



ANNUAL REPORT 2016



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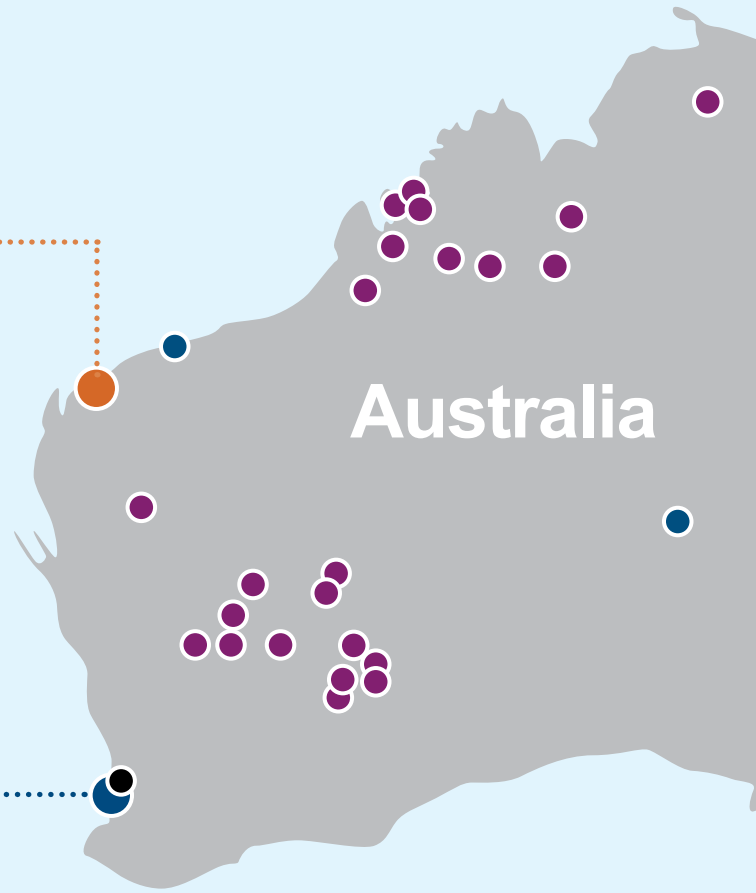
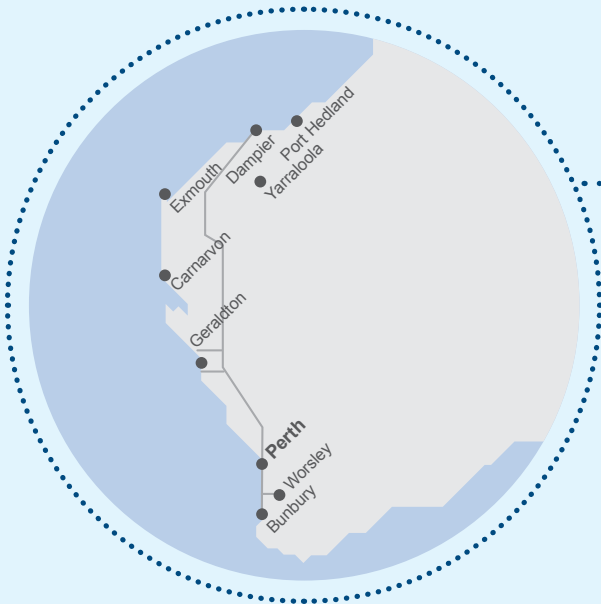
DUET Business

Diversified Across Energy Source And Geographic Region

DBP Development Group



Dampier Bunbury Pipeline (DBP)



Energy Developments

- Landfill Gas Power Project¹
- Waste Coal Mine Gas Power Project
- Office
- Remote Energy Power Project
- Liquefied Natural Gas / Compressed Natural Gas

Key facts



\$11.1b

Total Assets²
(100% consolidated basis)

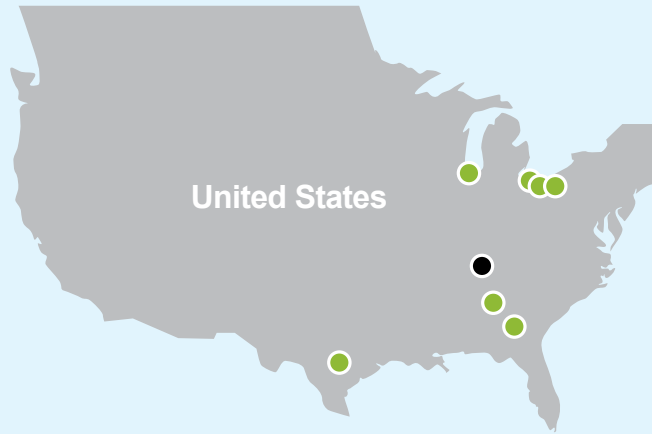
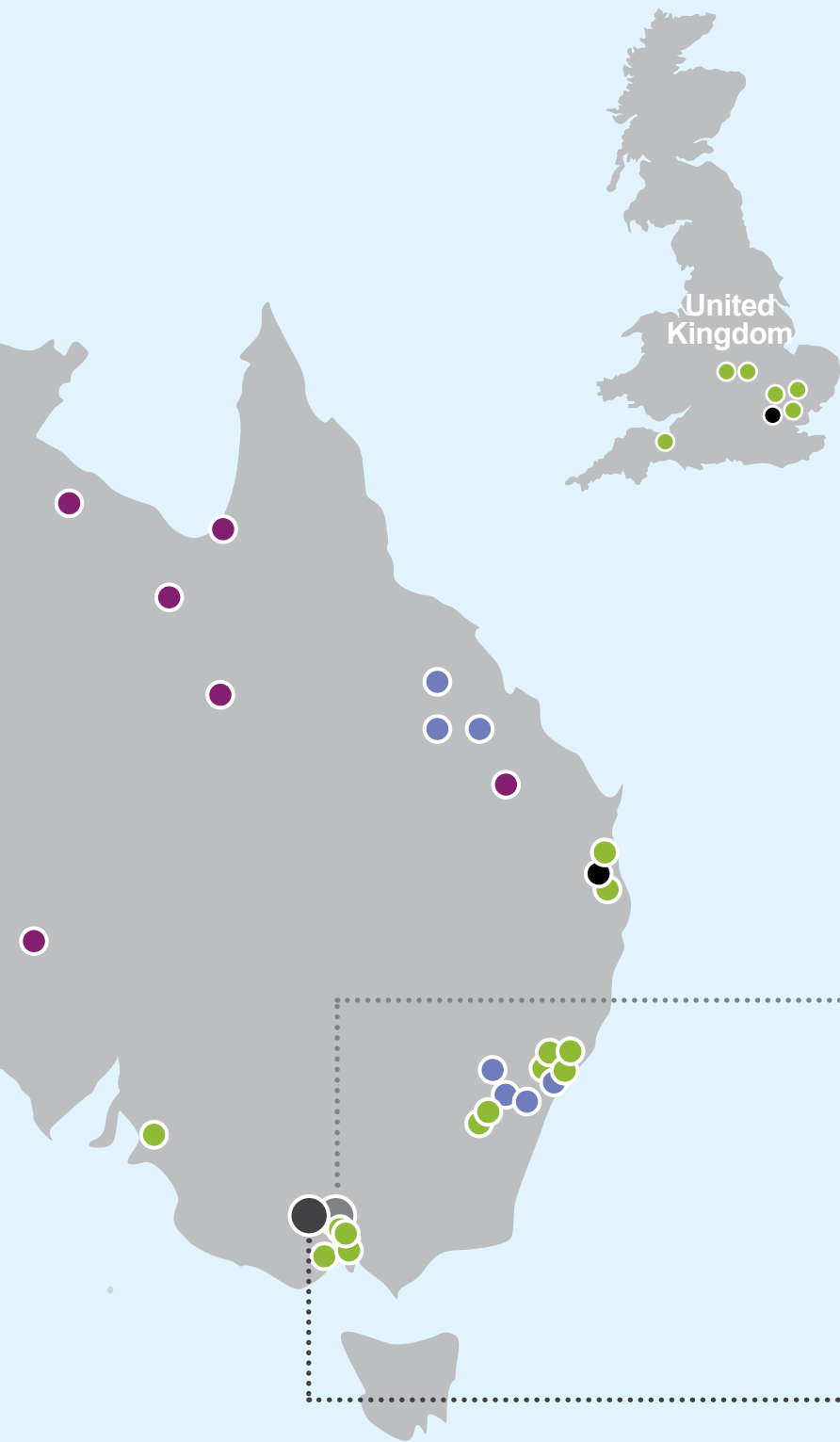
20,831

