



# DUET Group

## Financial Report for year ended 30 June 2015

At 30 June 2015 the DUET Group comprised DUET Finance Limited (DFL) (ABN 15 108 014 062) (AFSL 269287) in its personal capacity and as Responsible Entity for DUET Finance Trust (DFT) (ARSN 109 363 135) (ABN 85 482 841 876), DUET Company Limited (DUETCo) (ABN 93 163 100 061) and DUET Investment Holdings Limited (DIHL) (ABN 22 120 456 573) and their controlled entities. In combination DFT, DFL, DUETCo and DIHL referred to as "DUET" or "DUET Group". "DUET" may also refer to any entity of the DUET Group or all of them or any combination thereof.

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.

At 30 June 2015 the DUET Group comprised DUET Company Limited (DUETCo) (ABN 93 163 100 061), DUET Investment Holdings Limited (DIHL) (ABN 22 120 456 573), DUET Finance Limited (DFL) (ABN 15 108 014 062) (AFSL 269287) in its personal capacity and as Responsible Entity for DUET Finance Trust (DFT) (ARSN 109 363 135) (ABN 85 482 841 876) and the entities they controlled.

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# Financial Report

for year ended 30 June 2015

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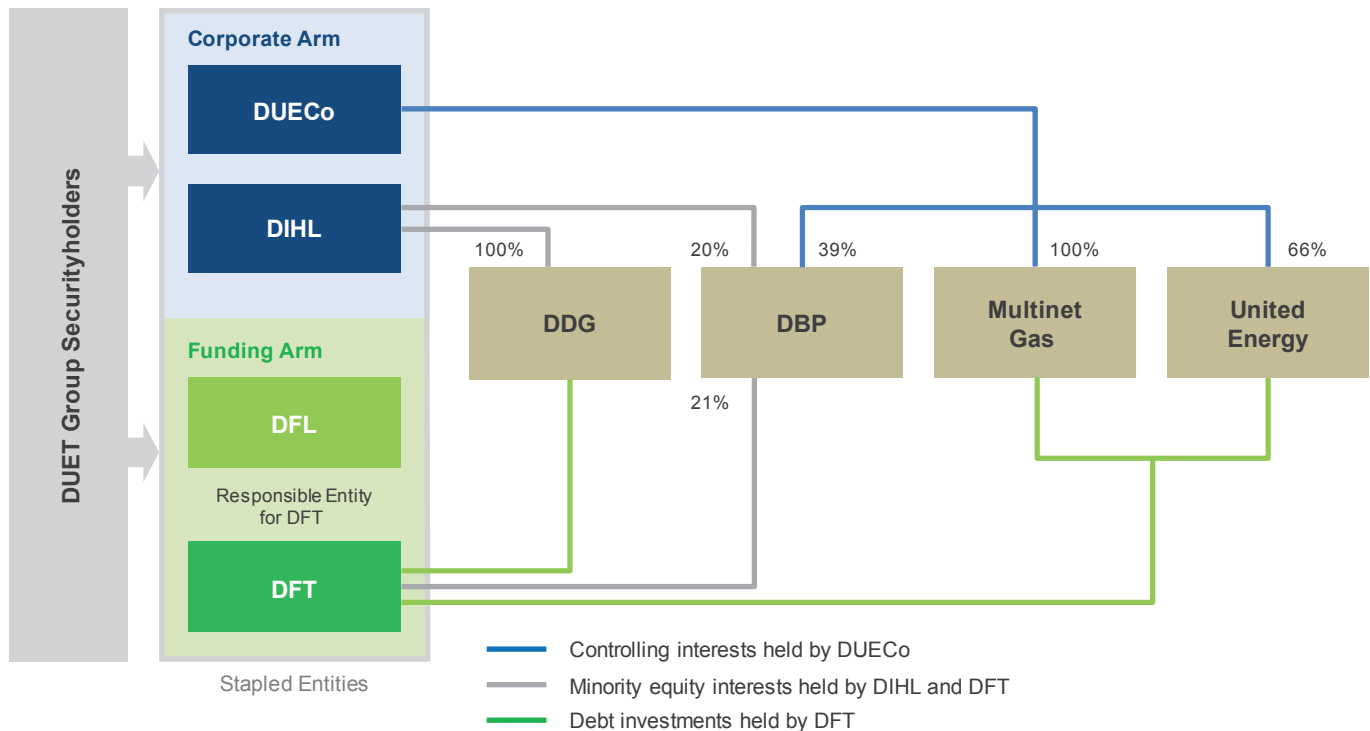
## Explanation of the Financial Report

for year ended 30 June 2015

As at 30 June 2015, the DUET Group comprised DUET Company Limited (DUETCo), DUET Investment Holdings Limited (DIHL), DUET Finance Limited (DFL) in its personal capacity and as responsible entity of DUET Finance Trust (DFT or the Trust) and their subsidiaries (together DUET). These four stapled entities, DUETCo, DIHL, DFL and DFT, trade as one listed security, DUET Group, on the Australian Securities Exchange (ASX Code: DUE).

The four stapled entities are grouped into a corporate arm (comprising DUETCo and DIHL) and a funding arm (comprising DFL and DFT). The corporate arm controls the Group's equity interests in its operating businesses, while the funding arm primarily holds debt investments in those businesses. Each arm has a separate and independent board.

A summarised structure of DUET and its investments at 30 June 2015 is illustrated below.



Note: Structure is in summary form with interposed entities not shown

DUET consolidates its interest in United Energy Distribution Holdings Limited and its controlled entities (UEDH or United Energy), Multinet Group Holdings Limited and its controlled entities (MGH or Multinet Gas), the Dampier Bunbury Natural Gas Pipeline Trust and its controlled entities (DBP or Dampier Bunbury Pipeline) and DBP Development Group Nominees Pty Limited and its controlled entities (DDG). Accordingly the results, assets and liabilities of these entities are consolidated into this DUET Group Financial Report.

In accordance with AASB10 *Consolidated Financial Statements*, DUETCo has been identified as the parent of the consolidated Group that also includes DIHL, DFL and DFT and their subsidiaries.

Financial Statements for DFT, DIHL and its subsidiaries (DIHL Group), and DFL for the year ended 30 June 2015 have also been presented in this report jointly, as permitted by ASIC class order 05/642 and 06/441.

In this Financial Report, the column presented first serves as a summary of the financial performance and financial position of DUET Group as a whole, while the other columns of the Financial Report provide the individual entity Financial Reports of DFT, DIHL Group, and DFL.

## Directors' Reports: DUECo, DFT, DIHL and DFL

for year ended 30 June 2015

DFL acts as responsible entity for DFT.

The Directors of DUECo submit the following report for DUECo for the year ended 30 June 2015.

The Directors of DIHL submit the following report for DIHL for the year ended 30 June 2015.

The Directors of DFL submit the following report for DFL and DFT for the year ended 30 June 2015.

### Corporate Information

DUET consists of a registered managed investment scheme, DFT, DFL which is the responsible entity of DFT, DUECo and DIHL. These four entities are stapled together and trade on the Australian Securities Exchange (ASX) as one security. The entities are domiciled and incorporated in Australia.

### Principal Activities

DUET Group owns and operates energy utility assets in Australia with strong competitive positions and predictable cash flows.

### Directors' Names (and period of service)

The following persons held office as Directors of DIHL and DUECo as at the date of this report, unless stated otherwise:

- Douglas Halley (Chairman)
- Ron Finlay
- Emma Stein
- Shirley In't Veld
- Jack Hamilton
- Simon Perrott (appointed 1 July 2015)
- John Roberts (resigned 30 June 2015)
- Duncan Sutherland (resigned 20 November 2014)
- Michael Lee (resigned 1 September 2014)

The following persons held office as Directors of DFL to the date of this report, unless stated otherwise:

- Eric Goodwin (Chairman)
- Jane Harvey
- Terri Benson
- Ron Finlay (resigned 20 February 2015)

# Directors' Reports: Operating and Financial Review

for year ended 30 June 2015

## About DUET

DUET is the owner of energy utility businesses in Australia which generate regulated and long-term contracted cash flows. The combined aggregated ownership interest of DUET's stapled entities in DBP, DDG, United Energy and Multinet Gas is treated as a controlling interest for accounting purposes and consolidated in this DUET Group financial report.

There were no significant changes to DUET Group's ownership interest in its energy utility businesses.

## Review of Operations

The DUET Group net profit after tax for the year was \$45.9 million (2014: \$193.1 million). Excluding significant items resulted in a net profit after tax of \$77.0 million for the year to 30 June 2015 (2014: \$86.6 million<sup>1</sup>) as follows:

Full year to 30 June	2015 \$'000	2014 \$'000
Revenues from ordinary activities	1,269,315	1,251,416
<i>Less: items not included in Consolidated EBITDA</i>		
<i>Unrealised mark to market gains on derivatives</i>	(7,184)	(10,130)
<i>Foreign exchange gains</i>	–	(66)
<i>Interest revenue</i>	(9,275)	(10,259)
<b>Revenues from ordinary activities, adjusted</b>	<b>1,252,856</b>	<b>1,230,961</b>
Operating expenses	(506,318)	(439,200)
<i>Add: items not included in Consolidated EBITDA</i>		
<i>Foreign exchange losses</i>	–	1,416
<i>Loss on disposal of assets<sup>1</sup></i>	8,552	4,600
<i>Unrealised mark to market losses on derivatives</i>	28,400	2,829
<b>Operating expenses, adjusted</b>	<b>(469,366)</b>	<b>(430,355)</b>
<b>Consolidated EBITDA<sup>1</sup></b>	<b>783,490</b>	<b>800,606</b>
Net foreign exchange (losses)/gains	–	(1,350)
Net unrealised mark to market (losses)/gains on derivatives	(21,216)	7,301
Net loss on disposal of assets <sup>1</sup>	(8,552)	(4,600)
Depreciation and amortisation	(276,509)	(265,546)
<b>Consolidated EBIT</b>	<b>477,213</b>	<b>536,411</b>
Net borrowing costs	(412,281)	(434,758)
<b>Net profit before income tax</b>	<b>64,932</b>	<b>101,653</b>
Tax (expense)/benefit	(19,004)	91,408
<b>Net profit after income tax</b>	<b>45,928</b>	<b>193,061</b>
<i>Add/(subtract): significant items</i>		
<i>Tax expense/(benefit) arising on implementation of group simplification</i>	7,130	(107,496)
<i>Head Office project costs</i>	3,054	1,622
<i>Net loss on disposal of assets<sup>1</sup></i>	8,552	4,600
<i>Net foreign exchange losses</i>	–	1,350
<i>Net unrealised mark to market losses/(gains) on derivatives</i>	21,216	(7,301)
<i>Tax benefit on loss of disposal of assets<sup>1</sup></i>	(2,566)	(1,380)
<i>Tax (benefit)/expense on mark to market derivatives<sup>1</sup></i>	(6,365)	2,190
<b>Net profit after income tax excluding significant items<sup>1,2</sup></b>	<b>76,949</b>	<b>86,646</b>
Cash available for distribution <sup>3</sup> (\$'000)	255,111	217,006
Weighted average DUET Group stapled securities on issue ('000's)	1,417,426	1,256,610
Cash available for distribution <sup>3</sup> per stapled security - cents	18.0	17.3
Full year distribution declared and payable per stapled security - cents	17.5	17.0
<b>Full year distribution coverage (%)</b>	<b>103%</b>	<b>102%</b>

<sup>1</sup> The previous corresponding period did not include these items. As they are material during the current period, corresponding comparative figures have also been disclosed. The inclusion of these items increased the 2014 reported Consolidated EBITDA, adjusted from \$796.0 million to \$800.6 million and the NPAT excluding significant items from \$81.2 million to \$86.6 million.

<sup>2</sup> Profit excluding significant items is non-IFRS information. Management has provided an analysis of significant items included in the reported IFRS financial information. These items have been considered in relation to their size and nature, and have been adjusted from the reported (i.e. IFRS) information to assist readers to better understand the financial performance of the underlying operating business. These adjustments are assessed on a consistent basis from period to period and include both favourable and unfavourable items. Non-IFRS financial information, while not subject to audit or review, has been extracted from the financial report which has been audited by external auditors.

<sup>3</sup> Cash available for distribution represents the aggregate of net cash inflows from energy utilities and operations, head office net interest income, less head office operating expenses paid. The 2014 cash available for distribution excluded a \$18.75 million dividend paid by Multinet Gas on 6 August 2013 as this was included in 2013 cash available for distribution. Refer to DUET's Management Information Report for details.

## Directors' Reports: Operating and Financial Review

### for year ended 30 June 2015

Adjusted EBITDA less interest for each energy utility per DUET's Management Information Report are as follows (shown as 100%).

Financial Year Ended \$'000	DBP		DDG		United Energy		Multinet Gas	
	2015	2014	2015	2014	2015	2014	2015	2014
Revenue	396,685	428,847	12,679	4,450	509,742	479,902	184,128	182,049
Expense	(82,224)	(80,334)	(3,411)	(2,714)	(149,611)	(146,087)	(61,937)	(58,791)
EBITDA	314,461	348,513	9,268	1,736	360,131	333,815	122,191	123,258
Customer contributions (net of margin)	(6,400)	(457)	–	–	(17,827)	(16,076)	(3,307)	(6,622)
Adjusted EBITDA	308,061	348,056	9,268	1,736	342,304	317,739	118,884	116,636
Net external interest	(179,478)	(226,559)	691	2,409	(136,622)	(131,490)	(48,434)	(51,740)
Adjusted EBITDA less net external interest	128,583	121,497	9,959	4,145	205,682	186,249	70,450	64,896

### DBP

DBP owns Western Australia's principal gas transmission pipeline (the Dampier to Bunbury Natural Gas Pipeline), 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 delivered 330,773 TJ of gas during the year (2014: 334,776 TJ).

Total revenue at DBP was lower impacted by the recontracting of shippers contracts in early FY2015, although adjusted EBITDA less interest was higher primarily due to lower net external interest costs.

### DBP Development Group

DDG owns and operates the Wheatstone Ashburton West Pipeline which connects the onshore Wheatstone LNG complex to the DBNGP. The construction of the pipeline reached practical completion in late December 2014.

DDG has a 57% interest in an unincorporated joint venture with TransAlta Corporation of Canada which owns and operates a natural gas pipeline from the DBNGP to Fortescue's Solomon Hub operations in Western Australia's Pilbara region (the "Fortescue River Gas Pipeline"). The construction of the pipeline reached practical completion in March 2015.

### United Energy

United Energy's distribution network covers 1,472 km<sup>2</sup> of south-east Melbourne and Mornington Peninsula. The distribution network transports electricity from the high voltage transmission network to residential, commercial and industrial electricity users.

United Energy distributed 7,461 GWh of electricity (2014: 7,752 GWh).

During the year, distribution revenue at United Energy was up on the prior period reflecting higher regulated tariffs and increases in grid fees.

### Multinet Gas

Multinet Gas is a Victorian gas distribution company with a network covering 1,860 km<sup>2</sup> 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.

During the year, Multinet Gas delivered 55,676 TJ (2014: 51,855 TJ).

Total revenue and operating expenses at Multinet Gas were down on the prior period reflecting primarily the repeal of the carbon tax, which is a pass through revenue and cost item. Other operating costs were principally the same on the prior period.

### Other DUET Stapled Entities

The financial performance of the other stapled entities (excluding the parent, DUECo) comprising the DUET Group for the year ended 30 June 2015 was as follows:

	DFT 1 Jul 14 – 30 Jun 15 \$'000	DIHL Group 1 Jul 14 – 30 Jun 15 \$'000	DFL 1 Jul 14 – 30 Jun 15 \$'000	DFT 1 Jul 13 – 30 Jun 14 \$'000	DIHL Group 1 Jul 13 – 30 Jun 14 \$'000	DFL 1 Jul 13 – 30 Jun 14 \$'000
Revenue and other income	148,413	35,593	326	132,633	19,698	101
Profit/(loss) after tax for the year	103,373	617	67	127,374	2,395	(323)
Profit/(loss) after tax attributable to securityholders	103,373	617	67	127,374	2,395	(323)
Earnings used in calculation of basic and diluted earnings per unit/share	103,373	617	67	127,374	2,395	(323)
Basic earnings/(loss) per stapled unit/share	7.29c	0.04c	0.00c	10.14c	0.19c	(0.03)c

## Directors' Reports: Operating and Financial Review

for year ended 30 June 2015

### Financial Position

The net assets of the Group increased by \$190.6 million to \$1,995.6 million. The increase in net assets was mainly due to proceeds from issues of stapled securities of \$409.6 million net of costs. As at 30 June 2015, the net asset backing of the Group was \$1.34 (2014: \$1.37).

The total interest bearing liabilities of the Group as at 30 June 2015 of \$5,730.8 million was largely similar to the previous year (2014: \$5,667.7 million). The proportionate gearing of the Group (Proportionate Net External Debt divided by Proportionate Regulated Asset Base or RAB) as at 30 June 2015 was 69.8% (2014: 73.2%).

Net assets of DFT increased by \$184.9 million to \$1,418.9 million. Net assets increased mainly as a result of the issues of stapled securities during the year.

Net assets of DIHL Group increased by \$59.9 million to \$209.3 million and DFL by \$1.0 million to \$6.9 million.

### Business Strategies and Prospects

DUET Group's objective is to maximise securityholder value by owning and controlling energy utility businesses that provide stable and predictable cashflows.

DUET Group's strategy is to grow organically and through accretive acquisitions of energy utility businesses, with long-term contracted or regulated cashflows.

Distribution guidance for FY16 is 18.0 cents cash per stapled security. This guidance is subject to change if DUET's forecast assumptions are not met.

### Material Business Risks

The DUET Group has a structured and pro-active approach to identifying, understanding and managing risk.

The key focus of the risk management approach is to ensure alignment of strategy, processes, people, technology and knowledge, and evaluate and manage the uncertainties and opportunities faced by the DUET Group.

Set out below are key risks of which we are aware which may materially impact the execution and achievement of the business strategies and prospects for the DUET Group in future financial years. These risks should not be taken to be a complete or exhaustive list of the risks and uncertainties associated with the DUET Group. Many of the risks are outside the control of the Directors. There can be no guarantee that DUET Group will achieve its stated objectives, that it will meet trading performance or financial results guidance that it may provide to the market, or that any forward looking statements contained in this report will be realised or otherwise eventuate.

#### *Regulatory risk*

The DUET Group operates in regulated industries and carries out its business activities under various permits, licences, approvals and authorities from regulatory bodies. Regulatory bodies are responsible for setting tariffs, which directly impact a significant proportion of the DUET Group's revenue and therefore any adverse change to regulatory tariffs would impact the Group's profitability. In addition, if any permits, licences, approvals or authorities are revoked, or if the DUET Group breaches its permitted operating conditions, this would adversely impact the DUET Group's operations and profitability.

DUET Group's operating businesses must satisfy a prudence test for certain expenditure to be recovered through the regulatory revenue mechanism. There is a risk that despite expenditure being incurred, the recovery of this expenditure is disallowed by the relevant regulatory body.

The regulatory compliance and network performance risks of DUET Group are actively managed by drawing on DUET Group's highly experienced in-house regulatory staff and engineers. Regulatory risk is also mitigated by the use of industry experts when the Group prepares for regulatory price reviews. Other measures employed include the use of KPI monitoring of network performance, equipment condition monitoring and the implementation of annual asset management plans.

#### *Interest rate risk*

There is a risk that changes in DUET Group's credit ratings, prevailing market interest rates and the strength of capital markets will influence the DUET Group's interest costs and its ability to refinance debt.

The DUET Group has a structured and proactive approach to understanding and managing interest rate risk, which focuses on maintaining and monitoring base interest rate hedging commitments and diversified funding sources with reputable finance institutions both locally and globally.

#### *Tax*

The risk that changes in tax law (including goods and services taxes and stamp duties), or changes in the way tax laws are interpreted in the various jurisdictions in which the DUET Group operates, may impact the tax liabilities of the DUET Group and its operating businesses.



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DUET Group seeks to manage this risk by monitoring changes in legislation, utilising external tax and legal advisors and employing highly experienced qualified accounting and tax experts within each operating business which regularly monitors the taxation relevant to the company's operations.

### **Workplace Health and Safety Risk**

Failure to implement effective workplace health and safety (WHS) and public safety procedures at DUET Group's operating businesses give rise to WHS and/or public safety risk which in turn may create reputational or regulatory risk.

DUET Group manages these risks by developing appropriate WHS policies, training and reporting in accordance with the required legislation. Furthermore, the operating businesses employ WHS expertise to ensure dedicated resources are available to manage these risks. Senior management and internal audit regularly visit the operating businesses to further monitor WHS and public safety initiatives.

### **Climate and demand risks**

Changes in weather patterns as a result of climate change could have an adverse effect on the DUET Group's operating businesses by increasing both capital and operating costs. Volumes carried on the networks may vary due to weather conditions (as well as due to other factors such as changes in industrial use, seasonality, general economic conditions, use of competing sources of energy).

DUET Group undertakes significant capital expenditure on its assets to minimise the impact of climate-related factors.

### **General economic conditions**

The DUET Group's operating and financial performance is also influenced by a variety of other general economic and business conditions, including exchange rates, commodity prices, the ability to access funding, oversupply and demand conditions, government fiscal and monetary policies, changes in gross domestic product and economic growth, and consumer and investment sentiment.

Prolonged deterioration in these conditions could have a materially adverse impact on the Group's operating and financial performance.

To the extent possible, the Group manages these risks by incorporating a consideration of general economic conditions and future expectations into its regulatory submissions and financial plans and forecasts.

## Distributions and Dividends

The distribution for the year ended 30 June 2015 was 17.500 cents per stapled security (2014: 17.000 cents per stapled security).

An interim distribution for the year ended 30 June 2015 of 8.750 cents per stapled security was paid on 19 February 2015 (2014: 8.500 cents per stapled security). This consisted of 4.398 cents per unit from DFT and 4.352 cents per share from DUECo (2014: 7.673 cents per unit from DFT, 0.534 cents per share from DUECo and 0.293 cents per share from DIHL). The DUECo dividend was unfranked.

A final distribution of 8.750 cents per stapled security was paid on 20 August 2015 (2014: 8.500 cents per stapled security). This consisted of 4.409 cents per unit from DFT and 4.341 cents per share from DUECo (2014: 7.529 cents per unit from DFT, 0.713 cents per share from DUECo and 0.258 cents per share from DIHL). The DUECo dividend was unfranked.

## Significant Changes in State of Affairs

### **Proposal to acquire ASX-listed Energy Developments Limited**

On 20 July 2015, DUET Group announced that it had entered into a scheme implementation deed with ASX-listed Energy Developments Limited (EDL, ASX:ENE) under which it is proposed that DUET will acquire 100% of EDL's shares on issue by way of a scheme of arrangement for \$8.00 per share payable in cash.

Financial close is expected in October 2015 and will be subject to EDL shareholder approval, court approval and other necessary approvals and conditions precedent.

To fund the proposed acquisition of EDL, DUET Group completed a \$1.67 billion equity raising via a cornerstone placement (\$550 million) and a fully underwritten accelerated non-renounceable 1 for 2.69 pro rata entitlement offer (\$1,122 million), each at a price of \$2.02 per stapled security.

## Events Occurring After Balance Sheet Date

### **DUET Group securities issued for proposed EDL acquisition**

A total of 685,709,456 new stapled securities were issued on 3 August 2015 and a total of 141,828,803 new stapled securities were issued on 17 August 2015. Both issues were made at a price of \$2.02 per stapled security.

### **DUET Funding Arm financing - DFT**

As part of the proposed acquisition of ASX-listed Energy Developments Limited DFT (the DUET Funding Arm) increased an existing loan facility with DUECo to \$1.3 billion on 30 July 2015 on principally the same terms. The new loan facility was partly drawn down on 31 July 2015 and again on 14 August 2015. The undrawn amount on the existing loan facility at 20 August 2015 was \$140.0 million.

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DFT financed the increase in the existing loan facility with DUECo primarily using funds received as part of the equity raising described above. In addition to these funds DFT entered into a new \$210 million loan facility with DIHL on 30 July 2015. The commercial terms of the new facility are consistent with existing facilities in place within the Group. The undrawn amount on the new loan facility at 20 August 2015 was \$14.3 million.

### Indemnification and Insurance of Officers

During the year, DUECo, DFL and DIHL 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 DUECo, DFT, DFL and DIHL against any losses incurred while acting on behalf of DUET Group.

### Indemnification of Auditors

DUET Group's auditor is Ernst & Young. DUET Group has agreed with Ernst & Young, as part of its terms of engagement, to indemnify Ernst & Young against certain liabilities to third parties arising from the audit engagement. The indemnity does not extend to any liability resulting from a negligent, or wilful act or omission by Ernst & Young.

During the year:

- DUET Group has not paid any premium in respect to any insurance policy for Ernst & Young or a body corporate related to Ernst & Young; and
- There were no officers of DUET Group who were former partners or directors of Ernst & Young, whilst Ernst & Young conducted audits of DUET Group.

### Directors' Holdings of Stapled Securities

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

	DUET Group stapled securities 2015	DUET Group stapled securities 2014
<b>Director</b>		
Emma Stein	56,078	36,130
Douglas Halley	191,269	143,900
Jane Harvey	23,000	–
Jack Hamilton	50,948	–
Terri Benson	6,685	–
Ron Finlay	57,419	37,208
Eric Goodwin	135,316	66,583
Shirley Int'Veld	–	–
Simon Perrott	50,000	–

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for year ended 30 June 2015

### Additional Specific Disclosures

#### Information on Directors at 30 June 2015

##### Experience and Directorships

##### Douglas Halley

BCom (UNSW), MBA (UNSW), FAICD

*Independent Chairman and Non-Executive Director (DUECo and DIHL)*

Doug joined the DUET stapled group entity boards in February 2006 as an independent director and became the independent chairman of the DUET Group following the internalisation of DUET's management arrangements in December 2012. Since 2 August 2013, Doug serves as the chairman of the DUET Corporate Arm entities.

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

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

Other current directorships are: chairman of Vocation Limited and director of Print & Digital Publishing Pty Limited ("Time Out Sydney").

##### Ron Finlay

LLB (Sydney)

*Independent and Non-Executive Director (DUECo and DIHL)*

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

Other current directorships are: Macquarie Generation, NSW's largest generator, independent chairman on a number of government and private sector Project Control Groups and Dispute Avoidance Boards for major projects, including independent chair of the Aqua Sure Group (the SPV responsible for the development and commissioning of the Victorian Desalination Plant), Brisbane Airport's New Parallel Runway Project and the Brisbane Legacy Way Project.

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

##### Shirley In't Veld

BComm LLB (Hons) (Melb), FAICD

*Independent and Non-Executive Director (DUECo and DIHL)*

Shirley joined the DUET Group as an independent director as part of the DUET restructure in August 2013.

Shirley In't Veld was the Managing Director of Verve Energy for five years, relinquishing her position in April 2012. Prior to her position at Verve Energy, Shirley was Vice President Primary Business Development with Alcoa, and from 2001–2004 she was the Managing Director of Alcoa Australia Rolled Products. Shirley commenced her career as a commercial lawyer with Mallesons and has also held senior legal, commercial and marketing positions with WMC Resources Ltd, Bond Corporation and BankWest.

Shirley has held industry group representation positions with the Energy Supply Association of Australia, the Packaging Council of Australia and the Aluminium Council of Australia, and has been a board member with the Co-operative Research Centre for Landscape Evolution in Mineral Exploration (CSIRO) and the Association of Mining and Exploration Companies in WA (AMEC).

Other current directorships are: Independent Non-Executive Director of Asciano Ltd, CSIRO, Chairperson of the Sustainability Committee of Asciano, director of Perth Airport, WA Chamber of Commerce and Industry (Board and Council) and Juniper (a WA based Uniting Church Aged Care Provider).

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### Experience and Directorships

#### Emma Stein

BSc (Hons) Physics (Manch), MBA (Manch), FAICD  
*Independent and Non-Executive Director (DUETCo and DIHL)*

Emma joined the DUET entity boards as part of DUET's initial public offering in June 2004.

Emma has extensive experience in operational utilities which includes energy retailing and asset management, international business operations, strategy development and implementation, acquisition integration and divestment.

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

Other current directorships are: Programmed Maintenance Group; Alumina Limited; and Transpacific Industries Limited. Emma is also a NSW Ambassador for the Guides. Formerly, Emma was a non-executive director of ARC Energy, Merlin Petroleum Limited (Australian oil and gas exploration and production companies), Transfield Services Infrastructure Fund and Clough Limited.

#### Jack Hamilton

B. Chem, PhD  
*Independent and Non-Executive Director (DUETCo and DIHL)*

Jack joined the boards in May 2014. He has extensive technical and operational experience in the midstream/downstream gas sectors and has led large scale LNG project developments in both Australia (particularly Western Australia) and Papua New Guinea. Jack has more than 20 years of CEO and senior executive experience working in top tier multinational organisations including Shell and Woodside Petroleum, where he developed strong capabilities in strategic development, commercial and M&A negotiations and project management. He has also led organisations in the renewable and clean energy sectors.

Jack holds a PhD in Engineering from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors.

Other current directorships are: director of the boards of Calix Ltd, Geodynamics Ltd and Southern Cross Electrical Engineering Ltd, and non-executive director of the boards of Antilles Oil and Gas NL and Federation Training.

#### Simon Perrott

BSc (Melb), MBA (AGSM)  
*Independent and Non-Executive Director (DUETCo and DIHL)*

Simon joined the boards in July 2015.

