.3 million (2011: \$nil) has been recognised in profit or loss.

The notional principal amounts and period of expiry of the revenue swap contract is as follows:

| | 30 Jun 12 \$'000 | Weighted average fixed interest rates 2012 | 30 Jun 11 \$'000 | Weighted average fixed interest rates 2011 |
|------------------|---------------------|---|---------------------|---|
| Less than 1 year | 20,000 | 4.43% | - | - |
| 1 – 2 years | - | - | 40,000 | 6.29% |
| 2 – 3 years | - | - | - | - |
| 3 – 4 years | - | - | - | - |
| 4 – 5 years | - | - | - | - |
| Over 5 years | - | - | - | - |
| | 20,000 | 4.43% | 40,000 | - |

Financial Report

for year ended 30 June 2012

10 Derivative Financial Instruments (continued)

(vii) Foreign exchange forward contracts

Interest and dividends from DQE Holdings, LLC were paid in USD, and these contracts hedged foreign exchange risk on these cash inflows. Following the sale of Duquesne in September 2011, these contracts were terminated.

UEDH purchases interval meters as part of its smart meter rollout program. The purchases are in USD. The foreign exchange risk arising from the purchases is hedged using foreign exchange contracts. The recognised fair value of forward foreign exchange contracts on the Balance Sheet at 30 June 2012 as a net asset was \$nil (2011: an asset of \$5.2 million was recognised), of which \$nil (2011: \$5.1 million) was recognised in profit or loss and \$nil (2011: \$0.8 million) was recognised in the hedging reserve.

DUET Group has entered into forward foreign exchange contracts at balance date. Details of outstanding amounts are:

| Maturity | Buy USD | | Average Exchange Rate | |
|------------------|-----------------------|-----------------------|-----------------------|------------------|
| | 30 Jun 12 US\$'000 | 30 Jun 11 US\$'000 | 30 Jun 12 USD | 30 Jun 11 USD |
| Less than 1 year | 45,966 | 14,786 | 1.0097 | 0.9988 |
| 1 – 2 years | 14,683 | - | 0.9811 | - |
| 2 – 3 years | - | - | - | - |
| 3 – 4 years | - | - | - | - |
| 4 – 5 years | - | - | - | - |
| Over 5 years | - | - | - | - |

| Maturity | Sell USD | | Average Exchange Rate | |
|------------------|-----------------------|-----------------------|-----------------------|------------------|
| | 30 Jun 12 US\$'000 | 30 Jun 11 US\$'000 | 30 Jun 12 USD | 30 Jun 11 USD |
| Less than 1 year | - | 15,074 | - | 0.7679 |
| 1 – 2 years | - | 3,000 | - | 0.7467 |
| 2 – 3 years | - | - | - | - |
| 3 – 4 years | - | - | - | - |
| 4 – 5 years | - | - | - | - |
| Over 5 years | - | - | - | - |

Financial Report

for year ended 30 June 2012

11 Investments in Associates

Investment in associates is accounted for using the equity method in the DUET Group consolidated Financial Statements, DUET2 and DIHL Group Financial Statements. Information relating to associates is set out below:

| Name of Entity | Year end | Ownership interest % | DUET Group 30 Jun 12 \$'000 | DUET2 30 Jun 12 \$'000 | DIHL Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 | DUET2 30 Jun 11 \$'000 | DIHL 30 Jun 11 \$'000 |
|---|----------|-----------------------|-----------------------------------|------------------------------|-----------------------------------|-----------------------------------|------------------------------|-----------------------------|
| WA Network Holdings Pty Ltd* | 30 Jun | - | - | - | - | 26,100 | - | - |
| Multinet Group Holdings Pty Ltd | 30 Jun | 100.0% ⁽¹⁾ | - | 68,333 | 19,340 | - | 78,089 | - |
| United Energy Distribution Holdings Pty Ltd | 30 Jun | 66.0% ⁽²⁾ | - | 69,462 | - | - | 79,785 | - |
| DUET Dampier Bunbury Pty Ltd | 30 Jun | 100.0% ⁽³⁾ | - | - | - | - | - | - |
| DBNGP Trust | 30 Jun | 20.5% ⁽⁴⁾ | - | - | 165,687 | - | - | - |
| DBP Services Co Pty Ltd# | 30 Jun | 20% ⁽⁵⁾ | - | - | - | - | - | - |
| DBP Services Trust# | 30 Jun | 20% ⁽⁵⁾ | - | - | - | - | - | - |
| DBP Services Co Nominees Pty Ltd# | 30 Jun | 20% ⁽⁵⁾ | - | - | - | - | - | - |
| DQE Holdings, LLC* | 31 Dec | - | - | - | - | 140,029 | - | 140,029 |
| DUET 2008 Funding Sub Trust | 30 Jun | 100.0% ⁽³⁾ | - | 2,701 | - | - | 4,635 | - |
| | | | - | 140,496 | 185,027 | 166,129 | 162,509 | 140,029 |

⁽¹⁾ DUET1 holds 39.95%.DUET2 holds 39.95%. DIHL holds 20.10%

⁽²⁾ DUET1 holds 33.0%. DUET2 holds 33.0%.

⁽³⁾ DUET1 holds 50.0%. DUET2 holds 50.0%.

⁽⁴⁾ DUET1 and DUET2 indirectly holds 30.7% each in DBNGP Trust through their investment in DUET Dampier Bunbury Pty Ltd

⁽⁵⁾ DUET1 & DUET2 indirectly holds 30.0% each through their investment in DUET Dampier Bunbury Pty Ltd

* During the year, DUET1 and DUET2 has disposed of their interest in WA Network Holdings Pty Ltd and DIHL has disposed of its interest in DQE Holdings LLC (DQE)

Interests in MGH and DBP are held jointly by DUET1, DUET2 and DIHL Group.

Interests in UED and DUET 2008 Funding Sub Trust are held jointly by DUET1 and DUET2.

Financial Report

for year ended 30 June 2012

11 Investments in Associates (continued)

Investments accounted for using the equity method

| | DUET Group 30 Jun 12 \$'000 | DUET2 30 Jun 12 \$'000 | DIHL Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 | DUET2 30 Jun 11 \$'000 | DIHL 30 Jun 11 \$'000 |
|---|-----------------------------------|------------------------------|-----------------------------------|-----------------------------------|------------------------------|-----------------------------|
| Movements in carrying amounts | | | | | | |
| Carrying amount at the beginning of the year | 166,129 | 162,509 | 140,029 | 142,847 | 72,987 | 116,146 |
| Share of associates' net profits/(losses) | 6,754 | (11,467) | 11,551 | 20,789 | 13,831 | 19,930 |
| Dividends received from associates | - | (18,438) | (32,858) | (5,402) | (14,198) | - |
| Acquisition | - | 19,251 | 241,664 | 33,468 | 78,830 | 28,066 |
| Disposal | (177,676) | - | (150,823) | - | - | - |
| Reserve movements | 4,793 | (11,359) | (24,536) | (25,573) | 11,059 | (24,113) |
| Carrying amount of investment in associates at the end of the year | - | 140,496 | 185,027 | 166,129 | 162,509 | 140,029 |
| Results attributable to associates | | | | | | |
| Profits/(losses) before income tax | - | (47,898) | 59,267 | 179,788 | 23,152 | 175,428 |
| Income tax expense | - | 14,740 | (17,939) | (108,677) | 10,001 | (107,628) |
| Profits/(losses) after income tax | - | (33,158) | 41,328 | 71,111 | 33,153 | 67,800 |
| Summary of performance and financial positions of associates | | | | | | |
| The aggregate profits, assets and liabilities of associates are: | | | | | | |
| - Revenues | - | 756,630 | 656,298 | 1,312,802 | 709,717 | 1,183,887 |
| Profits/(losses) from ordinary activities after income tax expense | - | (33,158) | 41,328 | 71,111 | 33,153 | 67,800 |
| - Assets as at 30 June | - | 4,236,067 | 5,181,733 | 4,750,585 | 4,582,853 | 3,788,864 |
| - Liabilities as at 30 June | - | (3,850,413) | (4,347,646) | (4,131,843) | (4,136,478) | (3,268,308) |

Financial Report

for year ended 30 June 2012

11 Investments in Associates (continued)

Shares of associates' contingencies

As at 30 June 2012, DUET2, and DIHL Group associates have no material contingent liabilities other than as outlined in Note 35.

Investments in associates - equity method discontinued*

| | DUET Group 30 Jun 12 \$'000 | DUET2 30 Jun 12 \$'000 | DIHL Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 | DUET2 30 Jun 11 \$'000 | DIHL 30 Jun 11 \$'000 |
|---|-----------------------------------|------------------------------|-----------------------------------|--------------------------------------|------------------------------|-----------------------------|
| Movements in carrying amounts | | | | | | |
| Carrying amount at the beginning of the year | - | (89,056) | - | - | (97,862) | - |
| Share of associates' net loss | - | (21,513) | - | - | 10,689 | - |
| Reserve increments | - | (42,236) | - | - | (1,883) | - |
| Share of associates' net losses brought into account | - | 60,000 | - | - | - | - |
| Carrying amount of investment in associates at the end of the year | - | (92,805) | - | - | (89,056) | - |
| Results attributable to associates | | | | | | |
| (Loss) before income tax | - | (12,544) | - | - | (42,329) | - |
| Income tax expense | - | (8,970) | - | - | 53,018 | - |
| Profit/(loss) after income tax | - | (21,514) | - | - | 10,689 | - |
| Summary of performance and financial positions of associates | | | | | | |
| The aggregate profits, assets and liabilities of associates are: | | | | | | |
| - Revenues | - | 424,832 | - | - | 405,388 | - |
| Profit/(loss) from ordinary activities after income tax expense | - | (43,027) | - | - | 10,689 | - |
| - Assets as at 30 June | - | 3,836,968 | - | - | 3,903,887 | - |
| - Liabilities as at 30 June | - | (3,717,917) | - | - | (3,796,918) | - |

* The equity method of accounting for the investments in DDBCo, 61.4% owner of DBNGP Trust ceased when the carrying amount of the investment reached zero.

Financial Report

for year ended 30 June 2012

12 Property, Plant and Equipment

| | DUET Group 30 Jun 12 \$'000 | DUET2 30 Jun 12 \$'000 | DUET3 30 Jun 12 \$'000 | DIHL Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 | DUET2 30 Jun 11 \$'000 | DUET3 30 Jun 11 \$'000 | DIHL 30 Jun 11 \$'000 |
|---|-----------------------------------|------------------------------|------------------------------|-----------------------------------|-----------------------------------|------------------------------|------------------------------|-----------------------------|
| Land – at cost | 5,595 | - | - | - | 5,595 | - | - | - |
| Buildings – at cost | 35,322 | - | - | - | 29,612 | - | - | - |
| Less: Accumulated depreciation | (5,772) | - | - | - | (4,652) | - | - | - |
| | 29,550 | - | - | - | 24,960 | - | - | - |
| Plant and equipment – at cost | 6,682,653 | - | - | - | 6,434,177 | - | - | - |
| Less: Accumulated depreciation | (1,536,031) | - | - | - | (1,391,035) | - | - | - |
| | 5,146,622 | - | - | - | 5,043,142 | - | - | - |
| Motor vehicles – at cost | 28,377 | - | - | - | 21,292 | - | - | - |
| Less: Accumulated depreciation | (12,017) | - | - | - | (10,886) | - | - | - |
| | 16,360 | - | - | - | 10,406 | - | - | - |
| Office equipment and software – at cost | 50,314 | - | - | - | 35,951 | - | - | - |
| Less: Accumulated depreciation | (25,159) | - | - | - | (17,089) | - | - | - |
| | 25,155 | - | - | - | 18,862 | - | - | - |
| Fixtures and fittings – at cost | 7,718 | - | - | - | 4,915 | - | - | - |
| Less: Accumulated depreciation | (2,905) | - | - | - | (3,635) | - | - | - |
| | 4,813 | - | - | - | 1,280 | - | - | - |
| Plant and equipment in the course of construction – at cost | 245,076 | - | - | - | 215,623 | - | - | - |
| Total property, plant & equipment – at cost | 7,055,055 | - | - | - | 6,747,165 | - | - | - |
| Less: Total accumulated depreciation | (1,581,884) | - | - | - | (1,427,297) | - | - | - |
| | 5,473,171 | - | - | - | 5,319,868 | - | - | - |

Financial Report

for year ended 30 June 2012

12 Property, Plant and Equipment (continued)

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the year are set out below:

Year ended 30 June 2012

| | Land and buildings \$'000 | Freehold Land \$'000 | Plant and equipment \$'000 | Motor vehicles \$'000 | Office equipment and software \$'000 | Fixtures and fittings \$'000 | In the course of construction \$'000 | Total \$'000 |
|---------------------------------|---------------------------------|-------------------------|----------------------------------|--------------------------|--|------------------------------------|--|-----------------|
| Consolidated | | | | | | | | |
| Carrying amount at 1 July 2011 | 24,960 | 5,595 | 5,043,142 | 10,406 | 18,862 | 1,280 | 215,623 | 5,319,868 |
| Additions | 146 | - | 92,239 | 6,730 | 8,579 | 4,289 | 238,845 | 350,828 |
| Disposals | - | - | (4,692) | (5) | (24) | (14) | - | (4,735) |
| Transfers | 5,564 | - | 193,287 | 2,673 | 6,120 | - | (209,392) | (1,748) |
| Depreciation expense (Note 2) | (1,120) | - | (177,354) | (3,444) | (8,382) | (742) | - | (191,042) |
| Carrying amount at 30 June 2012 | 29,550 | 5,595 | 5,146,622 | 16,360 | 25,155 | 4,813 | 245,076 | 5,473,171 |

Year ended 30 June 2011

| | Land and buildings \$'000 | Freehold Land \$'000 | Plant and equipment \$'000 | Motor vehicles \$'000 | Office equipment and software \$'000 | Fixtures and fittings \$'000 | In the course of construction \$'000 | Total \$'000 |
|---------------------------------|---------------------------------|-------------------------|----------------------------------|--------------------------|--|------------------------------------|--|-----------------|
| Consolidated | | | | | | | | |
| Carrying amount at 1 July 2010 | 9,091 | 5,595 | 4,380,570 | 8,130 | 12,074 | 1,510 | 792,209 | 5,209,179 |
| Additions | 13 | - | 104,838 | 1,457 | 10,542 | - | 181,537 | 298,387 |
| Disposals | (3) | - | (7,349) | (36) | - | - | - | (7,388) |
| Transfers | 16,953 | - | 737,596 | 3,051 | 229 | 294 | (758,123) | - |
| Depreciation expense (Note 2) | (1,094) | - | (172,513) | (2,196) | (3,983) | (524) | - | (180,310) |
| Carrying amount at 30 June 2011 | 24,960 | 5,595 | 5,043,142 | 10,406 | 18,862 | 1,280 | 215,623 | 5,319,868 |

Borrowing costs capitalised to property, plant and equipment

During the year ended 30 June 2012, interest of \$nil (2011: \$nil) was capitalised to assets in the course of construction.