Security Holders²

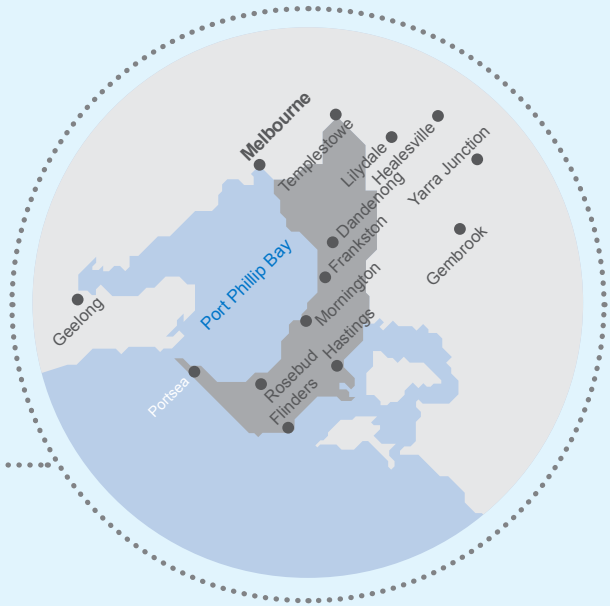


1. EDL also has a 24MW LFG project that is 50% owned via a Greece based joint venture

2. As at 30 June 2016



United Energy



Multinet Gas



\$6.1b

Market Capitalisation²

Highlights

July

- DUET announces that it has entered into a scheme implementation deed with ASX-listed Energy Developments Limited (EDL) under which it proposed to acquire 100% of EDL by way of a scheme of arrangement for \$8.00 per EDL share payable in cash. Financial close was subject to EDL shareholder approval, court approval and a number of conditions precedent.

August

- DUET successfully completes \$1.67 billion equity capital raising at \$2.02 per new DUET stapled security to fund proposed EDL acquisition.
- United Energy prices A\$279 million (equivalent) unsecured notes in a US Private Placement.

October

- EDL shareholders vote in favour of DUET's proposed acquisition via scheme of arrangement and DUET successfully completes acquisition of 100% of EDL.
- The Australian Energy Regulator (AER) publishes draft decision for United Energy's 2016-2020 regulatory reset.

November

- EDL successfully recontracts 97MW Appin and Tower waste coal mine gas projects for a further 18 years.

2015

December

- DUET confirms interim distribution for six months to 31 December 2015 of 9.0 cents per stapled security.
- Economic Regulation Authority (ERA) of Western Australia publishes draft decision for DBP's 2016-2020 regulatory reset.



March

- United Energy completes \$855 million bank debt extension.
- EDL announces commencement of construction of a new 21MW WCMG power station for Anglo American's Grosvenor mine.
- DUET Investment Holdings Limited announces it has reached agreement with Alcoa of Australia to acquire the remaining 20% interest in DBP for \$205 million.

April

- DUET completes \$200 million Placement at \$2.20 per new stapled security to partially fund acquisition of 20% interest in DBP.
- EDL announces acquisition of Landfill Gas and Power Pty Ltd, an owner of 3 generation facilities in Western Australia totalling 10MW of installed capacity.

May

- DUET completes Stapled Security Purchase Plan offer, accepting all valid applications and raising \$45.6 million at \$2.18 per new stapled security.
- United Energy receives final AER regulatory decision, which includes a 14.1% increase in total allowed revenue (nominal) compared to the AER's draft decision.

June

- United Energy lodges an appeal with the Australian Competition Tribunal in relation to the AER's final decision.
- EDL announces agreement to acquire 30MW Cullerin Range Wind Farm for \$72 million (excluding transaction costs) to be funded from EDL's corporate debt facility.
- DUET announces final distribution of 9.0 cents per stapled security bringing total FY2016 distributions to 18.0 cps, in line with guidance.
- DBP receives final ERA regulatory decision, which includes a 6.0% increase in total allowed revenue (real) compared to the ERA's draft decision.

2016





Chairman's Letter

I am very pleased to present the DUET Group annual report for the 30 June 2016 financial year.

Growth

The year featured three very important transactions that are expected to drive our future growth.

- **Energy Developments Limited**

In October 2015 we completed the acquisition of 100% of Energy Developments Limited (EDL). EDL has a strong strategic fit with DUET: the business generates stable and predictable cash flows based on long dated contracts. The acquisition has enhanced the diversity of our operating cash flows and provided an attractive source of growth for the Group.

- **Cullerin Range Wind Farm**

In July 2016 we acquired the 30MW Cullerin Range Wind Farm (Cullerin) for \$72 million (excluding transaction costs) from Origin Energy. Cullerin is located near Gunning in NSW and the facility has been operating since 2009. Cullerin's reliable wind resource, its long term partial offtake contract with Origin and strong operating performance complements the EDL distributed generation portfolio and demonstrates EDL's strong competitive position in the mid scale renewables generation sector.

EDL is well positioned for further growth in the sector because of its centralised operating configuration, experience in operating distributed generation, and its ability to manage residual exposures to electricity and LGC markets within its wider portfolio of electricity sales, which now exceeds 900MW globally.

- **Remaining 20% Stake in DBP**

In April 2016 DIHL acquired Alcoa's minority stake in DBP for \$205 million. The acquisition increased the Group's aggregate ownership of DBP to 100%. As a result, DUET Group entities now own, in aggregate, 100% of four of our five businesses. This has enhanced our opportunities to better target management, operational and development synergies across the Group.

Equity Capital Raising

In August 2015 we completed a \$1.67 billion Placement and Entitlement Offer to fund the acquisition and de-gearing of EDL. The institutional component of the Entitlement Offer was over-subscribed and raised approximately \$804 million at the issue price of \$2.02 per stapled security (pss). The Retail Entitlement Offer raised approximately \$260 million, also at an issue price of \$2.02 pss. The Institutional Placement raised \$550 million at the same issue price.

In March 2016 we announced a \$200 million Placement at an issue price of \$2.20 pss and a Stapled Security Purchase Plan (SPP) at an issue price of \$2.18 pss to fund our acquisition of the remaining minority stake in DBP. The SPP, which was priced on preferential terms to the Placement, was strongly supported and the board determined to accept all applications for new securities totalling \$45.6 million, substantially in excess of the targeted \$30 million.

FY2016 Financial Performance

Our underlying statutory result was \$195.2 million, up over 150%. This included contributions from the acquisitions of EDL and DBP that we completed during FY2016.

Our group proportionate earnings were up over 35% versus the prior year's pro-forma result. These earnings included a full year contribution from EDL. As EDL did not declare and pay any dividends to its previous owners from 1 July 2015, all of its earnings were available to fund our full year distribution of 18 cents per stapled security. This contributed to the 117 per cent earnings coverage of our distribution, a significant improvement on the prior year.

During FY2016, the DUET accumulation index delivered a total return to security holders of 21.6%, compared to the ASX 200 Industrials Accumulation Index return of 2.9%.



Over the 3 years to 30 June 2016 DUET Group has delivered a total return to security holders of 64.5%.