Mr Perrott has been the Australian head of corporate finance or investment banking at a number of global investment banks and was, until his retirement in 2014, the Chairman of CIMB Bank Australia (previously RBS Group (Australia) and ABN AMRO Australia).

Mr Perrott holds a Bachelor of Science from the University of Melbourne and a Masters of Business Administration from the Australian Graduate School of Management.

Other current directorships are: Non-Executive Director of Lend Lease Real Estate Investments Ltd, a Director of the Wayside Chapel and a Trustee of the Australian Cancer Research Foundation.

#### Eric Goodwin

BEng (UNSW), MIE (Aust)  
*Independent Chairman and Non-Executive Director (DFL)*

Eric joined the DFL board as part of DUET's initial public offering in June 2004.

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

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

## Directors' Reports: Operating and Financial Review

for year ended 30 June 2015

### Experience and Directorships

#### Jane Harvey

B Com (Melb), MBA (Melb), FCA, FAICD  
*Independent and Non-Executive Director (DFL)*

Jane joined the DUET Group as an independent director as part of the DUET restructure in August 2013.

As a Partner at PricewaterhouseCoopers, Jane provided many years of consulting advice to the utilities sector including commercialisation and privatisation of both gas and electricity entities across Australia.

Jane retired from PricewaterhouseCoopers in 2002, and since then has developed a portfolio of board positions. Jane was formerly a director of David Jones Limited.

Other current directorships are: Non-executive director of UGL Limited, IOOF Holdings Limited, the Telecommunications Industry Ombudsman, Colonial Foundation Trust and Orygen, The National Centre of Excellence in Youth Mental Health. Jane chairs a number of Audit and Risk Committees on these Boards and is also a Council member of the Australian Institute of Company Directors (Vic).

#### Terri Benson

B. Bus., CPA  
*Independent and Non-Executive Director (DFL)*

Terri joined the board in May 2014. She has held a number of senior executive positions in the energy and water utility sector, including as Managing Director of Essential Energy in NSW and most recently as Chief Executive Officer of Seqwater in Queensland. She has extensive experience in Australian energy regulation, a track record in merging and restructuring energy utility businesses and a deep understanding of energy customer expectations.

Terri holds a Bachelor of Business (Accounting) from the University of Western Sydney and has completed the Harvard Business School Advanced Management Program. She is a member of the Australian Society of Certified Practising Accountants and a member of the Australian Institute of Company Directors.

Other current directorships are: Managing Director of Birdon Holdings Pty Ltd (marine engineering company based in Port Macquarie).

Former roles include director of the Energy Networks Association, the Energy and Water Ombudsman of NSW and Gas Market Company Pty Ltd.

### Company Secretary

Ms Leanne Pickering was appointed Company Secretary for DUET Group in 2006. She has been the legal manager of DUET since 2006 and is a practising solicitor.

## Directors' Reports: Operating and Financial Review

### for year ended 30 June 2015

#### Meetings of DUECo, DIHL and DFL's Directors

The number of meetings each member of the DUECo, DIHL and DFL 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 2015 is summarised as follows:

	Meetings of Directors		Meetings of Audit and Risk Committee		Meetings of Nomination and Remuneration Committee	
	Meetings attended	Meetings eligible to attend <sup>^</sup>	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend
<b>DUECo</b>						
<b>Director</b>						
Douglas Halley* <sup>^</sup>	14	15	3	3	10	10
John Roberts <sup>^</sup>	13	15	–	–	10	10
Duncan Sutherland*	9	9	1	1	–	–
Ron Finlay*	14	15	2	2	1	1
Emma Stein* <sup>^</sup>	12	15	3	3	10	10
Shirley In't Veld* <sup>^</sup>	13	15	2	3	10	10
Jack Hamilton*	13	15	2	3	1	1

\* Members of the Audit and Risk Committee

<sup>^</sup> Member of the Nomination and Remuneration Committee

	Meetings of Directors		Meetings of Audit and Risk Committee		Meetings of Nomination and Remuneration Committee	
	Meetings attended	Meetings eligible to attend <sup>^</sup>	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend
<b>DIHL</b>						
<b>Director</b>						
Douglas Halley* <sup>^</sup>	14	15	3	3	10	10
John Roberts <sup>^</sup>	13	15	–	–	10	10
Duncan Sutherland*	9	9	1	1	–	–
Ron Finlay*	14	15	2	2	1	1
Emma Stein* <sup>^</sup>	12	15	3	3	9	10
Shirley In't Veld* <sup>^</sup>	13	15	2	3	10	10
Jack Hamilton*	13	15	2	3	1	1

\* Members of the Audit and Risk Committee

<sup>^</sup> Member of the Nomination and Remuneration Committee

	Meetings of Directors		Meetings of Audit and Risk Committee		Meetings of Nomination and Remuneration Committee	
	Meetings attended	Meetings eligible to attend <sup>^</sup>	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend
<b>DFL</b>						
<b>Director</b>						
Michael Lee* <sup>^</sup>	3	3	–	1	1	1
Jane Harvey* <sup>^</sup>	12	14	4	4	3	3
Ron Finlay*	10	11	3	3	–	–
Eric Goodwin* <sup>^</sup>	14	14	4	4	3	3
Terri Benson* <sup>^</sup>	12	14	4	4	3	3

\* Members of the Audit and Risk Committee

<sup>^</sup> Member of the Nomination and Remuneration Committee

# Directors' Reports: DUET Group (DUETCo, DIHL and DFL) Remuneration Report (audited)

for year ended 30 June 2015

## To our securityholders

**As chair of the DIHL Remuneration Committee and on behalf of the Board, I am pleased to present the remuneration report for 2015 to you. DUET is committed to disclosing a clear and transparent summary of our director and executive remuneration and appointment arrangements and any changes made during the financial year.**

Last year's remuneration report received strong support at the 2014 AGM. We have been mindful in preparing this remuneration report of the expectations of the market and securityholders in setting and reporting on our executive remuneration framework.

## Non-executive director remuneration

Since our corporate simplification in August 2013, DUET has continued with its board renewal process and review of the mix of Directors' skills on each of our boards. On 1 July 2015, DUET announced the appointment of a new director; Mr Simon Perrott, to the DIHL and DUETCo boards, with Mr John Roberts stepping down.

There have been no changes to the director remuneration structure in FY2015. Refer to section 7 for further detail.

## 2015 performance and executive remuneration

The FY2015 STI awards for the CEO and CFO (the 'Executives') were, on average, at 91% of possible awards. This result was due to DUET either meeting or exceeding its key financial targets and in delivering a number of planned and unplanned projects and initiatives which included:

- Met or exceeded each of DUET's three key FY15 financial targets (EBITDA less interest, cash cover of distributions and HQ opex);
- Recontracted most of DBP's full-haul standard shipper contracts at tariffs materially above the expected regulated outcome, extending contracted volume terms to 2033-35;
- DUET raised \$397 million of equity at a tight discount to pre-fund growth capex at United Energy and Multinet, suspend the dividend and distribution reinvestment plan (DRP) for at least 3 years and recapitalise DBP;
- Restored DBP's 'BBB-, stable outlook' credit rating with Standard and Poor's;
- Refinanced \$865 million of term debt across DBP, Multinet and United Energy on attractive, market-competitive terms;
- Recapitalised United Energy with \$125 million of equity (DUET share: \$82.5 million) providing headroom in United Energy's balance sheet to fund its growing regulated asset base;
- Completed construction of two accretive gas transmission pipeline development projects at DDG;
- Renegotiated the scope and price of United Energy's outsourced service contracts, improving efficiency;
- Progressed to the short list for the Northern Territory pipeline development project; and
- Undertook due diligence and negotiations on the proposed acquisition of Energy Developments which was subsequently announced along with an underwritten \$1.67 billion equity raising on 20 July 2015.

## Changes to 2015 remuneration

- The CEO's fixed remuneration was increased by 4% in line with the consumer price index (CPI) adjusted on an 18 month pro rata basis from 1 January 2013.
- The CFO's fixed remuneration was increased by 8.2%, in addition to the 4% increase noted in the 2014 remuneration report, and his STI opportunity from 42% to 50% as a result of an independent external benchmarking exercise against similar organisations including ASX 200 and peer group listed infrastructure entities.
- This is the first adjustment to CEO and CFO remuneration since December 2012. Please refer to section 6.4 for further detail.

## Remuneration structure for 2015

As outlined in our FY2014 Remuneration Report, section 1 and the body of this report, a number of changes to the executive remuneration structure have been implemented for FY2015 to provide greater alignment with securityholder distributions and the value of securityholder equity.

The DIHL board continues to monitor and review the appropriateness of the remuneration structure in light of emerging corporate governance and remuneration trends, DUET's strategic focus and our aim is to align the interests of Executives with securityholders.



Shirley In't Veld  
Chair, Remuneration Committee for DUET Investment Holdings Limited

## Directors' Reports: DUET Group (DUETCo, DIHL and DFL) Remuneration Report (audited) for year ended 30 June 2015

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### Key Terms used in this report

Term	Meaning	Term	Meaning
<b>DFL</b>	DUET Finance Limited, being one of the stapled entities of the DUET Group	<b>KMP</b>	Key Management Personnel, who for the purposes of this Report are the NEDs and Executives as listed in section 4
<b>DIHL</b>	DUET Investment Holdings Limited, being one of the stapled entities of, and the employing entity in, the DUET Group	<b>LTI</b>	Long Term Incentive Plan
<b>DUETCo</b>	DUET Company Limited, being one of the stapled entities of the DUET Group	<b>NED</b>	Non-executive director of each of DFL, DIHL and DUETCo as listed in section 4
<b>EBITDA<sup>1</sup></b>	Earnings Before Interest Tax Depreciation and Amortisation Costs	<b>STI</b>	Short Term Incentive Plan
<b>EBITDAF<sup>1</sup></b>	Earnings Before Interest Tax Depreciation Amortisation and unrealised fair value changes in derivatives	<b>TSR</b>	Total Shareholder Return. TSR represents an investor's return, calculated as the percentage difference between the initial amount invested in stapled securities and the final value of those stapled securities at the end of the relevant period, assuming distributions were reinvested, or such other method of calculation as determined by the Board.
<b>Executive</b>	David Bartholomew, the Chief Executive Officer (CEO) and Jason Conroy, the Chief Financial Officer (CFO)	<b>VWAP</b>	Volume Weighted Average Price

<sup>1</sup> The use of the term EBITDAF and/or EBITDA refers to non-IFRS financial information. Underlying earnings are categorised as non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 Disclosing non-IFRS financial information. Underlying adjustments have been considered in relation to their size and nature, and have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying business in each reporting period. These adjustments are assessed on a consistent basis from period to period and include both favourable and unfavourable items. The non-IFRS financial information, whilst not subject to an audit or review, has been extracted from the financial report which has been subject to audit by our external auditors. A detailed reconciliation of adjustments to the reported financial information is provided on page 4 of the Director's Report.



## Directors' Reports: DUET Group (DUETCo, DIHL and DFL) Remuneration Report (audited)

for year ended 30 June 2015

### 1. Remuneration structure for 2015

In August 2014, the DIHL Board implemented the following changes to the executive remuneration structure for incentive awards to ensure that the Executives are appropriately incentivised and their interests are aligned with DUET securityholders. Further details are set out in section 6.

Feature		Further details
<b>Clawback</b>	In order to further strengthen DUET's remuneration governance framework, the DIHL Board has introduced a clawback policy for Executives. The policy gives the Board the ability to clawback incentives in the event of a material financial misstatement or gross misconduct. The clawback provisions will apply to future unvested STI awards.	Section 6
<b>STI Retentions</b>	<p>The arrangements for retention of a portion of the Executives' STI awards have been changed to align with market practice and to provide a stronger alignment with the interests of securityholders. The changes involve:</p> <ul style="list-style-type: none"> <li>• an increase in the proportion to be retained to 50% of the total award for the CEO and 40% of the total award for the CFO;</li> <li>• a reduction in the period of retention from four years to two years; and</li> <li>• A change from cash to 'notional equity' where the value of deferred payments is adjusted (up or down) to reflect changes in the DUET security price and distributions paid between the date of grant and the vesting date.</li> </ul>	Section 6 and 8
<b>LTI</b>	<p>The LTI targets have been changed for grants made in FY2015 in order to increase the emphasis on the Group's cash distribution profile and to remove the LTI target relating to total shareholder return (TSR) relative to the ASX Utilities Accumulation Index (UAI) as the DIHL Board is of the view that the composition of the UAI is no longer of relevance or an appropriate benchmark for the Group, being dominated by a small number of companies including energy retailers. Note that this LTI target continues to apply to LTI grants made in FY2013 and FY2014.</p> <p>The LTI target relating to TSR relative to the ASX200 Accumulation Index has been retained.</p>	Section 6 and 8

While DUET is mindful of the ongoing market commentary regarding securityholding requirements of directors and executives, as well as incentives being paid in equity, these are not measures that have been included in the DUET remuneration structure. Due to the limited liquidity and trading window restrictions on DUET securities for Executives (particularly in light of the number and frequency of market sensitive transactions undertaken by DUET), the DIHL board considers it appropriate to have cash-based 'notional equity' incentive awards, with sufficiently rigorous performance hurdles and vesting periods, rather than equity-based incentive awards.

Section 6 outlines the terms of the STI and LTI and 'notional equity' arrangements, including that the value of any award payable under the LTI may increase or decrease in value in line with the DUET security price over the three year vesting period, but is ultimately paid in cash. And, from FY2015, that the value of any deferred component of an STI award to the Executives may increase or decrease in value in line with the DUET security price over the two year vesting period, but is ultimately paid in cash. The DIHL Board considers that this change to 'notional equity' better aligns with market practice and provides a stronger alignment with the interests of DUET securityholders.

### 2. Remuneration Governance

The DIHL Board has a responsibility to ensure that appropriate governance is in place in relation to executive remuneration. The Remuneration Committee assists the Board in fulfilling its responsibilities relating to the remuneration of Executive KMP and Non-executive Directors. The Board acts independently of management when making decisions affecting remuneration.

To ensure that the Board is fully informed when making remuneration decisions, it may engage directly with external advisors to provide insights on remuneration trends and practices, regulatory updates and benchmarking for Executive KMP and Non-executive Director remuneration. No remuneration recommendations as defined in section 9B of the *Corporations Act 2001* were obtained during the 2015 financial year.

## Directors' Reports: DUET Group (DUETCo, DIHL and DFL) Remuneration Report (audited) for year ended 30 June 2015

### 3. DUET's Remuneration Principles

DUET Group's remuneration philosophy is designed to:

- attract, motivate and retain high performing Executive and board members;
- directly align the interests of Executive employees with those of DUET Group securityholders in such a way that their variable remuneration is linked to both the success and any downturn in the DUET Group's performance; and
- comply with appropriate governance standards and legal requirements.

In summary, DUET Group's Executive remuneration strategy is intended to directly align with securityholders' interests. See section 6 and 8 for further details.

The remuneration policy for non-executive directors (**NEDs**) is to provide remuneration that is sufficient to attract and retain Directors with the experience, knowledge, skills and judgement to govern DUET Group's operations, financing and employees. See section 7 for further details.

### 4. The DUET Entities and Key Management Personnel

The directors of the DUET Group present the Remuneration Report for DUET Investment Holdings Limited (**DIHL**), DUET Company Limited (**DUETCo**) and DUET Finance Limited (**DFL**). DIHL is the employer entity within the DUET Group and makes staff available to the other entities in the DUET Group under a Resources Agreement.

This Remuneration Report for the year ended 30 June 2015 outlines the remuneration arrangements of DIHL, DUETCo and DFL in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

For the purposes of this Report, the term "**Executive**" includes the Chief Executive Officer (**CEO**) and Chief Financial Officer (**CFO**).

This Remuneration Report details the remuneration arrangements for key management personnel (**KMP**) who are those persons having authority and responsibility for planning, directing and controlling the major activities of DIHL, DUETCo and DFL. KMPs have been identified as the Executives of DIHL and the Non-Executive Directors (**NEDs**) of DIHL, DUETCo and DFL. The NEDs of each entity comprising the DUET Group meet the definition of KMP as they have this authority in relation to the activities of these entities.

#### Non-Executive Directors during the financial year ended 30 June 2015

Douglas Halley	Chairman – DIHL and DUETCo
Eric Goodwin	Chairman – DFL
Ron Finlay	Independent Director
Emma Stein	Independent Director
Shirley In't Veld	Independent Director
Jack Hamilton	Independent Director
Jane Harvey	Independent Director
Terri Benson	Independent Director
John Roberts	Director – resigned 30 June 2015
Duncan Sutherland	Independent Director – resigned 20 November 2014
Michael Lee	Independent Director – resigned 1 September 2014

#### Executives

David Bartholomew	Chief Executive Officer
Jason Conroy	Chief Financial Officer

Except as noted, all of the above NEDs and Executives have held their current positions for the whole of the financial year and since the end of the financial year, up to the date of this Report.

## Directors' Reports: DUET Group (DUETCo, DIHL and DFL) Remuneration Report (audited) for year ended 30 June 2015

### 5. Nomination and Remuneration Committees

The Nomination and Remuneration Committees were established by the Board of Directors of each entity comprising the DUET Group in accordance with the requirements of ASX Listing Rule 12.8 and for the purpose of (among other things) discharging the responsibilities and making recommendations to the DIHL Board relating to the compensation of DIHL's key management personnel. In so doing, it seeks independent input and advice on market practice, trends and overall executive remuneration structure.

Each of the DIHL, DUETCo and DFL Boards has a Nomination and Remuneration Committee. The members of the Nomination and Remuneration Committees are:

DUECo and DIHL	DFL
Shirley In't Veld (chair Remuneration Committee)	Terri Benson (chair)
Doug Halley	Eric Goodwin
John Roberts – resigned 30 June 2015	Jane Harvey
Emma Stein (chair Nomination Committee)	

Specifically, the DIHL Board approves the remuneration arrangements of the CEO and CFO and all awards made under the long-term incentive (**LTI**) plan, following recommendations from the DIHL Remuneration Committee. The DIHL Board also approves, having regard to the recommendations made by the Remuneration Committee, the level of the Group short-term incentives (**STIs**) and the individual STI awards to the Executives.

The Remuneration Committees of each of the DUET Group entities also have responsibility for recommending the remuneration of each Company's directors in their role as a director and chairman or member of any committee or subcommittee of the Board, as the case may be.

The Nomination Committees provide advice and recommendations to each Board on the criteria for selection, performance review and nominations for appointment of directors (either between AGMs or to stand for election).

As part of the board renewal process, the Nomination and Remuneration Committees have undertaken a detailed review of NED remuneration, skills required and selection processes to ensure consistency with market practice. This resulted in the appointment of a new director on 1 July 2015 – Mr Simon Perrott to the DIHL and DUETCo boards. See section 7 for further details.

The Nomination and Remuneration Committees meet regularly throughout the year. The CEO attends certain Remuneration Committee meetings by invitation, where management input is required. The CEO is not present during any discussions relating to his own remuneration arrangements.

The charters for the Nomination and Remuneration Committees are available on the DUET Group website ([www.duet.net.au](http://www.duet.net.au)).

## Directors' Reports: DUET Group (DUETCo, DIHL and DFL) Remuneration Report (audited) for year ended 30 June 2015

### 6. Executive Remuneration Arrangements and Link to DUET's Performance

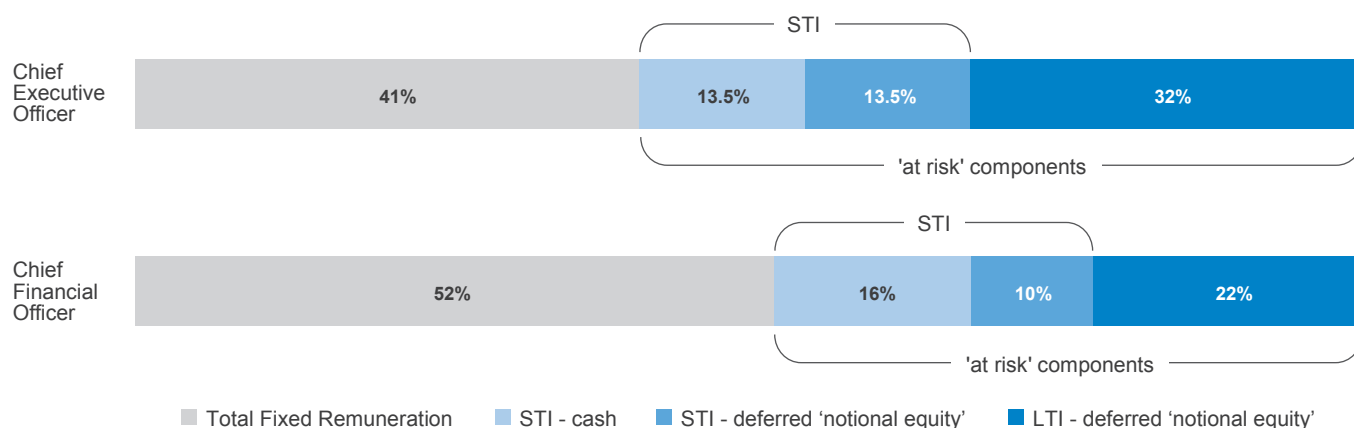
The link between remuneration arrangements and DUET Group's performance is provided by:

- a material portion of Executive remuneration varying with short term and long term performance;
- applying financial and non-financial measures to assess performance; and
- ensuring that these performance measures focus management on strategic business objectives that are aimed at creating securityholder value over the short and long term.

#### 6.1 Remuneration Mix

The mix of total remuneration and reward is reflective of the Executive's ability to influence DUET's financial results and therefore the range is varied. The table below shows the potential total reward mix for 2015, assuming maximum at risk incentives.

##### Remuneration Structure (% total remuneration opportunity)



Note that as the LTI is 'notional equity', the value can increase or decrease in line with changes in the DUET security price providing alignment to securityholders. See the table below and section 6.3.2 for further detail.

As noted above, the DUET Group Executive Remuneration structure comprises a fixed and at risk component which are explained in further detail below.

#### Fixed Remuneration

Feature	Rationale	Rationale and link to performance
Comprises base salary inclusive of superannuation contributions and other benefits	<ul style="list-style-type: none"> <li>• To provide a competitive level of fixed remuneration that recognizes the size, scope, complexity of the role and experience of the executive with reference the market to <b>attract and retain</b>.</li> <li>• Designed to provide a <b>predictable 'base' level</b> of remuneration reviewed annually to <b>retain</b> executives</li> <li>• <b>Market competitive</b> and benchmarked against ASX200 and peer group of listed infrastructure entities</li> </ul>	DUET Group and individual performance are considered during annual remuneration reviews with key performance measures set at the beginning of each financial year.

## Directors' Reports: DUET Group (DUETCo, DIHL and DFL) Remuneration Report (audited) for year ended 30 June 2015

### Short Term Incentive (STI) plan

Feature	Rationale	Rationale and link to performance
<p><b>Paid partly in cash</b> on grant and <b>partly retained</b>. For grants made in FY2013 and FY2014, retained components vest in cash over three years from the second anniversary of grant.</p> <p>For FY2015, the arrangements for retention of a portion of the Executives' STI award have been amended as follows:</p> <ul style="list-style-type: none"> <li>The proportion of STI to be retained is <b>50%</b> of the CEO's total STI award and 40% of the CFO's total STI award (rather than 30% of any payment over \$80,000 for prior awards);</li> <li>Payment of deferred amounts are to be made in equal instalments <b>one year and two years after award</b> (rather than over four years as applied for prior awards); and</li> </ul> <p>The form of payment of retained STI for Executives has changed from cash to '<b>notional equity</b>' where the deferred amounts to be paid will be adjusted (up or down) for movements in the DUET security price and distributions paid from the date of grant until the date of vesting.</p>	<ul style="list-style-type: none"> <li>Rewards executives over a short term period for their contribution to achievement of Group outcomes, as well as individual key performance measures <b>to retain and motivate executives. The targets are set to ensure that all of the key determinants (both exogenous and controllable) of operating company performance and capital management are incorporated.</b></li> <li>The retained component is aimed at assisting the <b>retention of high performing individuals</b> and the change in FY2015 to the retention arrangements is to <b>better align with market practice and to provide a stronger alignment with the interests of securityholders.</b></li> <li>Due to the limited liquidity and trading window restrictions on DUET securities for executives (particularly in light of the high transactional track record of DUET), the DIHL board considers it appropriate to have cash-based awards, with sufficiently rigorous performance hurdles and vesting periods, rather than equity-based awards. However the value of any deferred component of an STI award from FY2015 may increase or decrease in value in line with the DUET security price and distributions paid over the two year vesting period to <b>better align with market practice and to provide a stronger alignment with the interests of securityholders.</b></li> </ul>	<p><b>50%</b> based on hurdles for the following <b>financial outcomes</b> for the relevant financial year:</p> <ul style="list-style-type: none"> <li>Group Proportionate Earnings Before Interest, Tax, Depreciation, Amortisation and fair value changes in derivatives (<b>EBITDAF</b>) relative to budget. This measure will constitute <b>30%</b> of the STI Performance Measures. The <b>budget must be materially exceeded</b> for the Executive to receive 100% for this performance measure. For FY2015 and FY2016, the hurdle will be proportionate EBITDAF (adjusted for net customer contributions) less net external interest expense relative to budget.</li> <li><b>cash cover of distribution</b> on a cents per stapled security basis relative to budget/guidance. This performance measure will constitute <b>10%</b> of the STI Performance Measures. The <b>guidance must be met or exceeded</b> for the Executive to receive 100% for this measure. This measure is considered by the DIHL Board to be essential to ensuring DUET meets its distribution guidance to securityholders and fully covers its distribution with operating cash flow.</li> <li><b>actual controllable corporate costs</b> relative to budget. This Performance Measure will constitute <b>10%</b> of the STI Performance Measures. The total controllable corporate costs <b>must be materially less than budget</b> for the Executive to receive 100% for this Performance Measure. This measure is considered by the DIHL Board to provide focus on the day-to-day running costs of the Group's head office.</li> </ul> <p><b>50%</b> based on <b>qualitative</b> and other performance measures of individual performance objectives including development of Group strategy and Business Plan, special projects, operating company initiatives, safety and environment, Board, investor and other stakeholder relations, leadership of business unit executive teams and people management.</p>

## Directors' Reports: DUET Group (DUETCo, DIHL and DFL) Remuneration Report (audited) for year ended 30 June 2015

### Long Term Incentive (LTI) plan

Feature	Rationale	Rationale and link to performance
Cash based 'notional equity' plan	Any LTI grants are at risk and are intended to <b>align</b> Executive reward with <b>longer term securityholder value</b> creation. The cash based award may increase or decrease in value in line with the DUET security price and distributions declared over the three year vesting period (but ultimately paid in cash) which means the Executive is <b>exposed to the performance of DUET securities</b> over three years.	<p><b>100%</b> is subject to vesting based on satisfaction of the following performance measures tested against certain hurdles three years from the grant date:</p> <ul style="list-style-type: none"> <li>the 3 year average DUET Total securityholder Return (<b>TSR</b>) based on the DUET Accumulation Index (DAI)<sup>1</sup> <b>relative to the constituents of the S&amp;P/ ASX200 Industrials Accumulation Index (IAI)</b> as at the grant date. The DIHL Board considers this an appropriate measure as DUET seeks to deliver stable returns and distribute all of its earnings through the investment cycle, therefore Executives should seek to outperform the ASX200 over the long term. This target constitutes <b>33%</b> of the weighting for the LTI Performance Measures.</li> <li>the 3 year average DUET <b>TSR</b> based on the DUET Accumulation Index (DAI) relative to the ASX Utilities Accumulation Index (UAI)<sup>1</sup>. As noted in section 1, this target has been removed for LTI awards made in FY2015 as the DIHL Board is of the view that the composition of the UAI is no longer appropriate or of relevance to the Group, being dominated by a small number of companies including energy retailers; and</li> <li>achievement of <b>distributions</b> to securityholders relative to stretch targets and business plan projections<sup>2</sup>. The DIHL Board considers this measure to be essential to ensuring the Executives remain accountable to achieve the medium term targets for distributions to securityholders. For LTI grants made in FY2015, this target has been increased from one third to <b>67%</b> of the weighting for the LTI Performance Measures.</li> </ul>

1 50% of notional securities for the TSR hurdles vest at the 51st percentile, up to 100% at the 75th percentile (pro rata vesting in between). The Board has reviewed appropriate vesting hurdles and considers these vesting hurdles to be in line with market practice.

2 67% of notional securities for the distribution hurdle vest if the business plan targets are met and up to 100% if the stretch targets are met. The Board has reviewed appropriate vesting hurdles and considers these hurdles focus the Executives on creating securityholder value.

## 6.2 Fixed Remuneration

DUET aims to reward Executives with a level and mix of remuneration appropriate to their positions, responsibilities and performances within the Group and aligned with market practice.

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### 6.3 Performance Based Remuneration

DIHL's performance based remuneration includes the STI plan and LTI plan (as further detailed in sections 6.3.1 and 6.3.2). The key philosophy underlying these plans is to align the interests of Executives with those of DUET Group securityholders in such a way that variable remuneration is directly linked to both the success and any downturn in the DUET Group performance.