Financial Report

for year ended 30 June 2012

13 Deferred Tax Assets

| | DUET Group 30 Jun 12 \$'000 | DUET2 30 Jun 12 \$'000 | DUET3 30 Jun 12 \$'000 | DIHL Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 | DUET2 30 Jun 11 \$'000 | DUET3 30 Jun 11 \$'000 | DIHL 30 Jun 11 \$'000 |
|---|-----------------------------------|------------------------------|------------------------------|-----------------------------------|-----------------------------------|------------------------------|------------------------------|-----------------------------|
| The balance comprises temporary difference attributable to: | | | | | | | | |
| Amounts recognised in profit or loss | | | | | | | | |
| Doubtful debts | 4,349 | - | - | - | 514 | - | - | - |
| Meter replacement | 3,773 | - | - | - | 5,028 | - | - | - |
| Accident compensation | 35 | - | - | - | 33 | - | - | - |
| Other employee entitlements | 4,613 | - | - | - | 2,831 | - | - | - |
| Property, plant & equipment | 4,628 | - | - | - | 1,003 | - | - | - |
| Intangibles | 2,955 | - | - | - | 2,568 | - | - | - |
| Accrued revenue | 2,312 | - | - | - | 3,992 | - | - | - |
| Environmental provision | 680 | - | - | - | 680 | - | - | - |
| Other provisions | 1,737 | - | - | - | 1,485 | - | - | - |
| Decommissioning Provision | 6,125 | - | - | - | 4,548 | - | - | - |
| Audit fees | 116 | - | - | - | 58 | - | - | - |
| Other | 5,784 | - | - | - | 2,089 | - | - | - |
| Equity raising costs | 156 | - | - | - | 1,497 | - | - | - |
| Cash flow hedges and hedged interest bearing liabilities | 73,657 | - | - | - | 91,088 | - | - | - |
| Tax losses * | 125,426 | - | - | - | 131,984 | - | - | - |
| | 236,346 | - | - | - | 249,398 | - | - | - |
| Cash flow hedges recognised directly in equity | 77,471 | - | - | - | 21,636 | - | - | - |
| Defined benefit reserve recognised directly in equity | 1,278 | - | - | - | - | - | - | - |
| | 315,095 | - | - | - | 271,034 | - | - | - |
| Set – off deferred tax liabilities pursuant to set off provisions (Note 20) | (221,543) | - | - | - | (200,214) | - | - | - |
| Net deferred tax assets | 93,552 | - | - | - | 70,820 | - | - | - |

* In addition to the above losses recorded as a deferred tax asset, the Group has unbooked losses as set out in Note 3.

Financial Report

for year ended 30 June 2012

13 Deferred Tax Assets (continued)

| | DUET Group 30 Jun 12 \$'000 | DUET2 30 Jun 12 \$'000 | DUET3 30 Jun 12 \$'000 | DIHL Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 | DUET2 30 Jun 11 \$'000 | DUET3 30 Jun 11 \$'000 | DIHL 30 Jun 11 \$'000 |
|---|-----------------------------------|------------------------------|------------------------------|-----------------------------------|-----------------------------------|------------------------------|------------------------------|-----------------------------|
| Movements: | | | | | | | | |
| Opening balance at 1 July | 70,820 | - | - | - | 36,516 | - | - | - |
| Credited/(charged) to the Income Statement | (34,380) | - | - | - | 46,828 | - | - | - |
| Divestment/demerger of subsidiaries | - | - | - | - | - | - | - | - |
| Credited/(charged) to equity | 57,112 | - | - | - | (12,524) | - | - | - |
| Closing balance 30 June | 93,552 | - | - | - | 70,820 | - | - | - |
| Deferred tax assets to be recovered after more than 12 months | 93,552 | - | - | - | 70,820 | - | - | - |
| Deferred tax assets to be recovered within 12 months | - | - | - | - | - | - | - | - |
| | 93,552 | - | - | - | 70,820 | - | - | - |

Financial Report

for year ended 30 June 2012

14 Intangible Assets

| | DUET Group 30 Jun 12 \$'000 | DUET2 30 Jun 12 \$'000 | DUET3 30 Jun 12 \$'000 | DIHL Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 | DUET2 30 Jun 11 \$'000 | DUET3 30 Jun 11 \$'000 | DIHL 30 Jun 11 \$'000 |
|-----------------------------------|-----------------------------------|------------------------------|------------------------------|-----------------------------------|-----------------------------------|------------------------------|------------------------------|-----------------------------|
| Intellectual property at cost | 127,340 | - | - | - | 127,340 | - | - | - |
| Less: accumulated amortisation | (57,670) | - | - | - | (51,202) | - | - | - |
| | 69,670 | - | - | - | 76,138 | - | - | - |
| Software | 313,521 | - | - | - | 249,568 | - | - | - |
| Less: accumulated amortisation | (168,554) | - | - | - | (144,334) | - | - | - |
| | 144,967 | - | - | - | 105,234 | - | - | - |
| Distribution Licences | 1,035,377 | - | - | - | 1,035,377 | - | - | - |
| Employee contract asset (note 21) | 2,376 | - | - | - | - | - | - | - |
| Less: accumulated amortisation | (356) | - | - | - | - | - | - | - |
| | 2,020 | - | - | - | - | - | - | - |
| Development Project Costs | 74,313 | - | - | - | 63,292 | - | - | - |
| Less: accumulated amortisation | (21,845) | - | - | - | (10,006) | - | - | - |
| | 52,468 | - | - | - | 53,286 | - | - | - |
| Goodwill | 789,780 | - | - | - | 789,780 | - | - | - |
| Total | 2,094,282 | - | - | - | 2,059,815 | - | - | - |

Financial Report

for year ended 30 June 2012

14 Intangible Assets (continued)

Year ended 30 June 2012

| | Intellectual Property \$'000 | Software \$'000 | Distribution licences \$'000 | Employee Contract Asset \$'000 | Development Project Costs \$'000 | Goodwill \$'000 | Total \$'000 |
|---------------------------------|---------------------------------|--------------------|---------------------------------|--------------------------------------|--|--------------------|-----------------|
| Carrying amount at 1 July 2011 | 76,138 | 105,234 | 1,035,377 | - | 53,286 | 789,780 | 2,059,815 |
| Additions | - | 71,598 | - | 2,376 | 1,628 | - | 75,602 |
| Transfers | - | (7,645) | - | - | 9,393 | - | 1,748 |
| Amortisation charge (Note 2) | (6,468) | (24,220) | - | (356) | (11,839) | - | (42,883) |
| Carrying amount at 30 June 2012 | 69,670 | 144,967 | 1,035,377 | 2,020 | 52,468 | 789,780 | 2,094,282 |

Year ended 30 June 2011

| | Intellectual Property \$'000 | Software \$'000 | Distribution licences \$'000 | Employee Contract Asset \$'000 | Development Project Costs \$'000 | Goodwill \$'000 | Total \$'000 |
|---------------------------------|---------------------------------|--------------------|---------------------------------|--------------------------------------|--|--------------------|-----------------|
| Carrying amount at 1 July 2010 | 82,606 | 67,451 | 1,035,377 | - | 57,797 | 789,780 | 2,033,011 |
| Additions | - | 55,263 | - | - | 5,495 | - | 60,758 |
| Transfers | - | - | - | - | - | - | - |
| Amortisation charge (Note 2) | (6,468) | (17,480) | - | - | (10,006) | - | (33,954) |
| Carrying amount at 30 June 2011 | 76,138 | 105,234 | 1,035,377 | - | 53,286 | 789,780 | 2,059,815 |

Financial Report

for year ended 30 June 2012

14 Intangible Assets (continued)

Impairment for goodwill and distribution licences

Goodwill and distribution licences are allocated to the Group's cash-generating units (CGUs) identified according to the relevant operating segment.

A segment-level summary of the goodwill and distribution licences is presented below.

| | Multinet \$'000 | Dampier Pipeline \$'000 | Bunbury \$'000 | United Energy \$'000 | Total \$'000 |
|-----------------------|--------------------|----------------------------|-------------------|-------------------------|-----------------|
| 2012 | | | | | |
| Goodwill | 72,806 | 670,832 | | 46,142 | 789,780 |
| Distribution licences | 407,963 | - | | 627,414 | 1,035,377 |
| | 480,769 | 670,832 | | 673,556 | 1,825,157 |
| 2011 | | | | | |
| Goodwill | 72,806 | 670,832 | | 46,142 | 789,780 |
| Distribution licences | 407,963 | - | | 627,414 | 1,035,377 |
| | 480,769 | 670,832 | | 673,556 | 1,825,157 |

The recoverable amounts of the Group's CGUs are determined as the higher of fair value less costs to sell and value-in-use calculations.

The value-in-use calculations use cash flow projections based on financial budgets approved by the boards cover a 15 year period. A terminal value based on the regulated asset base was used to value each CGU at the end of the 15 year period. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations

A key assumption used in the value-in-use calculations is that the asset companies will generate the cash flows set out in the business models for the applicable CGU. These business models include expected revenues based on regulatory determinations (for UEDH and MGH) and agreed shipper contracts (for DBP) over a period of 15 years and costs determined through a detailed bottom-up planning process. Another key assumption is that the discount rate used to discount the forecast cash flows and expected terminal values of each CGU is appropriate. This discount rates used are calculated using a weighted average cost of capital methodology using market-based inputs.

Impact of possible changes in key assumptions

Management does not consider that any reasonably possible change in the assumptions will result in the carrying value to exceed the recoverable amount.

Amortisation period

The remaining amortisation period for intellectual property is 9 to 54 years, and software 1 to 5 years.

Financial Report

for year ended 30 June 2012

15 Distribution Payable

| | DUET Group 30 Jun 12 \$'000 | DUET2 30 Jun 12 \$'000 | DUET3 30 Jun 12 \$'000 | DIHL 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 | DUET2 30 Jun 11 \$'000 | DUET3 30 Jun 11 \$'000 | DIHL 30 Jun 11 \$'000 |
|--------------------------------------|-----------------------------------|------------------------------|------------------------------|-----------------------------|-----------------------------------|------------------------------|------------------------------|-----------------------------|
| Carrying amount at beginning of year | 90,969 | 44,303 | 13,262 | - | 87,056 | 41,509 | 17,512 | - |
| Provided for during the year | 176,117 | 87,270 | 16,687 | - | 179,701 | 84,668 | 33,202 | - |
| Paid during the year | (178,299) | (89,269) | (13,262) | - | (175,788) | (81,874) | (37,452) | - |
| Balance at 30 June | 88,787 | 42,304 | 16,687 | - | 90,969 | 44,303 | 13,262 | - |

There are no franking credits as DUET1, DUET2 and DUET3 are flow through trusts. DIHL has no franking credits.

16 Payables

| | DUET Group 30 Jun 12 \$'000 | DUET2 30 Jun 12 \$'000 | DUET3 30 Jun 12 \$'000 | DIHL Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 | DUET2 30 Jun 11 \$'000 | DUET3 30 Jun 11 \$'000 | DIHL 30 Jun 11 \$'000 |
|---|-----------------------------------|------------------------------|------------------------------|-----------------------------------|-----------------------------------|------------------------------|------------------------------|-----------------------------|
| Trade creditors | 93,162 | - | - | - | 84,542 | - | - | - |
| Interest payable – associated entities | - | - | - | - | - | 1,149 | 1,243 | 644 |
| Interest payable – other parties | 70,588 | - | - | - | 72,931 | - | - | - |
| Goods received | 34,171 | - | - | - | 8,979 | - | - | - |
| GST payable | 6,459 | - | - | - | 3,710 | - | - | - |
| RE management base fee payable | 5,276 | 2,377 | 595 | 648 | 4,976 | 2,426 | 522 | 216 |
| RE performance fee payable | 17,853 | 8,048 | 2,027 | 2,180 | - | - | - | - |
| Security deposit payable | 5,865 | - | - | - | - | - | - | - |
| Operating and maintenance agreement costs | 21,194 | - | - | - | 101 | - | - | - |
| Capital accruals | 11,454 | - | - | - | 62 | - | - | - |
| Other payables | 19,124 | 324 | 277 | 291 | 6,232 | 127 | 70 | 167 |
| Balance at 30 June | 285,146 | 10,749 | 2,899 | 3,119 | 181,533 | 3,702 | 1,835 | 1,027 |

The carrying amount of payables reflect fair value.

Financial Report

for year ended 30 June 2012

17 Interest Bearing Liabilities

| | DUET Group 30 Jun 12 \$'000 | DUET2 30 Jun 12 \$'000 | DUET3 30 Jun 12 \$'000 | DIHL Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 | DUET2 30 Jun 11 \$'000 | DUET3 30 Jun 11 \$'000 | DIHL 30 Jun 11 \$'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 | - | 60,364 | - | 113,147 | - | 176,030 | 204,700 | 106,396 |
| | - | 60,364 | - | 113,147 | 876,259 | 176,030 | 204,700 | 106,396 |
| Finance lease liabilities | 811 | - | - | - | | | | |
| Capitalised borrowing transaction costs | (533) | - | - | - | (5,407) | - | - | - |
| Total current interest bearing liabilities | 325,278 | 60,364 | - | 113,147 | 1,468,204 | 176,030 | 204,700 | 106,396 |
| 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 | - | - | 1,289 | - | - | - | 1,289 | - |
| | 2,631,302 | - | 1,289 | - | 2,075,602 | - | 1,289 | - |
| Finance lease liability | 20,816 | - | - | - | 21,628 | - | - | - |
| Capitalised borrowing transaction costs | (43,345) | - | - | - | (43,513) | - | - | - |
| Total non current interest bearing liabilities | 4,799,841 | - | 1,289 | - | 4,277,725 | - | 1,289 | - |
| Total interest bearing liabilities | 5,125,119 | 60,364 | 1,289 | 113,147 | 5,745,929 | 176,030 | 205,989 | 106,396 |

Financial Report

for year ended 30 June 2012

17 Interest Bearing Liabilities (continued)

Financing Arrangements

At balance date the Group had access to the following lines of credit:

| | Undrawn balance 30 Jun 12 '000 | Undrawn balance 30 Jun 11 '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 |
| Revolving facility | 200,000 | n/a |
| | 200,000 | 130,500 |
| Dampier Bunbury Pipeline | | |
| Term loan | 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 |

Financial Report

for year ended 30 June 2012

17 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.