Distributions

We met our distribution guidance of 18 cents per stapled security (pss) and announced new guidance of 18.5 cents pss for the 2017 financial year and a target of 19 cents pss for the 2018 financial year.

Based on DUET's security price of \$2.63 as at 31 August 2016, the FY2017 distribution guidance implies a cash yield of 7.0%.

Governance

DUET has continued its program to refresh and enhance the complementary skills and composition of the members of its respective boards. Stewart Butel has been appointed to the DUECo and DIHL boards, effective 1 September 2016.

Stewart was the Managing Director of Wesfarmers Resources for 10 years and has over 40 years of experience in the coal mining industry covering operations, technology, major projects, M&A and strategy and will bring extensive operational and resources experience to our board discussions.

Ron Finlay has advised that he will be resigning from the DUECo and DIHL boards. To allow for an orderly transition, Ron's resignation will be effective immediately after

DUET's 2016 Annual General Meeting.

Ron has been on the DUET Boards since its listing back in 2004 and I would like to thank him for his dedication and diligence to DUET over the last 12 years.

I would like to thank securityholders for your continued support of DUET and look forward to meeting you again at our AGM that will be held on 16 November this year.

Doug Halley
Chairman



CEO's Report

Our 2016 financial year performance reflects the underlying strength of the Group and its significant potential for growth. During this period we:

- delivered Proportionate Earnings of \$476.3 million, an increase of 35.4% on the prior period;
- raised and refinanced almost \$2.5 billion of debt;
- raised over \$1.9 billion of new equity capital for our accretive acquisitions of EDL and of the remaining 20% stake in DBP; and
- entered the renewable generation sector with a \$72 million (excluding transaction costs) acquisition of the 30MW Cullerin Range Wind Farm.

Distributions

We met our distribution guidance of 18 cents per stapled security (cps) and announced new guidance of 18.5 cents cps for the 2017 financial year and a target of 19 cps for the 2018 financial year.

Business Highlights

Dampier to Bunbury Pipeline (DBP)

DBP delivered an 11.9% increase in Proportionate Earnings.

Slightly lower full haul throughput was offset by lower fuel gas costs and significant reductions in interest expense reflecting base interest rate hedges put in place by DBP at the time of re-contracting with most of its firm full haul shippers in mid 2014.

DBP received its final regulatory decision for the 2016-20 period from the ERA in June 2016. The final decision was an improvement on the draft with a 6.1% increase in the real revenue allowance and a 34.6% increase in allowed capital expenditure. The decision will affect tariffs on only 15% of DBP's firm full haul contracted capacity as we re-contracted with most of our full haul shippers in 2014 through to December 2020.

DBP Development Group (DDG)

DDG delivered Proportionate Earnings of \$32 million.

DDG benefited from the first full year of contribution from its Wheatstone Ashburton West Pipeline (WAWP) and its Fortescue River Gas Pipeline (FRGP).

During the year DDG completed customer-funded works for Chevron, namely the 24km Ashburton-Onslow Gas Pipeline and the Gorgon Onshore Meter Station Refurbishment

Project, in addition to earning a full year contribution from its operating contract with Chevron for the Gorgon domestic gas pipeline.

United Energy (UE)

UE delivered a 25.5% increase in Proportionate Earnings.

A 9.5% reduction in regulated tariffs in January 2016 was offset by an 11.5% reduction in interest expense, reflecting the re-set of UE's base interest rate hedges at the time of the AER's draft regulatory decision.

UE's regulated asset base increased by 4.5% as it continued to replace and expand the capacity of the network. UE has successfully improved network performance through a targeted capex program and operational improvements, with unplanned average minutes off supply per customer falling to 60.2 minutes compared to the financial year end regulatory target of 65 minutes.

UE received its final regulatory decision for the 2016-20 period from the AER in May 2016. The decision was a material improvement on the draft decision with a 14.1% increase in the nominal revenue allowance, a 9.6% in allowed operating expenditure and an 11.8% increase in allowed capital expenditure. The decision will see a 4.2% increase in real regulated tariffs in January 2017 and further tariff increases of 3.5% (real) are due in January 2018 and January 2019.

Multinet Gas (MG)

MG delivered a 3.3% increase in Proportionate Earnings.

Throughput was in line with the prior year. Distribution revenue was up 4.5% reflecting increases in regulated tariffs.

MG's regulated asset base increased 1.4% as it replaced sections of its old cast iron network under its accelerated pipeworks replacement program. This program will continue in future years and underpin the 3.4% (real) increase on MG's regulated tariffs in January 2017.

Energy Developments

EDL delivered Proportionate Earnings of \$167.9 million, beating our investment case for the 2016 financial year.

The integration of EDL into the Group is complete with DUET's risk management, compliance and governance and reporting systems implemented.

Since taking ownership of EDL in October last year, we have hedged its base interest rate and FX exposures over the medium

term, refinanced its corporate debt facilities, de-gearred its balance sheet and hedged, on a firm basis, a material amount of its future medium term Queensland black electricity output as well as forward selling LGCs.

EDL delivered a number of achievements across its business in the year.

In the waste coal mine gas segment EDL recontracted the 97MW Appin and Tower project for a further 18 years. It commenced construction of a 21MW power station at Anglo's Grosvenor mine underpinned by a 20 year gas supply contract and reached agreement with Anglo to add a further 15MW of capacity at the site. EDL also reached agreement with Glencore to extend its gas supply agreement out to 2036 and install a further 15MW of capacity to its existing 21MW facility.

In the Remote Energy segment, EDL extended its contract with Territory Generation at the 26MW Pine Creek facility for a further 3 years and completed an 8MW expansion of capacity at Sunrise Dam for AGA.

In the landfill gas segment, EDL acquired 10MW of new capacity in Western Australia and acquired the 4.8MW Pecan Row site in Georgia USA.

Business Transformation Project

In July 2016 UE and MG initiated a Business Transformation project aimed at significantly reducing the operating cost base of both businesses and identifying and securing new revenue streams. This project will be conducted through the course of the 2017 financial year.

Executive Appointments

In October 2015 we appointed Tony Narvaez as the new Chief Executive of UE and MG. Tony joined UE and MG from General Electric, where he had been the Regional General Manager of Distributed Power across ANZ, PNG and Indonesia and he brings a wealth of experience in executive positions across the Australian energy sector, including with General Electric, ATCO Australia and Verve Energy.

In August 2016 we appointed James Harman as the new Chief Executive of EDL. James was previously the Head of Business Development at Anglo American in London and had worked for nearly two decades in senior executive positions of top tier global mining companies Anglo American and Rio Tinto. His extensive international leadership and business development experience and demonstrated track record in securing

accretive growth opportunities position him well to lead the EDL team.

At the DUET level, we have recently appointed James Baulderstone as DUET's new Chief Operating Officer. James was previously the Vice President of Corporate Development at Santos.

Outlook

In the coming year we will:

- Conclude the UE and MG Business Transformation Project and aim to realise material productivity improvements;
- Look to secure further upside by successfully appealing aspects of the final regulatory decisions for UE and DBP;
- Continue to invest in UE and MG's Regulated Asset Bases to replace and upgrade aging network infrastructure;
- Continue to grow EDL's revenue and earnings through accretive organic growth of generation capacity in each of its businesses;

- Grow EDL's interests in mid scale distributed renewable generation;
- Explore the potential to utilise the combined skills of EDL and DDG and of EDL and UE to provide joint gas transmission and generation proposals and distributed generation and distribution proposals to the market;
- Refinance our operating company debt maturities on competitive terms; and
- Continue to look for accretive opportunities to develop or acquire new energy infrastructure assets.

I would like to thank all securityholders for their ongoing support of DUET.