The Remuneration Committee has focused on ensuring that the performance targets and therefore the quantum of short and long term incentives are demanding of performance that is sufficiently challenging to ensure the Executives continue to strive for outstanding sustainable DUET Group performance and encompass all of the key determinants (both exogenous and controllable) of operating company performance and capital management. While a material proportion of the Executive's variable remuneration is linked to financial outcomes that, in turn, relate to securityholder distribution levels and security price performance, DUET Group also rewards (through the Executive's individual non-financial high level performance measures) management disciplines and projects that improve DUET Group's growth prospects and/or reduce uncertainty.

The arrangements for discretionary STIs and LTIs are also intended to assist in the retention of high performing Executives through to the dates that DIHL determines that a STI or LTI allocation becomes payable and in line with peer and market practice. Due to the limited liquidity and trading window restrictions on DUET securities for Executives, the DIHL board considers it appropriate to have cash-based awards, with sufficiently rigorous performance hurdles and vesting periods, rather than equity-based awards. Note that the value of any LTI award, and any deferred component of a STI award (from FY2015), are 'notional securities' meaning that their value may increase or decrease in line with the DUET security price and distributions paid over the relevant vesting period but are ultimately paid in cash.

The Remuneration Committee may recommend, and the DIHL Board may, at its discretion, amend the terms of the STI and/or LTI at any time for future allocations. The DIHL Board intends to consider the appropriate thresholds for the STI and LTI annually to ensure that the Performance Measures remain an appropriately challenging target.

#### 6.3.1 Short Term Incentive (STI) plan

##### *Retention policy*

In order to assist in retaining its high performing Executives and to align Executive interests and securityholder interests, DIHL may retain a portion of allocated STI. For FY2015, the arrangements for retention of a portion of the Executives' STI award have been changed to better align with market practice and to provide a stronger alignment with the interests of securityholders as follows:

- The proportion of STI to be retained is 50% of the CEO's total STI award and 40% of the CFO's total STI award (rather than 30% of any payment over \$80,000 for prior awards);
- Payment of deferred amounts are to be made in equal instalments one year and two years after award (rather than over four years as applied for prior awards) subject to the Executive's ongoing employment except in the case of termination by DIHL with notice<sup>1</sup> where STI retentions will become payable;
- The form of payment of the Executives' retained STI has changed from cash to 'notional equity' where the deferred amounts to be paid will be adjusted for movements in the DUET security price and distributions paid from the date of grant until the date of vesting.

##### *Performance Measures*

The STI is variable and is typically determined with reference to the annual performance of the DUET Group and each Executive's relative contribution to the business and their performance against a mix of quantitative (50%) and qualitative (50%) performance objectives and key performance measures which as at the date of this report are as described in the table at section 6.1 (**STI Performance Measures**).

The STI Performance Measures are discussed with each Executive and determined by the DIHL Remuneration Committee for each Executive on an annual basis. Assessments of performance will take into account these STI Performance Measures and other factors which may include development of Group strategy and Business Plan, special projects, operating company initiatives, safety and environment, Board, investor and other stakeholder relations, leadership of business unit executive teams and people management.

To determine if the quantitative STI Performance Measures are satisfied, the Board has regard to the audited financial statements and the DUET Management Information Report. The qualitative STI Performance Measures are assessed by the DIHL Remuneration Committee as part of the annual performance review of each Executive.

##### *Clawback*

In order to further strengthen DUET's remuneration governance framework, the DIHL Board has introduced a clawback policy for Executives. The policy gives the Board the ability to clawback incentives in the event of a material financial misstatement or gross misconduct. The clawback provisions will apply to future unvested STI awards.

1 Termination with notice: employment may be terminated by giving 3 months' notice or payment in lieu of notice (see section 10).

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### 6.3.2 Long Term Incentive plan

#### *Allocation and Vesting*

The first LTI allocation was made on the date of implementation of the internalisation of management of the DUET Group on 4 December 2012 (the "2012 LTI Allocation"). The first vesting date for the 2012 LTI Allocation was 1 July 2015 subject to satisfaction and testing of the relevant LTI Performance Measures (as shown in Section 8.3). Subsequent LTI grants were made on 1 July 2013, 1 July 2014 and 1 July 2015 which will respectively vest (subject to the satisfaction of the relevant LTI Performance Measures) on 1 July 2016, 1 July 2017 and 1 July 2018 as shown in section 8.3. LTI awards remain subject to the Executive's ongoing employment except in the case of termination by DIHL with notice<sup>1</sup> where LTI grants will remain subject to the terms of grant.

#### *Notional securities*

Any LTI allocation is paid as "notional securities". That is:

- The cash value of the allocation is converted to a number of notional DUET Group stapled securities based on the 20 day volume weighted average price (VWAP) after the full year financial results. Note that these notional securities are not actual DUET Group securities and do not carry any voting entitlements.
- Any distributions that would have been paid on the allocated number of notional securities will be reinvested at the price of DUET Group securities on the relevant ex-distribution date.
- The vesting amount of the allocation and reinvested distributions will be the value of the notional stapled securities based on the 20 day VWAP prior to but not including the relevant vesting date.

Adjustments will be made to the allocated number of notional securities for corporate actions as applicable in accordance with the Listing Rules.

The vesting of all LTI allocations is subject to the achievement of the LTI Performance Measures (as determined at the time of allocation) with an equivalent amount to the notional security (as determined above) paid in cash. Therefore, an Executive has no legal right or entitlement (whether contractual, equitable or otherwise) to any LTI allocation until the relevant vesting dates.

As noted at section 6.1 above, due to the limited liquidity and trading window restrictions on DUET securities for Executives, the DIHL board considers it appropriate to have cash-based LTI awards, with sufficiently rigorous performance hurdles and vesting periods, rather than equity-based awards, noting that the value of any LTI award may increase or decrease in value in line with the DUET security price and distributions paid over the three year vesting period.

#### *Performance Measures*

The LTI is determined against key performance targets which as at the date of this report are as described in the table at section 6.1 (LTI Performance Measures).

The LTI Performance Measures were initially selected by the Board in late 2012 in order to align the Executives' long term remuneration with the interests of securityholders by providing an incentive to achieve first or second quartile TSR performance relative to market (represented by the IAI) and relative to peers (represented by the UAI), and to ensure that the Executives remain accountable to achieve the medium term DUET Group business plan targets for distributions to securityholders.

The LTI targets have been changed for grants made in FY2015 and FY2016 in order to increase the emphasis on the Group's cash distribution profile and to remove the LTI Performance Measure relating to TSR relative to peers (represented by the UAI). The DIHL Board is of the view that the composition of the UAI is no longer appropriate or of relevance to the Group, being dominated by a small number of companies including energy retailers (however this LTI Performance Measure continues to apply to LTI grants made in FY2013 and FY2014).

Any changes to the LTI Performance Measures are discussed with each Executive and determined by the DIHL Remuneration Committee for each Executive on an annual basis.

Morningstar has been engaged to provide information on which to base the TSR calculations necessary to determine if those LTI Performance Measures are satisfied at the relevant vesting date.

The LTI Performance Measures may also be tested in circumstances where a third party submits a privatisation proposal that would result in DUET Group securities ceasing to be quoted on the ASX. Any LTI allocations will vest at the date of a DUET Group ASX announcement that such a proposal has become unconditional or an earlier date determined by the Board.

<sup>1</sup> Termination with notice: employment may be terminated by giving 3 months' notice or payment in lieu of notice (see section 10).



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### 6.4 Summary Executive Remuneration Structure

Executive remuneration structure applicable per annum for FY2015 was:

KMP	Position	Fixed Remuneration \$ <sup>1</sup>	STI opportunity (% of Fixed Remuneration)	LTI opportunity (% of Fixed Remuneration)	Total performance based pay (% of Fixed Remuneration)
David Bartholomew	CEO	832,000	66%	75%	141%
Jason Conroy	CFO	675,000	50%	42%	92%

1 Including superannuation.

Executive remuneration structure applicable per annum for FY2014 was:

KMP	Position	Fixed Remuneration \$ <sup>1</sup>	STI opportunity (% of Fixed Remuneration)	LTI opportunity (% of Fixed Remuneration)	Total performance based pay (% of Fixed Remuneration)
David Bartholomew	CEO	800,000	66%	75%	141%
Jason Conroy	CFO	600,000	42%	42%	84%

1 Including superannuation.

Except for the payment of statutory superannuation entitlements and any termination benefit described in section 10, Executives do not receive any other post-employment benefits.

The increase of 4% to the fixed remuneration of the CEO for FY2015 is in line with the consumer price index (CPI) adjusted on an 18-month pro rata basis from 1 January 2013. This is the first adjustment since December 2012.

The increase of 8.2%, in addition to the 4% increase noted in the 2014 remuneration report, to the fixed remuneration of the CFO for FY2015 is the result of a detailed review of the CFO's remuneration based on an independent external benchmarking exercise against similar organisations including ASX 200 and peer group listed infrastructure entities. As a result of this review, the CFO's STI opportunity (% of Fixed Remuneration) increased from 42% to 50% in line with market practice. This is the first adjustment since December 2012.

## 7. Non-Executive Directors (NED) Remuneration Arrangements

Each of the DUET Group boards seeks to attract and retain a high calibre of directors who are equipped with diverse skills and contributions. As announced on 1 July 2015, a further appointment was made of Mr Simon Perrott with Mr John Roberts stepping down.

NED fees are fixed and are not linked to the financial performance of DUET Group in order for NEDs to maintain their independence in line with market practice. The NED fee structures are considered by each Board and its Remuneration Committee utilising external market data across various ASX peer groups (e.g. ASX100 and ASX 200 groupings), and taking into account entity size, market capitalisation, number of meetings, board and committee workload and different workloads between board and committee chairs and members.

The NED remuneration comprises a base board fee (inclusive of superannuation) and an additional fee for serving on a committee of the Board. One off 'special services fees' may be paid for additional services and time commitments from individual directors. However no special services fees have been paid in this reporting period.

### 7.1 NED fees

The annual NED fees payable were:

	Annual fee <sup>1</sup> \$
<b>DIHL/DUECo</b>	
Chair	230,000
NED Fee	110,000
NED also on DFL	80,000
<b>DFL</b>	
Chair	125,000
NED Fee	85,000
NED also on DIHL/DUECo	60,000
<b>Committee Fees – DIHL, DUECo, DFL</b>	
Audit & Risk Committee Chair	15,000
Audit & Risk Committee Member	7,500
Nomination and Remuneration Committee Chair	10,000
Nomination and Remuneration Committee Member	5,000

1 Fees are inclusive of superannuation.

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Given that the DIHL and DUECo boards have the same directors, board meetings are held at the same time and therefore the above costs are the aggregate fees which are shared equally between DIHL and DUECo.

As the DFL board meets independently of the DIHL and DUECo boards and has different business to consider regarding the funding aspects of the DUET Group, the total amount of DFL director fees will be borne by DFL.

The fee for a director who sits on each of DIHL, DUECo and DFL (being Mr Ron Finlay) differs from that of other non-executive directors which is considered appropriate as, although there are separate meetings of the Boards, there is some overlap in issues considered by the boards of Directors (such as consolidated financial accounts) and therefore it is appropriate for that director to receive a lower fee than other directors who serve on the Boards of fewer Group entities. The practice of a director sitting on each of DIHL, DUECo and DFL ceased in February 2015.

The DIHL and DUECo constitutions provide that directors are entitled to remuneration in aggregate not exceeding \$650,000 p.a. per entity. The maximum amount of director fees that DIHL, DFL and DUECo may pay in aggregate is \$1,950,000 p.a. None of the NEDs is entitled to DUET Group options or securities, retirement benefits or STI or LTI incentives as part of remuneration packages.

Except for the payment of statutory superannuation entitlements, NEDs do not receive any other post-employment benefits.

### 7.2 NED securityholdings

As noted on page 8 of the Directors Report, all but one of the directors hold DUET securities as shown in section 9.

Due to the limited liquidity and trading window restrictions on DUET securities for Executives and Directors, the boards do not consider it necessary to introduce a compulsory DUET securityholding requirement for directors. Ultimately, it is a matter for each director taking into account their own financial circumstances and investment practices.

## 8. Details of KMP Remuneration for year ended 30 June 2015

### 8.1 Statutory Remuneration of KMP

#### Non-executive directors

Name	DIHL		DUECo		DFL		Other benefits <sup>1</sup>	Total paid FY2015	Total paid FY2014
	Director Fees	Super-annuation	Director Fees	Super-annuation	Director Fees	Super-annuation			
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Doug Halley	111,858	9,392	111,858	9,392			9,000	251,500	241,042
Emma Stein	58,635	5,570	58,635	5,570				128,410	127,042
Shirley In't Veld	57,363	5,450	57,363	5,450				125,626	126,042
Jack Hamilton	53,653	5,097	53,653	5,097				117,500	12,590
Ron Finlay <sup>2</sup>	41,667	3,958	41,667	3,958	46,233	4,392		141,875	151,708
Eric Goodwin					125,570	12,450	5,480	143,500	136,209
Jane Harvey					95,890	9,110		105,000	102,917
Terri Benson					92,846	8,820		101,666	10,446
John Roberts <sup>3</sup>	53,342	5,328	53,342	5,328			5,480	122,820	114,584
Duncan Sutherland <sup>4</sup>	22,024	2,092	22,024	2,092				48,232	113,875
Michael Lee <sup>5</sup>					15,601	1,482		17,083	103,125
<b>Total</b>	<b>435,429</b>		<b>435,429</b>		<b>412,394</b>		<b>19,960</b>	<b>1,303,212</b>	<b>1,239,580</b>

1 Other benefits relate to payments for services on board committees for special projects.

2 Resigned from DFL effective 20 February 2015.

3 Resigned effective 30 June 2015.

4 Resigned effective 20 November 2014.

5 Resigned effective 1 September 2014.

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### Executives

	Salary and fees \$	STI awarded \$	LTI <sup>1</sup> \$	Non-monetary <sup>2</sup> \$	Super-annuation \$	Other payments <sup>3</sup> \$	Total \$
<b>David Bartholomew</b>							
2015	807,884	494,208	410,879	6,162	18,783	554,667	2,292,583
2014	775,535	461,500	238,194	5,667	24,465	–	1,505,361
<b>Jason Conroy</b>							
2015	655,165	310,500	172,567	2,524	19,835	450,000	1,610,591
2014	582,225	225,300	100,042	2,339	17,775	–	927,681

- 1 LTI represents accrued expenses amortised over the vesting period of the relevant grant. The expense is based on the actual amount vested on 1 July 2015 (for the December 2012 LTI award, being \$284,717 for the CEO and \$119,579 for the CFO based on a vesting outcome of 59%) and the likelihood of the 2013 and 2014 LTI awards meeting the performance conditions and vesting on 1 July 2016 and 2017 respectively, currently assumed to be approximately 60% (60% assumption in FY2014).
- 2 Non-monetary benefits include salary continuance insurance and professional membership fees paid by DIHL on behalf of the Executive.
- 3 Other payments include accrued amounts up to 30 June 2015 for each Executive in relation to consideration for post employment restraints as outlined in section 10.

The FY2015 STI awards for the CEO and CFO (the 'Executives') were, on average, at 91% of possible awards. This result was due to DUET either meeting or exceeding its key financial targets and in delivering a number of planned and unplanned projects and initiatives which included:

- Met or exceeded each of DUET's three key FY15 financial targets (EBITDA less interest, cash cover of distributions and HQ opex);
- Recontracted most of DBP's full-haul standard shipper contracts at tariffs materially above the expected regulated outcome, extending contracted volume terms to 2033-35;
- Raised \$397 million of equity at a tight discount to pre-fund growth capex at United Energy and Multinet, suspend the dividend and distribution reinvestment plan (DRP) for at least 3 years and recapitalise DBP;
- Restored DBP's 'BBB-, stable outlook' credit rating with Standard and Poor's;
- Refinanced \$865 million of term debt across DBP, Multinet and United Energy on attractive, market-competitive terms;
- Recapitalised United Energy with \$125 million of equity (DUET share: \$82.5 million) providing headroom in United Energy's balance sheet to fund its growing regulated asset base;
- Completed construction of two accretive gas transmission pipeline development projects at DDG;
- Renegotiated the scope and price of United Energy's outsourced service contracts, improving efficiency;
- Progressed to the short list for the Northern Territory pipeline development project; and
- Completed due diligence on the proposed acquisition of Energy Developments which was subsequently announced along with an underwritten \$1.67 billion equity raising on 20 July 2015.

The specific performance targets and their outcomes for each STI Performance Measure are not disclosed as the DIHL Board believes that it would not be in the interests of securityholders to make specific disclosure of the actual targets set for Executives. However, the budget must be materially exceeded for Executives to obtain 100% of an STI award.

## 8.2 Actual Remuneration received by Group Executives

Actual remuneration (refer footnote 1 on page 14) is provided in addition to the statutory reporting of remuneration (refer section 8.1 Statutory Remuneration of KMP) to increase transparency about what the Executive actually received during the financial year. These tables do not include any retained STI or LTI allocations as they are still subject to conditions relating to service and performance (in the case of the LTI).

	Salary \$	STI paid <sup>1</sup> \$	Non-monetary <sup>2</sup> \$	Super-annuation \$	Other Payments <sup>3</sup> \$	LTI paid <sup>4</sup> \$	Total \$
<b>David Bartholomew</b>							
2015	807,884	347,050	6,162	18,783	–	–	1,179,879
2014	775,535	–	5,667	24,465	–	–	805,667
<b>Jason Conroy</b>							
2015	655,165	181,710	2,524	19,835	–	–	859,234
2014	582,225	–	2,339	17,775	–	–	602,339

- 1 FY2015 STI will be paid in FY2016.
- 2 Non-monetary benefits include salary continuance insurance and professional membership fees paid by DIHL on behalf of the Executive.
- 3 Other payments relating to post employment restraints as outlined in section 10 will most likely be paid in FY2016.
- 4 The December 2012 LTI award, being \$284,717 for the CEO and \$119,579 for the CFO based on a vesting outcome of 59%, vested on 1 July 2015 and will be paid in FY2016.

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### 8.3 Performance related remuneration of Group Executives

#### STI

The following table shows the STIs that were earned during the financial years.

	STI awarded in cash \$	STI to be paid <sup>1</sup> \$	STI to be retained <sup>1</sup> \$	STI achieved (% of opportunity)	STI forfeited (% of opportunity)
<b>David Bartholomew</b>					
<b>2015</b>	<b>494,208</b>	<b>247,104</b>	<b>247,104</b>	<b>90.0%</b>	<b>-10.0%</b>
2014	461,500	347,050	114,450	87.4%	-12.6%
<b>Jason Conroy</b>					
<b>2015</b>	<b>310,500</b>	<b>186,300</b>	<b>124,200</b>	<b>92.0%</b>	<b>-8.0%</b>
2014	225,300	181,710	43,590	89.4%	-10.6%

1 FY2015 STI will be paid in FY2016.

Vesting of the retained component of the STIs granted are as follows:

Executives	Award date <sup>1</sup>	STI deferred \$	Vesting dates <sup>2</sup>
<b>David Bartholomew</b>	<b>30 June 2015</b>	<b>247,104<sup>3</sup></b>	<b>29 August 2016 &amp; 2017</b>
	30 June 2014	114,450	29 August 2016/17/18
	30 June 2013	68,400	23 August 2015/16/17
<b>Jason Conroy</b>	<b>30 June 2015</b>	<b>124,200<sup>3</sup></b>	<b>29 August 2016 &amp; 2017</b>
	30 June 2014	43,590	29 August 2016/17/18
	30 June 2013	20,100	23 August 2015/16/17

1 FY2015 STI will be paid in FY2016.

2 All in equal proportions. If the employment of the Executive is terminated without notice or the Executive resigns, all unvested STIs will be forfeited. If the employment of the Executive is terminated with notice all unvested STIs will be payable on the date of termination.

3 The actual cash deferred amount paid at vesting may be higher or lower than the cash amounts listed above depending on the VWAP at the vesting date and the amount of DUET distributions notionally reinvested over the vesting period (See section 6 for further details).

#### LTI

The following table sets out the number of notional securities that have been allocated to Executives but have not yet vested or been paid and the years in which they may vest.

Executive	Date of award	Cash amount of Award <sup>1</sup> \$	Notional reference securities <sup>2</sup> (No)	Opening VWAP \$	Vesting date <sup>3</sup>
<b>David Bartholomew</b>	4 December 2012	343,800	160,763	2.13855	1 July 2015
	1 July 2013	600,000	288,377	2.08061	1 July 2016
	1 July 2014	600,000	245,867	2.44034	1 July 2017
	<b>1 July 2015</b>	<b>624,000</b>	(See note 4)	(See note 4)	<b>1 July 2018</b>
<b>Jason Conroy</b>	4 December 2012	144,396	67,521	2.13855	1 July 2015
	1 July 2013	252,000	121,118	2.08061	1 July 2016
	1 July 2014	252,000	116,172	2.44034	1 July 2017
	<b>1 July 2015</b>	<b>283,500</b>	(See note 4)	(See note 4)	<b>1 July 2018</b>

1 The actual cash amount to be paid on the vesting date may be nil if none of the performance hurdles are met. However, the actual cash amount paid at vesting may be higher or lower than the cash amounts listed above depending on the VWAP at the vesting date, the amount of DUET distributions notionally reinvested over the vesting period and also if the performance measures are only partially met. The maximum of any cash amount paid will be determined based on the DUET security price at the vesting date.

2 The notional reference securities do not include any distributions notionally reinvested to 30 June 2015.

3 If the employment of the Executive is terminated without notice or the Executive resigns, all unvested LTIs will be forfeited. The December 2012 LTI award, being \$284,717 for the CEO and \$119,579 for the CFO based on a vesting outcome of 59%, vested on 1 July 2015 and will be paid in FY2016.

4 The VWAP will be determined post the announcement of the FY2015 DUET Group results in accordance with the LTI terms.

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### 9. Securityholdings of Key Management Personnel

The number of shares in the DUET Group held (directly or indirectly) by Key Management Personnel, including their respective personally and closely related parties, are set out below:

Name	Balance at 1 July 2014	Granted during the year as compensation	Received during the year via exercise of option/right	Other changes during the year	Balance at 30 June 2015	Acquired after 30 June 2015 <sup>4</sup>	Balance at 20 August 2015
<i>Non-executive directors</i>							
Emma Stein	36,130	–	–	5,518	<b>41,648</b>	14,430	<b>56,078</b>
Douglas Halley	143,900	–	–	–	<b>143,900</b>	47,369	<b>191,269</b>
Ron Finlay	37,208	–	–	4,651	<b>41,859</b>	15,560	<b>57,419</b>
Eric Goodwin	66,583	–	–	11,029	<b>77,612</b>	57,704	<b>135,316</b>
Shirley In't Veld	–	–	–	–	–	–	–
Jane Harvey	–	–	–	–	–	23,000	<b>23,000</b>
Jack Hamilton	–	–	–	16,030	<b>16,030</b>	34,918	<b>50,948</b>
Terri Benson	–	–	–	2,050	<b>2,050</b>	4,635	<b>6,685</b>
Simon Perrott	–	–	–	–	–	50,000	<b>50,000</b>
John Roberts <sup>1</sup>	5,422,901	–	–	(4,939,518)	<b>483,383</b>	n/a	<b>n/a</b>
Duncan Sutherland <sup>2</sup>	186,019	–	–	(186,019)	–	n/a	<b>n/a</b>
The Hon Michael Lee <sup>3</sup>	19,694	–	–	(19,694)	–	n/a	<b>n/a</b>
<i>Executives</i>							
David Bartholomew	91,750	–	–	8,250	<b>100,000</b>	37,174	<b>137,174</b>
Jason Conroy	–	–	–	–	–	–	–

1 Resigned effective 30 June 2015.

2 Resigned effective 20 November 2014 - balance reduced to nil at 30 June 2015.

3 Resigned effective 1 September 2014 - balance reduced to nil at 30 June 2015.

4 Additional securities acquired in August 2015 when trading window opened (either on-market or as part of the entitlement offer).

## Directors' Reports: DUET Group (DUETCo, DIHL and DFL) Remuneration Report (audited) for year ended 30 June 2015

### 10. Executive Employment Contract Provisions

Each of the Executives is and has been employed on a permanent basis by DIHL from 4 December 2012. The terms and conditions of employment of each Executive reflect market conditions at the time of their contract negotiation on appointment and subsequently. The material terms of the employment agreements for each of the Executives is summarised in the table below.

Contractual Term	Conditions
<b>Duration of Contract</b>	Permanent full-time employment contract until notice given by either party
<b>Notice to be provided by Executive or DIHL</b>	Notice period is 3 months. Alternatively, DIHL may make a payment in lieu of notice
<b>Termination without notice</b>	DIHL may terminate the Executive's employment immediately in certain events including if the Executive engages in any misconduct, dishonesty which may injure the reputation of DUET Group, inappropriate workplace behaviour or for any other reason justifying termination without notice. In the event of termination without notice there is no termination payment payable to the Executive except for their accrued salary, superannuation and statutory entitlements.
<b>Termination with notice by DIHL</b>	Where DIHL terminates the Executives employment with notice, the Executive will receive a payment of up to 12 months' salary including any payment in lieu of notice. The Executive will be paid any unvested STI allocations and be entitled to retain any unvested LTI allocations subject to the same performance measures and vesting dates as if the Executive's employment continued.
<b>Termination with notice by Executive</b>	If the Executive resigns, DIHL must pay any accrued salary, superannuation and statutory entitlements and all unvested STI and LTI allocations will be forfeited.
<b>Redundancy</b>	Three weeks' fixed remuneration for each year of service capped at 12 months' fixed remuneration on redundancy.
<b>Post employment restraints</b>	<p>As announced on 16 June 2014, the Executives have agreed to be restrained for a period of 12 months from taking a position or otherwise participating in a competitor business if the Executive's employment ceases before 31 December 2015. In consideration for accepting this non-compete obligation, the Executives will be eligible to receive a payment equivalent to the Executive's base salary on the earlier of: 31 December 2015; or on the date that an entity acquires a relevant interest in more than 50% of DUET Group; or on such earlier date that the Board of DIHL may determine ('Loyalty Payment Date').</p> <p>The Board believes these arrangements serve the best interests of security holders by putting in place arrangements for the continuity of trusted and experienced management to implement DUET Group's strategic objectives and further enhance security holder value.</p> <p>After the Loyalty Payment Date, DIHL may determine that on termination of employment a six month non-compete and non-solicitation period applies in return for a restraint payment to the Executive equivalent to six month's Base Salary (less applicable deductions) paid on the standard monthly pay cycle.</p>

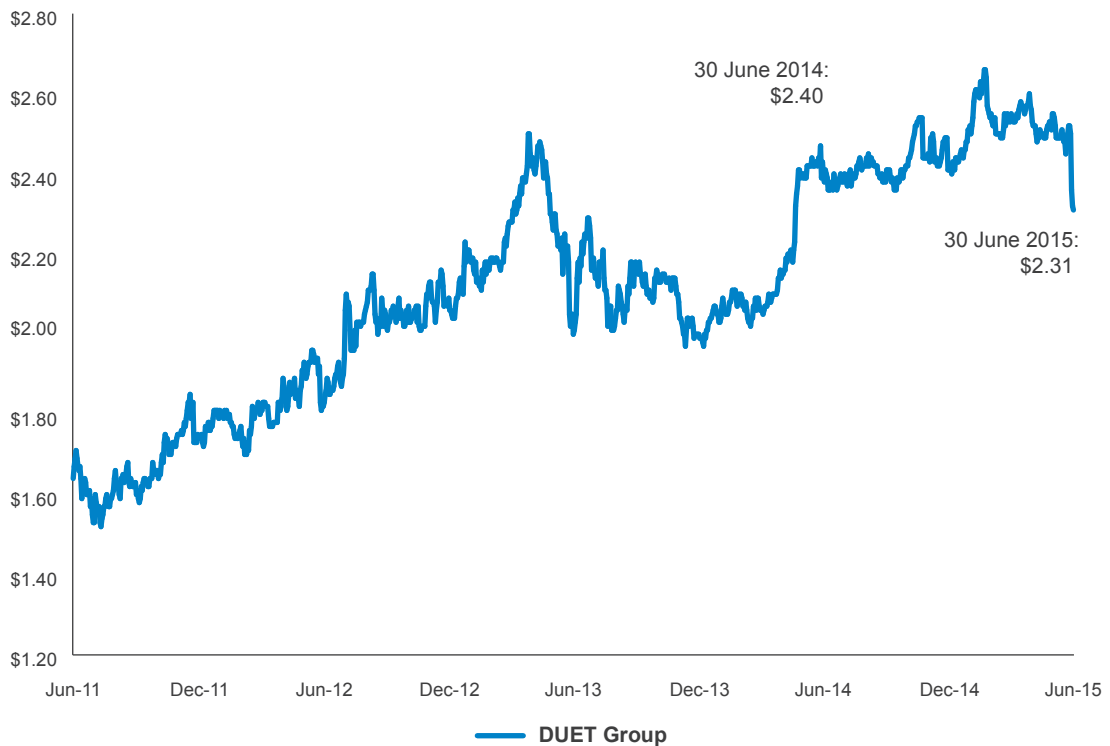
In addition to the above, where considered appropriate, on termination of Executives the Board is also entitled at its absolute discretion subject to the *Corporations Act 2001* to make further ex-gratia payments to Executives.