Financial Report

for year ended 30 June 2012

17 Interest Bearing Liabilities (continued)

United Energy

US\$200.0 million (A\$263 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 semi-annually 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 DUET 3 is \$1.3 million (2011: \$204.7 million), and by DIHL \$113.1 million (2011: \$106.4 million).

Financial Report

for year ended 30 June 2012

17 Interest Bearing Liabilities (continued)

Fair values

The fair values and carrying values of borrowings of DUET Group, DUET2, DUET3 and DIHL are as follows:

| DUET Group | 2012 | | 2011 | |
|-------------------------------------|---------------------------|----------------------|---------------------------|----------------------|
| | Carrying amount \$'000 | Fair value \$'000 | Carrying amount \$'000 | Fair value \$'000 |
| On Balance Sheet | | | | |
| Non traded financial liabilities | | | | |
| Bank loans | 1,671,618 | 1,650,334 | 2,039,486 | 2,014,247 |
| Guaranteed Notes | 3,326,585 | 3,481,115 | 3,590,963 | 3,715,433 |
| Redeemable preference shares | 170,794 | 313,080 | 164,399 | 266,918 |
| | 5,168,997 | 5,444,529 | 5,794,848 | 5,996,598 |
| DUET2 | | | | |
| | 2012 | | 2011 | |
| | Carrying amount \$'000 | Fair value \$'000 | Carrying amount \$'000 | Fair value \$'000 |
| Non traded financial liabilities | | | | |
| Borrowings from associated entities | 60,364 | 60,364 | 176,030 | 176,030 |
| | 60,364 | 60,364 | 176,030 | 176,030 |
| DUET3 | | | | |
| | 2012 | | 2011 | |
| | Carrying amount \$'000 | Fair value \$'000 | Carrying amount \$'000 | Fair value \$'000 |
| Non traded financial liabilities | | | | |
| Borrowings from associated entities | 1,289 | 1,289 | 205,989 | 205,989 |
| | 1,289 | 1,289 | 205,989 | 205,989 |
| DIHL Group | | | | |
| | 2012 | | 2011 | |
| | Carrying amount \$'000 | Fair value \$'000 | Carrying amount \$'000 | Fair value \$'000 |
| Non traded financial liabilities | | | | |
| Borrowings from associated entities | 113,147 | 113,147 | 106,396 | 106,396 |
| | 113,147 | 113,147 | 106,396 | 106,396 |

The fair values are based on cash flows discounted using current lending rates for liabilities with similar risk profiles.

Financial Report

for year ended 30 June 2012

17 Interest Bearing Liabilities (continued)

Assets pledged as security

The carrying amounts of assets pledged as security for current and non current borrowings are:

| | DUET Group 1 Jul 11 - 30 Jun 12 \$'000 | DUET2 ⁽ⁱ⁾ 1 Jul 11 - 30 Jun 12 \$'000 | DUET3 ⁽ⁱ⁾ 1 Jul 11 - 30 Jun 12 \$'000 | DIHL Group ⁽ⁱ⁾ 1 Jul 11 - 30 Jun 12 \$'000 | DUET Group 1 Jul 10 - 30 Jun 11 \$'000 | DUET2 ⁽ⁱ⁾ 1 Jul 10 - 30 Jun 11 \$'000 | DUET3 ⁽ⁱ⁾ 1 Jul 10 - 30 Jun 11 \$'000 | DIHL ⁽ⁱ⁾ 1 Jul 10 - 30 Jun 11 \$'000 |
|--|---|---|---|--|---|---|---|--|
| Current | | | | | | | | |
| Cash and cash equivalents | 179,082 | 61,280 | 21,662 | 20,356 | 188,831 | 32,804 | 21,641 | 931 |
| Receivables | 24,971 | - | 32 | - | 18,060 | 3,882 | - | - |
| Inventories | 15,520 | - | - | - | 12,867 | - | - | - |
| Other | 19,024 | - | - | - | 13,216 | - | - | - |
| Total current assets pledged as security | 238,597 | 61,280 | 21,694 | 20,356 | 232,974 | 36,686 | 21,641 | 931 |
| Non-current | | | | | | | | |
| Property, plant and equipment | 3,027,877 | - | - | - | 3,029,108 | - | - | - |
| Intangible asset | 674,198 | - | - | - | 674,548 | - | - | - |
| Investment in associates | 1,445,471 | 137,795 | - | 185,027 | 1,278,002 | 194,339 | - | 140,029 |
| Loans to associated entities | 112,236 | - | 112,236 | - | 411,568 | 112,030 | 187,508 | - |
| Redeemable Preference Shares | 331,542 | 165,771 | - | - | 319,126 | 159,563 | - | - |
| Other | - | - | - | - | - | - | - | - |
| Total non current assets pledged as security | 5,591,324 | 303,566 | 112,236 | 185,027 | 5,712,352 | 465,932 | 187,508 | 140,029 |
| Total assets pledged as security | 5,829,921 | 364,846 | 133,930 | 205,383 | 5,945,326 | 502,618 | 209,149 | 140,960 |

(i) Assets of DUET1, DUET2, DUET3 and DIHL Group are pledged as security for the \$200 million bank debt facility.

Financial Report

for year ended 30 June 2012

18 Provisions

| | DUET Group 1 Jul 11 - 30 Jun 12 \$'000 | DUET2 1 Jul 11 - 30 Jun 12 \$'000 | DUET3 1 Jul 11 - 30 Jun 12 \$'000 | DIHL Group 1 Jul 11 - 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 | DUET2 30 Jun 11 \$'000 | DUET3 30 Jun 11 \$'000 | DIHL 30 Jun 11 \$'000 |
|-------------------------------|---|--|--|---|-----------------------------------|------------------------------|------------------------------|-----------------------------|
| Current | | | | | | | | |
| Annual leave | 4,834 | - | - | - | 3,778 | - | - | - |
| Long service leave | 3,091 | - | - | - | 2,886 | - | - | - |
| Environment provision | 399 | - | - | - | 399 | - | - | - |
| Transition services provision | 8,300 | - | - | - | - | - | - | - |
| Other employee benefits | 169 | - | - | - | 2,705 | - | - | - |
| | 16,793 | - | - | - | 9,768 | - | - | - |
| Non-current | | | | | | | | |
| Environmental provision | 3,129 | - | - | - | 3,129 | - | - | - |
| Decommissioning provision | 20,417 | - | - | - | 15,161 | - | - | - |
| Long service leave | 1,001 | - | - | - | 203 | - | - | - |
| Transition services provision | 8,300 | - | - | - | 8,470 | - | - | - |
| | 32,847 | - | - | - | 26,963 | - | - | - |

Decommissioning provision

DBP has a legislative obligation to purge and seal the pipeline on retirement of the asset, together with the abandonment of associated above ground facilities. The cost of carrying out this restoration work (based on satisfying the minimum obligation) has been estimated at \$77.3 million. This estimate has been discounted back at the risk free rate to provide a best estimate of the provision in the Balance Sheet. Property, plant and equipment is grossed up by this amount and depreciated over the remaining life of the asset, while the provision is escalated to unwind the discount over the remaining life of the asset.

Environmental provision

United Energy and Multinet provide for environmental management costs to ensure compliance with environmental management principles using ISO 14001 and The Environmental Protection Act 1970 of Victoria.

Transition services provision

United Energy has entered into contracts associated with the transition of service providers, which results in total payments of \$30.5 million being made. Remaining payments totalling \$16.6 million are expected to be made in September 2012 and September 2013.

Financial Report

for year ended 30 June 2012

18 Provisions (continued)

Movements in provisions

Movements in each class of provision during the financial year are set out below:

Year ended 30 June 2012

| | Decommissioning Provision \$'000 | Environmental provision \$'000 | Other Employee Benefits \$'000 | Transition services Provision \$'000 | Total \$'000 |
|--|--|--------------------------------------|--------------------------------------|--|-----------------|
| Current consolidated | | | | | |
| Carrying amount at 1 July 2011 | - | 399 | 9,369 | - | 9,768 |
| Additional provisions recognised | - | - | 3,998 | 8,300 | 12,298 |
| Transfer of provision | - | - | (585) | - | (585) |
| Payments/other sacrifices of economic benefits | - | - | (4,688) | - | (4,688) |
| Carrying amount at 30 June 2012 | - | 399 | 8,094 | 8,300 | 16,793 |
| Non-current consolidated | | | | | |
| Carrying at 1 July 2011 | 15,161 | 3,129 | 203 | 8,470 | 26,963 |
| Additional provisions recognised | 5,256 | - | 798 | - | 6,054 |
| Payments/other sacrifices of economic benefits | - | - | - | (170) | (170) |
| Carrying amount at 30 June 2012 | 20,417 | 3,129 | 1,001 | 8,300 | 32,847 |

Year ended 30 June 2011

| | Decommissioning Provision \$'000 | Environmental provision \$'000 | Other Employee Benefits \$'000 | Transition services Provision \$'000 | Total \$'000 |
|--|--|--------------------------------------|--------------------------------------|--|-----------------|
| Current consolidated | | | | | |
| Carrying amount at 1 July 2010 | - | 402 | 8,785 | - | 9,187 |
| Additional provisions recognised | - | - | 4,028 | - | 4,028 |
| Payments/other sacrifices of economic benefits | - | (3) | (3,444) | - | (3,447) |
| Carrying amount at 30 June 2011 | - | 399 | 9,369 | - | 9,768 |
| Non-current consolidated | | | | | |
| Carrying at 1 July 2010 | 15,096 | 3,129 | 189 | 8,470 | 26,884 |
| Additional provisions recognised | 65 | - | 14 | - | 79 |
| Payments/other sacrifices of economic benefits | - | - | - | - | - |
| Carrying amount at 30 June 2011 | 15,161 | 3,129 | 203 | 8,470 | 26,963 |

Financial Report

for year ended 30 June 2012

19 Other Liabilities

| | DUET Group 30 Jun 12 \$'000 | DUET2 30 Jun 12 \$'000 | DUET3 30 Jun 12 \$'000 | DIHL Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 | DUET2 30 Jun 11 \$'000 | DUET3 30 Jun 11 \$'000 | DIHL 30 Jun 11 \$'000 |
|--------------------------|-----------------------------------|------------------------------|------------------------------|-----------------------------------|-----------------------------------|------------------------------|------------------------------|-----------------------------|
| Current | | | | | | | | |
| Unearned revenue | 37,485 | - | - | - | 39,807 | - | - | - |
| Current tax liabilities | 281 | - | - | - | - | - | - | - |
| Total current | 37,766 | - | - | - | 39,807 | - | - | - |
| Non-Current | | | | | | | | |
| Unearned revenue | 22,316 | - | - | - | 22,731 | - | - | - |
| Total non current | 22,316 | - | - | - | 22,731 | - | - | - |

Financial Report

for year ended 30 June 2012

20 Deferred Tax Liabilities

| | DUET Group 30 Jun 12 \$'000 | DUET2 30 Jun 12 \$'000 | DUET3 30 Jun 12 \$'000 | DIHL Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 | DUET2 30 Jun 11 \$'000 | DUET3 30 Jun 11 \$'000 | DIHL 30 Jun 11 \$'000 |
|---|-----------------------------------|------------------------------|------------------------------|-----------------------------------|-----------------------------------|------------------------------|------------------------------|-----------------------------|
| The balance comprises temporary difference attributable to: | | | | | | | | |
| Amounts recognised in profit or loss | | | | | | | | |
| Borrowing costs | 425 | - | - | - | 1,754 | - | - | - |
| Accrued revenue | - | - | - | - | 103 | - | - | - |
| Property, Plant and equipment | 606,665 | - | - | - | 590,447 | - | - | - |
| Intellectual property | 5,236 | - | - | - | 5,346 | - | - | - |
| Intangibles | 1,947 | - | - | - | 1,007 | - | - | - |
| Licence | 51,457 | - | - | - | 51,457 | - | - | - |
| Cash flow hedges and hedged interest bearing liabilities | 37,139 | - | - | - | 51,435 | - | - | - |
| Other | 8 | - | - | - | 2,159 | - | - | - |
| | 702,877 | - | - | - | 703,708 | - | - | - |
| Retirement benefits reserve recognised directly in equity | 712 | - | - | - | - | - | - | - |
| Cash flow hedges recognised directly in equity | (1,258) | - | - | - | 5,283 | - | - | - |
| | 702,331 | - | - | - | 708,991 | - | - | - |
| Set - off deferred tax liabilities pursuant to set off provisions (Note 14) | (221,543) | - | - | - | (200,214) | - | - | - |
| Net deferred tax liabilities | 480,788 | - | - | - | 508,777 | - | - | - |
| Movements: | | | | | | | | |
| Opening Balance at 1 July | 508,777 | - | - | - | 565,970 | - | - | - |
| Charged /(credited) to the Income Statement (Note 3) | (22,160) | - | - | - | (62,479) | - | - | - |
| Charged /(credited) to equity | (5,829) | - | - | - | 5,286 | - | - | - |
| Closing balance 30 June | 480,788 | - | - | - | 508,777 | - | - | - |
| Deferred tax liabilities to be recovered after more than 12 months | 480,788 | - | - | - | 508,777 | - | - | - |
| | 480,788 | - | - | - | 508,777 | - | - | - |

Financial Report

for year ended 30 June 2012

21 Retirement Benefit Obligations

During the current year UE & Multinet Pty Ltd ("UEM") (formerly Energy Retail Holdings Pty Ltd) was established to act as the employment vehicle for all United Energy and Multinet Gas employees. UEM commenced trading on 1 October 2011. As part of the commencement of its operations UEM took on responsibility for a defined benefit plan for certain employees that transitioned to UEM from Jemena.

The following sets out details in respect of the defined benefit plan only.

(a) Defined Benefit Employee Superannuation Plan

The Retirement Benefits Fund (RBF) is a defined benefit fund which pays lump sum and pension benefits to members upon retirement (most of which are calculated as a multiple of the member's final average salary). The RBF has Contributory members, Compulsory Preserved members and pensioners.