David Bartholomew
Chief Executive Officer



DBP



Business Description

DBP Transmission (DBP) is the owner and operator of the Dampier to Bunbury Natural Gas Pipeline (DBNGP or Pipeline), Western Australia's most important piece of energy infrastructure. The DBNGP is WA's key gas transmission pipeline stretching almost 1,600km and linking the gas fields located in the Carnarvon Basin off the Pilbara coast with population centres and industry in the south-west of the State. The Pipeline has been in continuous operation since 1984, and has a remaining life of around 50 years.

Key Investment Attributes

Revenue Streams

Almost all of DBP's revenue is derived from contracted or regulated gas transportation tariffs, charged to wholesale customers for shipping gas along the Pipeline. DBP has entered into standard long-term transportation contracts (SSCs) with the major shippers using the Pipeline (other than

SNAPSHOT

100%

Ownership Interest

29%

Contribution to DUET Proportionate EBITDA

\$382

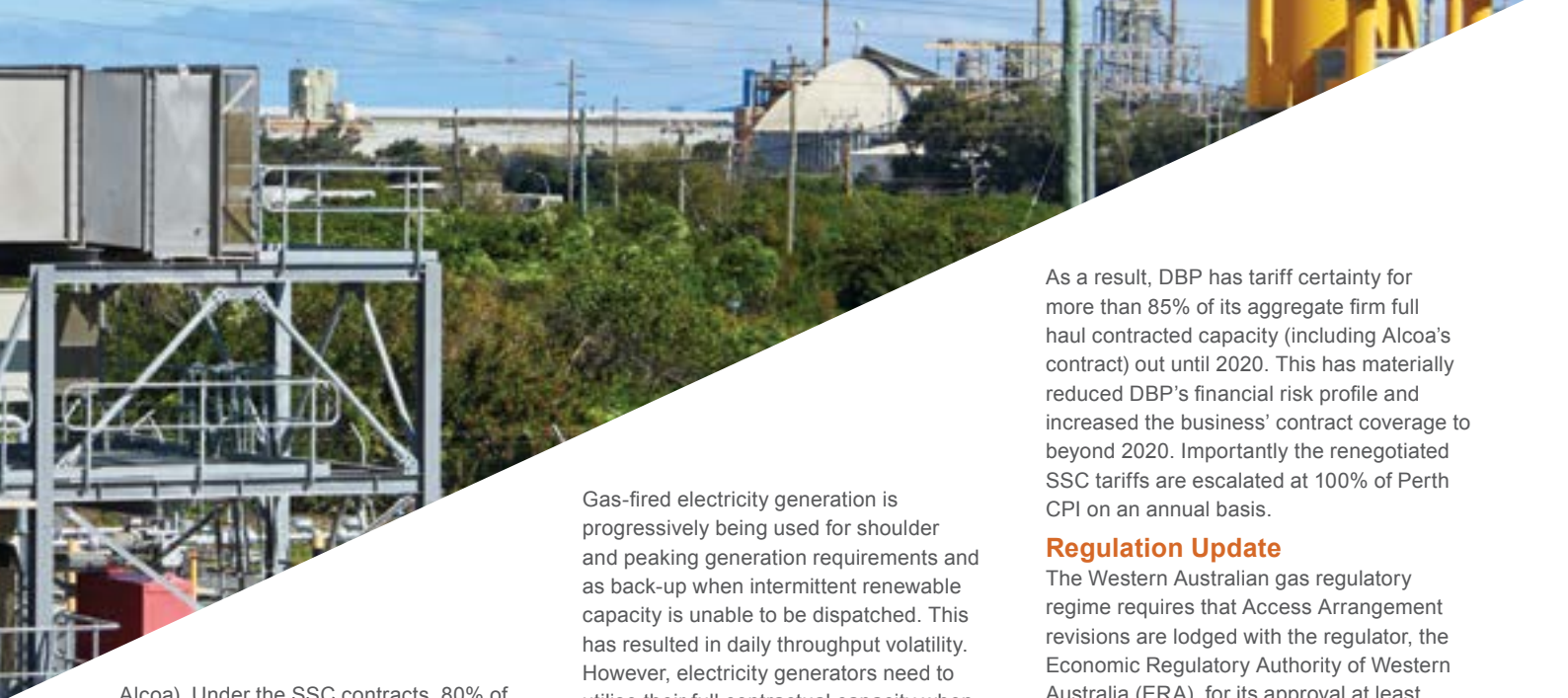
Million Revenue

\$305

Million EBITDA

JANUARY 2021

Regulatory reset date



Alcoa). Under the SSC contracts, 80% of the tariff is paid on a capacity reservation (take-or-pay) basis, with the remainder of the tariff dependent on each shipper's actual throughput.

Alcoa, as the foundation shipper, has an evergreen contract with a charging arrangement that differs from those of other shippers.

Other revenue includes ancillary services to shippers such as short-term gas "park-and-loan" services, gas storage, imbalance charges and customer initiated capital works.

Competitive Position

The Pipeline is an essential piece of energy infrastructure with no direct competition from other pipelines which also span its entire length and service the main markets it serves. There are substantial financial barriers to entry for a competing pipeline to be built. It has a strong track record of over 30 years of reliable operation.

Key Events

Gas Volumes

Overall throughput was up 0.5% relative to the previous financial year. The pipeline benefitted from increasing gas demand in the Pilbara, with back haul volumes increasing 18.4% year on year.

Gas-fired electricity generation is progressively being used for shoulder and peaking generation requirements and as back-up when intermittent renewable capacity is unable to be dispatched. This has resulted in daily throughput volatility. However, electricity generators need to utilise their full contractual capacity when high demand periods coincide with coal or renewable generation outages and in periods of high electricity demand, especially on hot days when air-conditioning loads are higher. Therefore, while actual throughput may fluctuate, demand for gas capacity transportation remains strong. DBP's majority take-or-pay tariff structure mitigates the actual impact on transportation revenues.

Reliability and Cost Control

During the year, DBP maintained its strong operating record, with system and compressor reliability approaching 100%. The DBP management team continues to demonstrate strong cost management, with operating costs 6.3% lower than the previous period, predominantly as a result of lower fuel gas usage.

Re-contracting of SSCs

In mid 2014, DBP renegotiated the terms of its standard shipper contracts (SSC) with most of its firm full-haul shippers. The agreed terms establish the tariff payable by these shippers for a period that extends from July 2014 until December 2020. These shippers also agreed to extend the term of the renegotiated SSCs to between 2025 and 2033 (with two further 5 year extension options).

As a result, DBP has tariff certainty for more than 85% of its aggregate firm full haul contracted capacity (including Alcoa's contract) out until 2020. This has materially reduced DBP's financial risk profile and increased the business' contract coverage to beyond 2020. Importantly the renegotiated SSC tariffs are escalated at 100% of Perth CPI on an annual basis.

Regulation Update

The Western Australian gas regulatory regime requires that Access Arrangement revisions are lodged with the regulator, the Economic Regulatory Authority of Western Australia (ERA), for its approval at least every five years. As DBP has renegotiated the SSCs for most of its contracted firm full haul capacity, the regulatory tariff established by the ERA will only apply to around 15% of DBP's firm full haul contracted capacity through to 2020.

The regulator's final determination for the DBNGP 2016-2020 Access Arrangement was published on 30 June 2016. The final decision was an improvement on the draft decision, with DBP awarded a 6.1% increase in total allowed regulatory revenue. DBP has applied to the Australian Competition Tribunal for a review of the final determination, with an outcome only expected in the first half of 2017.

Legislation has recently been tabled in the Western Australian State Parliament that, if enacted, will see the regulation of the DBNGP move to the national regulator, the Australian Energy Regulator, in time for DBP's next regulatory decision, which is due to be effective on 1 January 2021. This will mean that all three of DUET's regulated businesses will be regulated by the same regulator.

