

## APPENDIX 4E

### Preliminary Final Report

#### Results for announcement to the market

Name of entity: **DUET Group**

#### 1. Details of the reporting period

**Current Period:** 1 July 2013 – 30 June 2014

**Previous Corresponding Period:** 1 July 2012 – 30 June 2013

#### 2. Results for announcement to the market

		<b>\$A '000,000</b>	
2.1	Revenues from ordinary activities	\$1,251.4 million, down 5%	
2.2	Profit from ordinary activities after tax	Profit from ordinary activities after tax of \$193.1 million, up 885%.	
2.3	Net Profit for the period attributable to members	Net profit after tax attributable to DUET stapled securityholders of \$190.5 million, up 3,175%.	
2.4	Dividends / Distributions	Amount per security	Franked amount per security
	<i>Current Period:</i>		
	Final dividend / distribution	8.500 cents	-
	Interim dividend / distribution	8.500 cents	-
	<i>Previous Corresponding Period:</i>		
	Final dividend / distribution	8.250 cents	-
	Interim dividend / distribution	8.250 cents	-
2.5	Record date for determining entitlements to the dividend/ distribution	30 June 2014	

## Results for announcement to the market (continued)

- 2.6 DUET derives its revenue from operations in gas transmission and distribution and electricity distribution.

The DUET Group net profit after tax for the year of \$193.1 million (2013: net profit after tax of \$19.6 million) includes significant items such as a tax benefit resulting from the resetting of Multinet Gas' asset cost base on implementation of the group simplification project on 1 August 2013.

The exclusion of these significant items resulted in a net profit after tax of \$81.2 million for the year to 30 June 2014 (2013: net profit after tax of \$81.7 million) as follows:

<b>Full year to 30 June</b>	<b>\$ million 2014</b>	<b>\$million 2013</b>
Revenues from ordinary activities	1,251.4	1,313.4
<i>Less: items not included in Consolidated EBITDA</i>		
<i>Unrealised mark to market gains on derivatives</i>	(10.1)	(48.1)
<i>Foreign exchange gains</i>	(0.1)	(1.0)
<i>Interest revenue</i>	(10.3)	(6.3)
<b>Revenues from ordinary activities, adjusted</b>	<b>1,230.9</b>	<b>1,258.0</b>
Operating expenses	(439.1)	(569.7)
<i>Add: items not included in Consolidated EBITDA</i>		
<i>Foreign exchange losses</i>	1.4	-
<i>Unrealised mark to market losses on derivatives</i>	2.8	-
<b>Operating expenses, adjusted</b>	<b>(434.9)</b>	<b>(569.7)</b>
<b>Consolidated EBITDA</b>	<b>796.0</b>	<b>688.3</b>
Foreign exchange (losses)/gains	(1.3)	1.0
Net unrealised mark to market gains on derivatives	7.3	48.1
Depreciation and Amortisation	(265.5)	(253.9)
<b>Consolidated EBIT</b>	<b>536.5</b>	<b>483.5</b>
Net interest expense	(434.8)	(433.6)
<b>Net profit before income tax</b>	<b>101.7</b>	<b>49.9</b>
Tax benefit/(expense)	91.4	(30.3)
<b>Net profit after income tax</b>	<b>193.1</b>	<b>19.6</b>
<i>Add/(subtract): significant items</i>		
<i>Tax benefit arising on implementation of group simplification</i>	(107.5)	-
<i>Internalisation and group simplification expenses</i>	1.6	111.2
<i>FX losses/(gains)</i>	1.3	(1.0)
<i>Unrealised mark to market gains on derivatives</i>	(7.3)	(48.1)
<b>Net profit after income tax excluding significant items</b>	<b>81.2</b>	<b>81.7</b>

**Dampier Bunbury Pipeline**

DBP owns Western Australia's principal gas transmission pipeline (the Dampier to Bunbury Natural Gas Pipeline or the DBNGP) which is the only pipeline connecting the natural gas reserves of the Carnarvon and Browse basins on Western Australia's North West Shelf with industrial, commercial and residential customers in Perth and the surrounding regions. DBP delivers about 50% of total primary energy consumption in Western Australia.

DBP delivered 334,776 TJ of gas during the year (2013: 309,054 TJ).

**DBP Development Group**

DDG will be the owner and operator of the Wheatstone Ashburton West Pipeline which, when construction is complete, will connect an existing pipeline system to the DBNGP along with the construction of a new looped (i.e. interconnected) pipeline.

During the year, a sister company of DDG formed an unincorporated joint venture with TransAlta Corporation of Canada to build, own and operate a natural gas pipeline from the DBNGP to Fortescue's Solomon Hub operations in Western Australia's Pilbara region (the Fortescue River Gas Pipeline).