This actuarial assessment has been provided by Mercer in a report dated 2 July 2012.

Actuarial Assumptions

| | 30 June 12 | 1 October 11 |
|------------------------|------------|--------------|
| Discount rate | 3.1% pa | 4.3% pa |
| Salary increase rate | 5.0% pa | 5.0% pa |
| Contributions tax rate | 15.0% | 15.0% |

(b) Balance sheet amounts

The amounts recognised in the Balance Sheet are determined as follows:

| | DUET Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 | DUET Group 30 Jun 10 \$'000 | DUET Group 30 Jun 09 \$'000 | DUET Group 30 Jun 08 \$'000 |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Defined Benefit Obligation | 13,359 | - | - | - | - |
| Fair value of defined benefit plan assets | 9,081 | - | - | - | - |
| Net liability in the Balance Sheet | 4,278 | - | - | - | - |
| Adjustment for asset ceiling | - | - | - | - | - |
| Net liability/(asset) | 4,278 | - | - | - | - |

(c) Profit and Loss impact

| Financial Period ending | 30 June 12 \$'000 |
|-------------------------|----------------------|
| Current Service cost | 288 |
| Net Interest | 60 |
| Defined Benefit Cost | 348 |

(d) Fair value of plan assets

| As at 30 June 2012 Asset category | Total \$'000 | Quoted prices in active markets \$'000 | No Quoted prices in active markets \$'000 |
|--------------------------------------|-----------------|--|--|
| Investment Funds | 9,081 | - | 9,081 |
| Total | 9,081 | - | 9,081 |

Financial Report

for year ended 30 June 2012

21 Retirement Benefit Obligations (continued)

(d) Fair value of plan assets (continued)

The percentage invested in each asset class at the reporting date is:

| As at | 30 June 12 |
|------------------------|------------|
| Australian Equity | 35% |
| International Equity | 27% |
| Fixed Income | 11% |
| Property | 10% |
| Growth Alternatives | 8% |
| Defensive Alternatives | 2% |
| Cash | 7% |

(e) Reconciliation of the fair value of plan assets

| Financial Period ending | 30 June 12 \$'000 |
|---|----------------------|
| Fair value of plan assets at beginning of the year | 8,383 |
| (+) Interest income | 266 |
| (+) Actual return on plan assets less interest income | 75 |
| (+) Company contributions | 330 |
| (+) Contributions by plan participants | 106 |
| (-) Taxes, premiums & expenses paid | (79) |
| Fair value of plan assets at end of the year | 9,081 |

(f) Reconciliation of the defined benefit obligation

| Financial Period ending | 30 June 12 \$'000 |
|--|----------------------|
| Present value of defined benefit obligations at beginning of the year | 10,759 |
| (+) Current service cost | 288 |
| (+) Interest expense | 326 |
| (+) Contributions by plan participants | 106 |
| (+) Actuarial (gains)/losses arising from changes in financial assumptions | 1,800 |
| (+) Actuarial (gains)/losses arising from experience | 159 |
| (-) Taxes, premiums & expenses paid | (79) |
| Present value of defined benefit obligations at end of the year | 13,359 |

(g) Other comprehensive income

| Financial Period ending | 30 June 12 \$'000 |
|---|----------------------|
| Actuarial (gains)/losses | 1,959 |
| (Excess)/shortfall return on plan assets | (75) |
| Defined benefit cost recognised in other comprehensive income | 1,884 |

Financial Report

for year ended 30 June 2012

22 Other Non-Controlling Interest

Non-Controlling Interest Classified as Equity

| | DUET Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 |
|-----------------|-----------------------------------|-----------------------------------|
| Interest in: | | |
| Share Capital | 302,558 | 527,596 |
| Retained losses | (74,400) | (122,054) |
| Reserves | (36,321) | (20,818) |
| Total | 191,837 | 384,724 |

Financial Report

for year ended 30 June 2012

23 Contributed Equity

(a) Ordinary Equity

| | DUET Group 1 Jul 11 -30 Jun 12 \$'000 | DUET2 1 Jul 11 -30 Jun 12 \$'000 | DUET3 1 Jul 11 -30 Jun 12 \$'000 | DIHL 1 Jul 11 -30 Jun 12 \$'000 | DUET Group 1 Jul 10 -30 Jun 11 \$'000 | DUET2 1 Jul 10 -30 Jun 11 \$'000 | DUET3 1 Jul 10 -30 Jun 11 \$'000 | DIHL 1 Jul 10 -30 Jun 11 \$'000 |
|---------------------------------------|--|---|---|--|--|---|---|--|
| On issue at the beginning of the year | 1,932,225 | 861,476 | 305,544 | 211,318 | 1,868,660 | 831,906 | 297,901 | 206,156 |
| Capital raised from entitlement offer | 276,542 | 126,037 | 30,357 | 31,200 | - | - | - | - |
| Less transaction costs | (10,150) | (4,643) | (1,141) | (1,109) | - | - | - | - |
| DRP on 14 February 2012 | 32,218 | 14,842 | 3,454 | 3,169 | - | - | - | - |
| DRP on 13 August 2010 | - | - | - | - | 27,072 | 11,842 | 3,791 | 3,403 |
| DRP on 15 February 2011 | - | - | - | - | 36,493 | 17,728 | 3,852 | 1,759 |
| On issue at the end of the year | 2,230,835 | 997,712 | 338,214 | 244,578 | 1,932,225 | 861,476 | 305,544 | 211,318 |

| | DUET Group 1 Jul 11 -30 Jun 12 Number of stapled securities '000 | DUET2 1 Jul 11 -30 Jun 12 Number of stapled securities '000 | DUET3 1 Jul 11 -30 Jun 12 Number of stapled securities '000 | DIHL 1 Jul 11 -30 Jun 12 Number of stapled securities '000 | DUET Group 1 Jul 10 -30 Jun 11 Number of stapled securities '000 | DUET2 1 Jul 10 -30 Jun 11 Number of stapled securities '000 | DUET3 1 Jul 10 -30 Jun 11 Number of stapled securities '000 | DIHL 1 Jul 10 -30 Jun 11 Number of stapled securities '000 |
|---|--|---|---|--|--|---|---|--|
| On issue at the beginning of the year | 909,693 | 909,693 | 909,693 | 909,693 | 870,560 | 870,560 | 870,560 | 870,560 |
| DRP on 13 August 2010 | - | - | - | - | 16,745 | 16,745 | 16,745 | 16,745 |
| DRP on 15 February 2011 | - | - | - | - | 22,388 | 22,388 | 22,388 | 22,388 |
| Institutional component of entitlement offer – 23 August 2011 | 116,306 | 116,306 | 116,306 | 116,306 | - | - | - | - |
| Retail component of entitlement offer – 1 September 2011 | 65,629 | 65,629 | 65,629 | 65,629 | - | - | - | - |
| DRP on 14 February 2012 | 18,203 | 18,203 | 18,203 | 18,203 | - | - | - | - |
| On issue at the end of the year | 1,109,831 | 1,109,831 | 1,109,831 | 1,109,831 | 909,693 | 909,693 | 909,693 | 909,693 |

Financial Report

for year ended 30 June 2012

23 Contributed Equity (continued)

(b) Ordinary units in DUET1, DUET2, DUET3 and ordinary shares in DIHL

Each fully paid stapled security confers the right to vote at meetings of security holders, subject to any voting restrictions imposed on a security holder under the Corporations Act 2001 and the Listing Rules. On a show of hands, every security holder present in person or by proxy has one vote. On a poll, every security holder who is present in person or by proxy has one vote for each dollar of the value of the total interest they have in DUET1, DUET2, DUET3, and one vote for each share in respect of DIHL.

(c) 'A' Special Share

RE1 in its personal capacity holds 1 A Special Share in DIHL. The Share carries the right to appoint Directors constituting up to 40% of the DIHL Board including the managing Director. Any person appointed Director by the A Special Shareholder may at any time be removed by the A Special Shareholder only. The A Special Shareholder may not vote at meetings except in relation to a proposal to appoint a Director or vary the rights attached to the A Special Share. The holder of an A Special Share is not entitled to receive any dividends.

(d) 'B' Special Share

RE2 as Responsible Entity of DUET2 holds 1 B Special Share in DIHL. The Share carries the right to appoint Directors constituting up to 40% of the DIHL Board. Any person appointed Director by the B Special Shareholder may at any time be removed by the B Special Shareholder only. The B Special Shareholder may not vote at meetings except in relation to a proposal to appoint a Director or vary the rights attached to the B Special Share. The holder of a B Special Share is not entitled to receive any dividends.

(e) 'C' Special Share

RE1 and RE2 each hold 1 C Special Share issued in DIHL in their capacity as Responsible Entity for DUET1 and DUET2 respectively. The shares carry the right to jointly appoint up to 20% of the Directors of the DIHL Board. Any person appointed Director by the C Special Shareholders may at any time be removed by the C Special Shareholders only. The C Special Shareholders may not vote at meetings except in relation to a proposal to appoint a Director or vary the rights attached to the C Special Shares. The holders of C Special Shares are not entitled to receive any dividends.

Financial Report

for year ended 30 June 2012

24 Reserves

Nature and purpose of Reserves

(i) Hedging Reserve

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in Note 1(z). Amounts are recognised in the profit or loss when the associated hedged transaction affects the profit or loss.

(ii) Foreign Currency Translation Reserve

The Foreign Currency Translation Reserve is used to record exchange differences arising on translation of a foreign associate investment. The reserve is recognised in the profit and loss when the associate is disposed of.

(iii) Capital Reserve

The Capital Reserve is used to hold the accumulated loss of the trusts within DUET Group.

(iv) Other Reserve

The Other Reserve is used to record transactions between equity holders, share of associates' other reserve and available for sale reserve.

25 Retained Profits / (Accumulated Losses)

| | DUET Group 1 Jul 11 -30 Jun 12 \$'000 | DUET2 1 Jul 11 -30 Jun 12 \$'000 | DUET3 1 Jul 11 -30 Jun 12 \$'000 | DIHL Group 1 Jul 11 -30 Jun 12 \$'000 | DUET Group 1 Jul 10 -30 Jun 11 \$'000 | DUET2 1 Jul 10 -30 Jun 11 \$'000 | DUET3 1 Jul 10 -30 Jun 11 \$'000 | DIHL 1 Jul 10 -30 Jun 11 \$'000 |
|--|--|---|---|--|--|---|---|--|
| Balance at 1 July | (209,585) | - | - | (84,204) | (216,537) | - | 4,551 | (97,104) |
| Profit/(Loss) attributable to security holders | 77,432 | (8,882) | 20,617 | (41,618) | 68,784 | 66,555 | (23,322) | 12,900 |
| Distribution provided for or paid | (72,160) | (87,270) | (16,284) | - | (61,832) | (84,667) | (32,209) | - |
| Transfer from reserves | (450) | - | - | - | - | - | - | - |
| Transfer from Capital Reserve | - | 96,152 | - | - | - | 18,112 | 50,980 | - |
| Balance at the end of the year | (204,763) | - | 4,333 | (125,822) | (209,585) | - | - | (84,204) |

Financial Report

for year ended 30 June 2012

26 Investments in Controlled Entities

| DUET Group | Year end | Country of incorporation | Class of shares / units | Equity holding 30 June 2012 %* | Equity holding 30 June 2011 %* |
|---|----------|--------------------------|-------------------------|--------------------------------------|--------------------------------------|
| Name of entity | | | | | |
| 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.

| DIHL Group | Year end | Country of incorporation | Class of shares / units | Equity holding 30 June 2012 %* | Equity holding 30 June 2011 %* |
|--|----------|--------------------------|-------------------------|--------------------------------------|--------------------------------------|
| Name of entity | | | | | |
| Dampier Bunbury Investment Company Pty Ltd | 30 June | Australia | Ordinary | 100.0 | - |

DUET2 and DUET3 have no subsidiaries.

Financial Report

for year ended 30 June 2012

27 Earnings per Security

(a) Basic earnings per stapled security

| | DUET Group As at 30 Jun 12 '000 | DUET2 As at 30 Jun 12 '000 | DUET3 As at 30 Jun 12 '000 | DIHL Group As at 30 Jun 12 '000 | DUET Group As at 30 Jun 11 '000 | DUET2 As at 30 Jun 11 '000 | DUET3 As at 30 Jun 11 '000 | DIHL As at 30 Jun 11 '000 |
|---|--|-------------------------------------|-------------------------------------|--|--|-------------------------------------|-------------------------------------|------------------------------------|
| Basic earnings per stapled security | 7.23c | (0.83)c | 1.93c | (3.89)c | 7.70c | 7.45c | (2.61)c | 1.44c |
| Earnings used in calculation of basic earnings per stapled security | 77,432 | (8,882) | 20,618 | (41,618) | 68,784 | 66,555 | (23,322) | 12,900 |
| Weighted average number of stapled securities used in calculating basic earnings per stapled security | 1,070,532 | 1,070,532 | 1,070,532 | 1,070,532 | 893,674 | 893,674 | 893,674 | 893,674 |

(b) Reconciliation of earnings used in calculating basic earnings per stapled security

| | DUET Group As at 30 Jun 12 \$'000 | DUET2 As at 30 Jun 12 \$'000 | DUET3 As at 30 Jun 12 \$'000 | DIHL Group As at 30 Jun 12 \$'000 | DUET Group As at 30 Jun 11 \$'000 | DUET2 As at 30 Jun 11 \$'000 | DUET3 As at 30 Jun 11 \$'000 | DIHL As at 30 Jun 11 \$'000 |
|---|--|---------------------------------------|---------------------------------------|--|--|---------------------------------------|---------------------------------------|--------------------------------------|
| Basic earnings per stapled security | | | | | | | | |
| Profit/(Loss) for the year | 43,997 | (8,882) | 20,618 | (41,618) | 188,400 | 66,555 | (23,322) | 12,900 |
| (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 | (8,882) | 20,618 | (41,618) | 68,784 | 66,555 | (23,322) | 12,900 |