**Directors' Reports: DUET Group (DUETCo, DIHL and DFL) Remuneration Report (audited)**  
for year ended 30 June 2015

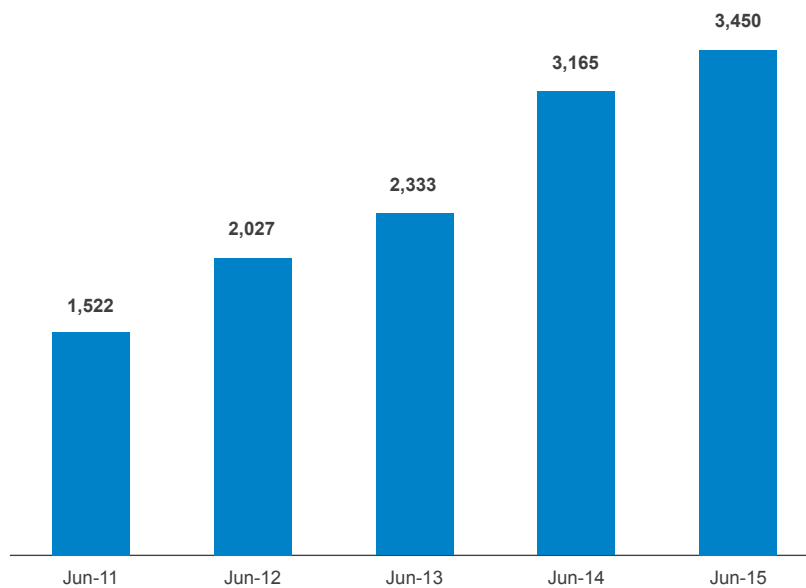
## 11. History of DUET Group performance

The charts below summarises DUET Group's key financial performance indicators over the last five financial years.

Security Price (\$)



Market Capitalisation (\$m)

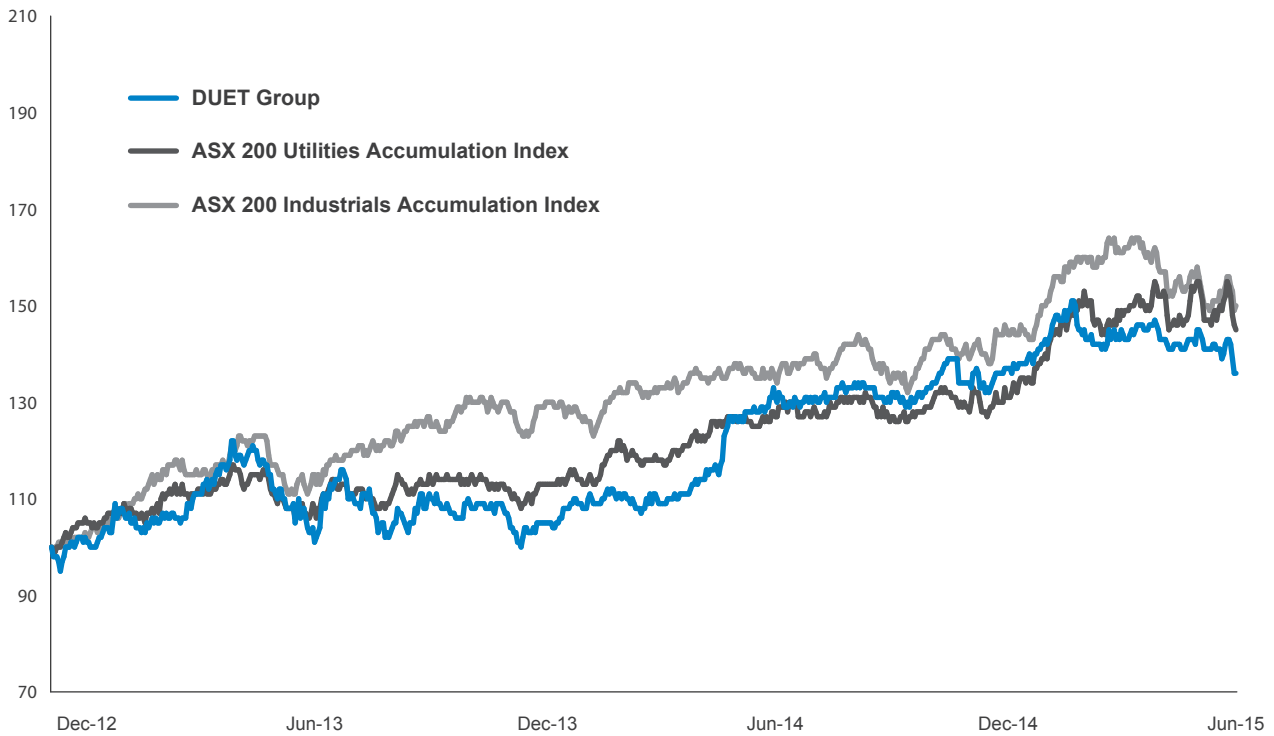


<b>EBITDA (\$m)</b>	764	731	800	798	759
<b>Distributions Paid (cpss)</b>	20.0	16.0	16.5	17.0	17.5

Note that EBITDA as reported in Appendix 4 of DUET's Management Information Report is EBITDAF (adding back Head Office project expenses), the measure for the calculation of Executive STI awards.

## Directors' Reports: DUET Group (DUETCo, DIHL and DFL) Remuneration Report (audited) for year ended 30 June 2015

The graph below shows the relative performance for the period 4 December 2012 to 30 June 2015 of the DUET Accumulation Index (DAI) against the S&P ASX200 Industrials Index (IAI) and the S&P ASX 200 Utilities Index (UAI) (being two of the LTI Performance Measures (noting that the UAI measures has been removed for LTI awards made from FY2015)).



The vesting of LTI awards is calculated on the 3rd anniversary of their initial award date on the basis detailed in section 6.1 and 6.3.2. The graph above is illustrative only and indicates how the DAI performed against the IAI and UAI benchmarks during the period to 30 June 2015.



## Directors' Reports

for year ended 30 June 2015

### Non-Audit Services

DUET may decide to employ the auditor, Ernst & Young, 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 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 Committees, 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 was not subject to any environmental regulations. The operations of the underlying assets in which the Group has invested are subject to environmental regulations particular to the states in which they are located. The regulations and compliance are discussed below:

#### 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.

Under the National Greenhouse and Energy Reporting (NGER) Act 2007, corporations that meet or exceed thresholds are required to report greenhouse gas emissions and energy usage by 31 October each year. DBP exceeds these thresholds and has lodged its current year's NGER reporting with the Clean Energy Regulator for the period from 1 July 2013 to 30 June 2014.

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 is in compliance of all environmental regulations.

United Energy exceeds the thresholds under the NGER Act 2007, and has lodged its reporting with the Clean Energy Regulator for the period from 1 July 2013 to 30 June 2014.

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

#### Multinet Gas

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 is in compliance of all environmental regulations.

Multinet exceeds the thresholds under the NGER Act 2007, and has lodged its reporting with the Clean Energy Regulator for the period from 1 July 2013 to 30 June 2014.

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

### Application of Class Order

The Financial Reports for DUET Group, DFT, DIHL Group, and DFL for the year ended 30 June 2015 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 33.

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

DUET Group, DFT, DIHL Group, and DFL 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.

## Directors' Reports

for year ended 30 June 2015

### Share options for DUET Group

No options over the stapled securities of DUET Group existed at 30 June 2015 (2014: nil).

Signed in accordance with a resolution of Directors of DUET Company Limited.




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Douglas Halley  
Director  
DUET Company Limited  
Sydney  
20 August 2015




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Ron Finlay  
Director  
DUET Company Limited  
Sydney  
20 August 2015

Signed in accordance with a resolution of Directors of DUET Finance Limited.




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Eric Goodwin  
Director  
DUET Finance Limited  
Sydney  
20 August 2015




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Jane Harvey  
Director  
DUET Finance Limited  
Sydney  
20 August 2015

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




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Douglas Halley  
Director  
DUET Investment Holdings Limited  
Sydney  
20 August 2015




---

Ron Finlay  
Director  
DUET Investment Holdings Limited  
Sydney  
20 August 2015



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## Auditor's Independence Declaration to the Directors of DUET Company Limited, DUET Investment Holdings Limited and DUET Finance Limited

In relation to our audit of the financial report of DUET Company Limited, DUET Investment Holdings Limited, DUET Finance Limited and DUET Finance Trust for the year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

*Ernst & Young*

Ernst & Young

Matthew A. Honey  
Partner  
20 August 2015

## Financial Report: Income Statements

for year ended 30 June 2015

	Note	DUET Group 1 Jul 14 - 30 Jun 15 \$'000	DUET Group 1 Jul 13 - 30 Jun 14 \$'000
Revenue	2	1,261,946	1,241,220
Other income	2	7,369	10,196
Total revenue and other income	2	1,269,315	1,251,416
Expenses relating to internalisation and group structure simplification	2	–	(1,622)
Operating expenses	2	(456,940)	(418,280)
Depreciation and amortisation expense	2	(276,509)	(265,546)
Finance costs	2	(421,556)	(445,017)
Other expenses	2	(49,378)	(19,298)
Total expenses	2	(1,204,383)	(1,149,763)
Profit before income tax expense		64,932	101,653
Income tax (expense)/benefit	3	(19,004)	91,408
Profit for the year		45,928	193,061
Profit/(loss) is attributable to:			
DUECo shareholders		(55,956)	61,039
DFT unitholders and DIHL/DFL shareholders as non-controlling interests		104,057	129,446
Stapled securityholders		48,101	190,485
Other non-controlling interests		(2,173)	2,576
Basic earnings per stapled security	27	3.39	15.16
Diluted earnings per stapled security	27	3.39	15.16

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

## Financial Report: Income Statements

for year ended 30 June 2015

	Note	DFT 1 Jul 14 - 30 Jun 15 \$'000	DIHL Group 1 Jul 14 - 30 Jun 15 \$'000	DFL 1 Jul 14 - 30 Jun 15 \$'000	DFT 1 Jul 13 - 30 Jun 14 \$'000	DIHL Group 1 Jul 13 - 30 Jun 14 \$'000	DFL 1 Jul 13 - 30 Jun 14 \$'000
Revenue	2	148,413	35,593	326	132,633	19,698	101
Other income		–	–	–	–	–	–
Total revenue and other income	2	148,413	35,593	326	132,633	19,698	101
Share of net profit/(loss) of associates accounted for using the equity method		(37,800)	5,683	–	2,539	8,098	–
Expenses relating to internalisation and group structure simplification	2	–	–	–	(422)	(400)	(42)
Operating expenses	2	–	(21,155)	–	–	(10,167)	–
Depreciation and amortisation expense	2	–	(2,849)	–	–	(343)	–
Finance costs	2	(1)	(9,253)	–	(1,174)	(6,223)	–
Other expenses	2	(7,239)	(5,834)	(259)	(6,202)	(7,922)	(153)
Total expenses	2	(7,240)	(39,091)	(259)	(7,798)	(25,055)	(195)
Profit/(loss) before income tax expense		103,373	2,185	67	127,374	2,741	(94)
Income tax (expense)/benefit	3	–	(1,568)	–	–	(346)	(229)
Profit/(loss) for the year		103,373	617	67	127,374	2,395	(323)
Profit/(loss) is attributable to:							
DUECo shareholders		–	–	–	–	–	–
DFT unitholders and DIHL/DFL shareholders as non-controlling interests		103,373	617	67	127,374	2,395	(323)
Stapled securityholders		103,373	617	67	127,374	2,395	(323)
Other non-controlling interests		–	–	–	–	–	–
Basic earnings per share/unit	27	7.29	0.04	0.00	10.14	0.19	(0.03)
Diluted earnings per share/unit	27	7.29	0.04	0.00	10.14	0.19	(0.03)

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

## Financial Report: Statements of Comprehensive Income

for year ended 30 June 2015

	DUET Group 1 Jul 14 – 30 Jun 15 \$'000	DUET Group 1 Jul 13 – 30 Jun 14 \$'000
Profit after income tax expense for the year	45,928	193,061
Other comprehensive income/(expense)		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Changes in fair value of cashflow hedges, net of tax:		
– (Loss)/gain taken to equity	(138,600)	33,617
– Transferred to Income Statement	149,565	583
<i>Items that will never be reclassified to profit or loss</i>		
Movement in defined benefit reserve, net of tax	3,532	428
Total comprehensive income/(expense) for the year	60,425	227,689
Total comprehensive income/(expense) for the year is attributable to:		
DUECo shareholders	(51,430)	83,853
DFT unitholders and DIHL/DFL shareholders as non-controlling interests	102,760	133,807
Stapled securityholders	51,330	217,660
Other non-controlling interests	9,095	10,029
Total comprehensive income/(expense) for the year	60,425	227,689

	DFT 1 Jul 14 – 30 Jun 15 \$'000	DIHL Group 1 Jul 14 – 30 Jun 15 \$'000	DFL 1 Jul 14 – 30 Jun 15 \$'000	DFT 1 Jul 13 – 30 Jun 14 \$'000	DIHL Group 1 Jul 13 – 30 Jun 14 \$'000	DFL 1 Jul 13 – 30 Jun 14 \$'000
Profit/(loss) after income tax expense for the year	103,373	617	67	127,374	2,395	(323)
Other comprehensive income/(expense)						
<i>Items that may be reclassified subsequently to profit or loss</i>						
Changes in share of associates other reserves, net of tax	–	(1,297)	–	(2,150)	6,505	–
Total comprehensive income/(expense) for the year	103,373	(680)	67	125,224	8,900	(323)
Total comprehensive income/(expense) for the year is attributable to:						
DUECo shareholders	–	–	–	–	–	–
DFT unitholders and DIHL/DFL shareholders	103,373	(680)	67	125,224	8,900	(323)
Stapled securityholders	103,373	(680)	67	125,224	8,900	(323)
Other non-controlling interests	–	–	–	–	–	–
Total comprehensive income/(expense) for the year	103,373	(680)	67	125,224	8,900	(323)

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

# Financial Report: Balance Sheets

for year ended 30 June 2015

	Note	DUET Group 30 Jun 15 \$'000	DUET Group 30 Jun 14 \$'000
<b>Current assets</b>			
Cash and cash equivalents	6	320,657	423,434
Term deposits		55,520	85,000
Receivables	7	63,516	42,745
Inventories	8	23,764	22,946
Other assets	9	109,937	108,981
Derivative financial instruments	10	24,309	2,895
<b>Total current assets</b>		<b>597,703</b>	<b>686,001</b>
<b>Non-current assets</b>			
Receivables	7	20,053	20,559
Property, plant and equipment	12	6,002,956	5,784,571
Deferred tax assets	13	298,316	264,755
Intangible assets	14	2,033,899	2,067,797
Other assets	9	–	7,131
Derivative financial instruments	10	112,896	15,433
<b>Total non-current assets</b>		<b>8,468,120</b>	<b>8,160,246</b>
<b>Total assets</b>		<b>9,065,823</b>	<b>8,846,247</b>
<b>Current liabilities</b>			
Distribution payable	15	130,697	112,014
Payables	16	186,951	241,546
Interest bearing liabilities	17	1,090,303	648,460
Provisions	18	30,729	25,698
Derivative financial instruments	10	96,321	109,733
Other liabilities	19	47,590	39,556
<b>Total current liabilities</b>		<b>1,582,591</b>	<b>1,177,007</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	17	4,640,484	5,019,202
Deferred tax liabilities	20	666,787	610,758
Derivative financial instruments	10	126,638	166,457
Provisions	18	32,845	44,289
Retirement benefit obligations	21	253	2,449
Other liabilities	19	20,640	21,058
<b>Total non-current liabilities</b>		<b>5,487,647</b>	<b>5,864,213</b>
<b>Total liabilities</b>		<b>7,070,238</b>	<b>7,041,220</b>
<b>Net assets</b>		<b>1,995,585</b>	<b>1,805,027</b>
<b>Equity</b>			
Equity attributable to DUECo shareholders			
Contributed equity	22	929,532	793,109
Reserves	24	(294,870)	(293,783)
Retained profits/accumulated (losses)	25	(440,892)	(255,093)
Shareholders interest		193,770	244,233
<b>Equity attributable to DFT, DIHL, and DFL securityholders (as non-controlling interest)</b>			
Contributed equity	22	2,131,944	1,857,492
Reserves	24	(336,968)	(307,492)
Retained profits/accumulated (losses)	25	(159,972)	(160,655)
DFT, DIHL and DFL securityholders interest		1,635,004	1,389,345
Other non-controlling interest	23	166,811	171,449
<b>Total equity</b>		<b>1,995,585</b>	<b>1,805,027</b>

## Financial Report: Balance Sheets

for year ended 30 June 2015

	Note	DFT 30 Jun 15 \$'000	DIHL Group 30 Jun 15 \$'000	DFL 30 Jun 15 \$'000	DFT 30 Jun 14 \$'000	DIHL Group 30 Jun 14 \$'000	DFL 30 Jun 14 \$'000
<b>Current assets</b>							
Cash and cash equivalents	6	654	8,217	2,604	77,010	145,422	5,671
Term deposits		–	–	4,071	–	15,000	–
Receivables	7	1,428	14,517	3	1,423	2,303	–
Other assets	9	–	4,914	262	–	2,990	282
Total current assets		2,082	27,648	6,940	78,433	165,715	5,953
<b>Non-current assets</b>							
Receivables	7	1,492,842	–	–	1,257,108	238	–
Investment in associated entities	11	–	163,044	–	–	145,779	–
Property, plant and equipment	12	–	227,000	–	–	82,215	–
Deferred tax assets	13	–	–	–	–	582	–
Other assets	9	–	–	–	–	152	–
Total non-current assets		1,492,842	390,044	–	1,257,108	228,966	–
Total assets		1,494,924	417,692	6,940	1,335,541	394,681	5,953
<b>Current liabilities</b>							
Distribution payable	15	65,853	–	–	99,214	3,400	–
Payables	16	10,223	12,345	34	2,359	24,724	3
Interest bearing liabilities	17	–	8,500	–	–	94,737	18
Other liabilities	19	–	3,742	–	–	76	–
Provisions	18	–	629	–	–	532	–
Total current liabilities		76,076	25,216	34	101,573	123,469	21
<b>Non-current liabilities</b>							
Interest bearing liabilities	17	–	180,121	–	–	117,655	–
Provisions	18	–	1,251	–	–	3,248	–
Deferred tax liabilities	20	–	1,854	–	–	867	–
Total non-current liabilities		–	183,226	–	–	121,770	–
Total liabilities		76,076	208,442	34	101,573	245,239	21
Net assets		1,418,848	209,250	6,906	1,233,968	149,442	5,932
<b>Equity</b>							
Equity attributable to DUECo shareholders							
Contributed equity	22	–	–	–	–	–	–
Reserves	24	–	–	–	–	–	–
Retained profits/accumulated (losses)	25	–	–	–	–	–	–
Shareholders interest		–	–	–	–	–	–
<b>Equity attributable to DFT, DIHL and DFL securityholders</b>							
Contributed equity	22	1,778,900	345,983	7,061	1,565,843	285,495	6,154
Reserves	24	(360,052)	23,084	–	(331,875)	24,381	–
Retained profits/accumulated (losses)	25	–	(159,817)	(155)	–	(160,434)	(222)
DFT, DIHL and DFL securityholders interest		1,418,848	209,250	6,906	1,233,968	149,442	5,932
Other non-controlling interest	23	–	–	–	–	–	–
Total equity		1,418,848	209,250	6,906	1,233,968	149,442	5,932

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



# Financial Report: Statements of Changes in Equity

for year ended 30 June 2015

	Attributable to DUECo Unitholders						
	Contributed equity \$'000	Hedging reserve \$'000	Capital reserve \$'000	Other Reserve \$'000	Retained profits/(accumulated losses) \$'000	DFT, DIHL & non-controlling interests \$'000	Total equity \$'000
<b>DUET Group</b>							
Total equity at 30 June 2013	688,011	(48,264)	(90,324)	(12,882)	(300,132)	1,096,102	1,522,049
Profit for the year	-	-	-	-	61,039	129,446	193,061
Other comprehensive income/(expense) for the year	-	33,330	-	(13,820)	-	4,361	31,324
Total comprehensive income for the year	-	33,330	-	(13,820)	61,039	133,807	224,385
Transactions with equity holders in their capacity as equity holders:							
DUECo acquisition of DMC1 Limited	5,488	-	-	-	-	(5,488)	-
Transfer of investments in subsidiaries	-	-	-	(155,728)	-	155,728	-
Reserves movement as a result of restructure	-	-	-	(9,399)	-	9,399	-
Contributions of equity, net of transaction costs	99,610	-	-	-	-	200,973	300,583
Distribution paid and provided for to DUET equity holders	-	-	-	-	(16,000)	(201,176)	(217,176)
Dividends and distributions provided for or paid to non-controlling interests	-	-	-	-	-	-	(34,377)
Contributions of equity by non-controlling interests	-	-	-	-	-	-	9,563
Gain/(loss) on dilution of minority interest	-	-	-	3,304	-	-	(3,304)
Total equity at 30 June 2014	793,109	(14,934)	(90,324)	(188,525)	(255,093)	1,389,345	1,805,027
Profit for the year	-	-	-	-	(55,956)	104,057	45,928
Other comprehensive income/(expense) for the year	-	1,594	-	2,932	-	(1,297)	14,497
Total comprehensive income for the year	-	1,594	-	2,932	(55,956)	102,760	60,425
Transactions with equity holders in their capacity as equity holders:							
Contributions of equity, net of transaction costs and deferred tax	136,423	-	-	-	-	274,449	410,872
Distribution paid and provided for to DUET equity holders	-	-	-	-	(129,843)	(131,550)	(261,393)
Dividends and distributions provided for or paid to non-controlling interests	-	-	-	-	-	-	(38,275)
Contributions of equity by non-controlling interests	-	-	-	-	-	-	18,929
Gain/(loss) on dilution of minority interest	-	-	-	(5,613)	-	-	5,613
Total equity at 30 June 2015	929,532	(13,340)	(90,324)	(191,206)	(440,892)	1,635,004	1,995,585

## Financial Report: Statements of Changes in Equity

for year ended 30 June 2015

DFT	Contributed equity \$'000	Hedging reserve \$'000	Capital reserve \$'000	Other Reserve \$'000	Retained profits/ (accumulated losses) \$'000	Total \$'000
Total equity at 30 June 2013	1,051,517	(15,624)	(283,076)	–	–	752,817
Profit/(loss) for the year	–	–	–	–	127,374	127,374
Other comprehensive income/(expense) for the year	–	(2,150)	(66,772)	–	66,772	(2,150)
Total comprehensive income for the year	–	(2,150)	(66,772)	–	194,146	125,224
Transactions with equity holders in their capacity as equity holders:						
Contributions of equity, net of transaction costs	162,846	–	–	–	–	162,846
Changes in equity as a result of acquisition	351,480	–	–	–	–	351,480
Distribution paid and provided for to DFT equity holders	–	–	–	–	(194,146)	(194,146)
Reserves movement as a result of restructure	–	–	–	35,747	–	35,747
Total equity at 30 June 2014	1,565,843	(17,774)	(349,848)	35,747	–	1,233,968
Profit/(loss) for the year	–	–	–	–	103,373	103,373
Other comprehensive income/(expense) for the year	–	–	(28,177)	–	28,177	–
Total comprehensive income for the year	–	–	(28,177)	–	131,550	103,373
Contributions of equity, net of transaction costs	213,057	–	–	–	–	213,057
Distribution paid and provided for to DFT equity holders	–	–	–	–	(131,550)	(131,550)
Total equity at 30 June 2015	1,778,900	(17,774)	(378,025)	35,747	–	1,418,848

DIHL Group	Contributed equity \$'000	Hedging reserve \$'000	Capital reserve \$'000	Other Reserve \$'000	Retained profits/ (accumulated losses) \$'000	Total \$'000
Total equity at 30 June 2013	248,034	(22,214)	–	–	(155,799)	70,021
Profit/(loss) for the year	–	–	–	–	2,395	2,395
Other comprehensive income/(expense) for the year	–	6,505	–	–	–	6,505
Total comprehensive income/(loss) for the year	–	6,505	–	–	2,395	8,900
Transactions with equity holders in their capacity as equity holders:						
Reserves movement as a result of restructure	–	–	–	40,090	–	40,090
Distribution paid and provided for to DIHL Group equity holders	–	–	–	–	(7,030)	(7,030)
Contributions of equity, net of transaction costs	37,461	–	–	–	–	37,461
Total equity at 30 June 2014	285,495	(15,709)	–	40,090	(160,434)	149,442
Profit/(loss) for the year	–	–	–	–	617	617
Other comprehensive income/(expense) for the year	–	(1,297)	–	–	–	(1,297)
Total comprehensive income/(loss) for the year	–	(1,297)	–	–	617	(680)
Contributions of equity, net of transaction costs	60,488	–	–	–	–	60,488
Total equity at 30 June 2015	345,983	(17,006)	–	40,090	(159,817)	209,250

DFL	Contributed equity \$'000	Hedging reserve \$'000	Capital reserve \$'000	Other Reserve \$'000	Retained profits/ (accumulated losses) \$'000	Total \$'000
Total equity at 30 June 2013	5,486	–	–	–	101	5,587
Profit/(loss) for the year	–	–	–	–	(323)	(323)
Other comprehensive income/(expense) for the year	–	–	–	–	–	–
Total comprehensive income/(loss) for the year	–	–	–	–	(323)	(323)
Transactions with equity holders in their capacity as equity holders:						
Contributions of equity, net of transaction costs	668	–	–	–	–	668
Total equity at 30 June 2014	6,154	–	–	–	(222)	5,932
Profit/(loss) for the year	–	–	–	–	67	67
Other comprehensive income/(expense) for the year	–	–	–	–	–	–
Total comprehensive income/(loss) for the year	–	–	–	–	67	67
Transactions with equity holders in their capacity as equity holders:						
Contributions of equity, net of transaction costs	907	–	–	–	–	907
Total equity at 30 June 2015	7,061	–	–	–	(155)	6,906

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

## Financial Report: Statements of Cash Flow

for year ended 30 June 2015

Statements of Cash Flow	Note	DUET Group 1 Jul 14 – 30 Jun 15 \$'000	DUET Group 1 Jul 13 – 30 Jun 14 \$'000
<b>Cash flows (used in)/from operating activities</b>			
Receipts from customers (including GST)		1,337,834	1,483,442
Payments to suppliers and employees (including GST)		(574,528)	(639,234)
Payments relating to Head Office projects (includes internalisation and group simplification)		(3,249)	(7,089)
Income tax paid		(1,777)	(501)
Other interest received		11,055	13,041
Indirect tax paid		(14,628)	(18,401)
Net cash flows from operating activities	28	754,707	831,258
<b>Cash flows (used in)/from investing activities</b>			
Payments for purchase of property, plant and equipment		(465,864)	(333,879)
Proceeds from/(payments for) term deposits (> 90 days)		28,480	(85,000)
Payments for purchase of intangibles		(35,171)	(44,809)
Proceeds from sale of property, plant and equipment, net of costs		1,811	3,824
Net cash flows used in investing activities		(470,744)	(459,864)
<b>Cash flows (used in)/from financing activities</b>			
Proceeds from issue of stapled securities, net of transaction costs		409,562	238,733
Proceeds from securities issued to non-controlling interests		18,929	9,563
Proceeds from borrowing from external parties		1,355,718	1,433,561
Repayment of borrowings from external parties		(1,498,465)	(1,417,500)
Finance costs paid		(391,556)	(437,276)
Dividends paid to non-controlling interest		(38,276)	(37,505)
Distributions paid to DUET securityholders		(242,710)	(139,667)
Net cash flow used in financing activities		(386,798)	(350,091)
Net (decrease)/increase in cash and cash equivalents held		(102,835)	21,303
Cash assets at the beginning of the period		423,434	402,181
Effects of exchange rate changes on cash and cash equivalents		58	(50)
Cash and cash equivalents at the end of the year		320,657	423,434

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

## Financial Report: Statements of Cash Flow

for year ended 30 June 2015

	Note	DFT 1 Jul 14 – 30 Jun 15 \$'000	DIHL Group 1 Jul 14 – 30 Jun 15 \$'000	DFL 1 Jul 14 – 30 Jun 15 \$'000	DFT 1 Jul 13 – 30 Jun 14 \$'000	DIHL Group 1 Jul 13 – 30 Jun 14 \$'000	DFL 1 Jul 13 – 30 Jun 14 \$'000
Cash flows (used in)/from operating activities							
Receipts from customers (including GST)		–	12,975	–	39	8,160	–
Payments to suppliers and employees (including GST)		(1,999)	(10,566)	(52)	(2,457)	(17,015)	(130)
Payments relating to Head Office projects		(20)	–	–	(3,478)	(1,021)	(2)
Income tax paid		–	–	–	–	–	(286)
Interest received from associates		69,673	23,119	–	62,389	475	–
Interest received from related parties		79,350	–	–	65,154	–	–
Other interest received		396	1,337	146	876	784	101
Indirect tax net received		421	–	4	–	–	–
Net cash flows from/(used in) operating activities	28	147,821	26,865	98	122,523	(8,617)	(317)
Cash flows (used in)/from investing activities							
Payments for purchase of property, plant and equipment		–	(160,414)	–	–	(56,626)	–
Proceeds from/(payments for) short term deposits		–	15,000	(4,071)	–	–	–
Payments for purchase of investments		–	–	–	3,946	–	–
Return of capital from investments		–	–	–	–	22,971	–
Payments for purchase of other assets		–	–	–	–	(15,000)	–
Net cash flows (used in)/from investing activities		–	(145,414)	(4,071)	3,946	(48,655)	–
Cash flows (used in)/from financing activities							
Proceeds from issue of stapled securities, net of transaction costs		(616)	10	855	–	23,463	235
Proceeds from borrowings from related party		–	17,000	–	–	118,000	–
Repayment of borrowings from external parties		–	8,500	–	5,210	(6,602)	–
Loans to related parties		(160,361)	–	–	(11,878)	61,274	242
Loans from related parties		–	(28,855)	51	–	4,001	–
Finance costs paid		–	(12,680)	–	–	(6,455)	–
Distributions paid to DUET securityholders		(63,200)	(2,692)	–	(95,267)	(2,905)	–
Net cash flow (used in)/from financing activities		(224,177)	(18,717)	906	(101,935)	190,776	477
Net (decrease)/increase in cash and cash equivalents held		(76,356)	(137,266)	(3,067)	24,534	133,504	160
Cash assets at the beginning of the period		77,010	145,422	5,671	52,476	11,984	5,511
Effects of exchange rate changes on cash and cash equivalents		–	61	–	–	(66)	–
Cash and cash equivalents at the end of the year		654	8,217	2,604	77,010	145,422	5,671

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

# Notes to the Financial Statements

for year ended 30 June 2015

## 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. DUET Group is a for-profit entity for the purpose of preparing the financial statements.