Financial Performance



DBP

continued

Credit Ratings

(as at 1 September 2016)

Standard & Poor's
BBB (stable)

Moody's
Baa3 (stable)

Operational Overview

Year to 30 June 2016	Average Contracted Capacity (TJ/day)	Year to 30 June 2015
737	Full Haul	756
255	Part Haul	257
204	Back Haul	197
1,197	Total	1,211

Year to 30 June 2016	Throughput (PJs)	Year to 30 June 2015
232,802	Full Haul	233,115
35,982	Part Haul	43,864
63,684	Back Haul	53,794
332,468	Total	330,773



Year to 30 June 2016	Occupational health and safety	Year to 30 June 2015
0	Lost Time Injury Frequency Rates (LTIFR)	4.44
2.8	Total Recordable Injury Frequency Rates (TRIFR)	28.9



Year to 30 June 2016	Environmental	Year to 30 June 2015
n/a	Scope 1 CO ₂ E emissions	265,017

DBP Development Group



Business Description

DBP Development Group (DDG) was created to leverage the world-class pipeline engineering and operating skills of DBP's management team to provide opportunities for DUET to deploy capital in accretive opportunities that would see DDG build, acquire, own and/or operate new pipelines and laterals and related gas infrastructure

The development team at DBP has been one of the leading developers of new gas transmission pipeline and related gas infrastructure across Australia.

The Western Australian gas transportation requirements have undergone significant change in recent years, with a number of new domestic gas production facilities having come on line in the north west of the state. At the same time, recent increases in demand for gas has shifted from the industrial region in the south west of the state to now being required to support resource projects in the Pilbara, which are looking to switch from diesel to lower cost natural gas for their energy needs.

SNAPSHOT

100%
Ownership
Interest

4%
Contribution
to DUET
Proportionate
EBITDA

\$37
Million
Revenue

\$32
Million
EBITDA

DBP Development Group

continued



DDG has a strategic advantage when exploring pipeline development opportunities that would ultimately connect to the Dampier Bunbury Natural Gas Pipeline (DBNGP) and DDG has capitalised on these growth opportunities for the benefit of DUET's securityholders.

Completed Projects

Wheatstone Ashburton West Pipeline (WAWP)

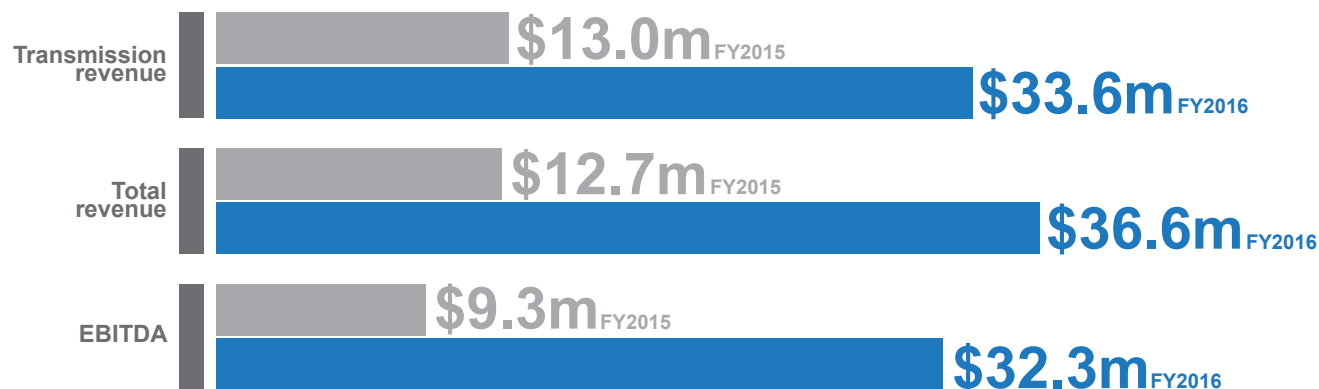
WAWP comprises DDG's existing 87km 10 inch Tubridgi Lateral, a newly constructed 87km, 16 inch pipeline, a new 22km 16 inch pipeline, and facilities connecting the

Wheatstone Domgas Plant to the DBNGP at Compressor Station 2. The pipeline construction was completed on time and within the set budget cap of \$102 million and was commissioned in late December 2014. The pipeline is designed to provide an initial capacity of in excess of 300TJ per day with future expansion capacity of up to 600TJ per day to the WA domestic gas market. The project is underpinned by a 100% take-or-pay gas transportation agreement with Chevron Australia based on an initial revenue of \$14 million per annum for a period of 30 years with two extension options of ten years each.

Fortescue River Gas Pipeline (FRGP)

DDG, in conjunction with its joint venture partner, TransAlta, completed construction of the 270km 16 inch FRGP in March 2015. The FRGP runs from the DBNGP's Compressor Station 1 to the Solomon Hub. The pipeline

Financial Performance





supplies natural gas to the TransAlta-owned 125MW Solomon Power Station which services Fortescue Metals Group's mining operations in the region. The project is underpinned by a 20 year 100% take-or pay gas transportation agreement between the joint venture and FMG Pilbara Pty Ltd.

Ashburton Onslow Gas Pipeline (AOGP)

In June 2016 DDG completed the construction of a shipper-funded project to build, own and operate the 24km AOGP gas transmission pipeline on behalf of Chevron Australia. The AOGP provides a firm gas transportation service to Horizon Power's proposed Onslow Power Station. The project is part of Chevron's Onslow Power Infrastructure Upgrade project under Wheatstone's State Development Agreement. The new 8MW Onslow Power Station is expected to be commissioned in late 2017. The transportation agreement is on the basis of a 100% take-or-pay revenue of \$0.6m per annum for an initial period of 20 years with two extension options of five years each. The AOGP comprised more than 50,000 manhours of construction work without a single lost time injury.

Gorgon Meter Station Refurbishment Project (GMSR)

During FY2016 DDG undertook and completed shipper-funded works to undertake valve refurbishment work on the Gorgon Meter Station.

Operation and Maintenance

Gorgon Onshore Pipeline

In 2014 DDG was awarded an initial nine year contract to maintain the onshore gas transmission pipeline and metering station for the Chevron Australia-operated Gorgon Project. DDG's strength in engineering, and operating and maintenance of pipeline networks have further strengthened its relationship with Chevron Australia.

Maitland Lateral

DDG resumed the maintenance of the Maitland Lateral in May 2016. The lateral is owned by EDL for its LNG processing plant in the Pilbara.

Onslow Gas Pipeline

Since 2012, DDG has continued to foster a strong relationship with Horizon Power through the provision of operation and maintenance of its pipeline in Onslow.

Operational Overview



Year to 30 June 2016	Occupational health and safety	Year to 30 June 2015
0	Lost Time Injury Frequency Rates (LTIFR)	0
10.1	Total Recordable Injury Frequency Rates (TRIFR)	5.9

United Energy



Business Description

United Energy (UE) provides safe, reliable electricity to approximately 665,000 customers across east and south-east Melbourne and the Mornington Peninsula.

The distribution network transports electricity from the high voltage transmission network to residential, commercial and industrial electricity users. It covers 1,472km² and includes 47 zone substations, approximately 215,000 poles, 13,000 distribution substations, approximately 10,071km of overhead power lines and 2,783km of underground cables

UE's distribution area is largely urban. While it covers only about 1% of Victoria's land area, it is home to around 25% of the state's population. Approximately 90% of UE's end customers are residential.

The distribution of electricity is an essential service and UE exists within a heavily regulated environment, operating as a natural monopoly within its distribution area.

Energy Demand Management

In recent years the industry has witnessed growing levels of public debate around energy

SNAPSHOT

66%

Ownership Interest

28%

Contribution to DUET Proportionate EBITDA

\$535

Million Revenue

\$382

Million EBITDA

JANUARY 2021

Regulatory reset date



issues caused by a variety of interrelated customer, technology, political and regulatory changes in the external environment.