Financial Report

for year ended 30 June 2012

27 Earnings per Security (continued)

(c) Diluted earnings per stapled security

| | DUET Group As at 30 Jun 12 '000 | DUET2 As at 30 Jun 12 '000 | DUET3 As at 30 Jun 12 '000 | DIHL Group As at 30 Jun 12 '000 | DUET Group As at 30 Jun 11 '000 | DUET2 As at 30 Jun 11 '000 | DUET3 As at 30 Jun 11 '000 | DIHL As at 30 Jun 11 '000 |
|---|--|-------------------------------------|-------------------------------------|--|--|-------------------------------------|-------------------------------------|------------------------------------|
| Diluted earnings per stapled security * | 7.23c | (0.83)c | 1.93c | (3.89)c | 7.70c | 7.45c | (2.61)c | 1.44c |
| Earnings used in calculation of diluted earnings per stapled security | 77,432 | (8,882) | 20,618 | (41,618) | 68,784 | 66,555 | (23,322) | 12,900 |
| Weighted average number of stapled securities used in calculating diluted earnings per stapled security | 1,070,532 | 1,070,532 | 1,070,532 | 1,070,532 | 893,674 | 893,674 | 893,674 | 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 Jun 12 '000 | DUET2 As at 30 Jun 12 '000 | DUET3 As at 30 Jun 12 '000 | DIHL Group As at 30 Jun 12 '000 | DUET Group As at 30 Jun 11 '000 | DUET2 As at 30 Jun 11 '000 | DUET3 As at 30 Jun 11 '000 | DIHL As at 30 Jun 11 '000 |
|--|--|-------------------------------------|-------------------------------------|--|--|-------------------------------------|-------------------------------------|------------------------------------|
| Weighted average number of stapled securities used as the denominator in calculating basic earnings per stapled security | 1,070,532 | 1,070,532 | 1,070,532 | 1,070,532 | 893,674 | 893,674 | 893,674 | 893,674 |
| Weighted average number of stapled securities used as the denominator in calculating diluted earnings per stapled security | 1,070,532 | 1,070,532 | 1,070,532 | 1,070,532 | 893,674 | 893,674 | 893,674 | 893,674 |

Financial Report

for year ended 30 June 2012

28 Cash Flow information

(i) Reconciliation of Net Result from Ordinary Activities after Income Tax to Net Cash Flows from Operating Activities

| | DUET Group 30 Jun 12 \$'000 | DUET2 30 Jun 12 \$'000 | DUET3 30 Jun 12 \$'000 | DIHL Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 | DUET2 30 Jun 11 \$'000 | DUET3 30 Jun 11 \$'000 | DIHL 30 Jun 11 \$'000 |
|--|-----------------------------------|------------------------------|------------------------------|-----------------------------------|-----------------------------------|------------------------------|------------------------------|-----------------------------|
| Net result from ordinary activities after income tax | 43,997 | (8,882) | 20,617 | (41,618) | 188,400 | 66,555 | (23,322) | 12,900 |
| Depreciation and amortisation | 233,943 | - | - | - | 214,265 | - | - | - |
| Net loss/(profit) on sale of non-current assets | 4,551 | - | - | - | 4,352 | - | - | - |
| Net loss/(profit) on sale of associates | (8,682) | (10,811) | (5,905) | 41,646 | - | - | - | - |
| Customer contributions – in kind | (623) | - | - | - | (1,895) | - | - | - |
| Borrowing costs paid | 469,535 | 2,392 | 2,246 | 6,886 | 496,491 | 21,442 | 13,897 | 6,794 |
| Foreign exchange | 198 | - | 276 | (12) | 53,554 | - | 52,605 | 920 |
| Other | (7,637) | (1,433) | - | (3,654) | 6,674 | - | - | - |
| Doubtful debts | 12,833 | - | - | - | (657) | - | - | - |
| Share of associates losses/(profits) not received as dividends | (6,754) | 89,906 | - | 21,307 | (15,387) | 1,024 | - | (19,930) |
| Change in assets and liabilities | | | | | | | | |
| Decrease/(increase) in receivable | (56,964) | 2,916 | 1,690 | 269 | 3,180 | 1,686 | 3,551 | 1,014 |
| (Increase)/decrease in deferred tax asset | (22,167) | - | - | - | - | - | - | - |
| Decrease/(increase) in other operating assets | (5,208) | - | - | - | 4,034 | - | - | - |
| Increase/(decrease) in payables and accrual | 49,286 | 9,098 | 2,148 | 2,553 | 4,710 | 319 | (189) | (328) |
| (Decrease)/Increase in deferred tax liability | 8,323 | - | - | - | (106,924) | - | - | - |
| Increase/(Decrease) in other provisions | 14,070 | - | - | - | 567 | - | - | - |
| (Decrease)/increase in derivative financial instruments | 34,747 | - | - | - | (20,815) | - | (4,948) | - |
| Net cash inflow from operating activities | 763,448 | 83,186 | 21,072 | 27,377 | 830,549 | 91,026 | 41,594 | 1,370 |

Financial Report

for year ended 30 June 2012

28 Cash Flow information (continued)

(ii) Reconciliation of Cash Assets

Cash assets at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:

| | DUET Group 30 Jun 12 \$'000 | DUET2 30 Jun 12 \$'000 | DUET3 30 Jun 12 \$'000 | DIHL Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 | DUET2 30 Jun 11 \$'000 | DUET3 30 Jun 11 \$'000 | DIHL 30 Jun 11 \$'000 |
|-----------------|-----------------------------------|------------------------------|------------------------------|-----------------------------------|-----------------------------------|------------------------------|------------------------------|-----------------------------|
| Cash at bank | 205,054 | 41,028 | 21,662 | 20,356 | 292,554 | 32,804 | 21,641 | 931 |
| Cash on deposit | 38,541 | 20,252 | - | - | 250,928 | - | - | - |
| Cash assets | 243,595 | 61,280 | 21,662 | 20,356 | 543,482 | 32,804 | 21,641 | 931 |

(iii) Non-cash investing and financing activities

During the period, stapled securityholders participated in DUET's Distribution and Dividend Reinvestment Plan (DRP). A total of 18,203,045 (2011:39,133,591) new securities were issued under the DRP. The proceeds raised from the issue of these securities was \$32,218,618 (2011: \$58,403,127) and this amount is not reflected in the Cash Flow Statement on the basis that it has been reinvested in DUET Group securities.

Financial Report

for year ended 30 June 2012

29 Parent Entity Information

(a) DUET1

| | DUET1 30 Jun 12 \$'000 | DUET1 30 Jun 11 \$'000 |
|--|------------------------------|------------------------------|
| Current assets | 40,900 | 62,015 |
| Total assets | 792,174 | 818,416 |
| Current liabilities | 238,711 | 228,638 |
| Total liabilities | 238,711 | 341,472 |
| Net assets | 553,463 | 476,944 |
| Contributed equity | 650,331 | 553,887 |
| Retained earnings | (6,544) | 2,424 |
| Capital reserve | (90,324) | (90,324) |
| Other reserves | - | 10,957 |
| Total equity | 553,463 | 476,944 |
| Profit of DUET1 | 63,196 | 49,795 |
| Total comprehensive income of DUET1 | 52,239 | 24,396 |

DUET1 has no guarantees in relation to the debts of any of its subsidiaries.

DUET1 has no contingent liabilities as at 30 June 2012.

(b) DIHL

| | DIHL 30 Jun 12 \$'000 |
|---|-----------------------------|
| Current assets | 4,989 |
| Total assets | 226,437 |
| Current liabilities | 3,116 |
| Total liabilities | 116,262 |
| Net assets | 110,175 |
| Contributed equity | 244,578 |
| Retained earnings | (132,874) |
| Capital reserve | - |
| Other reserves | (1,529) |
| Total equity | 110,175 |
| Profit/(loss) of DIHL | (48,671) |
| Total comprehensive income of DIHL | 41,386 |

DIHL has no guarantees in relation to the debts of any of its subsidiaries.

DIHL has no contingent liabilities as at 30 June 2012.

Financial Report

for year ended 30 June 2012

30 Related Party Disclosures

RE1 and RE2 are 50/50 joint ventures between AMPCH and MGL. RE1 is the Manager and Responsible Entity of DUET1 and DIHL and RE2 is the Manager and Responsible Entity of DUET2 and DUET3 respectively.

(a) Directors

The following persons held office as Directors of RE1 during the year:

- 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:

- 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)

Financial Report

for year ended 30 June 2012

30 Related Party Disclosures (continued)

The following persons held office as Directors of DIHL during the year:

- 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)

During the year, no Director of RE1 or RE2 received or became entitled to receive any other benefit because of a contract made by DUET Group with a Director or a firm of which a Director is a member, or with an entity in which the Director has a substantial interest except at terms set out in the governing documents of the Group.

The number of stapled securities held directly, indirectly or beneficially by Directors at 30 June 2012 are:

| | Stapled Securities in DUET Group 2012 | Stapled Securities in DUET Group 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* | - | - |
| | 7,779,915 | 6,546,946 |

* Not a Director in 2011

RE1 paid \$97,500 in Director fees to The Hon Michael Lee (2011: \$85,000) and \$48,750 in Director fees to each of Emma Stein and Douglas Halley (2011: \$42,500) for the year ended 30 June 2012.

RE2 paid \$97,500 in Director fees to each of Eric Goodwin and Duncan Sutherland (2011: \$85,000 each) and \$48,750 in Director fees to Ron Finlay (2011: \$42,500) for the year ended 30 June 2012.

DIHL paid \$48,750 in Director fees to each of Emma Stein, Douglas Halley and Ron Finlay (2011: \$42,500 each) for the year ended 30 June 2012.

The compensation paid to Directors of RE1 and RE2 who are not employees of MGL or AMPCH is determined with reference to current market rates of Directorships of similar entities. The level of compensation is not related to the performance of RE1 and RE2.

Financial Report

for year ended 30 June 2012

30 Related Party Disclosures (continued)

(b) Key Management Personnel

The following are key management personnel of DUET Group:

- The Responsible Entities (RE1 and RE2); and
- The Directors of DIHL being John Roberts, Philip Garling, Ron Finlay, Douglas Halley, Emma Stein, Shemara Wikramanayake (alternate to John Roberts), and Scott Davies (alternate to Philip Garling).

Key Management Personnel are defined in AASB 124: Related Party Disclosures as those having authority and responsibility for planning, directing and controlling the activities of the entity. The Responsible Entity of the Trusts and the Directors of DIHL meet the definition of Key Management Personnel as they have authority in relation to the activities of DUET. These powers have not been delegated by the Responsible Entities or the Board, to any other person, including the CEO of DUET Group. Accordingly, there are no other Key Management Personnel of DUET Group.

The number of DUET Group stapled securities held directly, indirectly or beneficially by key management personnel of DIHL or their related entities at 30 June are:

| | Stapled securities in DUET Group 2012 | Stapled securities in DUET Group 2011 |
|-----------------------|---|---|
| John Roberts | 5,422,901 | 4,222,901 |
| Philip Garling | 87,300 | 72,750 |
| Ron Finlay | 20,237 | 14,455 |
| Douglas Halley | 134,000 | 95,000 |
| Emma Stein | 50,506 | 43,506 |
| Shemara Wikramanayake | 1,842,987 | 1,842,987 |
| Bodhisahwa Pahari* | - | - |
| Scott Davies** | - | - |
| | 7,557,931 | 6,291,599 |

* Resigned 17 January 2012

** Not a Director in 2011

(c) Responsible Entities

The base management fees and performance fees, excluding GST, that were paid or payable to the Responsible Entities as compensation are:

| | DUET Group \$'000 | DUET2 \$'000 | DUET3 \$'000 | DIHL \$'000 |
|-----------------------------|----------------------|-----------------|-----------------|----------------|
| Base management fees | | | | |
| 1 July 2011 – 30 June 2012 | 19,208 | 8,742 | 2,362 | 2,180 |
| 1 July 2010 – 30 June 2011 | 19,978 | 9,484 | 2,302 | 1,284 |
| Performance fees | | | | |
| 1 July 2011 – 30 June 2012 | 16,231 | 7,311 | 1,830 | 1,995 |
| 1 July 2010 – 30 June 2011 | - | - | - | - |

Base management fees are calculated as 1% per annum of the net investment value on the last day of each quarter. For the year ended 30 June 2012, RE1 received \$8,104,559 (2011: \$8,192,075) and RE2 received \$11,103,700 (2011: \$11,786,652).

Performance fees are only paid if DUET's return exceeds the performance of the benchmark S&P/ASX 200 Industrials Accumulation Index. In the period 1 January 2012 to 30 June 2012 the DUET accumulation index outperformed the Benchmark by 7.4%. The performance fee payable by the DUET group for the year ended 30 June 2012 was \$16,230,685. For the year ended 30 June 2012, \$7,090,203 was payable to RE1 (2011: \$nil) and \$9,140,482 was payable to RE2 (2011: \$nil).

Financial Report

for year ended 30 June 2012

30 Related Party Disclosures (continued)

(d) Custodians

Under the terms of the custody agreements with Trust Company Ltd & Perpetual Trustee Co Ltd, fees paid or payable to the custodian by the Group were \$204,843 (2011: \$241,020).

(e) Other Related Party Transactions

At 30 June 2012, companies within the Macquarie Group held 44.8 million DUET Group securities (30 June 2011: 24.8 million). At 30 June 2012, companies within the AMP Group held 91.7 million DUET Group securities (30 June 2011: 111.5 million).

During the year, DUET reimbursed MGL \$273,731 (2011: \$282,540) representing out of pocket expenses incurred by the Responsible Entity/Manager in the performance of its duties. DUET1's share was \$50,958 (2011: \$66,629), DUET2's share was \$50,958 (2011: \$66,629), DUET3's share was \$17,470 (2011: \$65,816) and DIHL's share was \$154,345 (2011: \$83,466).

Members of the AMP Group and Macquarie Group have established relationships with DUET for financial advisory work with regard to acquisitions, divestitures, debt and equity raisings.

DUET has adopted a protocol to ensure that, for all transactions and services arrangements between DUET and members of the AMP Group and the Macquarie Group, the interests of DUET Group's investors are safeguarded and any conflicts that may arise are handled appropriately. In particular, under the protocol, acquisitions and disposals of investments must be on arms length commercial terms, all services must be provided on market competitive rates and terms, and all transactions and advisory engagements must be approved by the Boards of the Responsible Entities.

During the year, DUET paid AMPCI for debt arranging services \$2,064,004 (2011:\$752,210).

During the year, DUET paid to MGL underwriting fees of \$4,400,373 (2011:\$nil), debt arranging services \$715,391 (2011:\$nil) and transaction advisory fees of \$9,704,739 (2011:\$nil).