The Financial Reports were authorised for issue by the Directors on 20 August 2015. The Directors of DUECo, DIHL and DFL 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

At 30 June 2015, the units of DFT and the ordinary shares in DUECo, DIHL and DFL were combined and issued as stapled securities in DUET Group. The individual securities cannot be traded separately.

As permitted by ASIC Class Order 06/441, this Financial Report consists of the consolidated Financial Statements of DUECo, DFT, DIHL and DFL and the entities they control, together acting as DUET Group.

### (b) Consolidated accounts

The Group is required to prepare its consolidated Financial Statements in accordance with AASB 10 *Consolidated Financial Statements*. As required by the Standard, the financial results of DFT, DIHL and DFL are shown as non-controlling interests in the financial statements.

### (c) Principles of consolidation

The consolidated Financial Statements incorporate the assets and liabilities of the entities, which DUECo, DFT, DIHL and DFL collectively hold a majority interest in, and control, at 30 June 2015, including those deemed to be controlled by DUECo 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 also include outside interests in partly owned subsidiaries which are not held directly or indirectly by DUECo, DFT, DIHL or DFL.

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 DUECo, DIHL and DFL.

For the year ended 30 June 2015 the segments are based on the core assets of DUET's investment portfolio being DBP, DDG, United Energy and Multinet Gas.

### (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

# Notes to the Financial Statements

for year ended 30 June 2015

## 1 Summary of Significant Accounting Policies (continued)

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.

Revenue from large lump sum projects is recognised in the accounting period in which the services are provided. For such contracts, revenue is recognised under the percentage of completion method.

### 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.

## (f) Net current asset deficiency

At 30 June 2015 the DUET Group had a net current asset deficiency of \$984.9 million which is primarily due to the following interest bearing term borrowings maturing in the next 12 months:

- MGH (US private placement) Series A of \$65 million and Series B of \$176 million;
- MGH bank loan of \$5 million;
- UED (US private placement) of \$259 million;
- DBP notes of \$565.5 million; and
- DBP working capital facility of \$10 million.

Notwithstanding this net current asset deficiency, the financial report has been prepared on a going concern basis as DUET Group is forecast to continue to generate positive operating cash flows and have sufficient capital and facilities in place to enable operations to continue as a going concern. Given the following, and based on current expectations, the Directors consider that DUET Group will have sufficient cash available to meet its liabilities as they fall due:

- DBP has obtained binding commitments totalling \$575 million to cover 2015 maturing debt;
- MGH priced \$230 million of 5 year notes on 5 June 2015 to partly refinance debt of US\$200 million in April 2016; and
- UED priced US\$200 million of US Private Placement notes (\$279 million) in August 2015 to refinance \$279 million of bonds maturing in April 2016.

DFT has a net current asset deficiency of \$74.0 million which is primarily due to distributions payable of \$65.9 million.

## (g) Income tax

### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Income Statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or

# Notes to the Financial Statements

for year ended 30 June 2015

## 1 Summary of Significant Accounting Policies (continued)

deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

### Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered as assessed by using the tax forecast model.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Income tax has not been brought to account in respect of DFT as, pursuant to the Income Tax Assessment Act, the Trust is not liable for income tax provided that their taxable income (including any assessable realised capital gains) is fully distributed to their unitholders each year.

DUECo and DIHL (as head entities) have implemented the tax consolidation legislation. DUET Group is not a tax consolidated Group.

### (h) 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.

### (i) 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.

### (j) Inventories

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

### (k) 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.

# Notes to the Financial Statements

for year ended 30 June 2015

## 1 Summary of Significant Accounting Policies (continued)

Other assets, including property, plant and equipment, 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 of disposal 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.

### (l) Investments

#### Investments in associates and joint operations

##### Associates

Investments in associates are accounted for using the equity method. 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.

##### Joint operations

The group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. Details of the joint operation are set out in note 11.

#### 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.

### (m) 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 cost 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.



# Notes to the Financial Statements

for year ended 30 June 2015

## 1 Summary of Significant Accounting Policies (continued)

Major spare parts purchased specifically for a 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.

### 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.

## (n) Intangible assets

### 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.

### 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.

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.

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

## (o) 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.

## (p) 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.

## (q) 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.

# Notes to the Financial Statements

for year ended 30 June 2015

## 1 Summary of Significant Accounting Policies (continued)

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.

### (r) 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.

### (s) 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. Liabilities that are not expected to be settled within 12 months have been measured as the present value of expected future payments to be made.

#### 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 applicable corporate bond rates 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 superannuation funds 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 corporate bond rates, 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.

#### Discount rate for employee benefits

The approach to setting the discount rate as at 30 June 2015 has changed. In prior years, the discount rate was based on the yields on Commonwealth government bonds. At 30 June 2015, a corporate bond yield has been used.

Refer to Note 21 for further details.

### (t) 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.

### (u) Interest bearing liabilities

Bank loans, guaranteed notes and redeemable preference shares are initially 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

# Notes to the Financial Statements

for year ended 30 June 2015

## 1 Summary of Significant Accounting Policies (continued)

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(x).

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.

### (v) Borrowing costs

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.

### (w) Distributions and dividends

A provision is made by DUET Group, for the amount of any distribution payable under the Constitution or declared by DUET, on or before the end of the financial year but not distributed at the reporting date.

### (x) 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. The 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 transfer the swap at the reporting date, taking into account current interest and foreign exchange rates and the current creditworthiness of the swap counterparties and DUET Group. 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.

### 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.

### 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.

### (y) 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.

# Notes to the Financial Statements

for year ended 30 June 2015

## 1 Summary of Significant Accounting Policies (continued)

### 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.

Capitalised 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.

### 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.

## (z) Earnings per stapled security

### 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.

### Diluted earnings per security

Diluted earnings per stapled security adjusts the figures used in the determination of basic earnings 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.

## (aa) 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 former owners of the acquiree, the liabilities incurred by the acquirer 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 a financial 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.

## (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.

## (cc) Standards and interpretations

### 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 applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2014:

# Notes to the Financial Statements

for year ended 30 June 2015

## 1 Summary of Significant Accounting Policies (continued)

- AASB 2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Liabilities*
- AASB 2013-3 *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2013-4 *Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting*
- Interpretation 21 *Accounting for Levies*
- AASB 2014-1 *Amendments to Australian Accounting Standards*

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

### 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 2015 or later periods but which have not yet been adopted. The significant changes and an assessment of the impact of these are as follows. Other new standards, amendments and interpretations to existing standards are not expected to have a significant impact on the financial statements or performance of the Group.

#### AASB 9 *Financial Instruments*

AASB 9 *Financial Instruments* is applicable to annual reporting periods for the Group beginning on or after 1 July 2018. However, the Group has decided to early adopt the standard effective from 1 July 2015.

AASB 9 introduces new classification and measurement models for financial instruments. Held to Maturity (HTM) and Available for Sale (AFS) asset categories will be removed. For financial instruments, there are only two models, amortised cost and fair value. To be classified and measured at amortised cost, the instruments must satisfy the business model test and have contractual cash flow characteristics. All other instruments are to be classified and measured at fair value. A new asset category measured as Fair Value through Other Comprehensive Income (FVOCI) is introduced. It also introduces new hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

There is no immediate impact on the financial performance of the Group; however, the new impairment model is an expected credit loss model, which may result in the earlier recognition of credit losses.

It is expected that the implementation of AASB 9 will reduce volatility in the financial results, therefore enhancing reliability of the result, as more derivatives will qualify for hedge accounting than under the current standard. There will be enhanced disclosure requirements following adoption of the standard.

#### AASB 15 *Revenue from Contracts with Customers*

The International Accounting Standards Board (IASB) in its July 2015 meeting decided to confirm its proposal to defer the effective date of IFRS 15 (the international equivalent of AASB 15) from 1 January 2017 to 1 January 2018. The amendment to give effect to the new effective date for IFRS 15 is expected to be issued in September 2015. At this time, it is expected that the AASB will make a corresponding amendment to AASB 15, which will mean that the application date of this standard for DUET Group will move from 1 July 2017 to 1 July 2018. It replaces AASB 111 *Construction Contracts*, AASB 118 *Revenue*, and related Interpretations. The Group is currently evaluating the impact of the new standard.

### (dd) Comparative figures

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

### (ee) Rounding of amounts

DUET Group, DFT, DIHL and DFL 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.

### (ff) 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.

## Notes to the Financial Statements

for year ended 30 June 2015

### 2 Profit for the Year

	DUET Group 1 Jul 14 – 30 Jun 15 \$'000	DUET Group 1 Jul 13 – 30 Jun 14 \$'000
<b>(i) Revenue</b>		
Sales revenue		
Distribution revenue	691,625	647,868
Metering revenue	91,928	86,968
Transportation revenue	394,130	415,949
New connections revenue	2,156	2,318
Other sales revenue	33,293	21,829
	1,213,132	1,174,932
Other revenue		
Interest revenue	9,275	10,259
Customer contributions	27,976	25,026
Miscellaneous revenue	11,563	31,003
	48,814	66,288
Total revenue	1,261,946	1,241,220
<b>(ii) Other income</b>		
Fair value gain on derivative contracts and loans	7,184	10,130
Gain on disposal of property, plant and equipment	76	–
Net foreign exchange gains	109	66
Total other income	7,369	10,196
Total revenue and other income	1,269,315	1,251,416
<b>(iii) Expenses</b>		
Expenses relating to internalisation and group simplification project	–	1,622
Operating expenses		
Operating fees	241,829	233,655
Other operating expenses	215,111	184,625
	456,940	418,280
Depreciation and amortisation expense		
Depreciation of property, plant and equipment	207,854	201,502
Amortisation of intangible assets	68,655	64,044
	276,509	265,546
Finance costs		
Amortisation of borrowing costs	14,214	19,310
Financing costs	6,024	5,614
Interest expense	401,318	420,093
	421,556	445,017
Other expenses		
Loss on disposal of property, plant and equipment	8,628	4,600
Foreign exchange losses	6	1,416
Fair value loss on derivative contracts and loans	28,400	2,829
Other	12,344	10,453
	49,378	19,298
Total expenses	1,204,383	1,149,763

## Notes to the Financial Statements

for year ended 30 June 2015

### 2 Profit for the Year (continued)

	DFT 1 Jul 14 – 30 Jun 15 \$'000	DIHL Group 1 Jul 14 – 30 Jun 15 \$'000	DFL 1 Jul 14 – 30 Jun 15 \$'000	DFT 1 Jul 13 – 30 Jun 14 \$'000	DIHL Group 1 Jul 13 – 30 Jun 14 \$'000	DFL 1 Jul 13 – 30 Jun 14 \$'000
<b>(i) Revenue</b>						
Sales revenue						
Transportation revenue	–	13,027	–	–	652	–
	–	13,027	–	–	652	–
Revenue from investments						
Interest revenue	147,498	–	–	131,645	–	–
	147,498	–	–	131,645	–	–
<b>(ii) Other revenue</b>						
Interest revenue	915	436	146	983	765	101
Resource fee revenue	–	11,134	–	–	7,026	–
Trustee fee revenue	–	–	180	–	–	–
Miscellaneous revenue	–	10,996	–	5	11,255	–
	915	22,566	326	988	19,046	101
Total revenue	148,413	35,593	326	132,633	19,698	101
<b>(iii) Expenses</b>						
Expenses relating to internalisation and group simplification project	–	–	–	422	400	42
Operating expenses						
Operating fees	–	11,417	–	–	7,452	–
Other operating expenses	–	9,738	–	–	2,715	–
	–	21,155	–	–	10,167	–
Depreciation and amortisation expense						
Depreciation of property, plant and equipment	–	2,849	–	–	343	–
	–	2,849	–	–	343	–
Finance costs						
Financing costs	–	150	–	–	231	–
Interest expense	1	9,103	–	1,174	5,992	–
	1	9,253	–	1,174	6,223	–
Other expenses						
Net foreign exchange losses	–	6	–	–	65	–
Resources fees paid	6,405	–	30	4,332	–	18
Trustee fees paid	188	–	–	–	–	–
Other	646	5,828	229	1,870	7,857	135
	7,239	5,834	259	6,202	7,922	153
Total expenses	7,240	39,091	259	7,798	25,055	195

## Notes to the Financial Statements

for year ended 30 June 2015

### 3 Income Tax

	DUET Group 1 Jul 14 – 30 Jun 15 \$'000	DUET Group 1 Jul 13 – 30 Jun 14 \$'000
<b>a) Tax reconciliation</b>		
Profit before income tax expense	64,932	101,653
Tax expense at 30%	19,480	30,496
Unused tax losses and offsets not recognised as DTA	17,156	21,248
Over provision from prior year	(839)	(309)
Tax effect of operating results of Australian Trusts	(6,517)	(34,288)
Non deductible expenses	720	789
Tax losses not previously recognised, recouped during the year	(11,873)	(2,291)
Deferred tax restatement pursuant to DUET Simplification	–	(107,496)
Sundry items	877	443
Total income tax expense/(credit)	19,004	(91,408)
<b>b) Income tax expense/(credit)</b>		
Income tax expense comprises:		
– Current tax	2,328	(5,830)
– Deferred tax	17,315	(85,467)
– (Over)/under provision from prior year	(639)	271
– Contribution to head company's tax position	–	(382)
Total income tax expense/(credit)	19,004	(91,408)
Income tax expenses attributable to:		
– Profit from continuing operations	19,004	(91,408)
Aggregate income tax expense	19,004	(91,408)
Deferred income tax (revenue) expense included in income tax expense comprises:		
– Decrease/(increase) in deferred tax assets	(41,498)	(120,403)
– Decrease/(increase) in deferred tax liabilities	58,813	34,936
	17,315	(85,467)
<b>c) Amounts recognised directly in equity</b>		
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	(5,153)	(16,730)
	(5,153)	(16,730)
<b>d) Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	801,429	775,771
Potential tax benefit @ 30%	240,429	232,731



## Notes to the Financial Statements

for year ended 30 June 2015

### 3 Income Tax (continued)

	DFT 1 Jul 14 – 30 Jun 15 \$'000	DIHL Group 1 Jul 14 – 30 Jun 15 \$'000	DFL 1 Jul 14 – 30 Jun 15 \$'000	DFT 1 Jul 13 – 30 Jun 14 \$'000	DIHL Group 1 Jul 13 – 30 Jun 14 \$'000	DFL 1 Jul 13 – 30 Jun 14 \$'000
<b>a) Tax reconciliation</b>						
Profit/(loss) before income tax expense	103,373	2,185	67	125,796	2,743	(94)
Tax expense/(benefit) at 30%	31,012	656	20	37,739	823	(28)
Share of net profit of associates	11,340	1,705	–	762	2,430	–
Unused tax losses and offsets not recognised as DTA	–	(792)	–	–	–	–
Tax effect of operating results of Australian Trusts	(42,352)	–	–	(38,501)	–	–
Tax losses not previously recognised, recouped during the year	–	–	–	–	(2,920)	–
Non deductible expenses	–	(1)	–	–	2	–
Sundry items	–	–	(20)	–	11	257
Total income tax expense/(credit)	–	1,568	–	–	346	229
<b>b) Income tax expense/(credit)</b>						
Income tax expense comprises:						
– Current tax	–	–	–	–	15	–
– Deferred tax	–	1,568	–	–	913	(43)
– Under provision from prior year	–	–	–	–	–	272
– Contribution to head company's tax position	–	–	–	–	(582)	–
Total income tax expense/(credit)	–	1,568	–	–	346	229
Income tax expenses attributable to:						
– Profit from continuing operations	–	1,568	–	–	346	229
Aggregate income tax expense	–	1,568	–	–	346	229
Deferred income tax (revenue) expense included in income tax expense comprises:						
– Decrease/(increase) in deferred tax assets	–	582	–	–	46	7
– Increase/(decrease) in deferred tax liabilities	–	987	–	–	867	(50)
<b>c) Amounts recognised directly in equity</b>						
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						
	–	–	–	–	–	–
	–	–	–	–	–	–
<b>d) Tax losses</b>						
Unused tax losses for which no deferred tax asset has been recognised	900	31,497	–	–	38,845	–
Potential tax benefit @ 30%	270	9,449	–	–	11,654	–

## Notes to the Financial Statements

for year ended 30 June 2015

### 4 Remuneration of Auditors

	DUET Group 1 Jul 14 – 30 Jun 15 \$	DUET Group 1 Jul 13 – 30 Jun 14 \$
Accounts paid or payable to Ernst & Young for:		
An audit or review of the financial report of the entity and any other entity in the consolidated group	922,000	840,900
Regulatory audit services	704,300	546,600
Other assurance services*		
- Capital raising related assurance	290,500	37,500
- Other assurance	143,930	82,210
Total assurance services	2,060,730	1,507,210
Other services in relation to the entity and any other entity in the consolidated group		
- Taxation compliance	244,810	158,000
Total services	2,305,540	1,665,210

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

	DFT 1 Jul 14 – 30 Jun 15 \$	DIHL Group 1 Jul 14 – 30 Jun 15 \$	DFL 1 Jul 14 – 30 Jun 15 \$	DFT 1 Jul 13 – 30 Jun 14 \$	DIHL Group 1 Jul 13 – 30 Jun 14 \$	DFL 1 Jul 13 – 30 Jun 14 \$
Accounts paid or payable to Ernst & Young for:						
An audit or review of the financial report of the entity and any other entity in the consolidated group	86,667	123,167	10,000	76,133	103,633	10,000
Regulatory audit services	–	–	–	–	–	–
Other assurance services*						
- Capital raising related assurance	150,945	42,960	642	19,485	5,546	83
- Other assurance	–	–	–	–	–	–
Total assurance services	237,612	166,127	10,642	95,618	109,179	10,083
Other services in relation to the entity and any other entity in the consolidated group						
- Taxation compliance	20,000	45,000	4,000	20,000	45,000	4,000
Total services	257,612	211,127	14,642	115,618	154,179	14,083

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

## Notes to the Financial Statements

for year ended 30 June 2015

### 5 Distributions Paid and Proposed

	DUET Group		DUET Group			
	1 Jul 14	1 Jul 13	1 Jul 14	1 Jul 13		
	- 30 Jun 15	- 30 Jun 14	- 30 Jun 14	- 30 Jun 13		
	\$'000	\$'000	\$'000	\$'000		
Interim distribution paid for the year ended 30 June	130,696	105,162				
Final distribution proposed and subsequently paid for the year ended 30 June	130,697	112,014				
	261,393	217,176				
	Cents per stapled security	Cents per stapled security				
Interim distribution paid for the year ended 30 June	8.750	8.500				
Final distribution proposed and subsequently paid for the year ended 30 June	8.750	8.500				
	DFT	DIHL Group	DFL	DFT	DIHL Group	DFL
	1 Jul 14	1 Jul 14	1 Jul 14	1 Jul 13	1 Jul 13	1 Jul 13
	- 30 Jun 15	- 30 Jun 15	- 30 Jun 15	- 30 Jun 14	- 30 Jun 14	- 30 Jun 14
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interim distribution paid for the year ended 30 June	65,697	-	-	94,932	3,630	-
Final distribution proposed and subsequently paid for the year ended 30 June	65,853	-	-	99,214	3,400	-
	131,550	-	-	194,146	7,030	-
	Cents per unit	Cents per share	Cents per share	Cents per unit	Cents per share	Cents per share
Interim distribution paid for the year ended 30 June	4.398	-	-	7.673	0.293	-
Final distribution proposed and subsequently paid for the year ended 30 June	4.409	-	-	7.529	0.258	-

### 6 Cash and Cash Equivalents

	DUET Group		DUET Group			
	30 Jun 15	30 Jun 14	30 Jun 15	30 Jun 14		
	\$'000	\$'000	\$'000	\$'000		
Cash at bank	141,128	242,125				
Short term deposits *	179,529	181,309				
	320,657	423,434				
	DFT	DIHL Group	DFL	DFT	DIHL Group	DFL
	30 Jun 15	30 Jun 15	30 Jun 15	30 Jun 14	30 Jun 14	30 Jun 14
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank	654	8,217	2,604	10,490	95,515	5,671
Short term deposits *	-	-	-	66,520	49,907	-
	654	8,217	2,604	77,010	145,422	5,671

\* Deposit terms are less than 90 days

## Notes to the Financial Statements

for year ended 30 June 2015

### 7 Receivables

	DUET Group 30 Jun 15 \$'000	DUET Group 30 Jun 14 \$'000
<b>Current</b>		
Trade receivables	59,917	37,072
Provision for impairment of receivables	(2,199)	(2,349)
GST receivable	44	806
Interest receivable - other parties	3,719	5,445
Other debtors	2,035	1,771
	<b>63,516</b>	<b>42,745</b>
<b>Non-current</b>		
Other receivables	20,053	20,559
	<b>20,053</b>	<b>20,559</b>

### Impairment Analysis

#### Trade Receivables

	DUET Group 30 Jun 15 \$'000	DUET Group 30 Jun 14 \$'000
Not yet due	38,574	17,980
Past due but not impaired	21,343	19,092
Provision for impairment loss	(2,199)	(2,349)
	<b>57,718</b>	<b>34,723</b>

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.

The carrying value of short term receivables approximates fair value.

#### Provision for impairment of receivables

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

	DUET Group 30 Jun 15 \$'000	DUET Group 30 Jun 14 \$'000
Opening balance at 1 July	2,349	2,154
Additions to provision during the year	28	273
Receivables written off during the year	(178)	(78)
	<b>2,199</b>	<b>2,349</b>

#### 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 10 for more information on the risk management policy of the Group Receivables.

	DFT 30 Jun 15 \$'000	DIHL Group 30 Jun 15 \$'000	DFL 30 Jun 15 \$'000	DFT 30 Jun 14 \$'000	DIHL Group 30 Jun 14 \$'000	DFL 30 Jun 14 \$'000
<b>Current</b>						
Trade receivables	–	3,349	–	–	1,497	–
GST receivable	10	29	3	–	806	–
Other receivables related parties	1,418	11,086	–	1,423	–	–
Other debtors	–	53	–	–	–	–
	<b>1,428</b>	<b>14,517</b>	<b>3</b>	<b>1,423</b>	<b>2,303</b>	<b>–</b>
<b>Non-current</b>						
Redeemable preference shares – associated entity	427,699	–	–	383,842	–	–
Shareholder loans – associated entities	1,065,143	–	–	560,355	238	–
Other receivables related parties	–	–	–	312,911	–	–
	<b>1,492,842</b>	<b>–</b>	<b>–</b>	<b>1,257,108</b>	<b>238</b>	<b>–</b>

## Notes to the Financial Statements

for year ended 30 June 2015

### 7 Receivables (continued)

#### 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.

### 8 Inventories

	DUET Group 30 Jun 15 \$'000		DUET Group 30 Jun 14 \$'000	
Inventories	26,140		25,327	
Less: Provision for obsolescence	(2,376)		(2,381)	
	23,764		22,946	

	DFT 30 Jun 15 \$'000	DIHL Group 30 Jun 15 \$'000	DFL 30 Jun 15 \$'000	DFT 30 Jun 14 \$'000	DIHL Group 30 Jun 14 \$'000	DFL 30 Jun 14 \$'000
Inventories	-	-	-	-	-	-
Less: Provision for obsolescence	-	-	-	-	-	-
	-	-	-	-	-	-

### 9 Other Assets

	DUET Group 30 Jun 15 \$'000		DUET Group 30 Jun 14 \$'000	
<b>Current</b>				
Accrued revenue	89,591		88,787	
Prepaid expenses	16,444		16,669	
Other assets	3,902		3,525	
	109,937		108,981	
<b>Non current</b>				
Accrued revenue	-		6,979	
Security deposit	-		152	
	-		7,131	

	DFT 30 Jun 15 \$'000	DIHL Group 30 Jun 15 \$'000	DFL 30 Jun 15 \$'000	DFT 30 Jun 14 \$'000	DIHL Group 30 Jun 14 \$'000	DFL 30 Jun 14 \$'000
<b>Current</b>						
Accrued revenue	-	3,563	-	-	1,585	-
Prepaid expenses	-	210	262	-	265	282
Other assets	-	1,141	-	-	1,140	-
	-	4,914	262	-	2,990	282
<b>Non current</b>						
Security deposit	-	-	-	-	152	-
	-	-	-	-	152	-

## Notes to the Financial Statements

for year ended 30 June 2015

### 10 Financial Risk Management and Fair Value Measurement

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group as at 30 June 2015:

	Loans and receivables \$'000	Fair value profit or loss \$'000	Fair value other comprehensive income \$'000
<b>Financial assets:</b>			
Receivables	63,516	–	–
Derivative financial instruments			
– Interest rate currency swaps	–	5,710	–
– Cross currency swaps	–	–	18,599
<b>Total current</b>	<b>63,516</b>	<b>5,710</b>	<b>18,599</b>
Receivables	20,053	–	–
Derivative financial instruments			
– Interest rate currency swaps	–	8,159	–
– Cross currency swaps	–	–	104,737
<b>Total non-current</b>	<b>20,053</b>	<b>8,159</b>	<b>104,737</b>
<b>Total</b>	<b>83,569</b>	<b>13,869</b>	<b>123,336</b>
<b>Financial liabilities</b>			
Payables	186,951	–	–
Interest bearing liabilities	1,090,303	–	–
Derivative financial instruments			
– Interest rate currency swaps	–	9,544	55,140
– Cross currency swaps	–	–	11,873
– CPI index hedge contracts	–	–	19,764
<b>Total current</b>	<b>1,277,254</b>	<b>9,544</b>	<b>86,777</b>
Interest bearing liabilities	3,930,505	709,979	–
Derivative financial instruments			
– Interest rate currency swaps	–	12,070	114,568
<b>Total non-current</b>	<b>3,930,505</b>	<b>722,049</b>	<b>114,568</b>
<b>Total</b>	<b>5,207,759</b>	<b>731,593</b>	<b>201,345</b>

## Notes to the Financial Statements

for year ended 30 June 2015

### 10 Financial Risk Management and Fair Value Measurement (continued)

DUET Group's activities expose it to a variety of financial risks associated with its financial instruments. These risks, and the strategies used to mitigate them, are outlined below.

Risk	Source of risk	Risk mitigation and management
a. (i) Market risk – Foreign exchange	The Group operates predominantly within Australia and is exposed to foreign exchange risk arising from currency exposures to the USD on borrowings (United Energy and Multinet Gas).	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.
a. (ii) Market risk – Price	The Group is exposed to revenue price risk through United Energy, Multinet Gas and DBP. 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.  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	Multinet Gas and United Energy has fully hedged their price risk by entering into CPI swaps.  The exposure to commodity price 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.
a. (iii) Market risk – Cash flow and fair value interest rate	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.
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 maximum exposure to credit risk at balance date is the carrying amount net of any provision for impairment of each financial asset in the balance sheet.	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.
c. Liquidity risk	The risk that the Group does not maintain an adequate amount of committed credit facilities, the ability to close-out market positions and to refinance borrowings.	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.
d. Capital risk management	The Group manages its capital to ensure that entities in the Group are adequately supported in growth initiatives, and maximising the return to security holders.	The Group continuously monitors its capital structure.  The Group is subject to bank covenants related to interest and gearing coverage ratios and AFSL requirements. During the period the Group was in compliance with all covenants it is subject to.

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. The central treasury department of each subsidiary arranges all transactions in line with the board established policy, and 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.

## Notes to the Financial Statements

for year ended 30 June 2015

### 10 Financial Risk Management and Fair Value Measurement (continued)

#### (a) Market risk

##### (i) Foreign exchange risk

###### *Sensitivity to foreign exchange movements*

The carrying value of financial assets and financial liabilities per the tables below represent the net carrying value of the asset or liability as a result of a reasonable possible change in foreign exchange rates.