High penetration of solar PV and the emergence of battery storage technology has focused attention on how Australians might manage their energy needs in the future. It is important to note that the penetration of solar PV on the UE network is currently lower than in many parts of Australia's east coast and even in comparison to some other regions in Victoria. Current installed PV on UE's network accounts for around 0.9% of displaced load.

While the grid will remain integral to the energy system, the way customers are using this energy infrastructure is changing. In the future it is anticipated that the grid will play more of a facilitation role as customers use it as a platform on which to trade energy.

While overall energy consumption has been flat to slightly declining in recent years, peak demand has continued to grow. This has required United Energy to continue to increase the capacity of some parts of its network to accommodate the increasing peak demand.

UE, along with the other Victorian electricity distributors, are looking at ways to temper the increase in peak demand and the associated

capital expenditure to service the increased load profile. Recently, UE introduced customer-led demand management initiatives to reduce usage at critical periods.

One of these initiatives, a Virtual Power Plant Trial which utilises solar and energy storage technology to reduce peak demand and defer network augmentation, won the Clean Energy Council's 2016 Innovation Award.

Community Grids Project

UE has partnered with an energy technology company to deliver a landmark demand response and energy storage project on the Mornington Peninsula.

The Community Grids Project, being run in association with Greensync, will engage and incentivise households, small business, and community organisations to voluntarily reduce and/or shift their electricity usage through a combination of activities including the use of solar PV and energy storage systems.

Expected to run for five years, the program's aim is to leverage advanced technologies and work collaboratively with customers in order to defer network augmentation.

Tariff Reform

UE has been a leading advocate for tariff reform to introduce cost-reflective energy pricing for all customers. It is working with industry, customers, government and regulators to achieve better alignment between individual customer use profiles and their resultant cost on the network.

The desired effect is a move away from traditional energy consumption-only tariffs which

do not provide accurate price signals of the true cost of network capacity required to meet short periods of maximum network demand.

Cost reflective energy pricing is expected to:

- Reduce cross subsidies between different types of residential users;
- Reduce expected overall network investment as customers respond to price signals by shifting discretionary load to off-peak periods, subsequently reducing load in peak demand periods;
- Deliver better alignment of pricing signals to encourage efficient investment in new technology such as solar PV and battery storage; and
- Help realise the full benefits of the Victorian smart meter roll out, with customers able to accurately monitor their energy usage and respond to pricing signals appropriately.

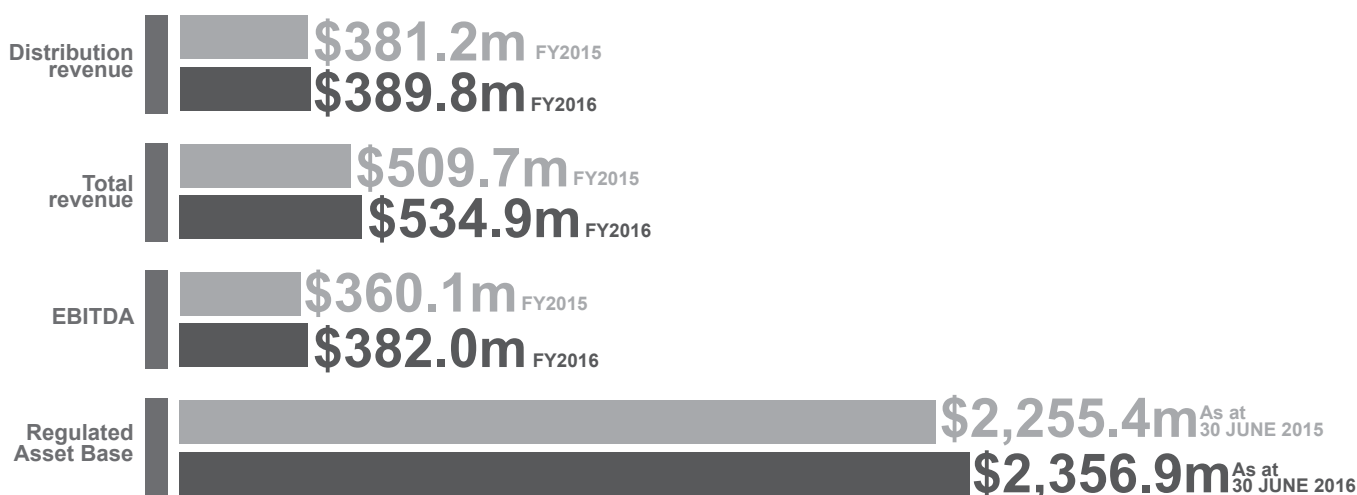
Operating Initiatives

Smart Meter Benefits

UE continues to deliver benefits from the successful roll out of smart meters across its entire network that improve safety, enhance reliability and provide savings to customers directly through access to energy usage data and increased efficiency of capital investment. These benefits include:

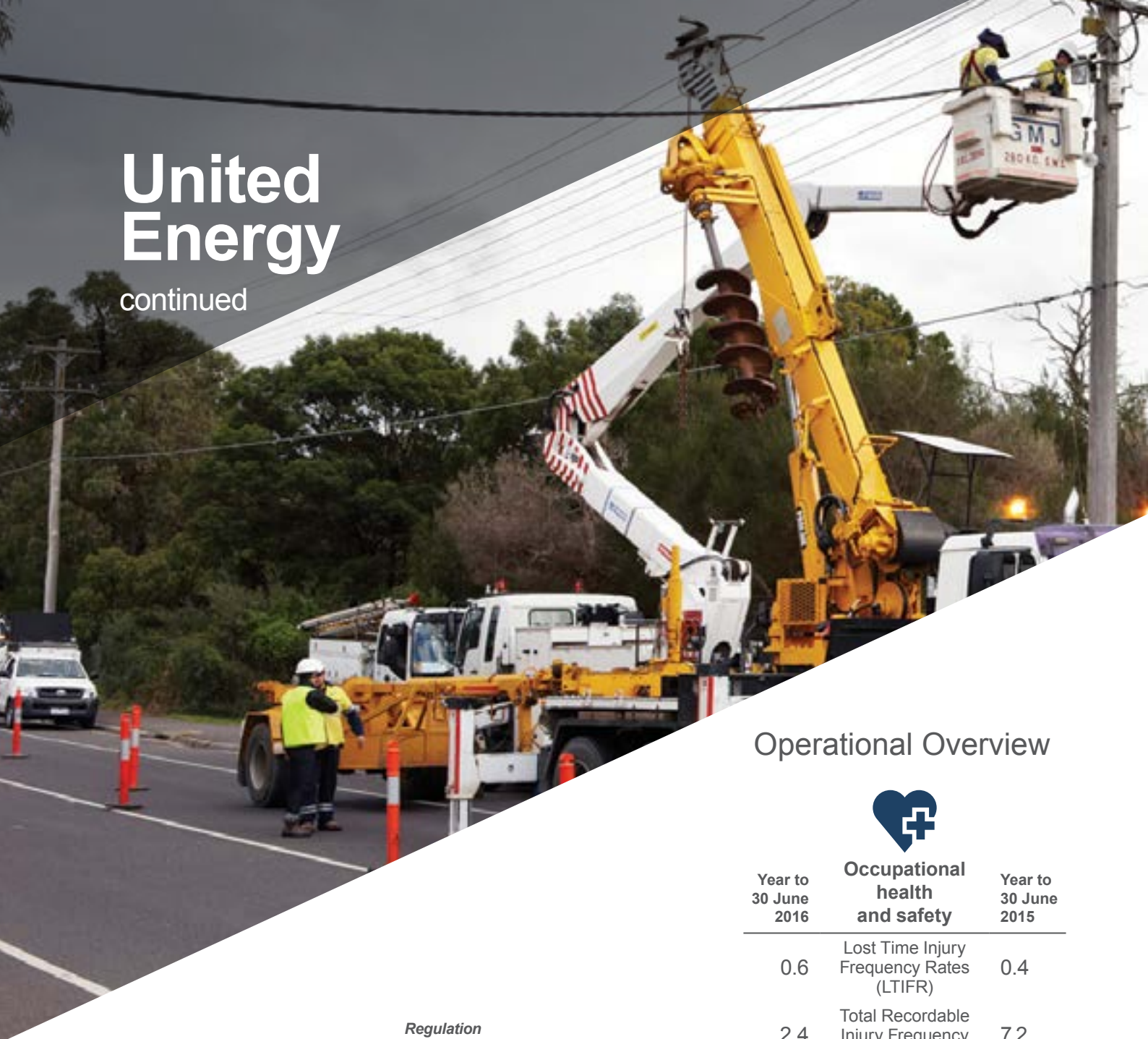
- Remote fault identification, thereby avoiding wasted truck visits;
- Faster supply restoration;
- Hazardous 'loss of neutral' faults can now be detected remotely;
- Neutral integrity testing can be undertaken remotely, avoiding site visits and manual testing at premises;
- Enhanced monitoring of supply to life support customers during storm events;
- Improved data on transformer peak loads to identify required transformer upgrades or to facilitate more efficient use of existing capacity;