**United Energy**

United Energy's electricity distribution network covers 1,472 square kilometres of south-east Melbourne and the Mornington Peninsula. The distribution network transports electricity from the high voltage transmission network to residential, commercial and industrial electricity users. United Energy's distribution area is largely urban and, although geographically small (about 1% of Victoria's land area), serves around 25% of Victoria's population.

United Energy distributed 7,752 GWh of electricity during the year (2013: 7,961 GWh).

**Multinet Gas**

Multinet Gas is a Victorian gas distribution company with a network covering 1,860 square kilometres of the eastern and south-eastern suburbs of Melbourne. Multinet Gas has expanded its geographic base through participation in the state government's natural gas extension program. Its network transports gas from the high pressure transmission network to residential, commercial and industrial gas users.

Multinet distributed 51,855 TJ of gas in the period (2013: 56,389 TJ).

**3. Income Statements with notes**

Refer to the attached financial statements.

**4. Balance Sheets with notes**

Refer to the attached financial statements.

**5. Cash Flow Statements with notes**

Refer to the attached financial statements.

**6. Statement of retained earnings showing movements**

Refer to the attached financial statements (Note 25: Retained Profits / Accumulated losses).

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**7. Net tangible assets per security**

	Current period	Previous corresponding period
Net asset backing per stapled security	\$1.37	\$1.30
Net tangible asset backing per stapled security (Consolidated net assets less consolidated intangible assets)	\$nil	\$nil

## 8. Control gained or lost over entities during the period

8.1 Name of entity (or group of entities) over which control was gained	N/A
8.2 Date control was gained	N/A
8.3 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired  Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A
8.4 Name of entity (or group of entities) over which control was lost	N/A
8.5 Date control was lost	N/A
8.6 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control  Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	N/A

## 9. Details of Dividends/distributions

The final distribution for the year ended 30 June 2014 was \$112.0 million (8.500 cents per stapled security) and has been paid on 22 August 2014. The interim distribution for the period ended 31 December 2013 was \$105.2 million (8.500 cents per stapled security) and was paid on 20 February 2014.

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**10. Details of dividends/distributions reinvestment plan**

A portion of stapled security holders elected to participate in DUET's Distribution Reinvestment Plan ('DRP') for the distributions paid on 22 August 2014. Of the distributions declared, \$23.3 million was reinvested in DUET stapled securities.

A portion of stapled security holders elected to participate in DUET's Distribution Reinvestment Plan ('DRP') for the distributions paid on 20 February 2014. Of the distributions declared, \$21.0 million was reinvested in DUET stapled securities. As announced on 11 December 2013, DRP participation was capped to a maximum of 20% of the total distribution.

**11. Details of associates and joint venture entities**

DUET Group has no investments in associates and joint ventures.

**12. Accounting standards used by foreign entities**

N/A

**13. Qualification of audit/review**

N/A as there is no audit dispute or qualification. Refer attached financial report for audit report.

## 14. Commentary of Results

	Current period	Previous corresponding period
14.1 Earnings per stapled security <sup>(1)</sup>	4.86¢	(0.94)¢
	\$A'000	\$A'000
14.2 Returns to shareholders: Distributions	\$217,176	\$192,021
Refer also attached financial statements (Directors Report and Note 5: Distributions Paid and Proposed).		
14.3 Significant features of operating performance:		
	\$'000	\$'000
Revenue		
Operating revenue	1,241,220	1,264,261
Other	10,196	49,125
	1,251,416	1,313,386
Expenses		
Depreciation and amortisation	265,546	253,940
Finance costs	445,017	439,903
Operating fees	418,280	439,709
Management fees & expenses	-	5,986
Loss on disposal of non current assets	4,600	5,073
Fair value loss on derivative contracts	2,829	-
Foreign exchange losses	1,416	21
Expenses relating to internalisation and group simplification	1,622	111,243
Other expenses	10,453	7,657
	1,149,763	1,263,532
<b>Net result before tax</b>	<b>101,653</b>	<b>49,854</b>
Income tax credit/(expense)	91,408	(30,261)
<b>Net result after income tax expense</b>	<b>193,061</b>	<b>19,593</b>
Profit/(loss) is attributable to:		
DUET1 unitholders	61,039	(10,774)
DFT and DUET3 unitholders and DIHL shareholders as non-controlling interests	129,446	16,590
<b>Net result attributable to security holders</b>	<b>190,485</b>	<b>5,816</b>
Other non-controlling interests	2,576	13,777
Basic earnings per stapled security	4.86 cents	(0.94) cents

<sup>(1)</sup> Following the DUET Group Simplification on 1 August 2013, DUECo was identified as parent of DUET. Prior to 1 August 2013, the parent of DUET was identified as DUET1. Earnings per stapled security for DUET Group includes earnings of the parent only and has been calculated in accordance with AASB 133 *Earnings per Share*. Earnings per stapled security on consolidated profit for the year is 15.37c (2013: 1.71c).