DUET Group as at 30 June 2015	Carrying value \$'000	Foreign Exchange Risk			
		10% appreciation of Australian dollar		10% depreciation of Australian dollar	
		P&L \$'000	OCI \$'000	P&L \$'000	OCI \$'000
<b>Financial Assets</b>					
Cash and cash equivalents	1,459	(172)	–	210	–
	1,459	(172)	–	210	–
<b>Financial Liabilities</b>					
Loan	(2,358,065)	96,624	–	(118,096)	–
Derivatives	111,462	(98,580)	(35,226)	120,635	52,993
	(2,246,603)	(1,956)	(35,226)	2,539	52,993

DUET Group as at 30 June 2014	Carrying value \$'000	Foreign Exchange Risk			
		10% appreciation of Australian dollar		10% depreciation of Australian dollar	
		P&L \$'000	OCI \$'000	P&L \$'000	OCI \$'000
<b>Financial Assets</b>					
Cash and cash equivalents	1,741	(205)	–	168	–
	1,741	(205)	–	168	–
<b>Financial Liabilities</b>					
Loan	(901,456)	77,301	–	(77,301)	–
Derivatives	70,250	(78,472)	(33,702)	78,248	12,383
	831,206	(1,171)	(33,702)	947	12,383

##### (ii) Price risk

###### *CPI hedge contracts – cash flow hedges*

The recognised fair value of CPI hedge contracts on the Balance Sheet at 30 June 2015 as a net liability was \$19.8 million (2014: \$46.1 million). In the year ended 30 June 2015, a debit of \$28.4 million was the before tax amount recognised in the hedge reserve from the jointly designated cash flow hedge with cross currency and interest rate swaps and CPI indexed interest rate swaps. A loss of \$32.0 million is recognised in the Income Statement from the ineffective portion of the fair value hedge.

The notional principal amounts and periods of expiry of the CPI hedge contracts are as follows:

	30 Jun 15 \$'000	Weighted average fixed interest rates 2015 <sup>(1)</sup>	30 Jun 14 \$'000	Weighted average fixed interest rates 2014 <sup>(1)</sup>
Less than 1 year	1,100,000	5.15%	–	–
1 – 2 years	–	–	1,100,000	5.15%
2 – 3 years	–	–	–	–
3 – 4 years	–	–	–	–
4 – 5 years	–	–	–	–
Over 5 years	–	–	–	–
	1,100,000	5.15%	1,100,000	5.15%

<sup>(1)</sup> 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 2015 a gain of \$nil (2014: a gain of \$14.4 million) was transferred to the Income Statement, in relation to those instruments not jointly designated.



## Notes to the Financial Statements

for year ended 30 June 2015

### 10 Financial Risk Management and Fair Value Measurement (continued)

#### Sensitivity to CPI price risk

The below tables display the balances for financial instruments that would be recognised in the Income Statement or directly in equity for a reasonable possible movement in CPI.

DUET Group as at 30 June 2015	Carrying value \$'000	Other price risk			
		0.5% adverse movements		0.5% positive movements	
		P&L \$'000	Equity \$'000	P&L \$'000	Equity \$'000
<b>Financial Assets</b>					
Derivatives	–	–	–	–	–
	–	–	–	–	–
<b>Financial Liabilities</b>					
Derivatives	(19,764)	–	(119)	–	(8)
	(19,764)	–	(119)	–	(8)

DUET Group as at 30 June 2014	Carrying value \$'000	Other price risk			
		0.5% adverse movements		0.5% positive movements	
		P&L \$'000	Equity \$'000	P&L \$'000	Equity \$'000
<b>Financial Assets</b>					
Derivatives	–	–	–	–	–
	–	–	–	–	–
<b>Financial Liabilities</b>					
Derivatives	(46,081)	–	(168)	–	168
	(46,081)	–	(168)	–	168

As at 30 June 2015 and 30 June 2014 DFT, DIHL Group and DFL did not have a significant exposure to other price risk.

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

#### iii) Cash flow and fair value interest rate risk

##### Interest rate swap contracts – cash flow hedges

Bank loans and guarantee notes of the Group currently bear an average variable interest rate of 3.7% (2014: 2.7%). 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% (2014: 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 2015 was \$177.4 million (2014: net liability of \$129.9 million), of which \$12.7 million (2014: \$62.6 million) was the before 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 15 \$'000	Weighted average fixed interest rates 2015	30 Jun 14 \$'000	Weighted average fixed interest rates 2014
Less than 1 year	982,000	5.17%	476,000	6.99%
1 – 2 years	785,000	4.98%	4,824,000	5.76%
2 – 3 years	945,000	3.52%	510,000	5.71%
3 – 4 years	–	–	680,000	3.30%
4 – 5 years	–	–	–	–
Over 5 years	2,140,000	4.09%	240,000	3.86%
	4,852,000	4.44%	6,730,000	5.12%

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 2015 a gain of \$2.6 million (2014: a gain of \$11.5 million) was transferred to profit or loss.

## Notes to the Financial Statements

for year ended 30 June 2015

### 10 Financial Risk Management and Fair Value Measurement (continued)

#### 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 hedge against interest rate risk of loans and guaranteed notes.

Bank loans and guarantee notes of the Group currently bear an average variable interest rate of 3.7% (2014: 2.7%).

The recognised fair value of interest rate swaps on the Balance Sheet as a net liability at 30 June 2015 was \$13.9 million (2014: \$11.7 million), of which \$2.2 million (2014: \$2.3 million) was recognised as a loss in the Income Statement.

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

	30 Jun 15 \$'000	Weighted average fixed interest rates 2015	30 Jun 14 \$'000	Weighted average fixed interest rates 2014
Less than 1 year	660,000	4.49%	50,000	7.02%
1 – 2 years	200,000	6.25%	400,000	6.66%
2 – 3 years	165,000	5.29%	–	–
3 – 4 years	–	–	–	–
4 – 5 years	210,000	4.25%	–	–
Over 5 years	147,500	3.93%	–	–
	<b>1,382,500</b>	<b>4.84%</b>	<b>450,000</b>	<b>6.84%</b>

#### 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 USD and currently bear interest at an average fixed rate of 4.4% (2014: 4.7%). 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 Group's 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 2015 as a net asset was \$111.5 million (2014: \$70.3 million).

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

	30 Jun 15 \$'000	Weighted average fixed interest rates 2015	30 Jun 14 \$'000	Weighted average fixed interest rates 2014
Less than 1 year	509,048	6.61%	77,042	3.91%
1 – 2 years	–	–	509,048	5.00%
2 – 3 years	401,717	5.51%	–	–
3 – 4 years	–	–	401,717	5.01%
4 – 5 years	–	–	–	–
Over 5 years	123,124	3.98%	–	–
	<b>1,033,889</b>	<b>5.37%</b>	<b>987,807</b>	<b>5.00%</b>

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 2015 a gain of \$135.0 million (2014: gain of \$19.0 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 \$207.2 million (2014: loss of \$2.4 million) was recorded in the income statement on the hedging instruments designated in a fair value relationship. A corresponding loss of \$200.6 million (2014: loss of \$8.7 million) was recorded in the Income Statement on the fair adjustment of the USD denominated interest bearing liabilities.

## Notes to the Financial Statements

for year ended 30 June 2015

### 10 Financial Risk Management and Fair Value Measurement (continued)

#### Sensitivity to interest rate risks

The carrying value of financial assets and financial liabilities per the tables below represent the net carrying value of the asset or liability as a result of a reasonable possible shift in interest rates.

DUET Group as at 30 June 2015	Carrying value \$'000	Interest Rate Risk			
		100 basis point increase in interest rate		100 basis point decrease in interest rate	
		P&L \$'000	Equity \$'000	P&L \$'000	Equity \$'000
<b>Financial Assets</b>					
Cash and cash equivalents*	376,177	3,486	–	(3,486)	–
Derivatives	5,984	(2,451)	–	2,509	–
	382,161	1,035	–	(977)	–
<b>Financial Liabilities</b>					
Interest bearing liabilities	(1,146,098)	(2,289)	–	2,289	–
Derivatives	187,715	(87)	113,284	(18)	(119,489)
	(958,383)	2,376	113,284	(2,271)	(119,489)

\* Includes short term deposits

DUET Group as at 30 June 2014	Carrying value \$'000	Interest Rate Risk			
		100 basis point increase in interest rate		100 basis point decrease in interest rate	
		P&L \$'000	Equity \$'000	P&L \$'000	Equity \$'000
<b>Financial Assets</b>					
Cash and cash equivalents	423,434	1,270	–	(1,270)	–
Receivables	3,609	2,357	–	(2,255)	–
	427,043	3,627	–	(3,525)	–
<b>Financial Liabilities</b>					
Interest bearing liabilities	(1,848,704)	(108)	–	108	–
Derivatives	(99,172)	(38,185)	25,014	(37,610)	(23,261)
	(1,947,876)	(38,293)	25,014	(37,502)	(23,261)

DFT as at 30 June 2015	Carrying value \$'000	Interest Rate Risk			
		100 basis point increase in interest rate		100 basis point decrease in interest rate	
		P&L \$'000	Equity \$'000	P&L \$'000	Equity \$'000
<b>Financial Assets</b>					
Cash and cash equivalents	654	7	–	(7)	–
Intercompany Loans	1,495,085	14,951	–	(14,951)	–
	1,495,739	14,958	–	(14,958)	–
<b>Financial Liabilities</b>					
Intercompany loans	–	–	–	–	–
	–	–	–	–	–

DFT as at 30 June 2014	Carrying value \$'000	Interest Rate Risk			
		100 basis point increase in interest rate		100 basis point decrease in interest rate	
		P&L \$'000	Equity \$'000	P&L \$'000	Equity \$'000
<b>Financial Assets</b>					
Cash and cash equivalents	77,010	770	–	(770)	–
Intercompany Loans	73,272	733	–	(733)	–
	150,282	1,503	–	(1,503)	–
<b>Financial Liabilities</b>					
Intercompany loans	–	–	–	–	–
	–	–	–	–	–

## Notes to the Financial Statements

for year ended 30 June 2015

### 10 Financial Risk Management and Fair Value Measurement (continued)

	Carrying value \$'000	Interest Rate Risk			
		100 basis point increase in interest rate		100 basis point decrease in interest rate	
		P&L \$'000	Equity \$'000	P&L \$'000	Equity \$'000
<b>DIHL Group as at 30 June 2015</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	8,217	15	–	(15)	–
	8,217	15	–	(15)	–
<b>Financial Liabilities</b>					
Interest bearing liabilities	(8,500)	(60)	–	60	–
Intercompany loans	(180,371)	(454)	–	454	–
	(188,871)	(514)	–	514	–

	Carrying value \$'000	Interest Rate Risk			
		100 basis point increase in interest rate		100 basis point decrease in interest rate	
		P&L \$'000	Equity \$'000	P&L \$'000	Equity \$'000
<b>DIHL Group as at 30 June 2014</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	145,422	118	–	(118)	–
	145,422	118	–	(118)	–
<b>Financial Liabilities</b>					
Intercompany loans	(118,000)	–	–	–	–
	(118,000)	–	–	–	–

	Carrying value \$'000	Interest Rate Risk			
		100 basis point increase in interest rate		100 basis point decrease in interest rate	
		P&L \$'000	Equity \$'000	P&L \$'000	Equity \$'000
<b>DFL as at 30 June 2015</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	6,675	67	–	(67)	–
	6,675	67	–	(67)	–
<b>Financial Liabilities</b>					
Intercompany loans	–	–	–	–	–
	–	–	–	–	–

	Carrying value \$'000	Interest Rate Risk			
		100 basis point increase in interest rate		100 basis point decrease in interest rate	
		P&L \$'000	Equity \$'000	P&L \$'000	Equity \$'000
<b>DFL as at 30 June 2014</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	5,671	57	–	(57)	–
	5,671	57	–	(57)	–
<b>Financial Liabilities</b>					
Intercompany loans	–	–	–	–	–
	–	–	–	–	–

## Notes to the Financial Statements

for year ended 30 June 2015

### 10 Financial Risk Management and Fair Value Measurement (continued)

#### (b) Credit risk

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 (Governments and Corporates). Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The exposure to these are discussed further below.

##### 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 DBP. 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:

	Governments \$'000		Financial institutions \$'000		Corporates \$'000		Total \$'000	
	30 Jun 15	30 Jun 14	30 Jun 15	30 Jun 14	30 Jun 15	30 Jun 14	30 Jun 15	30 Jun 14
<b>DUET Group</b>								
Cash, cash equivalents and term deposits	–	–	376,177	423,435	–	–	376,177	423,435
Receivables	–	236	–	21,224	58,926	33,204	58,926	54,664
Other (Financial Derivatives)	–	–	137,205	33,328	–	–	137,205	33,328
<b>Total</b>	–	236	513,382	477,987	58,926	33,204	572,308	511,427

	Governments \$'000		Financial institutions \$'000		Corporates \$'000		Total \$'000	
	30 Jun 15	30 Jun 14	30 Jun 15	30 Jun 14	30 Jun 15	30 Jun 14	30 Jun 15	30 Jun 14
<b>DFT</b>								
Cash, cash equivalents and term deposits	–	–	654	77,010	–	–	654	77,010
Receivables	–	–	–	–	1,494,270	1,257,146	1,494,270	1,257,146
<b>Total</b>	–	–	654	77,010	1,494,270	1,257,146	1,494,924	1,334,156

	Governments \$'000		Financial institutions \$'000		Corporates \$'000		Total \$'000	
	30 Jun 15	30 Jun 14	30 Jun 15	30 Jun 14	30 Jun 15	30 Jun 14	30 Jun 15	30 Jun 14
<b>DIHL Group</b>								
Cash, cash equivalents and term deposits	–	–	8,217	145,423	–	–	8,217	145,423
Receivables	–	236	–	–	14,517	1,238	14,517	1,474
<b>Total</b>	–	236	8,217	145,423	14,517	1,238	22,734	146,897

	Governments \$'000		Financial institutions \$'000		Corporates \$'000		Total \$'000	
	30 Jun 15	30 Jun 14	30 Jun 15	30 Jun 14	30 Jun 15	30 Jun 14	30 Jun 15	30 Jun 14
<b>DFL</b>								
Cash, cash equivalents and term deposits	–	–	6,675	5,671	–	–	6,675	5,671
Receivables	–	–	–	–	3	–	3	–
<b>Total</b>	–	–	6,675	5,671	3	–	6,678	5,671



## Notes to the Financial Statements

for year ended 30 June 2015

### 10 Financial Risk Management and Fair Value Measurement (continued)

#### (d) Fair value estimation

The carrying amount of short term receivables and payables is a reasonable approximation to fair value. Set out below is a comparison of the carrying amounts and fair values of financial instruments:

	Carrying amount 30 Jun 15 \$'000	Fair value 30 Jun 15 \$'000	Carrying amount 30 Jun 14 \$'000	Fair value 30 Jun 14 \$'000
<b>Financial assets</b>				
Derivative financial instruments	24,309	24,309	9,052	9,052
Total current	24,309	24,309	9,052	9,052
Derivative financial instruments	112,896	112,896	57,797	57,797
Total non-current	112,896	112,896	57,797	57,797
<b>Total</b>	<b>137,205</b>	<b>137,205</b>	66,849	66,849
<b>Financial liabilities</b>				
Interest bearing liabilities	1,090,303	1,101,438	1,072,628	1,114,092
Derivative financial instruments	96,321	96,321	112,707	112,707
Total current	1,186,624	1,197,759	1,185,335	1,226,799
Interest bearing liabilities	4,640,484	4,890,084	4,684,899	5,297,236
Derivative financial instruments	126,638	126,638	173,403	173,403
Total non-current	4,767,122	5,016,722	4,858,302	5,470,639
<b>Total</b>	<b>5,953,746</b>	<b>6,214,481</b>	6,043,637	6,697,438

The carrying value of all current receivable and payable balances approximates their fair value. DFT has non-current receivables with a carrying amount of \$1,493 million (2014: \$1,257 million) which approximates its fair value. All short term receivables and payables are identified as Level 3.

The fair value of interest bearing liabilities is calculated as the present value of expected future cash flows. These are identified as Level 2.

DIHL Group has interest bearing liabilities with a carrying amount of \$188.6 million (2014: \$212.4 million) which approximates its fair value.

DFL does not hold any financial instruments.

#### Valuation techniques for derivative financial instruments

Derivative financial instruments are identified as Level 2.

The fair value of a swap is calculated as its present value, i.e. the sum of all the discounted future cash flows for both the fixed leg and floating leg, using the techniques set out below.

For an interest rate swap, the fixed leg of the swap has fixed payments as per the swap confirmation.

For the floating coupon payments, implied forward rates are determined from a zero coupon curve. Where single currency basis adjustment is applicable the implied forward rates include the inter-tenor spreads over the benchmark zero coupon curve. The floating margin (if applicable) is then added to these forward rates to calculate the expected floating leg coupon rates on each reset date. The future cash flows of both legs are then discounted from their future payment dates back to the valuation date using a benchmark zero coupon curve, which may differ to the zero coupon curve used to calculate the forward rates. Credit risk adjustment is also incorporated (see further details below).

A cross currency interest rate swap is an interest rate swap with each leg in different currencies. The legs on a cross currency swap can be fixed-fixed, fixed-floating or floating-floating. Each leg is valued in the same way as an interest rate swap, but cross currency basis is included in the discount curve. The currency basis is derived through quoted currency basis swaps. The mark to market value is then calculated by converting the legs to a common currency at the spot FX rate.

#### Valuation techniques for debt held at fair value

Debt has one series of cash flows which includes the payment of interest on the principal and the repayment of the principal itself. Interest rates applicable to the debt can be either floating (adjusted for margin where applicable) or fixed.

The series of cash flows is discounted using the same methodology as discounting a series of cashflows for an interest rate swap as noted above.

Where foreign currency debt is held, the series of cashflows is translated to the functional and presentation currency using the appropriate foreign exchange rates at valuation date as observed in the market.

## Notes to the Financial Statements

for year ended 30 June 2015

### 10 Financial Risk Management and Fair Value Measurement (continued)

#### Credit risk adjustment

In valuing over-the-counter derivatives, and debt at fair value, allowance is made for the impact of credit risk, where one party may default on the obligatory payments to the other party. Each counterparty is subject to the credit risk of the other counterparty.

An appropriate credit spread is used when determining the magnitude of the credit value adjustment. This credit spread is sourced from a traded credit default swap spread, any recent debt issuance from the relevant counterparty or from an index credit default swap spread based on the relevant counterparty's credit rating.

Bilateral collateral arrangements, master netting agreements and other credit enhancement or risk mitigation tools reduce the credit exposure associated with an asset or liability and are considered in determining the fair value of the liability.

#### Fair value hierarchy

Set out below are the fair value measurements of financial asset and liabilities in accordance with the following fair value measurements hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets and 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).

For assets and liabilities that are recognised on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

As all significant inputs into the fair value calculations of the Group's financial instruments are observable either directly or indirectly in the market, but as the fair values themselves are not based on quoted prices in an active market, the Group has classified all financial instruments as being in Level 2 (excluding short term receivables and payables which are identified as Level 3).

DFT, DIHL Group and DFL do not hold any financial instruments measured at fair value



## Notes to the Financial Statements

for year ended 30 June 2015

### 11 Investments in Associates

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

Name of Entity	Ownership interest %	DUET Group 30 Jun 15 \$'000	DFT 30 Jun 15 \$'000	DIHL Group 30 Jun 15 \$'000	DUET Group 30 Jun 14 \$'000	DFT 30 Jun 14 \$'000	DIHL Group 30 Jun 14 \$'000
DBNGP Trust	21% & 20%	–	–	163,044	–	–	145,779

At 30 June 2015, DFT indirectly holds 21% and DIHL holds 20% of DBNGP Trust.

DBNGP Trust has a year end of 30 June.

DDG Fortescue River Pty Ltd has a 57% interest in a joint operation, Fortescue River Gas Pipeline (FRGP). The joint operation construction of a natural gas transmission pipeline reached practical completion in March 2015. The net assets of the joint operation at 30 June 2015 were \$188.3 million (2014: \$39.7 million), including \$4.8 million in cash (2014: \$13.1 million) and property, plant and equipment of \$180.6 million (2014: \$36.7 million).

DFT has no investments in associates.

#### Investments accounted for using the equity method

	DUET Group 30 Jun 15 \$'000	DFT 30 Jun 15 \$'000	DIHL Group 30 Jun 15 \$'000	DUET Group 30 Jun 14 \$'000	DFT 30 Jun 14 \$'000	DIHL Group 30 Jun 14 \$'000
Movements in carrying amounts						
Carrying amount at the beginning of the year	–	–	145,779	–	145,911	176,501
Share of associates' net profits/(losses)	–	–	5,680	–	2,539	8,105
Dividends received from associates	–	–	(23,118)	–	–	(22,971)
Acquisition	–	–	36,000	–	–	–
Disposal	–	–	–	–	(146,358)	(24,452)
Reserve movements	–	–	(1,297)	–	(2,092)	8,596
Carrying amount of investment in associates at the end of the year	–	–	163,044	–	–	145,779
Results attributable to associates						
Profits/(losses) before income tax	–	–	41,440	–	–	48,900
Income tax expense	–	–	(13,025)	–	–	(15,820)
Profits/(losses) after income tax	–	–	28,415	–	–	33,080
Summary of performance and financial positions of associates						
The aggregate profits, assets and liabilities of associates are:						
– Revenues	–	–	417,156	–	–	453,201
Profits/(losses) from ordinary activities after income tax expense	–	–	28,415	–	–	33,080
Other Comprehensive Income	–	–	(6,498)	–	–	48,080
Total Comprehensive Income	–	–	21,917	–	–	81,160
– Current assets as at 30 June	–	–	68,597	–	–	64,583
– Non-current assets as at 30 June	–	–	3,588,575	–	–	3,635,332
– Assets as at 30 June	–	–	3,657,172	–	–	3,699,915
– Current liabilities as at 30 June	–	–	(703,345)	–	–	(205,988)
– Non-current liabilities as at 30 June	–	–	(2,278,390)	–	–	(2,888,986)
– Liabilities as at 30 June	–	–	(2,981,735)	–	–	(3,094,974)

## Notes to the Financial Statements

for year ended 30 June 2015

### 11 Investments in Associates (continued)

#### Shares of associates' contingencies

As at 30 June 2015, DFT, 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 15 \$'000	DFT 30 Jun 15 \$'000	DIHL Group 30 Jun 15 \$'000	DUET Group 30 Jun 14 \$'000	DFT 30 Jun 14 \$'000	DIHL Group 30 Jun 14 \$'000
Movements in carrying amounts						
Carrying amount at the beginning of the year	–	–	–	–	–	–
Investment in associate	–	37,800	–	–	–	–
Share of associates' net losses brought to account	–	(37,800)	–	–	–	–
Carrying amount of investment in associates at the end of the year	–	–	–	–	–	–
Results attributable to associates						
(Loss) before income tax	–	(22,684)	–	–	(22,853)	–
Income tax expense	–	–	–	–	–	–
(Loss)/profit after income tax	–	(22,684)	–	–	(22,853)	–
Summary of performance and financial positions of associates						
The aggregate profits, assets and liabilities of associates are:						
– Revenues	–	820	–	–	639	–
Profit/(loss) from ordinary activities after income tax expense	–	(64,810)	–	–	(65,293)	–
– Assets as at 30 June	–	826,264	–	–	1,190,664	–
– Liabilities as at 30 June	–	(554,611)	–	–	(604,492)	–

The equity method of accounting for the investments in DUET Dampier Bunbury Company Pty Limited (DDBCo), 61.4% owner of DBNGP Trust ceased when the carrying amount of the investment reached zero.

## Notes to the Financial Statements

for year ended 30 June 2015

### 12 Property, Plant and Equipment

	DUET Group 30 Jun 15 \$'000	DUET Group 30 Jun 14 \$'000
Freehold land – at cost	5,834	5,834
Land and buildings – at cost	38,371	37,798
Less: Accumulated depreciation	(8,906)	(7,599)
	<b>29,465</b>	30,199
Plant and equipment – at cost	7,578,580	7,356,620
Less: Accumulated depreciation	(1,878,016)	(1,887,411)
	<b>5,700,564</b>	5,469,209
Motor vehicles – at cost	31,670	32,246
Less: Accumulated depreciation	(16,897)	(15,307)
	<b>14,773</b>	16,939
Office equipment and software – at cost	52,224	48,060
Less: Accumulated depreciation	(40,750)	(34,694)
	<b>11,474</b>	13,366
Fixtures and fittings – at cost	21,033	17,604
Less: Accumulated depreciation	(10,505)	(8,933)
	<b>10,528</b>	8,671
Plant and equipment in the course of construction – at cost*	<b>230,318</b>	240,353
Total property, plant & equipment – at cost	<b>7,958,030</b>	7,738,515
Less: Total accumulated depreciation	<b>(1,955,074)</b>	(1,953,944)
	<b>6,002,956</b>	5,784,571

\* Includes capitalised borrowing costs

	DFT 30 Jun 15 \$'000	DIHL Group 30 Jun 15 \$'000	DFL 30 Jun 15 \$'000	DFT 30 Jun 14 \$'000	DIHL Group 30 Jun 14 \$'000	DFL 30 Jun 14 \$'000
Land – at cost	–	239	–	–	239	–
Buildings – at cost	–	–	–	–	–	–
Less: Accumulated depreciation	–	–	–	–	–	–
	–	–	–	–	–	–
Plant and equipment – at cost	–	217,275	–	–	3,207	–
Less: Accumulated depreciation	–	(3,212)	–	–	(452)	–
	–	<b>214,063</b>	–	–	2,755	–
Fixtures and fittings – at cost	–	959	–	–	767	–
Less: Accumulated depreciation	–	(150)	–	–	(65)	–
	–	<b>809</b>	–	–	702	–
Plant and equipment in the course of construction – at cost	–	11,889	–	–	78,519	–
Total property, plant & equipment – at cost	–	<b>230,362</b>	–	–	82,732	–
Less: Total accumulated depreciation	–	<b>(3,362)</b>	–	–	(517)	–
	–	<b>227,000</b>	–	–	82,215	–

## Notes to the Financial Statements

for year ended 30 June 2015

### 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 2015

	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
<b>Consolidated</b>								
Carrying amount at 1 July 2014	30,199	5,834	5,469,209	16,939	13,366	8,671	240,353	5,784,571
Additions	332	–	169,194	1,825	2,073	1,475	272,349	447,248
Revision of decommissioning asset (Note 18)	–	–	(11,331)	–	–	–	–	(11,331)
Disposals	–	–	(10,331)	(30)	–	–	–	(10,361)
Transfers	241	–	278,558	(689)	2,996	1,961	(282,384)	683
Depreciation expense (Note 2)	(1,307)	–	(194,735)	(3,272)	(6,961)	(1,579)	–	(207,854)
Carrying amount at 30 June 2015	29,465	5,834	5,700,564	14,773	11,474	10,528	230,318	6,002,956

#### Year ended 30 June 2014

	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
<b>Consolidated</b>								
Carrying amount at 1 July 2013	28,723	5,834	5,300,067	17,726	23,880	1,601	235,912	5,613,743
Additions	653	–	217,061	2,308	1,336	1,086	161,014	383,458
Disposals	–	–	(7,904)	(11)	–	–	–	(7,915)
Transfers	2,074	–	147,746	205	(3,980)	7,315	(156,573)	(3,213)
Depreciation expense (Note 2)	(1,251)	–	(187,761)	(3,289)	(7,870)	(1,331)	–	(201,502)
Carrying amount at 30 June 2014	30,199	5,834	5,469,209	16,939	13,366	8,671	240,353	5,784,571

#### Borrowing costs capitalised to property, plant and equipment

During the year ended 30 June 2015 interest of \$nil (2014: \$3.2 million) was capitalised to assets in the course of construction. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the effective rate of specific borrowing.

## Notes to the Financial Statements

for year ended 30 June 2015

### 13 Deferred Tax Assets

	DUET Group 30 Jun 15 \$'000	DUET Group 30 Jun 14 \$'000
The balance comprises temporary difference attributable to:		
Doubtful debts	660	705
Meter replacement	725	265
Other employee entitlements	7,493	6,114
Property, plant & equipment	142,980	140,188
Intangibles	4,398	3,917
Accrued revenue	7,195	9,114
Environmental provision	1,355	1,355
Other provisions	12,613	11,154
Decommissioning Provision	8,169	11,769
Other	2,358	2,348
Equity raising costs	3,927	307
Cash flow hedges and hedged interest bearing liabilities	82,795	50,936
Deferred tax asset not recognised	(41,012)	(39,939)
Tax losses *	198,010	188,303
	<b>431,666</b>	<b>386,536</b>
Cash flow hedges recognised directly in equity	18,201	27,090
Equity raising costs recognised directly in equity	1,059	–
Defined benefit reserve recognised directly in equity	611	(183)
	<b>451,537</b>	<b>413,443</b>
Set – off deferred tax liabilities pursuant to set off provisions (Note 20)	(153,221)	(148,688)
Net deferred tax assets	<b>298,316</b>	<b>264,755</b>

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

	DUET Group 30 Jun 15 \$'000	DUET Group 30 Jun 14 \$'000
Movements:		
Opening balance at 1 July	264,755	94,325
Credited/(charged) to the Income Statement	41,498	120,403
Acquisition of subsidiaries	–	52,678
Credited/(charged) to equity	(7,937)	(2,651)
Closing balance 30 June	<b>298,316</b>	<b>264,755</b>
Deferred tax assets to be recovered after more than 12 months	<b>298,316</b>	<b>264,755</b>
Deferred tax assets to be recovered within 12 months	–	–
	<b>298,316</b>	<b>264,755</b>

The deferred tax asset has largely arisen from the tax base reset as a result of Group restructuring in prior years. This has been assessed as recoverable based on tax forecasts, which are consistent with the cash flow forecasts used in Note 14 to assess the carrying value of goodwill.