Financial Performance



United Energy

continued



Operational Overview



Year to 30 June 2016	Occupational health and safety	Year to 30 June 2015
0.6	Lost Time Injury Frequency Rates (LTIFR)	0.4
2.4	Total Recordable Injury Frequency Rates (TRIFR)	7.2



Year to 30 June 2016	Environmental	Year to 30 June 2015
N/A	Scope 1 CO ₂ e emissions	9,948

- Rebalancing of over loaded phases, enabling improved network utilisation on peak demand days, thereby reducing the need for network augmentation; and
- Enhanced load switching which enables better management of expected peak demand days in high risk areas of the network.

Business Transformation Project

UE has partnered with a Tier 1 global consulting firm to commence a Business Transformation Program. The objective is to review the UE operating model and streamline business processes to achieve further operational efficiencies, to maintain its ranking as one of Australia's most efficient electricity network according to regulatory benchmarks. Net efficiency gains from the transformation project are expected to start from FY18.

Regulation

UE is in the first year of its current regulatory period, which runs until 2020. The Australian Energy Regulator (AER) published its final decision for UE on 26 May 2016. The final decision was an improvement on the AER's draft decision, with UE receiving a 14.1% increase in allowed nominal revenue over the regulatory period. UE has lodged an appeal with the Australian Competition Tribunal (ACT) in relation to:

- The estimation for the valuation of taxation credits, or gamma; and
- The estimation for inflation.

The outcome of the ACT's review is expected in the first half of calendar year 2017.

Benchmarking

The AER continues to apply benchmarking across regulated network businesses nationally to provide a measure by which to compare businesses in different jurisdictions and encourage efficiency in the long-term interests of customers.

The AER's latest benchmarking analysis shows UE's average annual cost per customer continues to be one of the lowest in Australia.

As an efficient distribution business, UE is in the top quartile of its peers and has sustained this performance over many years. The Business Transformation Program is aimed at extracting further operating efficiencies; demonstrating that UED is responding to incentive regulation; consistently delivering value for money to its customers.



As at 30 June 2016	Network Connections	As at 30 June 2015
606,492	Small (residential and unmetered)	604,395
55,803	Medium Sized Business	56,083
3,310	Commercial and Industrial	3,288
665,605	Total Connections	663,766



Year to 30 June 2016	Electricity Load (GWh)	Year to 30 June 2015
2,800	Small (residential and unmetered)	2,785
1,426	Medium Sized Business	1,431
3,597	Commercial and Industrial	3,525
7,823	Total Electricity Load¹	7,741



Year to 30 June 2016	Distribution Network Statistics	Year to 30 June 2015
0.87	SAIFI (number of interruptions) ²	0.9
1.1	MAIFI (number of interruptions) ³	1.0
60.2	Unplanned SAIDI (minutes) ⁴	70.6

1. FY15 load has been restated to reflect more accurate energy consumption data which became available in FY16 with utilisation of real-time smart meter data

2. System Average Interruption Frequency Index

3. Momentary Average Interruption Frequency Index

4. System Average Interruption Duration Index

Credit Ratings

(as at 1 September 2016)

Standard & Poor's
BBB (stable)

Moody's
Baa2 (stable)

Multinet Gas



Business Description

Multinet Gas (MG) distributes gas safely and efficiently to its 692,000 customers via a regulated network covering 1,860km² across Melbourne's inner and outer east, the Yarra Ranges and South Gippsland.

MG's network includes 9,866km of distribution mains and 164km of high pressure transmission pipelines.

Key Investment Attributes

Revenue Streams

Approximately 90% of MG's total revenue comes from regulated distribution tariffs, charged to customers for connection to, and use of its distribution system. Growth in distribution revenue is driven by regulated tariff charges and volume growth.

MG's top 250 gas users collectively account for around only 1% of total distribution revenue. Therefore, there is minimal risk of a material negative impact on revenue from the loss of a major user.

SNAPSHOT

100%

Ownership Interest

14%

Contribution to DUET Proportionate EBITDA

\$202

Million Revenue

\$131

Million EBITDA

JANUARY 2018

Regulatory reset date

1. FY volumes have been restated to reflect billed energy consumption, which removes the impact of prior year adjustments

Operational Overview



As at 30 June 2016	Network Connections	As at June 2015
675,735	Residential	672,633
15,737	Commercial	16,114
270	Commercial and Industrial	266
691,742	Total Connections	689,013



Year to 30 June 2016	Gas Volumes (TJ)	Year to 30 June 2015
38,839	Residential	38,820
5,220	Commercial	5,364
11,668	Industrial	11,774
55,727	Gas Load¹	55,958



Year to 30 June 2016	Occupational health and safety	Year to 30 June 2015
1.3	Lost Time Injury Frequency Rates (LTIFR)	0.0
8.7	Total Recordable Injury Frequency Rates (TRIFR)	3.3



Year to 30 June 2016	Environmental	Year to 30 June 2015
N/A	Scope 1 CO ₂ E emissions	273,964

The regulatory price determinations, which regulate the majority of these revenues, are undertaken by the Australian Energy Regulator (AER) and apply for periods of five years.

Operating Initiatives

Pipeworks Replacement Program

MG's Pipeworks Replacement Program is its largest running capex program. This 30 year initiative will replace older, low-pressure cast iron gas pipes with high pressure systems by 2033.

During the current 2013-2017 regulatory period, MG accelerated its rate of replacement to return the program to schedule. In April 2015, the program achieved a key milestone target of kilometres replaced, which resulted in it receiving AER approval for an intra-regulatory period cost pass-through for the increased pipe replacement program. This resulted in a further approximate 1% increase in Multinet's tariffs in each of calendar years 2016 and 2017.

Financial Performance



Multinet Gas

continued



Credit Ratings (as at 1 September 2016)

Standard & Poor's
BBB (stable)

Moody's
Baa3 (stable)

Highett

MG is undertaking a \$15 million reconfiguration of its network in the Highett area. The assets that will be relocated include transmission pressure pipeline and pressure regulation facilities supplying up to 100,000 customers. Highett is a customer initiated and funded project for the Victorian Department of Treasury and Finance. The project is expected to be completed in late 2017.

Warburton Reticulation

MG is extending its gas network to Warburton in the Yarra Ranges, as part of the Victorian Government's 'Energy for the Regions' program. The Victorian Government-subsidised Warburton extension project, valued at approximately \$12 million, will involve extending the network to Warburton and reticulating the majority of the town of Warburton. Construction works are due to conclude by 2017.

The Warburton project follows the roll out of natural gas to other towns in the Yarra Ranges in 2005, which has seen more than 4,300 customers connected to natural gas in the region.