DUET hold funds on deposit with Macquarie Bank Limited (MBL) and earns interest on deposits at commercial rates. Interest income from deposits with MBL is included in the determination of net profit from continuing activities for the year.

| | DUET Group \$'000 | DUET2 \$'000 | DUET3 \$'000 | DIHL \$'000 |
|----------------------------------|----------------------|-----------------|-----------------|----------------|
| Funds on deposit with MBL | | | | |
| 30 June 2012 | 113,616 | 30,129 | 21,662 | 20,356 |
| 30 June 2011 | 88,239 | 37,266 | 9,344 | 805 |

| | DUET Group \$'000 | DUET2 \$'000 | DUET3 \$'000 | DIHL \$'000 |
|------------------------------------|----------------------|-----------------|-----------------|----------------|
| Interest earned on deposits | | | | |
| 1 July 2011 - 30 June 2012 | 2,255 | 275 | 325 | 274 |
| 1 July 2010 - 30 June 2011 | 2,143 | 818 | 380 | 157 |

Financial Report

for year ended 30 June 2012

31 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 expenditure ⁽⁴⁾ | | | | | | |
| 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.

Financial Report

for year ended 30 June 2012

31 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 & 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.

Financial Report

for year ended 30 June 2012

31 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.

Financial Report

for year ended 30 June 2012

31 Segment Information (continued)

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

| | 30 Jun 12 \$'000 | 30 Jun 11 \$'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 Jun 12 \$'000 | 30 Jun 11 \$'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 Jun 12 \$'000 | 30 Jun 11 \$'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) |

Financial Report

for year ended 30 June 2012

31 Segment Information (continued)

DUET2

DUET2 co-owns investments in UEDH, MGH and DBP with DUET1. Proportionate EBITDA for DBP, UEDH, MGH and WAGN are set out on page 98.

A reconciliation of DUET2's proportionate EBITDA to profit before income tax expense is provided as follows:

| | DBP \$'000 | UEDH \$'000 | MGH \$'000 | WAGN ⁽²⁾ \$'000 | DUET2 \$'000 | Total \$'000 |
|--|---------------|----------------|---------------|-------------------------------|-----------------|-----------------|
| DUET2 for the 12 months to 30 June 2012 | | | | | | |
| Proportionate EBITDA | 293,016 | 181,811 | 131,324 | 2,661 | - | 608,812 |
| Exclude non-controlled assets ⁽¹⁾ | (293,016) | (181,811) | (131,324) | (2,661) | - | (608,812) |
| Corporate income | - | - | - | - | 105 | 105 |
| Corporate expenses | - | - | - | - | (17,229) | (17,229) |
| Equity accounted profits ⁽¹⁾ | - | (10,333) | 800 | - | (60,000) | (69,533) |
| Equity accounted profits- Other investments | - | - | - | - | (1,934) | (1,934) |
| Gain on disposal of WAGN, net of transaction costs | - | - | - | - | 10,807 | 10,807 |
| Consolidated EBITDA | | | | | | (77,784) |
| Interest income | - | - | - | - | 71,296 | 71,296 |
| Finance costs | - | - | - | - | (2,394) | (2,394) |
| Changes in fair value of derivatives | - | - | - | - | - | - |
| Profit before income tax expense | | | | | | (8,882) |

⁽¹⁾ Excludes proportionate EBITDA of associates and includes the equity accounted share of profits/(losses).

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

| | DBP \$'000 | UEDH \$'000 | MGH \$'000 | WAGN \$'000 | DUET2 \$'000 | Total \$'000 |
|--|---------------|----------------|---------------|----------------|-----------------|-----------------|
| DUET2 for the 12 months to 30 June 2011 | | | | | | |
| Proportionate EBITDA | 216,135 | 180,585 | 115,155 | 21,456 | - | 533,331 |
| Exclude non-controlled assets ⁽¹⁾ | (216,135) | (180,585) | (115,155) | (21,456) | - | (533,331) |
| Corporate income | - | - | - | - | 2,821 | 2,821 |
| Corporate expenses | - | - | - | - | (10,555) | (10,555) |
| Equity accounted profits ⁽¹⁾ | - | (801) | 12,522 | - | 2,109 | 13,830 |
| Consolidated EBITDA | | | | | | 6,096 |
| Interest income | - | - | - | - | 81,901 | 81,901 |
| Finance costs | - | - | - | - | (21,442) | (21,442) |
| Changes in fair value of derivatives | - | - | - | - | - | - |
| Profit before income tax expense | | | | | | 66,555 |

⁽¹⁾ Excludes proportionate EBITDA of associates and includes the equity accounted share of profits/(losses).

Financial Report

for year ended 30 June 2012

31 Segment Information (continued)

DUET3

DUET3 has a promissory note with DQE which was disposed on 13 September 2011. DUET3 also holds a hybrid instrument with MGH. Proportionate EBITDA for DQE and MGH are set out on page 98.

A reconciliation of DUET3's proportionate EBITDA to profit before income tax expense is provided as follows:

| | MGH \$'000 | DQE ⁽²⁾ \$'000 | DUET3 \$'000 | Total \$'000 |
|--|----------------|------------------------------|-----------------|-----------------|
| DUET3 for the 12 months to 30 June 2012 | | | | |
| Proportionate EBITDA | 131,324 | 29,423 | - | 160,747 |
| Exclude non-controlled assets ⁽¹⁾ | (131,324) | (29,423) | - | (160,747) |
| Corporate expenses | - | - | (5,531) | (5,531) |
| Net gain on disposal of Promissory Note | - | - | 5,901 | 5,901 |
| Consolidated EBITDA | | | | 370 |
| DQE Promissory note interest | - | - | - | - |
| Interest income | - | - | 22,896 | 22,896 |
| Finance costs | - | - | (2,248) | (2,248) |
| Foreign exchange gains | - | - | - | - |
| Changes in fair value of derivatives | - | - | - | - |
| Profit before income tax expense | | | | 21,018 |

⁽¹⁾ Excludes proportionate EBITDA of non-controlled assets.

⁽²⁾ Includes share of Duquesne EBITDA up until the date of sale on 13 September 2011.

| | DQE \$'000 | DUET3 \$'000 | Total \$'000 |
|--|----------------|-----------------|-----------------|
| DUET3 for the 12 months to 30 June 2011 | | | |
| Proportionate EBITDA | 108,153 | - | 108,153 |
| Exclude non-controlled assets ⁽¹⁾ | (108,153) | - | (108,053) |
| Corporate expenses | - | (3,806) | (3,806) |
| Consolidated EBITDA | | | (3,806) |
| DQE Promissory note interest | - | 26,623 | 26,623 |
| Interest income | - | 13,515 | 13,515 |
| Finance costs | - | (13,897) | (13,897) |
| Foreign exchange gains | - | (49,708) | (49,708) |
| Changes in fair value of derivatives | - | 4,948 | 4,948 |
| Profit before income tax expense | | | (22,325) |

⁽¹⁾ Excludes proportionate EBITDA of non-controlled assets.

Financial Report

for year ended 30 June 2012

31 Segment Information (continued)

DIHL Group

DIHL had an investment in DQE, which was disposed of on 13 September 2011. On 29 September 2011, DIHL acquired 20.1% of MGH, and a wholly owned subsidiary Dampier Bunbury Investment Company Pty Limited (DBIC) which held a 22.4% equity interest in DBP at 31 December 2011. Proportionate EBITDA for MGH, DBP and DQE are set on page 98.

A reconciliation of DIHL Group's proportionate EBITDA to profit before income tax expense is provided as follows:

| | MGH \$'000 | DBP \$'000 | DQE \$'000 | DIHL Group \$'000 | Total \$'000 |
|--|----------------|----------------|---------------|-------------------------|-----------------|
| DIHL for the 12 months to 30 June 2012 | | | | | |
| Proportionate EBITDA | 131,324 | 293,016 | 29,423 | - | 453,763 |
| Exclude non-controlled assets ⁽¹⁾ | (131,324) | (293,016) | (29,423) | - | (453,763) |
| Corporate income | - | - | - | 69 | 69 |
| Corporate expenses | - | - | - | (5,220) | (5,220) |
| Equity accounted profits ⁽¹⁾ | (1,314) | 7,864 | 6,001 | - | 11,551 |
| Loss on disposal of DQE, net of reserves & transaction costs | - | - | - | (41,649) | (41,649) |
| Consolidated EBITDA | | | | | (35,249) |
| Interest income | - | - | - | 488 | 488 |
| Finance costs | - | - | - | (6,889) | (6,889) |
| Foreign exchange gains | - | - | - | 32 | 32 |
| Changes in fair value of derivatives – DQE | - | - | - | - | - |
| Changes in defined benefit pension plan – DQE | - | - | - | - | - |
| Loss before income tax expense | | | | | (41,618) |

⁽¹⁾ Excludes proportionate EBITDA of associates and includes the equity accounted share of profits/(losses).

⁽²⁾ Includes share of Duquesne EBITDA up until the date of sale on 13 September 2011.

| | DQE \$'000 | DIHL \$'000 | Total \$'000 |
|--|---------------|----------------|-----------------|
| DIHL for the 12 months to 30 June 2011 | | | |
| Proportionate EBITDA | 108,153 | - | 108,153 |
| Exclude non-controlled assets ⁽¹⁾ | (108,153) | - | (108,153) |
| Corporate income | - | 61 | 61 |
| Corporate expenses | - | (2,889) | (2,889) |
| Equity accounted profits ⁽¹⁾ | (23,298) | - | (23,298) |
| Consolidated EBITDA | | | (26,126) |
| Interest income | - | 3,510 | 3,510 |
| Finance costs | - | (6,793) | (6,793) |
| Foreign exchange gains | - | (919) | (919) |
| Changes in fair value of derivatives – DQE ⁽²⁾ | 21,128 | - | 21,128 |
| Changes in defined benefit pension plan – DQE ⁽²⁾ | 22,100 | - | 22,100 |
| Loss before income tax expense | | | 12,900 |

⁽¹⁾ Excludes proportionate EBITDA of associates and includes the equity accounted share of profits/(losses).

⁽²⁾ Equity accounted share of Duquesne's changes in fair value of derivatives and changes in defined benefit pension plan.

Financial Report

for year ended 30 June 2012

32 Financial Risk Management

DUET Group's activities expose it to a variety of financial risks; market risk (including currency risk, cash flow interest rate risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts, consumer price index swaps and interest rate swaps to hedge certain risk exposures.

Risk management is carried out by the subsidiaries under policies approved by their respective Board of Directors. The subsidiaries' treasury activities are undertaken by service providers but management of each subsidiary must approve all transactions. AMPCI, the front office service provider to the Group, arranges all transactions in line with the board established policy and the back and middle office service provider to the Group ensures compliance with the approved policies. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risk, use of derivative financial instruments and investing excess liquidity.

The Group manages its capital to ensure that entities in the Group are adequately supported in growth initiatives while maximising the return to security holders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from 2011.

The capital structure of the Group consists of net debt (interest bearing liabilities as detailed in Note 17 offset by cash and cash equivalents) and equity of the Group (comprising contributed equity, reserves, retained profits/(accumulated losses) and other non-controlling interest as detailed in Notes 22 to 25). The Group is subject to bank covenants related to interest and gearing coverage ratios.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised monetary assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates predominantly within Australia and is exposed to foreign exchange risk arising from currency exposures to the USD on borrowings. Cross currency swaps are used to manage the foreign exchange risk and the Group's policy is to hedge 100% of this risk for the life of the transaction.

DBP enters into procurement contracts with international counterparties and is exposed to foreign exchange risk arising from currency exposures predominantly in USD. Forward contracts are used to manage this risk. DBP's policy is to consider a hedging strategy for all foreign exchange transactions above AUD\$500,000 equivalent.

United Energy and Multinet are exposed to foreign exchange risk arising from currency exposures to the USD on borrowings. Cross currency swaps are used to manage the foreign exchange risk.

(ii) Price risk

The Group is exposed to revenue price risk through United Energy and Multinet. The nature of their business environments means that an Independent Regulator sets tariff prices. The tariff price path includes annual revenue growth that is derived from annual CPI. Management of each business assess this risk on an ongoing basis. Multinet has fully hedged their price risk by entering into CPI revenue swaps.

The Group is exposed to commodity price risk through DBP. The exposure is indirect and arises from the impact of commodity prices on the Western Australian economy. The exposure is assessed by DBP's management on an ongoing basis, with any initiatives (to the extent that they exist) put to DBP's Board of Directors as appropriate. Commodity price risk is not included in the sensitivity analysis.

Financial Report

for year ended 30 June 2012

32 Financial Risk Management (continued)

(iii) Fair value interest rate risk

Refer to Note 32(d).

(b) Credit risk

Potential areas of credit risk consist of cash and cash equivalents, accounts receivable, derivative financial instruments and credit exposures to committed transactions. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history or sufficient credit support. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

Sound credit risk management involves prudently managing the risk and reward relationship and controlling and minimising credit risks across a variety of dimensions, such as quality, concentration, maturity and security. Management determines concentration of risk from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions.

Governments

The credit risk to governments relates to receivables that are due from the Australian Government which is an institution with a strong credit rating.

Financial Institutions

The credit risk to financial institutions relates to cash held by, receivables due from and negotiable certificates of deposit and commercial paper that has been purchased from Australian and OECD banks. In line with the credit risk policies of the Group, these counterparties must meet a minimum investment grade credit rating.

Corporates

The credit risk to corporates includes shareholder funding of the associated entities and services provided to users of the gas and electricity networks of MGH and UEDH and the DBNGP. These counterparties have their own credit ratings which form part of the overall credit risk assessment made by each business.