	DFT 30 Jun 15 \$'000	DIHL Group 30 Jun 15 \$'000	DFL 30 Jun 15 \$'000	DFT 30 Jun 14 \$'000	DIHL Group 30 Jun 14 \$'000	DFL 30 Jun 14 \$'000
The balance comprises temporary difference attributable to:						
Amounts recognised in profit or loss						
Other provisions	–	59	–	–	694	–
Decommissioning Provision	–	376	–	–	974	–
Deferred income	–	1,099	–	–	–	–
	–	<b>1,534</b>	–	–	<b>1,668</b>	–
Cash flow hedges recognised directly in equity	–	–	–	–	–	–
Defined benefit reserve recognised directly in equity	–	–	–	–	–	–
	–	–	–	–	–	–
Set – off deferred tax liabilities pursuant to set off provisions (Note 20)	–	(1,534)	–	–	(1,086)	–
Net deferred tax assets	–	–	–	–	<b>582</b>	–

## Notes to the Financial Statements

for year ended 30 June 2015

### 13 Deferred Tax Assets (continued)

	DFT 30 Jun 15 \$'000	DIHL Group 30 Jun 15 \$'000	DFL 30 Jun 15 \$'000	DFT 30 Jun 14 \$'000	DIHL Group 30 Jun 14 \$'000	DFL 30 Jun 14 \$'000
Movements:						
Opening balance at 1 July	–	582	–	–	46	7
Credited/(charged) to Income Statement	–	(582)	–	–	(46)	(7)
Acquisition of subsidiaries	–	–	–	–	582	–
Credited/(charged) to equity	–	–	–	–	–	–
Closing balance 30 June	–	–	–	–	582	–
Deferred tax assets to be recovered after more than 12 months	–	–	–	–	582	–
Deferred tax assets to be recovered within 12 months	–	–	–	–	–	–
	–	–	–	–	582	–

## 14 Intangible Assets

	DUET Group 30 Jun 15 \$'000	DUET Group 30 Jun 14 \$'000
Intellectual property at cost	127,340	127,340
Less: accumulated amortisation	(76,991)	(70,554)
	50,349	56,786
Software	386,663	353,628
Less: accumulated amortisation	(263,054)	(216,219)
	123,609	137,409
Distribution Licences	1,035,377	1,035,377
Employee contract asset	2,376	2,376
Less: accumulated amortisation	(1,782)	(1,307)
	594	1,069
Development Project Costs	97,696	95,500
Less: accumulated amortisation	(63,506)	(48,124)
	34,190	47,376
Goodwill	789,780	789,780
Total	2,033,899	2,067,797

DUET Group - 30 June 2015	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 2014	56,786	137,409	1,035,377	1,069	47,376	789,780	2,067,797
Additions	–	30,596	–	–	5,378	–	35,974
Transfers	–	2,439	–	–	(3,182)	–	(743)
Amortisation charge	(6,437)	(46,835)	–	(475)	(15,382)	–	(69,129)
Carrying amount at 30 June 2015	50,349	123,609	1,035,377	594	34,190	789,780	2,033,899

DUET Group - 30 June 2014	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 2013	63,223	151,580	1,035,377	1,544	45,944	789,780	2,087,448
Additions	–	25,936	–	–	16,860	–	42,796
Transfers	–	3,593	–	–	(1,521)	–	2,072
Amortisation charge	(6,437)	(43,700)	–	(475)	(13,907)	–	(64,519)
Carrying amount at 30 June 2014	56,786	137,409	1,035,377	1,069	47,376	789,780	2,067,797

## Notes to the Financial Statements

for year ended 30 June 2015

### 14 Intangible Assets (continued)

#### Impairment for goodwill and distribution licences

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

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

	Multinet \$'000	Dampier Bunbury Pipeline \$'000	United Energy \$'000	Total \$'000
<b>2015</b>				
Goodwill	72,806	670,832	46,142	789,780
Distribution licences	407,881	–	627,496	1,035,377
	480,687	670,832	673,638	1,825,157
<b>2014</b>				
Goodwill	72,806	670,832	46,142	789,780
Distribution licences	407,881	–	627,496	1,035,377
	480,687	670,832	673,638	1,825,157

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

The Group has used the fair value less cost of disposal value calculations for all CGUs.

The fair value less costs of disposal calculations use cash flow projections based on financial budgets approved by the boards covering a 15 year period. DUET has elected to use a 15 year period on the basis that the cashflows of the CGUs are based on long term regulated and contracted revenue.

#### Key assumptions used for fair value less costs of disposal calculations

A range of assumptions are used in fair value less cost of disposal calculations. The revenue forecasts in relation to regulated CGUs such as UEDH and MGH, are based on approved regulatory determinations and guidelines and long term growth estimates and for contracted businesses (DBP and DDG) based on relevant contracts. Costs are determined using a detailed bottom up planning process.

The cash flows were discounted using a post-tax weighted average cost of capital discount rate of 4.9% to 5.9%. The rate used for each business depends on a number of factors including but not limited to its nature of operations and risk profile.

Terminal values were calculated using regulated asset base (RAB) multiples at the end of the forecast period. The values imply a long term growth rate of 0.4% to 1.9% which takes into account inflation expectations and customer demand forecasts.

#### Impact of possible changes in key assumptions

Management has undertaken sensitivity analysis and does not consider that any reasonably possible change in the assumptions will result in the carrying value exceeding the recoverable amount.

The assumptions and the measurement in its entirety are measured at Level 3 in the fair value hierarchy.

#### Amortisation period

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

## Notes to the Financial Statements

for year ended 30 June 2015

### 15 Distribution Payable

	DUET Group 30 Jun 15 \$'000	DUET Group 30 Jun 14 \$'000
Carrying amount at beginning of year	112,014	96,468
Provided for during the year	261,393	217,176
Paid during the year	(242,710)	(201,630)
Balance at 30 June	130,697	112,014

DUECo and DFL each have franking credits available for subsequent reporting periods (based on a tax rate of 30%) of \$0.9 million and \$0.6 million respectively (2014: \$0.4 million and \$0.6 million respectively). These amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

DFT has no franking credits as it is a flow-through trust.

DIHL has no franking credits.

	DFT 30 Jun 15 \$'000	DIHL Group 30 Jun 15 \$'000	DFL 30 Jun 15 \$'000	DFT 30 Jun 14 \$'000	DIHL Group 30 Jun 14 \$'000	DFL 30 Jun 14 \$'000
Carrying amount at beginning of year	99,214	3,400	-	48,837	-	-
Provided for during the year	131,550	-	-	194,146	7,030	-
Paid during the year	(164,911)	(3,400)	-	(143,769)	(3,630)	-
Balance at 30 June	65,853	-	-	99,214	3,400	-

### 16 Payables

	DUET Group 30 Jun 15 \$'000	DUET Group 30 Jun 14 \$'000
Trade creditors	11,825	20,078
Interest payable	66,784	86,278
Goods received	8,967	2,898
GST payable	8,862	6,422
Operating and maintenance agreement costs	24,784	38,875
Accrued expenses and other payables	65,729	86,995
Balance at 30 June	186,951	241,546

	DFT 30 Jun 15 \$'000	DIHL Group 30 Jun 15 \$'000	DFL 30 Jun 15 \$'000	DFT 30 Jun 14 \$'000	DIHL Group 30 Jun 14 \$'000	DFL 30 Jun 14 \$'000
Trade creditors	-	3,852	-	-	1,893	-
GST payable	-	456	-	-	27	-
Accrued expenses and other payables	10,223	8,037	34	2,359	22,804	3
Balance at 30 June	10,223	12,345	34	2,359	24,724	3

The carrying amount of payables reflects fair value.



## Notes to the Financial Statements

for year ended 30 June 2015

### 17 Interest Bearing Liabilities

	DUET Group					
	30 Jun 15	30 Jun 14				
	\$'000	\$'000				
<b>Current</b>						
<b>Secured</b>						
Bank Loan	10,000	75,000				
	<b>10,000</b>	<b>75,000</b>				
<b>Unsecured</b>						
Bank loans	13,500	–				
Guaranteed notes	1,066,315	573,759				
	<b>1,079,815</b>	<b>573,759</b>				
Finance lease liabilities	911	–				
Capitalised borrowing transaction costs	(423)	(299)				
Total current interest bearing liabilities	<b>1,090,303</b>	<b>648,460</b>				
<b>Non-current</b>						
<b>Secured</b>						
Bank loans	791,000	1,015,072				
Guaranteed notes	1,025,000	1,465,500				
	<b>1,816,000</b>	<b>2,480,572</b>				
<b>Unsecured</b>						
Bank loans	1,154,000	992,423				
Guaranteed notes	1,479,425	1,384,410				
Redeemable preference shares	201,180	178,569				
Other	218	–				
	<b>2,834,823</b>	<b>2,555,402</b>				
Finance lease liability	18,183	19,095				
Capitalised borrowing transaction costs	(28,522)	(35,867)				
Total non current interest bearing liabilities	<b>4,640,484</b>	<b>5,019,202</b>				
Total interest bearing liabilities	<b>5,730,787</b>	<b>5,667,662</b>				
	DFT	DIHL Group	DFL	DFT	DIHL Group	DFL
	30 Jun 15	30 Jun 15	30 Jun 15	30 Jun 14	30 Jun 14	30 Jun 14
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Current</b>						
<b>Unsecured</b>						
Bank loans	–	8,500	–	–	–	–
Borrowings from related parties	–	–	–	–	94,737	18
Total current interest bearing liabilities	–	<b>8,500</b>	–	–	94,737	18
<b>Non-current</b>						
<b>Unsecured</b>						
Borrowings from related parties	–	180,421	–	–	118,561	–
Capitalised borrowing transaction costs	–	(300)	–	–	(906)	–
Total non current interest bearing liabilities	–	<b>180,121</b>	–	–	117,655	–
Total interest bearing liabilities	–	<b>188,621</b>	–	–	212,392	18

## Notes to the Financial Statements

for year ended 30 June 2015

### 17 Interest Bearing Liabilities (continued)

#### Financing Arrangements

At balance date, Group entities (including the parent) had access to the following undrawn lines of credit:

	Undrawn balance 30 Jun 15 \$'000	Undrawn balance 30 Jun 14 \$'000
<b>DUECo</b>		
Related party loan – DFT	96,811	76,728
Related party loan – DIHL	60,000	60,000
	<b>156,811</b>	<b>136,728</b>
<b>DDG</b>		
Related party loan – DFT	–	7,000
Working capital facility	1,500	–
	<b>1,500</b>	<b>7,000</b>
<b>DIHL</b>		
Related party loan – DFT	39,666	16,318
Related party loan – DUECo	48,272	21,937
	<b>87,938</b>	<b>38,255</b>
<b>DBP</b>		
Syndicated bank facilities	20,000	35,000
Working capital facility	10,000	20,000
	<b>30,000</b>	<b>55,000</b>
<b>United Energy</b>		
Bank loans – working capital facility and AIMRO Capex	50,000	25,000
Westpac facility	–	125,000
Revolving Syndicated Facility Tranche B	–	305,000
Tranche A capex facility	53,500	125,000
	<b>103,500</b>	<b>580,000</b>
<b>Multinet Gas</b>		
Senior Corporate Facility	280,000	132,577
Capital expenditure facility	44,500	75,000
Bank loans – working capital facility	15,735	20,000
	<b>340,235</b>	<b>227,577</b>

The following summarises the significant financing events in each of the Group's businesses, which occurred during the year.

#### Guaranteed notes

##### *Multinet Gas*

The following summarises new facilities entered into during the period.

- In February 2015, US\$105.0 million (A\$137.2 million) 7 year fixed rate US Private Placement loan, which matures in February 2022.
- In February 2015, \$47.5 million fixed rate 7 year US Private Placement loan notes, which mature in February 2022.
- In June 2015, \$20.0 million floating rate notes, which mature in June 2020.
- In June 2015, \$210.0 million fixed rate notes, which mature in June 2020.

#### Bank Loans

##### *United Energy*

The following summarises new facilities drawn down on during the period.

- \$77.0 million revolving syndicated facility, which matures in May 2019.
- \$150.0 million Tranche A working capital facility, which matures in May 2017.
- \$305.0 million Tranche B revolving syndicated facility, which matures in May 2019.
- In February 2015, \$120.0 million revolving syndicated facility totalling used to refinance old facilities, which matures in February 2020.

##### *DDG*

- DDG entered into a working capital bank loan with a limit of \$10.0 million.

## Notes to the Financial Statements

for year ended 30 June 2015

### 17 Interest Bearing Liabilities (continued)

#### 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. Dividends are paid semi annually or at any time a declaration is made by the Board of Directors of United Energy. The annual coupon 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 generally have a maturity of 9 years and paid interest of between 6.6% and 7.0% per annum. At 30 June 2015, the amounts payable to associated entities by DUECo (directly and indirectly) is \$148.6 million (2014: \$57.7 million) and by DIHL \$52.1 million (2014: \$94.7 million).

#### Fair values

The fair values and carrying values of borrowings of DUET Group, DFT, and DIHL Group are as follows (based on cash flows discounted using current lending rates for liabilities with similar risk profiles):

DUET Group	2015		2014	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Non traded financial liabilities</b>				
Bank loans and other	1,968,718	2,014,062	2,082,495	2,086,243
Guaranteed notes	3,570,740	3,620,193	3,423,669	3,506,747
Redeemable preference shares	201,180	367,119	178,587	320,636
	<b>5,740,638</b>	<b>6,001,374</b>	<b>5,684,751</b>	<b>5,913,626</b>
<b>DFT</b>				
<b>Non traded financial liabilities</b>				
Borrowings from associated entities	-	-	-	-
	-	-	-	-
<b>DIHL Group</b>				
<b>Non traded financial liabilities</b>				
Interest bearing liabilities	8,500	8,500	-	-
Borrowings from associated entities	180,121	180,121	212,392	214,662
	<b>188,621</b>	<b>188,621</b>	<b>212,392</b>	<b>214,662</b>

Inputs to fair value are measured at Level 2 in the Fair Value Hierarchy.

#### Assets pledged as security

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

	DUET Group 30 Jun 15 \$'000	DUET Group 30 Jun 14 \$'000
<b>Current</b>		
Cash and cash equivalents	24,068	120,878
Receivables	21,308	3,363
Inventories	17,125	17,776
Other	18,276	31,119
Total current assets pledged as security	<b>80,777</b>	<b>173,136</b>
<b>Non-current</b>		
Property, plant and equipment	3,122,415	3,024,948
Intangible asset	669,703	671,337
Other	20,053	20,559
Total non current assets pledged as security	<b>3,812,171</b>	<b>3,716,844</b>

All of DBP's debt is senior secured, ranks pari-passu, and is guaranteed by DBNGP Holdings and its subsidiaries. The security is via fixed and floating charges over the DBNGP assets.

## Notes to the Financial Statements

for year ended 30 June 2015

### 17 Interest Bearing Liabilities (continued)

	DFT 30 Jun 15 \$'000	DIHL Group 30 Jun 15 \$'000	DFL 30 Jun 15 \$'000	DFT 30 Jun 14 \$'000	DIHL Group 30 Jun 14 \$'000	DFL 30 Jun 14 \$'000
<b>Current</b>						
Cash and cash equivalents	–	6,680	–	–	92,485	–
Receivables	–	3,349	–	–	1,261	–
Other	–	4,704	–	–	17,726	–
Total current assets pledged as security	–	14,733	–	–	111,472	–
<b>Non-current</b>						
Property, plant and equipment	–	226,192	–	–	81,512	–
Total non current assets pledged as security	–	226,192	–	–	81,512	–

### 18 Provisions

	DUET Group 30 Jun 15 \$'000		DUET Group 30 Jun 14 \$'000	
<b>Current</b>				
Annual leave		8,067		6,530
Long service leave		7,052		5,130
Environmental provision		390		399
AMI Rebate provision		453		1,343
Unaccounted for gas		9,122		6,594
Other employee benefits		5,645		5,702
		30,729		25,698
<b>Non-current</b>				
Environmental provision		4,128		4,130
Decommissioning provision		27,231		39,229
Long service leave		1,486		930
		32,845		44,289

	DFT 30 Jun 15 \$'000	DIHL Group 30 Jun 15 \$'000	DFL 30 Jun 15 \$'000	DFT 30 Jun 14 \$'000	DIHL Group 30 Jun 14 \$'000	DFL 30 Jun 14 \$'000
<b>Current</b>						
Other	–	629	–	–	532	–
	–	629	–	–	532	–
<b>Non-current</b>						
Decommissioning provision	–	1,251	–	–	3,248	–
	–	1,251	–	–	3,248	–

#### 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 was revised during the year subsequent to a comprehensive review and resulted in a \$12.0 million decrease in the provision which was applied against property, plant and equipment. The total cost (based on satisfying the minimum obligation) has been estimated at \$50.9 million. 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 Gas provide for environmental management costs to ensure compliance with environmental management principles using ISO 14001 and The Environmental Protection Act 1970 of Victoria.

#### Unaccounted for gas

Multinet Gas has made a provision for the estimated unaccounted for gas liability to 30 June 2015, over and above that which is expected to be recovered in its regulatory-approved tariffs, which represents the cost of gas leakage from the distribution network which is owed to retailers in excess of an allowable benchmark.

#### AMI Rebate provision

The AMI rebate provision reflects estimated liabilities payable by United Energy to customers who may be eligible for the AMI rebate.

## Notes to the Financial Statements

for year ended 30 June 2015

### 18 Provisions (continued)

#### Movements in provisions

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

##### Year ended 30 June 2015

	AMI Rebate Provision \$'000	Decomm- issioning Provision \$'000	Environ- mental provision \$'000	Other Employee Benefits \$'000	Unaccounted for gas Provision \$'000	Total \$'000
<b>Current consolidated</b>						
Carrying amount at 1 July 2014	1,343	–	399	17,362	6,594	25,698
Additional provisions recognised/(released)	(890)	–	–	13,651	2,528	15,289
Payments/other sacrifices of economic benefits	–	–	(9)	(10,249)	–	(10,258)
Carrying amount at 30 June 2015	453	–	390	20,764	9,122	30,729
<b>Non-current consolidated</b>						
Carrying amount at 1 July 2014	–	39,229	4,130	930	–	44,289
Additional provisions recognised/(released)*	–	(11,998)	–	556	–	(11,442)
Payments/other sacrifices of economic benefits	–	–	(2)	–	–	(2)
Carrying amount at 30 June 2015	–	27,231	4,128	1,486	–	32,845

##### Year ended 30 June 2014

	AMI Rebate Provision \$'000	Decomm- issioning Provision \$'000	Environmental provision \$'000	Other Employee Benefits \$'000	Transition services Provision \$'000	Unaccounted for gas Provision \$'000	Total \$'000
<b>Current consolidated</b>							
Carrying amount at 1 July 2013	–	–	399	13,760	8,300	10,725	33,184
Additional provisions recognised	1,343	–	–	15,757	–	–	17,100
Payments/other sacrifices of economic benefits	–	–	–	(12,155)	(8,300)	(4,131)	(24,586)
Carrying amount at 30 June 2014	1,343	–	399	17,362	–	6,594	25,698
<b>Non-current consolidated</b>							
Carrying amount at 1 July 2013	–	31,431	4,130	659	–	–	36,220
Additional provisions recognised*	–	7,798	–	271	–	–	8,069
Carrying amount at 30 June 2014	–	39,229	4,130	930	–	–	44,289

\* The decommissioning provision includes additions of \$1.3 million (2014: \$1.3 million) due to unwinding of the present value discount.

## 19 Other Liabilities

	DUET Group 30 Jun 15 \$'000		DUET Group 30 Jun 14 \$'000			
<b>Current</b>						
Unearned revenue		45,321		36,712		
Current tax liabilities		2,269		2,844		
Total current		47,590		39,556		
<b>Non-Current</b>						
Unearned revenue		20,640		21,058		
Total non current		20,640		21,058		
	DFT 30 Jun 15 \$'000	DIHL Group 30 Jun 15 \$'000	DFL 30 Jun 15 \$'000	DFT 30 Jun 14 \$'000	DIHL Group 30 Jun 14 \$'000	DFL 30 Jun 14 \$'000
<b>Current</b>						
Unearned revenue	–	3,742	–	–	76	–
Current tax liabilities	–	–	–	–	–	–
Total current	–	3,742	–	–	76	–

## Notes to the Financial Statements

for year ended 30 June 2015

### 20 Deferred Tax Liabilities

	DUET Group 30 Jun 15 \$'000	DUET Group 30 Jun 14 \$'000
The balance comprises temporary difference attributable to:		
Borrowing costs	789	1,202
Property, Plant and equipment	562,814	535,753
Intellectual property	5,777	6,102
Intangibles	7,698	8,883
Licence	172,578	172,578
Cash flow hedges and hedged interest bearing liabilities	64,384	35,437
Other	5,968	6,020
	<b>820,008</b>	<b>765,975</b>
Cash flow hedges recognised directly in equity	–	(6,529)
	<b>820,008</b>	<b>759,446</b>
Set – off deferred tax liabilities pursuant to set off provisions (Note 13)	<b>(153,221)</b>	<b>(148,688)</b>
Net deferred tax liabilities	<b>666,787</b>	<b>610,758</b>
Movements:		
Opening Balance at 1 July	610,758	517,546
Charged /(credited) to the Income Statement (Note 3)	58,813	34,936
Acquisition of subsidiaries	–	44,197
Charged /(credited) to equity	(2,784)	14,079
Closing balance 30 June	<b>666,787</b>	<b>610,758</b>
Deferred tax liabilities to be recovered after more than 12 months	<b>666,787</b>	<b>610,758</b>

	DFT 30 Jun 15 \$'000	DIHL Group 30 Jun 15 \$'000	DFL 30 Jun 15 \$'000	DFT 30 Jun 14 \$'000	DIHL Group 30 Jun 14 \$'000	DFL 30 Jun 14 \$'000
The balance comprises temporary difference attributable to:						
Amounts recognised in profit or loss						
Property, Plant and equipment	–	366	–	–	799	–
Construction work in progress	–	3,022	–	–	1,154	–
	–	<b>3,388</b>	–	–	<b>1,953</b>	–
Cash flow hedges recognised directly in equity	–	–	–	–	–	–
	–	<b>3,388</b>	–	–	<b>1,953</b>	–
Set – off deferred tax liabilities pursuant to set off provisions (Note 14)	–	(1,534)	–	–	(1,086)	–
Net deferred tax liabilities	–	<b>1,854</b>	–	–	<b>867</b>	–
Movements:						
Opening Balance at 1 July	–	867	–	–	–	50
Charged /(credited) to the Income Statement (Note 3)	–	987	–	–	867	(50)
Closing balance 30 June	–	<b>1,854</b>	–	–	<b>867</b>	–
Deferred tax liabilities to be recovered after more than 12 months	–	<b>1,854</b>	–	–	<b>867</b>	–
	–	<b>1,854</b>	–	–	<b>867</b>	–

## Notes to the Financial Statements

for year ended 30 June 2015

### 21 Retirement Benefit Obligations

UE & Multinet Pty Ltd ("UEM"), an entity established as the employment vehicle for all United Energy and Multinet Gas employees, has responsibility for a defined benefit plan ("Plan") for certain employees.

There are a number of risks to which the Plan exposes the Group. The most significant risk related to the defined benefits is investment risk, which is the risk that the investment returns will be lower than assumed and the Group will need to increase contributions to offset this shortfall. The Group has mitigated this risk through diversification of its investment portfolio as shown below.

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 23 June 2015.

#### Actuarial Assumptions

	30 Jun 15	30 Jun 14
Discount rate	4.1% pa	3.8% pa
Salary increase rate	4.0% pa	4.0% pa
Contributions tax rate	15.0%	15.0%

#### Discount rate for employee benefits

The approach to setting the discount rate as at 30 June 2015 has changed. In prior years, the discount rate was based on the yields on Commonwealth government bonds. As at 30 June 2015, a corporate bond yield has been used.

The table below shows a comparison of the net defined benefit liability recognised at 30 June 2015 using a discount rate based on corporate bond yields (4.1% pa for a bond with a duration of 8 years) and the net liability that would have been recognised had a discount rate based on government yields been used (3.0% pa for a bond with a duration of 8 years).

	30 Jun 15 \$'000s
Net defined benefit liability (using corporate bond yield of 4.1% pa)	253
Net defined benefit liability (using government bond yield of 3.0% pa)	4,319
Difference	(4,066)

The effect of using a discount rate based on corporate bond yields is to reduce the net liability at 30 June 2015 by \$4.1 million.

#### Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the significant assumptions is outlined in the following table.

		Sensitivity to discount rate		Sensitivity to salary increase rate	
		-0.5% pa	+0.5% pa	-0.5% pa	+0.5% pa
Discount rate	4.1% pa	3.6% pa	4.6% pa	4.1% pa	4.1% pa
Salary increase rate	4.0% pa	4.0% pa	4.0% pa	3.5% pa	4.5% pa
Defined benefit obligation (\$'000s)	32,553	34,401	30,834	31,075	34,109

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

#### (b) Balance sheet amounts

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

	DUET Group 30 Jun 15 \$'000	DUET Group 30 Jun 14 \$'000	DUET Group 30 Jun 13 \$'000	DUET Group 30 Jun 12 \$'000	DUET Group 30 Jun 11 \$'000	DUET Group 30 Jun 10 \$'000
Defined benefit obligation	32,553	20,676	17,455	13,359	-	-
Fair value of defined benefit plan assets	32,300	18,227	14,631	9,081	-	-
Net liability	253	2,449	2,824	4,278	-	-

## Notes to the Financial Statements

for year ended 30 June 2015

### 21 Retirement Benefit Obligations (continued)

#### (c) Profit and Loss impact

Financial Period ending	30 Jun 15 \$'000	30 Jun 14 \$'000
Current service cost	1,116	577
Past service cost	2,356	–
Net interest	141	76
Defined benefit cost	3,613	653

#### (d) Fair value of plan assets

Asset category As at 30 June 2015	Total \$'000	Quoted prices in active markets \$'000	No quoted prices in active markets \$'000
Investment Funds	32,300	–	32,300
As at 30 June 2014			
Investment Funds	18,227	–	18,227

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

As at	30 Jun 15	30 Jun 14
Australian Equity	30%	31%
International Equity	25%	24%
Fixed Income	11%	11%
Property	9%	9%
Growth Alternatives	9%	8%
Defensive Alternatives	10%	10%
Cash	6%	7%

#### (e) Reconciliation of the fair value of plan assets

Financial Period ending	30 Jun 15 \$'000	30 Jun 14 \$'000
Fair value of plan assets at beginning of the year	18,227	14,631
(+) Interest income	1,153	481
(+) Actual return on plan assets less interest income	2,301	1,326
(+) Company contributions	762	417
(+) Contributions by plan participants	364	185
(-) Benefits paid	(2,880)	–
(-) Taxes, premiums & expenses paid	(274)	(159)
(+) Transfers in	12,647	1,346
Fair value of plan assets at end of the year	32,300	18,227

#### (f) Reconciliation of the defined benefit obligation

Financial Period ending	30 Jun 15 \$'000	30 Jun 14 \$'000
Present value of defined benefit obligations at beginning of the year	20,676	17,455
(+) Current service cost	1,116	577
(+) Past service cost	2,356	–
(+) Interest expense	1,294	557
(+) Contributions by plan participants	364	185
(+) Actuarial (gains)/losses arising from changes in demographic assumptions	–	61
(+) Actuarial (gains)/losses arising from changes in financial assumptions	(1,093)	(979)
(+) Actuarial (gains)/losses arising from experience	(1,653)	1,633
(-) Benefits paid	(2,880)	–
(-) Taxes, premiums & expenses paid	(274)	(159)
(+) Transfers in	12,647	1,346
Present value of defined benefit obligations at end of the year	32,553	20,676



## Notes to the Financial Statements

for year ended 30 June 2015

### 21 Retirement Benefit Obligations (continued)

#### (g) Other comprehensive income

Financial Period ending	30 Jun 15 \$'000	30 Jun 14 \$'000
Actuarial (gains)/losses	(2,746)	715
(-) Actual return on plan assets less interest income	(2,301)	(1,326)
Total remeasurements recognised in other comprehensive income	(5,047)	(611)

## 22 Contributed Equity

### (a) Ordinary Equity

	DUET Group 30 Jun 15 \$'000	DUET Group 30 Jun 14 \$'000
On issue at the beginning of the year	2,650,601	2,350,015
Equity issued during the period, net of costs and deferred tax	387,592	238,624
DRP during the period	23,283	61,962
On issue at the end of the year	3,061,476	2,650,601

	DFT 30 Jun 15 \$'000	DIHL 30 Jun 15 \$'000	DFL 30 Jun 15 \$'000	DFT 30 Jun 14 \$'000	DIHL 30 Jun 14 \$'000	DFL 30 Jun 14 \$'000
On issue at the beginning of the year	1,565,843	285,495	6,154	1,051,517	248,034	5,486
Equity issued as part of restructure	-	-	-	351,482	-	-
Equity issued during the period, net of costs and deferred tax	200,960	57,045	856	129,537	28,155	536
DRP during the period	12,097	3,443	51	33,307	9,306	132
On issue at the end of the year	1,778,900	345,983	7,061	1,565,843	285,495	6,154

	1 Jul 14 – 30 Jun 15 Number of stapled securities '000				1 Jul 13 – 30 Jun 14 Number of stapled securities '000			
	DUET Group	DFT	DIHL	DFL	DUET Group	DFT	DIHL	DFL
On issue at the beginning of the year	1,317,809	1,317,809	1,317,809	1,317,809	1,169,314	1,169,314	1,169,314	1,169,314
DRP on 19 August 2014	9,910	9,910	9,910	9,910	-	-	-	-
Shares issued - 8 December 2014	113,076	113,076	113,076	113,076	-	-	-	-
Shares issued - 23 December 2014	52,884	52,884	52,884	52,884	-	-	-	-
DRP on 13 August 2013	-	-	-	-	19,337	19,337	19,337	19,337
Shares issued - 9 September 2013	-	-	-	-	48,544	48,544	48,544	48,544
Shares issued - 23 January 2014	-	-	-	-	49,020	49,020	49,020	49,020
DRP on 20 February 2014	-	-	-	-	10,313	10,313	10,313	10,313
Shares issued - 21 March 2014	-	-	-	-	21,281	21,281	21,281	21,281
On issue at the end of the year	1,493,679	1,493,679	1,493,679	1,493,679	1,317,809	1,317,809	1,317,809	1,317,809

### (b) Ordinary units in DFT and ordinary shares in DUECo, DIHL and DFL

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 DFT and one vote for each share in respect of DUECo, DIHL and DFL.