**FINANCIAL PERFORMANCE**

The net profit attributable to security holders and non-controlling interests for DUET and its consolidated entities for the year ended 30 June 2014 is a profit of \$193.1 million (2013: profit of \$19.6 million).

**Revenue**

The total revenue for the year was \$1,251.4 million (2013: \$1,313.4 million), comprising the following:

- Distribution revenue of \$647.9 million (2013: \$656.5 million).
- Metering revenue of \$87.0 million (2013: \$93.1 million).
- Transportation revenue of \$415.9 million (2013: \$418.1 million).
- Other sales revenue of \$21.8 million (2013: \$15.1 million).
- Other revenue of \$76.5 million (2013: \$128.5 million).
- New connections revenue \$2.3 million (2013: \$2.2 million).

**Operating Expenses**

Operating expenses of \$418.3 million were incurred during the year (2013: \$439.7 million) and included the following:

- Operating fees of \$233.7 million (2013: \$256.1 million).
- Other operating expenses of \$184.6 million (2013: \$183.6 million).

**Depreciation and amortisation expense**

- Amortisation of intangible assets was \$64.0 million (2013: \$55.8 million).
- Depreciation of property, plant and equipment was \$201.5 million (2013: \$198.2 million).

**Finance costs**

Finance costs of \$445.0 million (2013: \$439.9 million) were incurred during the year. This includes \$19.3 million (2013: \$15.4 million) of amortised borrowing costs.

**Income Tax**

- A consolidated income tax benefit of \$91.4 million (2013: expense of \$30.3 million) was recognised during the year.

**Non-controlling Interests**

- Non-controlling equity interests of \$2.6 million represent the net results of DBP and United Energy attributable to non-controlling interests (2013: \$13.8 million).



**Earnings per Stapled Security**

The basic earnings per stapled security after finance costs is 4.86 cents per stapled security (2013: (0.94) cents per stapled security).

- The weighted average number of stapled securities on issue used in the calculation of the earnings per stapled security is 1,256.4 million (2013: 1,143.9 million).
- Earnings per stapled security for DUET Group include earnings of DUECo only and has been calculated in accordance with *AASB 133 Earnings per Share*. Earnings per stapled security on consolidated profit for the year is 15.37c (2013: 1.71c).

**FINANCIAL POSITION****Assets**

- At 30 June 2014, total assets of DUET were \$8,846.2 million (2013: \$8,505.4 million).
- Property, plant and equipment of \$5,784.6 million (2013: \$5,613.7 million) included \$5.8 million of land (2013: \$5.8 million), \$30.2 million of land and buildings (2013: \$28.7 million), \$5,469.2 million of plant and equipment (2013: \$5,300.1 million), \$39.0 million of other property, plant and equipment (2013: \$43.2 million) and \$240.4 million of plant and equipment in the course of construction (2013: \$235.9 million).
- Intangible assets of \$2,067.8 million (2013: \$2,087.4 million) comprise \$56.8 million of intellectual property (2013: \$63.2 million), \$1,035.4 million of distribution licences (2013: \$1,035.4 million) and \$789.8 million of goodwill (2013: \$789.8 million), \$137.4 million of software assets (2013: \$151.6 million), and \$47.4 million of development project costs (2013: \$45.9 million).

**Liabilities**

- At 30 June 2014, total liabilities of DUET were \$7,041.2 million (2013: \$6,983.4 million). This included interest bearing liabilities of \$5,667.7 million (2013: \$5,671.9 million).

**Equity**

- At 30 June 2014, total equity of DUET was \$1,805.0 million (2013: \$1,522.0 million).
- Contributed equity is \$2,650.6 million (2013: \$2,350.0 million).
- Reserves are \$(601.3) million (2013: \$(561.8) million), the majority of which are cash flow hedges measured in accordance with IFRS.

**Net Asset Backing**

- The net asset backing per stapled security at 30 June 2014 is \$1.37 (2013: \$1.30).

**14.4 Segment results**

DUET Group owns energy utility assets in Australia with strong competitive positions and predictable cash flows. The primary basis of segment reporting is individual core assets. (Refer attached financial statements (Note 31)).

**14.5 Trends in performance**

Refer to 14.3.

**14.6 Other factors**

Refer attached financial statements (Directors Report)

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**15. Audit / review of accounts upon which this report is based**

This report is based on accounts to which one of the following applies (*tick one*):

<input checked="" type="checkbox"/>	The accounts have been audited. (refer attached financial statements)	<input type="checkbox"/>	The accounts have been subject to review. (refer attached financial statements)
<input type="checkbox"/>	The accounts are in the process of being audited or subject to review.	<input type="checkbox"/>	The accounts have <i>not</i> yet been audited or reviewed.

**16. Accounts not yet audited or reviewed**

N/A (see above)

**17. Qualification of audit / review**

N/A as no qualification