DUET Group's exposure to credit risk at the reporting date is as follows:

| DUET Group | Governments \$'000 | | Financial institutions \$'000 | | Corporates \$'000 | | Total \$'000 | |
|-------------------------------|-----------------------|------------|----------------------------------|----------------|----------------------|----------------|-----------------|------------------|
| | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 |
| Cash and cash equivalents | - | - | 243,595 | 343,472 | - | - | 243,595 | 343,472 |
| Receivables | 1,663 | 376 | 21,507 | 200,000 | 64,742 | 536,064 | 87,912 | 736,440 |
| Other (Financial Derivatives) | - | - | 2,266 | - | - | - | 2,266 | - |
| Total | 1,663 | 376 | 267,368 | 543,472 | 64,742 | 536,064 | 333,773 | 1,079,912 |

| DUET 2 | Governments \$'000 | | Financial institutions \$'000 | | Corporates \$'000 | | Total \$'000 | |
|---------------------------|-----------------------|------------|----------------------------------|---------------|----------------------|----------------|-----------------|----------------|
| | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 |
| Cash and cash equivalents | - | - | 61,280 | 32,804 | - | - | 61,280 | 32,804 |
| Receivables | 717 | 181 | - | - | 660,273 | 687,655 | 660,990 | 687,836 |
| Total | 717 | 181 | 61,280 | 32,804 | 660,273 | 687,655 | 722,270 | 720,640 |

Financial Report

for year ended 30 June 2012

32 Financial Risk Management (continued)

(b) Credit risk (continued)

| | Governments \$'000 | | Financial institutions \$'000 | | Corporates \$'000 | | Total \$'000 | |
|---------------------------|-----------------------|-----------|----------------------------------|---------------|----------------------|----------------|-----------------|----------------|
| DUET 3 | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 |
| Cash and cash equivalents | - | - | 21,662 | 21,641 | - | - | 21,662 | 21,641 |
| Receivables | 212 | 41 | - | - | 264,023 | 421,193 | 264,235 | 421,234 |
| Total | 212 | 41 | 21,662 | 21,641 | 264,023 | 421,193 | 285,897 | 442,875 |

| | Governments \$'000 | | Financial institutions \$'000 | | Corporates \$'000 | | Total \$'000 | |
|---------------------------|-----------------------|-----------|----------------------------------|------------|----------------------|---------------|-----------------|---------------|
| DIHL Group | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 |
| Cash and cash equivalents | - | - | 20,356 | 931 | - | - | 20,356 | 931 |
| Receivables | 187 | 18 | - | - | 17 | 50,543 | 204 | 50,561 |
| Total | 187 | 18 | 20,356 | 931 | 17 | 50,543 | 20,560 | 51,492 |

(c) Liquidity risk

DUET Group maintains sufficient cash and marketable securities, an adequate amount of committed credit facilities and the ability to close-out market positions.

Undiscounted Future Cash Flows

The Group and parent entities have a liquidity management policy which manages liquidity risk by monitoring the stability of funding, surplus cash or near cash assets, anticipated cash inflow and outflows and exposure to connected parties. The tables below set out the contractual maturity of undiscounted future cash flows of the DUET Group and stapled entities liabilities:

| | Less than 1 year \$'000 | | 1-2 years \$'000 | | 2-3 years \$'000 | | 3-5 years \$'000 | | Greater than 5 years \$'000 | |
|----------------------------------|----------------------------|------------------|---------------------|----------------|---------------------|----------------|---------------------|------------------|--------------------------------|------------------|
| DUET Group | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 |
| Term Notes – fixed rate | 434,624 | 575,597 | 98,025 | 457,247 | 167,027 | 117,924 | 1,418,928 | 1,019,745 | 705,093 | 1,231,852 |
| Term Notes – variable rate | 29,804 | 142,448 | 26,680 | 42,285 | 520,999 | 44,742 | 25,873 | 551,902 | 303,308 | 536,265 |
| Senior Bank Debt | 92,170 | 778,257 | 247,712 | 306,017 | 575,039 | 501,194 | 857,292 | 181,107 | 316,077 | 469,971 |
| UEDH -RPS | 22,175 | 21,483 | 22,175 | 21,424 | 22,175 | 21,424 | 44,411 | 42,906 | 337,848 | 179,790 |
| Derivative financial instruments | 142,822 | 78,088 | 131,181 | 80,921 | 115,590 | 72,001 | 205,289 | 232,513 | 48,441 | 31,625 |
| Finance Lease Payables | 1,809 | 1,776 | 1,843 | 1,809 | 1,878 | 1,843 | 3,862 | 3,791 | 30,083 | 32,031 |
| Total | 1,090,339 | 1,833,969 | 527,616 | 909,703 | 1,402,708 | 759,128 | 2,555,655 | 2,031,964 | 1,740,850 | 2,481,534 |

| | Less than 1 year \$'000 | | 1-2 years \$'000 | | 2-3 years \$'000 | | 3-5 years \$'000 | | Greater than 5 years \$'000 | |
|--------------------|----------------------------|----------------|---------------------|-----------|---------------------|-----------|---------------------|-----------|--------------------------------|-----------|
| DUET 2 | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 |
| Inter-company loan | 80,822 | 253,651 | - | - | - | - | - | - | - | - |
| Payables | 53,055 | 46,858 | - | - | - | - | - | - | - | - |
| Total | 133,877 | 300,509 | - | - | - | - | - | - | - | - |

Financial Report

for year ended 30 June 2012

32 Financial Risk Management (continued)

(c) Liquidity risk (continued)

| | Less than 1 year \$'000 | | 1-2 years \$'000 | | 2-3 years \$'000 | | 3-5 years \$'000 | | Greater than 5 years \$'000 | |
|--------------|----------------------------|-----------|---------------------|-----------|---------------------|-----------|---------------------|-----------|--------------------------------|-----------|
| DUET 3 | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 |
| Inter – | | | | | | | | | | |
| company loan | 1,700 | 301,161 | - | - | - | - | - | - | - | - |
| Payables | 19,577 | 13,831 | - | - | - | - | - | - | - | - |
| | 21,277 | 314,992 | - | - | - | - | - | - | - | - |

| | Less than 1 year \$'000 | | 1-2 years \$'000 | | 2-3 years \$'000 | | 3-5 years \$'000 | | Greater than 5 years \$'000 | |
|--------------|----------------------------|-----------|---------------------|-----------|---------------------|-----------|---------------------|-----------|--------------------------------|-----------|
| DIHL Group | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 | 30 Jun 12 | 30 Jun 11 |
| Inter – | | | | | | | | | | |
| company loan | 153,920 | 155,606 | - | - | - | - | - | - | - | - |
| Payables | 3,120 | 383 | - | - | - | - | - | - | - | - |
| | 157,040 | 155,989 | - | - | - | - | - | - | - | - |

(d) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to fix the rates for at least 80% of its borrowings, in line with its facility agreements and/or regulatory periods. This policy has been complied with during the financial year.

The Group manages its cash flow interest rate risk by primarily using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed them at fixed rates directly. Under the interest-rate swaps, the Group agrees with other parties to exchange, at specified intervals to align with the underlying debt reset dates, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principle amounts.

For details of interest rate exposures refer to Note 17 and for details of the Group's interest rate swaps refer to Note 10.

(e) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the Balance Sheet date. The quoted market price used for financial liabilities held by the Group is the median ask price. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the Balance Sheet date.

DUET has adopted the amendment to AASB7 Financial Instruments: Disclosure which requires disclosure of fair value measurements by level of the following fair value measurements hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (Level 3).

Financial Report

for year ended 30 June 2012

32 Financial Risk Management (continued)

(e) Fair value estimation (continued)

| | Level 1 30 June 12 \$'000 | Level 2 30 June 12 \$'000 | Level 3 30 June 12 \$'000 | Total 30 June 12 \$'000 |
|----------------------------|---------------------------------|---------------------------------|---------------------------------|-------------------------------|
| DUET Group | | | | |
| Financial asset | | | | |
| Derivatives for hedging | - | 2,266 | - | 2,266 |
| | - | 2,266 | - | 2,266 |
| Financial liability | | | | |
| Derivatives for hedging | - | 456,121 | - | 456,121 |
| | - | 456,121 | - | 456,121 |

| | Level 1 30 June 12 \$'000 | Level 2 30 June 12 \$'000 | Level 3 30 June 12 \$'000 | Total 30 June 12 \$'000 |
|----------------------|---------------------------------|---------------------------------|---------------------------------|-------------------------------|
| DUET2 | | | | |
| Financial asset | - | - | - | - |
| Unlisted investments | - | - | - | - |
| | - | - | - | - |

The following table presents the changes in Level 3 of the fair value hierarchy for DUET2 for the year ended 30 June 2012:

| | Unlisted equity investments \$'000 | Total 30 June 12 \$'000 |
|--|--|-------------------------------|
| Opening balance at 1 July 2011 | 36,466 | 36,466 |
| Acquisition | - | - |
| Fair value gains transferred from other comprehensive income to Income Statement on disposal | (10,961) | (10,961) |
| Disposal | (25,505) | (25,505) |
| Closing balance at 30 June 2012 | - | - |

| | Level 1 30 June 12 \$'000 | Level 2 30 June 12 \$'000 | Level 3 30 June 12 \$'000 | Total 30 June 12 \$'000 |
|-------------------------|---------------------------------|---------------------------------|---------------------------------|-------------------------------|
| DUET3 | | | | |
| Financial asset | - | - | - | - |
| Derivatives for hedging | - | - | - | - |
| | - | - | - | - |

| | Level 1 30 June 12 \$'000 | Level 2 30 June 12 \$'000 | Level 3 30 June 12 \$'000 | Total 30 June 12 \$'000 |
|-------------------------|---------------------------------|---------------------------------|---------------------------------|-------------------------------|
| DIHL Group | | | | |
| Financial asset | - | - | - | - |
| Derivatives for hedging | - | - | - | - |
| | - | - | - | - |

Financial Report

for year ended 30 June 2012

32 Financial Risk Management (continued)

(f) Market risk sensitivities

In assessing the sensitivity of foreign exchange risk, management has utilised a +/- 19% (2011: 16%) movement in the Australian dollar. The tables below display the balances for financial instruments that would be recognised in the Income Statement or directly in equity for movement of +/- 19% (2011: 16%) in the Australian dollar. DUET management has determined a +/- 19% (2011: 16%) movement in the Australian dollar to be an appropriate sensitivity following analysis of foreign exchange volatility for relevant currencies. The analysis used the average of three standard deviations from the mean, for each of the last five years to 30 June 2012.

The table below demonstrates the impact of a 19% (2011: 16%) movement of foreign exchange rates against the Australian dollar with all other variables held constant, on profit after tax (due to changes in fair value of currency sensitive monetary assets and liabilities) and equity. It is assumed that the relevant change occurs as at the reporting date. As at 30 June 2012 and 2011 DUET2 did not have a significant exposure to foreign exchange risk. The carrying value of financial assets and financial liabilities per the tables below represent the net carrying value of the asset or liability exposed to this specific risk.

| | Carrying value | Foreign Exchange Risk | | | |
|------------------------------|----------------|---------------------------------------|----------------------------|---------------------------------------|----------------------------|
| | | 19% appreciation of Australian dollar | | 19% depreciation of Australian dollar | |
| | | P&L | Other Comprehensive Income | P&L | Other Comprehensive Income |
| DUET Group | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| As at 30 June 2012 | | | | | |
| Financial Assets | | | | | |
| Cash and cash equivalents | - | - | - | - | - |
| Derivative | - | - | - | - | - |
| Receivables | - | - | - | - | - |
| | - | - | - | - | - |
| Financial Liabilities | | | | | |
| Loan | (828,545) | 137,742 | - | (137,742) | - |
| Derivatives | (103,767) | (140,071) | (13,359) | 141,113 | 80,925 |
| | (932,312) | (2,329) | (13,359) | 3,371 | 80,925 |

| | Carrying value | Foreign Exchange Risk | | | |
|------------------------------|----------------|---------------------------------------|----------------------------|---------------------------------------|----------------------------|
| | | 16% appreciation of Australian dollar | | 16% depreciation of Australian dollar | |
| | | P&L | Other Comprehensive Income | P&L | Other Comprehensive Income |
| DUET Group | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| As at 30 June 2011 | | | | | |
| Financial Assets | | | | | |
| Cash and cash equivalents | 13,207 | (1,714) | - | 2,313 | - |
| Derivative | 6,230 | 2,201 | - | (2,921) | - |
| Receivables | 187,508 | (24,329) | - | 32,854 | - |
| | 206,945 | (23,842) | - | 32,246 | - |
| Financial Liabilities | | | | | |
| Loan | (915,964) | 100,826 | - | (100,826) | - |
| Derivatives | (179,565) | (100,544) | (16,583) | 100,443 | 58,655 |
| | (1,095,529) | 282 | (16,583) | (383) | 58,655 |

Financial Report

for year ended 30 June 2012

32 Financial Risk Management (continued)

(f) Market risk sensitivities (continued)

| | Carrying value | Foreign Exchange Risk | | | |
|---------------------------|----------------|--|--------|--|--------|
| | | 19% appreciation of Australian dollar | | 19% depreciation of Australian dollar | |
| DUET 3 | | P&L | Equity | P&L | Equity |
| As at 30 June 2012 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial Assets | - | - | - | - | - |
| Cash and cash equivalents | - | - | - | - | - |
| Derivatives | - | - | - | - | - |
| Receivables | - | - | - | - | - |
| | - | - | - | - | - |

| | Carrying value | Foreign Exchange Risk | | | |
|---------------------------|----------------|--|--------|--|--------|
| | | 16% appreciation of Australian dollar | | 16% depreciation of Australian dollar | |
| DUET 3 | | P&L | Equity | P&L | Equity |
| As at 30 June 2011 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial Assets | | | | | |
| Cash and cash equivalents | 13,077 | (1,697) | - | 2,291 | - |
| Derivatives | 6,230 | 2,201 | - | (2,921) | - |
| Receivables | 187,508 | (24,329) | - | 32,854 | - |
| | 206,815 | (23,825) | - | 32,224 | - |

| | Carrying value | Foreign Exchange Risk | | | |
|---------------------------|----------------|--|--------|--|--------|
| | | 19% appreciation of Australian dollar | | 19% depreciation of Australian dollar | |
| DIHL Group | | P&L | Equity | P&L | Equity |
| As at 30 June 2012 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial Assets | - | - | - | - | - |
| Cash and cash equivalents | - | - | - | - | - |
| Derivatives | - | - | - | - | - |
| | - | - | - | - | - |

| | Carrying value | Foreign Exchange Risk | | | |
|---------------------------|----------------|--|--------|--|--------|
| | | 16% appreciation of Australian dollar | | 16% depreciation of Australian dollar | |
| DIHL | | P&L | Equity | P&L | Equity |
| As at 30 June 2011 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial Assets | | | | | |
| Cash and cash equivalents | 127 | (17) | - | 22 | - |
| Derivatives | - | - | - | - | - |
| | 127 | (17) | - | 22 | - |

Financial Report

for year ended 30 June 2012

32 Financial Risk Management (continued)

(f) Market risk sensitivities (continued)

The following table demonstrates the impact of a weighted average 173 basis point (2011: 184 basis point) change in Australian interest rates, with all other variables held constant, on profit after tax and equity. It is assumed that all underlying exposures and related hedges are included in the sensitivity analysis, that the weighted average 173 basis point change occurs as at the reporting date (30 June 2011: 184 basis point) and there are concurrent movements in interest rates and parallel shifts in the yield curves. The impact on equity includes the effective portion of the changes in the fair value of derivatives that are designated to qualify as cash flow hedges. DUET management has determined that a +/- 173 basis point (2011: 184 basis point) movement to be the appropriate sensitivity at 30 June 2012 following analysis of the interest spreads of comparable debt instruments. The analysis used the average of the three standard deviations from the mean, for each of the last five years to 30 June 2011. The carrying value of financial assets and financial liabilities per the tables below represent the net carrying value of the asset or liability exposed to this specific risk.