## Notes to the Financial Statements

for year ended 30 June 2015

### 23 Other Non-Controlling Interest

#### Non-Controlling Interest Classified as Equity

	DUET Group 30 Jun 15 \$'000	DUET Group 30 Jun 14 \$'000
Interest in:		
Share Capital	355,826	336,897
Retained losses	(170,264)	(135,429)
Reserves	(18,751)	(30,019)
Total	166,811	171,449

### 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(x). Amounts are recognised in the profit or loss when the associated hedged transaction affects the profit or loss.

##### (ii) Capital Reserve

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

##### (iii) 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 30 Jun 15 \$'000	DUET Group 30 Jun 14 \$'000
Balance at 1 July	(255,093)	(300,132)
Profit/(Loss) attributable to security holders	(55,956)	61,039
Distribution provided for or paid	(129,843)	(16,000)
Balance at the end of the year	(440,892)	(255,093)

	DFT 30 Jun 15 \$'000	DIHL Group 30 Jun 15 \$'000	DFL 30 Jun 15 \$'000	DFT 30 Jun 14 \$'000	DIHL Group 30 Jun 14 \$'000	DFL 30 Jun 14 \$'000
Balance at 1 July	-	(160,434)	(222)	-	(155,799)	101
Profit/(Loss) attributable to security holders	103,373	617	67	127,374	2,395	(323)
Distribution provided for or paid	(131,550)	-	-	(194,146)	(7,030)	-
Transfer from Capital Reserve	28,177	-	-	66,772	-	-
Balance at the end of the year	-	(159,817)	(155)	-	(160,434)	(222)

## Notes to the Financial Statements

for year ended 30 June 2015

### 26 Investments in Controlled Entities

The Group's principal subsidiaries at 30 June 2015 are set out below. Unless otherwise stated, they have share capital/capital consisting solely of ordinary shares/units that are held directly by the Group. All subsidiaries have a 30 June year end and are incorporated within Australia.

Name of entity	Equity holding*	Equity holding*
	30 Jun 15 %	30 Jun 14 %
Multinet Group Holdings Pty Ltd	100.0	100.0
United Energy Distribution Pty Ltd	66.0	66.0
United Energy Distribution Holdings Pty Ltd	66.0	66.0
UE & Multinet Pty Ltd	83.0	83.0
DUET Dampier Bunbury Pty Ltd	100.0	100.0
DBNGP Trust	81.4	80.5
DBNGP Holdings Pty Ltd	81.4	80.5
DBNGP WA Pipeline Trust	81.4	80.5
DBP Development Group Pty Ltd	100.0	100.0
DBP Development Group Trust	100.0	100.0
DDG Fortescue River Pty Ltd	100.0	100.0
DDG Operations Pty Ltd	100.0	100.0
DUET1 Trust	100.0	100.0

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

DFL has no subsidiaries.

### 27 Earnings per Security

#### (a) Basic earnings per stapled security

	DUET Group		DUET Group		DUET Group	
	30 Jun 15		30 Jun 14		30 Jun 14	
Basic earnings per stapled security	3.39c		15.16c			
Earnings used in calculation of basic earnings per stapled security (\$'000)	48,101		190,485			
Weighted average number of stapled securities used in calculating basic earnings per stapled security ('000)	1,417,426		1,256,610			
	DFT	DIHL Group	DFL	DFT	DIHL Group	DFL
	30 Jun 15	30 Jun 15	30 Jun 15	30 Jun 14	30 Jun 14	30 Jun 14
Basic earnings per stapled security	7.29c	0.04c	0.00c	10.14c	0.19c	(0.03)c
Earnings used in calculation of basic earnings per stapled security (\$'000)	103,373	617	67	127,374	2,395	(322)
Weighted average number of stapled securities used in calculating basic earnings per stapled security ('000)	1,417,426	1,417,426	1,417,426	1,256,610	1,256,610	1,256,610

No diluted impact in 30 June 2015 or 30 June 2014.

#### (b) Weighted average number of shares used as the denominator

	DUET Group		DUET Group		DUET Group	
	30 Jun 15		30 Jun 14		30 Jun 14	
	'000		'000		'000	
Weighted average number of stapled securities used as the denominator in calculating basic earnings per stapled security	1,417,426		1,256,610		1,256,610	
	DFT	DIHL Group	DFL	DFT	DIHL Group	DFL
	30 Jun 15	30 Jun 15	30 Jun 15	30 Jun 14	30 Jun 14	30 Jun 14
	'000	'000	'000	'000	'000	'000
Weighted average number of stapled securities used as the denominator in calculating basic earnings per stapled security	1,417,426	1,417,426	1,417,426	1,256,610	1,256,610	1,256,610

## Notes to the Financial Statements

for year ended 30 June 2015

### 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 15 \$'000	DUET Group 30 Jun 14 \$'000
Net result from ordinary activities after income tax	45,928	193,061
Depreciation and amortisation	276,509	265,546
Net loss/(profit) on sale of non-current assets	8,552	4,600
Customer contributions – in kind	(3,428)	(5,890)
Borrowing costs paid	421,556	445,017
Foreign exchange	(103)	1,350
Other	375	–
<i>Change in assets and liabilities:</i>		
Decrease/(increase) in receivable	(14,065)	37,398
(Increase)/decrease in deferred tax asset	(33,561)	(177,314)
Decrease/(increase) in other operating assets	32,703	(3,903)
Increase/(decrease) in payables and accrual	(46,978)	8,103
(Decrease)/Increase in deferred tax liability	56,029	92,328
Increase/(Decrease) in other provisions	(10,026)	583
(Decrease)/increase in derivative financial instruments	21,216	(29,621)
Net cash inflow from operating activities	754,707	831,258

	DFT 30 Jun 15 \$'000	DIHL Group 30 Jun 15 \$'000	DFL 30 Jun 15 \$'000	DFT 30 Jun 14 \$'000	DIHL Group 30 Jun 14 \$'000	DFL 30 Jun 14 \$'000
Net result from ordinary activities after income tax	103,371	618	67	127,374	2,395	(322)
Depreciation and amortisation	–	2,849	–	–	343	–
Deferred borrowing costs	–	10,947	–	–	–	–
Net loss/(profit) on sale of associates	–	–	–	505	–	–
Borrowing costs paid	–	9,253	–	1,174	6,223	–
Foreign exchange	–	(59)	–	–	–	–
Other	176	1,804	–	4,389	(12,907)	207
Share of associates losses/(profits) not received as dividends	37,800	17,436	–	2,539	8,098	–
<i>Change in assets and liabilities:</i>						
Decrease/(increase) in receivable	(5)	(1,349)	(3)	(60,579)	(1,565)	279
(Increase)/decrease in deferred tax asset	–	582	–	–	(536)	7
Decrease/(increase) in other operating assets	–	(1,924)	20	861	(25,329)	43
Increase/(decrease) in payables and accrual	6,479	(12,379)	14	46,260	13,236	(466)
(Decrease)/Increase in deferred tax liability	–	987	–	–	867	–
Increase/(Decrease) in other provisions	–	(1,900)	–	–	558	(65)
Net cash inflow from operating activities	147,821	26,865	98	122,523	(8,617)	(317)

#### (ii) Reconciliation of Cash Assets

	DUET Group 30 Jun 15 \$'000	DUET Group 30 Jun 14 \$'000
Cash at bank	141,128	242,125
Cash on deposit	179,529	181,309
Cash assets	320,657	423,434

	DFT 30 Jun 15 \$'000	DIHL Group 30 Jun 15 \$'000	DFL 30 Jun 15 \$'000	DFT 30 Jun 14 \$'000	DIHL Group 30 Jun 14 \$'000	DFL 30 Jun 14 \$'000
Cash at bank	654	8,217	2,604	10,490	95,515	5,671
Cash on deposit	–	–	–	66,520	49,907	–
Cash assets	654	8,217	2,604	77,010	145,422	5,671

## Notes to the Financial Statements

for year ended 30 June 2015

### 28 Cash Flow Information (continued)

#### (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 9,910,121 (2014: 29,650,244) new securities were issued under the DRP. The proceeds raised from the issue of these securities was \$23,352,812 (2014: \$61,985,823) and this amount is not reflected in the Cash Flow Statement on the basis that it has been reinvested in DUET Group securities.

## 29 Parent Entity Information

### (a) DUECo (as parent of DUET Group)

	DUECo 30 Jun 15 \$'000	DUECo 30 Jun 14 \$'000
Current assets	317,279	64,177
Total assets	1,042,107	840,326
Current liabilities	120,457	69,182
Total liabilities	205,110	69,182
Net assets	836,997	771,144
Contributed equity	929,532	793,111
Retained earnings	(170,535)	(21,967)
Capital reserve	-	-
Other reserves	78,000	-
Total equity	836,997	771,144
Profit/(loss)	59,279	(5,967)
Total comprehensive income/(loss)	59,279	(5,967)

DUECo has no guarantees in relation to the debts of any of its subsidiaries as at 30 June 2015.

DUECo has no contingent liabilities as at 30 June 2015.

DUECo has subsequent to 30 June 2015 provided a guarantee for the purchase price of a subsidiary company's proposed acquisition of ASX-listed Energy Developments Limited. For further information refer to Note 35.

### (b) DIHL (as parent of DIHL Group)

	DIHL 30 Jun 15 \$'000	DIHL 30 Jun 14 \$'000
Current assets	12,915	53,438
Total assets	266,233	250,657
Current liabilities	7,333	101,168
Total liabilities	52,695	101,168
Net assets	213,538	149,489
Contributed equity	345,983	285,495
Retained earnings	(174,563)	(179,724)
Capital reserve	-	-
Other reserves	42,118	43,718
Total equity	213,538	149,489
Profit/(loss) of DIHL	5,160	(857)
Total comprehensive income/(loss) of DIHL	5,160	(857)

DIHL has no contingent liabilities as at 30 June 2015.

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

## Notes to the Financial Statements

for year ended 30 June 2015

### 30 Related Party Disclosures

DMC1 Limited is the Responsible Entity of DUET1 Trust and DFL is the Manager and Responsible Entity of DFT and DUET3 respectively.

#### (a) Key Management Personnel (KMP)

The KMP, at the date of these reports, are as follows:

##### Non-Executive Directors during the financial year ended 30 June 2015

Douglas Halley	Independent Chairman of DUECo and DIHL
Ron Finlay	Independent Director
Shirley In't Veld	Independent Director
Emma Stein	Independent Director
Jack Hamilton	Independent Director
Simon Perrott	Independent Director (appointed 1 July 2015)
John Roberts	Non-Executive Director (resigned 30 June 2015)
Duncan Sutherland	Independent Director (resigned 20 November 2014)
Michael Lee	Independent Director (resigned 1 September 2014)
Eric Goodwin	Independent Chairman of DFL
Jane Harvey	Independent Director
Terri Benson	Independent Director

##### Executives

David Bartholomew	Chief Executive Officer
Jason Conroy	Chief Financial Officer

Except as noted, the named persons held their current positions for the whole of the financial year and since the end of the financial year.

The aggregate remuneration paid to KMPs is set out below:

	Year ended 30 Jun 15 \$	Year ended 30 Jun 14 \$
Short term employment benefits	3,668,686	2,474,739
Post employment benefits	143,550	158,175
Total	3,812,236	2,632,914

#### (b) Custodians

Under the terms of the custody agreement with Perpetual Trustee Co Ltd, fees paid or payable to the custodian by the Group were \$170,891 (2014: \$236,013 paid or payable to Trust Company Ltd & Perpetual Trustee Co Ltd).

## Notes to the Financial Statements

for year ended 30 June 2015

### 31 Segment Information

The Directors of DUECo, the responsible entity of DFT, 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 DUECo, DFL and DIHL.

The Boards consider the business from the aspect of each of the core portfolio assets and have identified four operating segments during the year. The segments are the investments in Dampier Bunbury Pipeline (DBP), United Energy (UEDH), Multinet Gas (MGH), and DBP Development Group (DDG).

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 (“Proportionate EBITDA”).

	DBP \$'000	United Energy \$'000	Multinet Gas \$'000	DDG \$'000	Total \$'000	
<b>DUET Group for the 12 months to 30 June 2015</b>						
Total segment revenues	321,537	336,430	184,128	12,680	854,775	
Total segment expenses	(66,648)	(98,743)	(61,937)	(3,411)	(230,739)	
Proportionate EBITDA	254,889	237,687	122,191	9,269	624,036	
<b>DUET Group for the 12 months to 30 June 2014</b>						
Total segment revenues	346,260	316,736	182,049	4,450	849,495	
Total segment expenses	(64,863)	(96,417)	(58,791)	(2,714)	(222,785)	
Proportionate EBITDA	281,397	220,319	123,258	1,736	626,710	
<b>Total proportionate segment assets</b>						
30 June 2015	2,978,073	2,121,747	1,610,898	240,925	6,951,643	
30 June 2014	2,987,313	2,065,955	1,567,895	193,789	6,814,952	
<b>Total proportionate segment liabilities</b>						
30 June 2015	2,428,059	2,039,408	1,334,095	155,186	5,956,748	
30 June 2014	2,498,884	1,960,061	1,286,075	143,509	5,888,529	
	DBP \$'000	United Energy \$'000	Multinet Gas \$'000	DDG \$'000	Corporate \$'000	Total \$'000
<b>DUET Group for the 12 months to 30 June 2015</b>						
<b>Proportionate EBITDA (excluding Head Office expenses)</b>	254,890	237,687	122,191	9,268	–	624,036
Additional EBITDA from controlled assets <sup>1</sup>	59,548	118,694	–	–	–	178,242
Net gain/(loss) on disposal of assets	76	(2,842)	(5,786)	–	–	(8,552)
Head office expenses	–	–	–	–	(13,451)	(13,451)
Project related expenses	–	–	–	–	(5,440)	(5,440)
Net foreign exchange gain/(loss)	40	63	–	–	–	103
Changes in fair value of derivatives	7,184	(28,206)	(194)	–	–	(21,216)
<b>Consolidated EBITDA</b>						753,722
<b>Controlled Assets</b>						
– Interest income	291	1,441	480	106	–	2,318
– Depreciation and amortisation	(75,653)	(149,952)	(48,055)	(2,759)	–	(276,419)
– Finance costs	(204,980)	(162,406)	(49,832)	(4,325)	–	(421,543)
<b>Corporate</b>						
– Interest income	–	–	–	–	6,957	6,957
– Depreciation & amortisation	–	–	–	–	(90)	(90)
– Finance costs	–	–	–	–	(13)	(13)
<b>Profit before income tax expense</b>						64,932

1 To consolidate 100% of controlled asset EBITDA.

## Notes to the Financial Statements

for year ended 30 June 2015

### 31 Segment Information (continued)

	DBP \$'000	United Energy \$'000	Multinet Gas \$'000	DDG \$'000	Corporate \$'000	Total \$'000
DUET Group for the 12 months to 30 June 2014						
Proportionate EBITDA (excluding Head Office expenses)	281,397	220,319	123,258	1,736	–	626,710
Additional EBITDA from controlled assets <sup>1</sup>	66,576	119,398	–	–	–	185,974
Net gain/(loss) on disposal of assets	741	(3,906)	(1,435)	–	–	(4,600)
Head office expenses	–	–	–	–	(10,456)	(10,456)
Changes in fair value of derivatives	10,130	(2,829)	–	–	–	7,301
Internalisation and group structure simplification related expenses	–	–	–	–	(1,622)	(1,622)
Consolidated EBITDA						803,307
Controlled Assets						
– Interest income	412	6,032	493	17	–	6,954
– Depreciation and amortisation	(77,148)	(141,137)	(46,919)	(294)	–	(265,498)
– Finance costs	(233,696)	(160,612)	(50,709)	–	–	(445,017)
– Net fx gains(losses)	3	(1,288)	–	(65)	–	(1,350)
Corporate						
– Interest income	–	–	–	–	3,305	3,305
– Depreciation & amortisation	–	–	–	–	(48)	(48)
Profit before income tax expense						101,653

1 To consolidate 100% of controlled asset EBITDA.

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

	30 Jun 15 \$'000	30 Jun 14 \$'000
Segment Revenue	854,775	849,495
Other Revenue	9,690	10,259
Cost of sales adjustment	24,709	–
Inter-segment revenue adjustment	(11,669)	(4,426)
Carbon tax adjustment	608	7,167
TUOS adjustment	135,373	119,901
Revenue attributable to non-controlling interest	248,460	258,824
Total revenue from continuing operations	1,261,946	1,241,220

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

	30 Jun 15 \$'000	30 Jun 14 \$'000
Total proportionate segment assets	6,951,643	6,814,952
Balance of controlled entity assets	1,736,743	1,767,130
Cash and cash equivalents	334,978	226,636
Other assets	670	977
Receivables	13,274	1,811
Intangible assets	706	1,069
Deferred tax assets	27,113	32,969
Property, plant and equipment	696	703
Total assets	9,065,823	8,846,247



## Notes to the Financial Statements

for year ended 30 June 2015

### 31 Segment Information (continued)

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

	30 Jun 15 \$'000	30 Jun 14 \$'000
Total proportionate segment liabilities	5,956,748	5,888,529
Balance of controlled entity liabilities	950,353	1,029,477
Distribution payable	130,696	112,014
Deferred tax liability	747	737
Payables	31,694	10,463
Total liabilities	7,070,238	7,041,220

### DFT

Proportionate EBITDA for each of DBP, United Energy, Multinet Gas and DDG is set out on page 93.

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

	DBP \$'000	United Energy \$'000	Multinet Gas \$'000	DFT \$'000	Total \$'000
<b>DFT for the 12 months to 30 June 2015</b>					
<b>Proportionate EBITDA</b>	254,890	237,687	122,191	–	614,768
Exclude non-controlled assets <sup>1</sup>	(254,890)	(237,687)	(122,191)	–	(614,768)
Corporate income	–	–	–	–	–
Corporate expenses	–	–	–	(7,239)	(7,239)
Equity accounted profits <sup>1</sup>	–	–	–	(37,800)	(37,800)
<b>Consolidated EBITDA</b>					<b>(45,039)</b>
Interest income	–	–	–	148,413	148,413
Finance costs	–	–	–	(1)	(1)
<b>Profit before income tax expense</b>					<b>103,373</b>

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

	DBP \$'000	United Energy \$'000	Multinet Gas \$'000	DFT \$'000	Total \$'000
<b>DFT for the 12 months to 30 June 2014</b>					
Proportionate EBITDA	281,397	220,319	123,258	–	624,974
Exclude non-controlled assets <sup>1</sup>	(281,397)	(220,319)	(123,258)	–	(624,974)
Corporate income	–	–	–	5	5
Corporate expenses	–	–	–	(6,797)	(6,797)
Equity accounted profits <sup>1</sup>	–	(420)	2,959	–	2,539
Internalisation and group structure simplification related expenses	–	–	–	(422)	(422)
<b>Consolidated EBITDA</b>					<b>(4,675)</b>
Interest income	–	–	–	131,645	131,645
Finance costs	–	–	–	(1,174)	(1,174)
<b>Profit before income tax expense</b>					<b>125,796</b>

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

## Notes to the Financial Statements

for year ended 30 June 2015

### 31 Segment Information (continued)

#### DIHL Group

Proportionate EBITDA for each of DBP, United Energy, Multinet Gas and DDG is set out on page 93.

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

	DBP \$'000	DDG \$'000	DIHL Group \$'000	Total \$'000
<b>DIHL Group for the 12 months to 30 June 2015</b>				
<b>Proportionate EBITDA</b>	<b>254,890</b>	<b>9,268</b>	<b>–</b>	<b>264,158</b>
Exclude non-controlled assets <sup>1</sup>	(254,890)	–	–	(254,890)
Corporate income	–	–	10,629	10,629
Corporate expenses	–	–	(11,729)	(11,729)
Equity accounted profits <sup>1</sup>	–	–	5,683	5,683
<b>Consolidated EBITDA</b>				<b>13,851</b>
Interest income	–	106	330	436
Finance costs	–	(4,326)	(4,927)	(9,253)
Depreciation & amortisation	–	(2,759)	(90)	(2,849)
<b>Profit before income tax expense</b>				<b>2,185</b>

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

	Multinet Gas \$'000	DBP \$'000	DDG \$'000	DIHL Group \$'000	Total \$'000
<b>DIHL Group for the 12 months to 30 June 2014</b>					
<b>Proportionate EBITDA</b>	<b>281,397</b>	<b>123,258</b>	<b>1,736</b>	<b>–</b>	<b>406,391</b>
Exclude non-controlled assets <sup>1</sup>	(281,397)	(123,258)	–	–	(404,655)
Corporate income	–	–	–	7,031	7,031
Corporate expenses	–	–	–	(7,858)	(7,858)
Equity accounted profits <sup>1</sup>	6,616	1,482	–	–	8,098
Internalisation and group structure simplification related expenses	–	–	–	(400)	(400)
<b>Consolidated EBITDA</b>					<b>8,607</b>
Net foreign exchange losses	–	–	(65)	–	(65)
Interest income	–	–	17	748	765
Finance costs	–	–	(284)	(5,939)	(6,223)
Depreciation & amortisation	–	–	(294)	(49)	(343)
<b>Profit before income tax expense</b>					<b>2,741</b>

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

#### DFL

The chief operating decision maker of DFL reviews AIFRS financial information as presented in this report.

## Notes to the Financial Statements

for year ended 30 June 2015

### 32 Critical Accounting Estimates and Judgements

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(k). The recoverable amounts of cash generating units have been determined based on value-in-use and fair value less costs of disposal 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 Group's 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.

Refer to Note 10(d).

#### (e) Investments in Associates

DUET has determined that its 57% investment in FRGP is a joint operation, because both parties have joint control of the arrangement, including rights to the gross assets and liabilities of the joint venture, and joint control has been contractually agreed (all activities require unanimous consent of both parties).

### 33 Commitments for Expenditure

	DUET Group 30 Jun 15 \$'000	DUET Group 30 Jun 14 \$'000
<b>Capital commitments</b>		
Commitments for the acquisition of major capital assets not shown as a liability		
Within one year	22,821	142,638
	<b>22,821</b>	<b>142,638</b>
<b>Lease commitments</b>		
Commitments in relation to non-cancellable operating leases are payable as follows:		
Within one year	4,742	3,998
Later than one year but not later than 5 years	10,856	11,353
Later than 5 years	6,030	8,032
	<b>21,628</b>	<b>23,383</b>
Commitments in relation to finance leases are payable as follows:		
Within one year	1,913	1,878
Later than one year but not later than 5 years	8,018	7,870
Less future finance charges	24,014	26,075
Later than 5 years	<b>(14,850)</b>	<b>(15,849)</b>
	<b>19,095</b>	<b>19,974</b>

## Notes to the Financial Statements

for year ended 30 June 2015

### 34 Contingent Liabilities

The Group had no material contingent liabilities at 30 June 2015.

### 35 Events Occurring After Balance Sheet Date

#### Proposal to acquire ASX-listed Energy Developments Limited

On 20 July 2015, DUET Group announced that it had entered into a scheme implementation deed with ASX-listed Energy Developments Limited (EDL, ASX:ENE) under which it is proposed that DUET will acquire 100% of EDL's shares on issue by way of a scheme of arrangement for \$8.00 per share payable in cash.

Financial close is expected in October 2015 and will be subject to EDL shareholder approval, court approval and other necessary approvals and conditions precedent.

To fund the proposed acquisition of EDL, DUET Group completed a \$1.67 billion equity raising via a cornerstone placement (\$550 million) and a fully underwritten accelerated non-renounceable 1 for 2.69 pro rata entitlement offer (\$1,122 million) both at a price of \$2.02 per stapled security.

A total of 685,709,456 new stapled securities were issued on 3 August 2015 and a total of 141,828,803 new stapled securities were issued on 17 August 2015 both at a price of \$2.02 per stapled security.

Refer to the DUET Group website for further information.

#### DUET Funding Arm financing

As part of the proposed acquisition of ASX-listed Energy Developments Limited DFT (the DUET Funding Arm) increased an existing loan facility with DUECo to \$1.3 billion on 30 July 2015 on principally the same terms. The new loan facility was partly drawn down on 31 July 2015 and again on 14 August 2015. The undrawn amount on the existing loan facility at 20 August 2015 was \$140.0 million.

DFT financed the increase in the existing loan facility with DUECo primarily using funds received as part of the equity raising described above. In addition to these funds DFT entered into a new \$210 million loan facility with DIHL on 30 July 2015. The commercial terms of the new facility are consistent with existing facilities in place within the Group. The undrawn amount on the new loan facility at 20 August 2015 was \$14.3 million.

#### Final distribution

A final distribution of 8.750 cents per stapled security announced on 11 June 2015 (2014: 8.500 cents per stapled security) was paid on 20 August 2015. This consisted of 4.409 cents per unit from DFT and 4.341 cents per share from DUECo (2014: 7.529 cents per unit from DFT, 0.713 cents per share from DUECo and 0.258 cents per share from DIHL). The DUECo dividend was unfranked.

## Financial Report

for year ended 30 June 2015

### Statement by the Directors of DUECo

In the opinion of the Directors of DUET Company Limited (DUECo), the consolidated Financial Statements for DUECo and its controlled entities (DUET Group) set out on pages 34 to 98 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 2015 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.

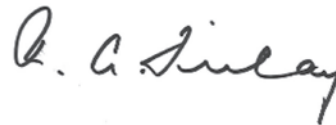
This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2015.

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



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Douglas Halley  
Director  
Sydney  
20 August 2015



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Ron Finlay  
Director  
Sydney  
20 August 2015

## Financial Report

for year ended 30 June 2015

### Statement by the Directors of the Responsible Entity of DFT

In the opinion of the Directors of DUET Finance Limited as the Responsible Entity for DUET Finance Trust (DFT), the Financial Statements set out on pages 34 to 98 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 2015 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 2015.

This declaration is made in accordance with a resolution of the Directors of DUET Finance Limited (as Responsible Entity of DFT).



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Jane Harvey  
Director  
Sydney  
20 August 2015



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Eric Goodwin  
Director  
Sydney  
20 August 2015

## Financial Report

for year ended 30 June 2015

### Statement by the Directors of DIHL

In the opinion of the Directors of DUET Investment Holdings Limited (DIHL), the Financial Statements for DIHL and its controlled entities (DIHL Group) set out on pages 34 to 98 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 Group's financial position as at 30 June 2015 and of its performance, for the year ended on that date; and

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

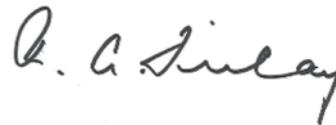
This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2015.

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



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Douglas Halley  
Director  
Sydney  
20 August 2015



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Ron Finlay  
Director  
Sydney  
20 August 2015

## Financial Report

for year ended 30 June 2015

### Statement by the Directors of DFL

In the opinion of the Directors of DUET Finance Limited (DFL), the Financial Statements set out on pages 34 to 98 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 DFL's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

There are reasonable grounds to believe that DFL 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 2015.

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



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Jane Harvey  
Director  
Sydney

20 August 2015



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Eric Goodwin  
Director  
Sydney

20 August 2015





Ernst & Young  
8 Exhibition Street  
Melbourne VIC 3000 Australia  
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000  
Fax: +61 3 8650 7777  
ey.com/au

## Independent auditor's report to the shareholders of DUET Company Limited, DUET Investment Holdings Limited, DUET Finance Limited and the unitholders of DUET Finance Trust

### Report on the financial report

We have audited the accompanying financial report of the stapled entity DUET Group comprising DUET Company Limited, DUET Investment Holdings Limited and DUET Finance Limited ("the companies") and DUET Finance Trust ("the trust"), and the entities they controlled during the year ("DUET Group"), which comprises the consolidated balance sheet as at 30 June 2015, the consolidated income statement and statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declarations of the consolidated entity comprising the companies and the trust, and the entities they controlled at the year's end or from time to time during the financial year.

The DUET Group financial report also includes the financial reports of DUET Investment Holdings Limited (DIHL Group), DUET Finance Limited and DUET Finance Trust for the year ended 30 June 2015.

### Directors' responsibility for the financial report

The directors of the companies and the directors of the responsible entity of the trust are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal 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 entity and the companies 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 DUET Company Limited, DUET Investment Holdings Limited, DUET Finance Limited and DUET Finance Trust is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the company, the trust and consolidated entities (DUET Group and DIHL Group) financial positions as at 30 June 2015 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 the directors' report for the year ended 30 June 2015. The directors of the companies 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 Company Limited, DUET Investment Holdings Limited and DUET Finance Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read 'Ernst &amp; Young', written in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Matthew A. Honey', written in a cursive style.

Matthew A. Honey  
Partner  
Melbourne  
20 August 2015





[www.duet.net.au](http://www.duet.net.au)