In assessing interest rate risk, management has assumed the following movements in interest rates (2011: +/- weighted average 184 basis point):

| Interest Rate | Basis Point Movement |
|-----------------------------|------------------------|
| AUD BBSW (1 month) | 167 basis point |
| AUD BBSY (3 months) | 176 basis point |
| AUD BBSW (6 months) | 178 basis point |
| USD 10 year government bond | 106 basis point |
| Weighted Average | 173 basis point |

| | Carrying value | Interest Rate Risk | | | |
|----------------------------------|----------------|--|------------------|--|------------------|
| | | 173 basis point increase in interest rate | | 173 basis point decrease in interest rate | |
| DUET Group As at 30 June 2012 | \$'000 | P&L \$'000 | Equity \$'000 | P&L \$'000 | Equity \$'000 |
| Financial Assets | | | | | |
| Cash and cash equivalents | 243,595 | 3,981 | - | (3,981) | - |
| Derivatives | - | - | - | - | - |
| Receivables | 19,024 | 223 | - | (223) | - |
| | 262,619 | 4,204 | 0 | (4,204) | - |
| Financial Liabilities | | | | | |
| Interest bearing liabilities | (100,598) | (665) | - | 665 | - |
| Derivatives | (405,347) | 31,549 | 78,372 | (24,908) | (83,918) |
| | (505,945) | 30,884 | 78,372 | (24,243) | (83,918) |

| | Carrying value | Interest Rate Risk | | | |
|----------------------------------|----------------|--|------------------|--|------------------|
| | | 184 basis point increase in interest rate | | 184 basis point decrease in interest rate | |
| DUET Group As at 30 June 2011 | \$'000 | P&L \$'000 | Equity \$'000 | P&L \$'000 | Equity \$'000 |
| Financial Assets | | | | | |
| Cash and cash equivalents | 493,479 | 5,116 | - | (5,116) | - |
| Derivatives | 2,026 | 3,618 | 54,278 | 3,590 | (59,068) |
| | 495,505 | 8,734 | 54,278 | (1,526) | (59,068) |
| Financial Liabilities | | | | | |
| Interest bearing liabilities | (1,075,735) | (7,144) | - | 7,143 | - |
| Derivatives | (398,172) | 45,266 | 146,987 | (48,854) | (158,272) |
| | (1,473,907) | 38,122 | 146,987 | (41,711) | (158,272) |

Financial Report

for year ended 30 June 2012

32 Financial Risk Management (continued)

(f) Market risk sensitivities (continued)

| | Carrying value | Interest Rate Risk | | | |
|------------------------------|----------------|--|--------|--|--------|
| | | 173 basis point increase in interest rate | | 173 basis point decrease in interest rate | |
| DUET 2 | | P&L | Equity | P&L | Equity |
| As at 30 June 2012 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial Assets | | | | | |
| Cash and cash equivalents | 61,280 | 1,024 | - | (1,024) | - |
| Intercompany Loans | 87,983 | 1,567 | - | (1,567) | - |
| | 149,263 | 2,591 | - | (2,591) | - |
| Financial Liabilities | | | | | |
| Inter-company loans | - | - | - | - | - |
| | - | - | - | - | - |

| | Carrying value | Interest Rate Risk | | | |
|------------------------------|----------------|--|--------|--|--------|
| | | 184 basis point increase in interest rate | | 184 basis point decrease in interest rate | |
| DUET 2 | | P&L | Equity | P&L | Equity |
| As at 30 June 2011 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial Assets | | | | | |
| Cash and cash equivalents | 32,804 | 578 | - | (578) | - |
| | 32,804 | 578 | - | (578) | - |
| Financial Liabilities | | | | | |
| Inter-company loans | (37,767) | (707) | - | 707 | - |
| | (37,767) | (707) | - | 707 | - |

| | Carrying value | Interest Rate Risk | | | |
|------------------------------|----------------|--|--------|--|--------|
| | | 173 basis point increase in interest rate | | 173 basis point decrease in interest rate | |
| DUET 3 | | P&L | Equity | P&L | Equity |
| As at 30 June 2012 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial Assets | | | | | |
| Cash and cash equivalents | 21,662 | 362 | - | (362) | - |
| | 21,662 | 362 | - | (362) | - |
| Financial Liabilities | | | | | |
| Inter-company loans | - | - | - | - | - |
| | - | - | - | - | - |

| | Carrying value | Interest Rate Risk | | | |
|------------------------------|----------------|--|--------|--|--------|
| | | 184 basis point increase in interest rate | | 184 basis point decrease in interest rate | |
| DUET 3 | | P&L | Equity | P&L | Equity |
| As at 30 June 2011 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial Assets | | | | | |
| Cash and cash equivalents | 21,641 | 291 | - | (291) | - |
| | 21,641 | 291 | - | (291) | - |
| Financial Liabilities | | | | | |
| Inter-company loans | (204,700) | (3,831) | - | 3,831 | - |
| | (204,700) | (3,831) | - | 3,831 | - |

Financial Report

for year ended 30 June 2012

32 Financial Risk Management (continued)

(f) Market risk sensitivities (continued)

| | Carrying value | Interest Rate Risk | | | |
|----------------------------------|----------------|--|------------------|--|------------------|
| | | 173 basis point increase in interest rate | | 173 basis point decrease in interest rate | |
| DIHL Group As at 30 June 2012 | \$'000 | P&L \$'000 | Equity \$'000 | P&L \$'000 | Equity \$'000 |
| Financial Assets | | | | | |
| Cash and cash equivalents | 20,356 | 340 | - | (340) | - |
| | 20,356 | 340 | - | (340) | - |
| Financial Liabilities | | | | | |
| Inter-company loans | (113,142) | (2,015) | - | 2,015 | - |
| | (113,142) | (2,015) | - | 2,015 | - |

| | Carrying value | Interest Rate Risk | | | |
|------------------------------|----------------|--|------------------|--|------------------|
| | | 184 basis point increase in interest rate | | 184 basis point decrease in interest rate | |
| DIHL As at 30 June 2011 | \$'000 | P&L \$'000 | Equity \$'000 | P&L \$'000 | Equity \$'000 |
| Financial Assets | | | | | |
| Cash and cash equivalents | 931 | 16 | - | (16) | - |
| | 931 | 16 | - | (16) | - |
| Financial Liabilities | | | | | |
| Inter-company loans | (106,390) | (1,991) | - | 1,991 | - |
| | (106,390) | (1,991) | - | 1,991 | - |

In assessing price risk, management has assumed a +/- 2.94% (2011: 2.86%) movement in CPI. The below tables display the balances for financial instruments that would be recognised in the Income Statement or directly in equity for a movement of +/- 2.94% (2011: 2.86%). DUET management has determined a +/- 2.94% (2011: 2.86%) movement in prices to be an appropriate sensitivity, based upon the average of the three standard deviations from the mean for CPI for each of the last five year to 30 June 2012.

As at 30 June 2012 and 30 June 2011 DUET2, DUET3 and DIHL did not have a significant exposure to other price risk.

The carrying value of financial assets and financial liabilities per the tables below represent the net carrying value of the asset or liability exposed to this specific risk.

| | Carrying value | Other price risk | | | |
|----------------------------------|----------------|-------------------------|------------------|--------------------------|------------------|
| | | 2.94% adverse movements | | 2.94% positive movements | |
| DUET Group As at 30 June 2012 | \$'000 | P&L \$'000 | Equity \$'000 | P&L \$'000 | Equity \$'000 |
| Financial Assets | | | | | |
| Derivatives | - | - | - | - | - |
| | - | - | - | - | - |
| Financial Liabilities | | | | | |
| Derivatives | (71,288) | (8,273) | (177,232) | 1,535 | 33,330 |
| | (71,288) | (8,273) | (177,232) | 1,535 | 33,330 |

| | Carrying value | Other price risk | | | |
|----------------------------------|----------------|-------------------------|------------------|--------------------------|------------------|
| | | 2.86% adverse movements | | 2.86% positive movements | |
| DUET Group As at 30 June 2011 | \$'000 | P&L \$'000 | Equity \$'000 | P&L \$'000 | Equity \$'000 |
| Financial Assets | | | | | |
| Derivatives | 8,870 | 11,553 | - | (12,030) | - |
| | 8,870 | 11,553 | - | (12,030) | - |
| Financial Liabilities | | | | | |
| Derivatives | - | - | - | - | - |
| | - | - | - | - | - |

Financial Report

for year ended 30 June 2012

33 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). 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 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 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.

34 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.

Financial Report

for year ended 30 June 2012

34 Acquisitions and disposals (continued)

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.

35 Commitments for Expenditure

| | DUET Group 30 Jun 12 \$'000 | DUET Group 30 Jun 11 \$'000 |
|--|-----------------------------------|-----------------------------------|
| Capital commitments | | |
| Commitments for the acquisition of major capital assets not shown as a liability | | |
| Within one year | 416,477 | 476,518 |
| Later than one year but not later than five years | - | - |
| | 416,477 | 476,518 |
| Lease commitments | | |
| Commitments in relation to finance leases are payable as follows: | | |
| Within one year | 1,809 | 1,776 |
| Later than one year but not later than 5 years | 7,583 | 7,443 |
| Less future finance charges | (17,847) | (18,846) |
| Later than 5 years | 30,083 | 32,031 |
| | 21,628 | 22,404 |

Financial Report

for year ended 30 June 2012

36 Contingent Liabilities

United Energy

United Energy is in negotiations with Zinfra (formerly Jemena Asset Management) regarding contractual claims under the Operating Services Agreement (OSA) between the parties which expired on 30 June 2011. These claims extend to activities over the transition out period of OSA. At this stage it is not possible to quantify a dollar range within which this settlement will fall.

Multinet

Multinet is renegotiating the pricing of its services agreement with Jemena Asset Management (6) Pty Ltd and there may be a price adjustment to both capital expenditure and operating expenditure charges relating to the period from 1 July 2006 to 30 June 2013. At this stage it is not possible to quantify a dollar range within which this settlement will fall.

37 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

Security holders 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.

Financial Report

for year ended 30 June 2012

Statement by the Directors of the Responsible Entity of DUET1

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 (DUET1), the consolidated Financial Statements for DUET1 and its controlled entities (DUET Group) set out on pages 20 to 117 are in accordance with the Corporations Act 2001, including:

- complying with Australian Accounting Standards and the Corporations Regulations 2001;
- are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board;
- giving a true and fair view of the DUET Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

There are reasonable grounds to believe that DUET Group will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2012.

This declaration is made in accordance with a resolution of the Directors of AMPCI Macquarie Infrastructure Management No.1 Limited (as Responsible Entity of DUET1).



Philip Garling

Director

Sydney

16 August 2012



John Roberts

Director

Sydney

16 August 2012

Financial Report

for year ended 30 June 2012

Statement by the Directors of the Responsible Entity of DUET2

In the opinion of the Directors of AMPCI Macquarie Infrastructure Management No.2 Limited as the Responsible Entity for Diversified Utility and Energy Trust No.2, the Financial Statements set out on pages 20 to 117 are in accordance with the Corporations Act 2001, including:

- complying with Australian Accounting Standards and the Corporations Regulations 2001;
- are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board;
- giving a true and fair view of the Trust's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2012.

This declaration is made in accordance with a resolution of the Directors of AMPCI Macquarie Infrastructure Management No.2 Limited (as Responsible Entity of DUET2).



Philip Garling

Director

Sydney

16 August 2012



John Roberts

Director

Sydney

16 August 2012

Financial Report

for year ended 30 June 2012

Statement by the Directors of the Responsible Entity of DUET3

In the opinion of the Directors of AMPCI Macquarie Infrastructure Management No.2 Limited as the Responsible Entity for Diversified Utility and Energy Trust No.3, the Financial Statements set out on pages 20 to 117 are in accordance with the Corporations Act 2001, including:

- complying with Australian Accounting Standards and the Corporations Regulations 2001;
- are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board;
- giving a true and fair view of the Trust's financial position as at 30 June 2012 and of its performance, for the year ended on that date; and

There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2012.

This declaration is made in accordance with a resolution of the Directors of AMPCI Macquarie Infrastructure Management No.2 Limited (as Responsible Entity of DUET3).



Philip Garling

Director

Sydney

16 August 2012



John Roberts

Director

Sydney

16 August 2012

Financial Report

for year ended 30 June 2012

Statement by the Directors of DIHL

In the opinion of the Directors of DIHL, the Financial Statements set out on pages 20 to 117 are in accordance with the Corporations Act 2001, including:

- complying with Australian Accounting Standards and the Corporations Regulations 2001;
- are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board;
- giving a true and fair view of DIHL's financial position as at 30 June 2012 and of its performance, for the year ended on that date; and

There are reasonable grounds to believe that DIHL will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2012.

This declaration is made in accordance with a resolution of the Directors of DUET Investment Holdings Limited.



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, Diversified Utility and Energy Trust No.2, Diversified Utility and Energy Trust No.3 and DUET Investment Holdings Limited

Report on the financial report

We have audited the accompanying 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 (together "the trusts") and DUET Investment Holdings Limited ("the company") and the entities they controlled during the year ("DUET Group"), which comprises the balance sheets as at 30 June 2012, and the income statements, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the trusts, the company and the entities they controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the responsible entities of the trusts, and the directors of the company, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Trust Deeds and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We 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*. We have given to the directors of the responsible entities and the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

- a. the financial report of Diversified Utility and Energy Trust No.1, Diversified Utility and Energy Trust No.2, Diversified Utility and Energy Trust No.3, DUET Investment Holdings Limited and DUET Group is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the trusts, the company and consolidated entity's financial positions as at 30 June 2012 and of their performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 14 to 16 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of DUET Investment Holdings Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

A stylized, handwritten signature of 'Ernst & Young' in black ink.

Ernst & Young

A handwritten signature of 'Kester C Brown' in black ink, written over a horizontal line.

Kester C Brown
Partner

Melbourne
16 August 2012