Railway Level Crossing Removal Alterations

The Victorian Government is undertaking a project to remove 50 railway level crossings to enhance overall safety at road/rail crossings. There are 26 railway level crossings located within MG's network. MG currently has gas pipework infrastructure that utilises the rail crossing easements that will now need to be relocated as part of this government-funded capital works programs. To date MG has been formally approached regarding 15 of these projects. The full program of works is expected to be completed by 2022.

Melbourne Metro Rail Tunnel

The construction of the Melbourne Metro Rail Tunnel will impact MG's network in a number of locations. The business is currently in high level discussions with the Victorian government regarding design aspects for the relocation of MG gas infrastructure and for its compensation for undertaking the work involved.

Regulation

MG's current regulatory period covers the 2013–2017 period. The business is currently preparing its submission for the 2018 regulatory reset, which is expected to be lodged in December 2016. Similar to United Energy, MG will propose a move from a price cap to revenue cap basis, thereby reducing the potential financial impact from changes in throughput.

The AER's most recent benchmarking ranks MG in the top quartile of its peers in terms of operating efficiency. Given MG and United Energy have a shared management team, the business transformation project that United Energy is currently undertaking is expected to also result in operational efficiencies for MG.

Energy Developments



Business Description

DUET successfully acquired the EDL business on 22 October 2015.

EDL is a Brisbane-based owner and operator of remote and clean energy power generation projects located in Australia, Europe and the United States. EDL's operations comprise four regional business units:

- Australian Remote Energy;
- Australian Clean Energy;
- European Clean Energy; and
- US Clean Energy.

Within the Australian Remote Energy business unit, EDL provides electricity to remote towns, communities and mines that are not connected to power grid infrastructure, via power plants that are predominately fuelled by natural gas with some diesel generation.

Within its Clean Energy business, EDL generates power from methane gas extracted from underground metallurgical coal mines (referred to as waste coal mine gas or WCMG) and methane gas extracted from landfills (referred to as landfill gas or LFG).

EDL does not own any coal mines or landfills, and enters into gas supply and tenure agreements on commercial terms with the relevant counterparties.

All of the Remote Energy projects operated by EDL are located in Australia, while Clean Energy comprises projects located in Australia (WCMG and LFG), Europe (LFG) and the US (LFG).

EDL operates predominantly under a build, own and operate model.

Key Investment Attributes Reliable Revenue Streams

For its Remote Energy projects, revenues are earned under long-term capacity-charge based contracts with blue chip / investment grade counterparties.

For its Clean Energy projects, generation is sold on the grid or to retailers under Power Purchase Agreements (PPAs) or Contracts for Difference (CFDs).

For its Clean Energy projects, EDL has secured exclusive access to the WCMG and LFG under long dated gas supply agreements.

Revenue is primarily a function of installed capacity and power generated and comprises:

- the sale of electricity to counterparties (referred to as black revenue) – counterparties typically comprise blue chip multinational mining companies, State-owned bodies, and private utility providers; and
- the sale of environmental credits (referred to as green revenue).

The Australian Remote Energy business generates black revenue, while the Australian, European and US Clean Energy businesses generate a combination of black and green revenue.

Green Revenue

EDL generates green revenue from the sale of environmental credits through various renewable energy schemes in the countries in which it operates. A brief overview of these schemes by geography is summarised as follows:

- **Australia:** green revenue in Australia comprises the sale of Large-scale Generation Certificates (LGCs) created under the Large-scale Renewable Energy Target (LRET) scheme and the sale of Australian Carbon Credit Units (ACCUs) to the Emissions Reduction Fund (ERF).

SNAPSHOT

100%
Ownership Interest

25%
Contribution to DUET Proportionate EBITDA

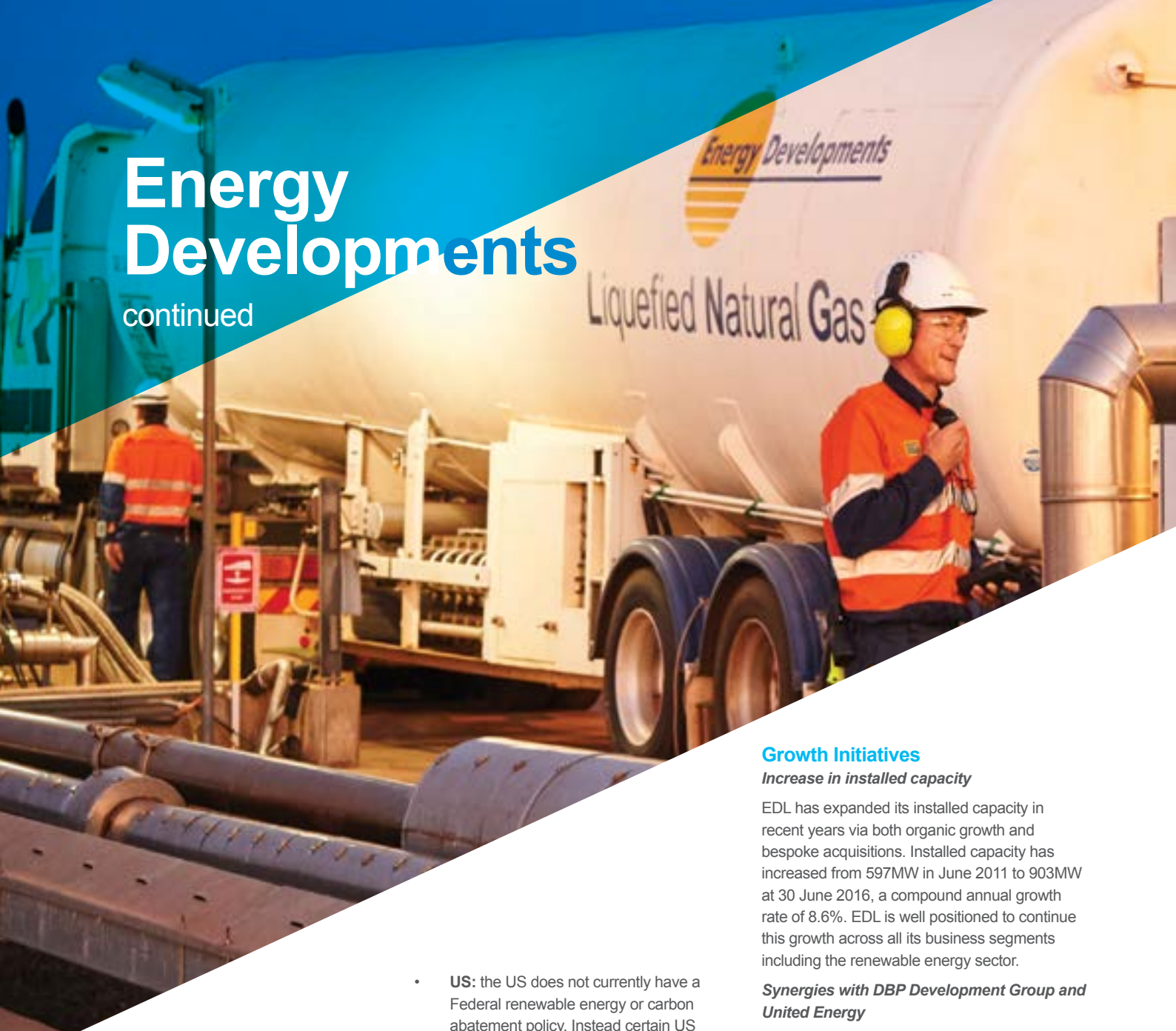
\$443
Million Revenue

\$233
Million EBITDA

903
Installed MW

Energy Developments

continued



Growth Initiatives

Increase in installed capacity

EDL has expanded its installed capacity in recent years via both organic growth and bespoke acquisitions. Installed capacity has increased from 597MW in June 2011 to 903MW at 30 June 2016, a compound annual growth rate of 8.6%. EDL is well positioned to continue this growth across all its business segments including the renewable energy sector.

Synergies with DBP Development Group and United Energy

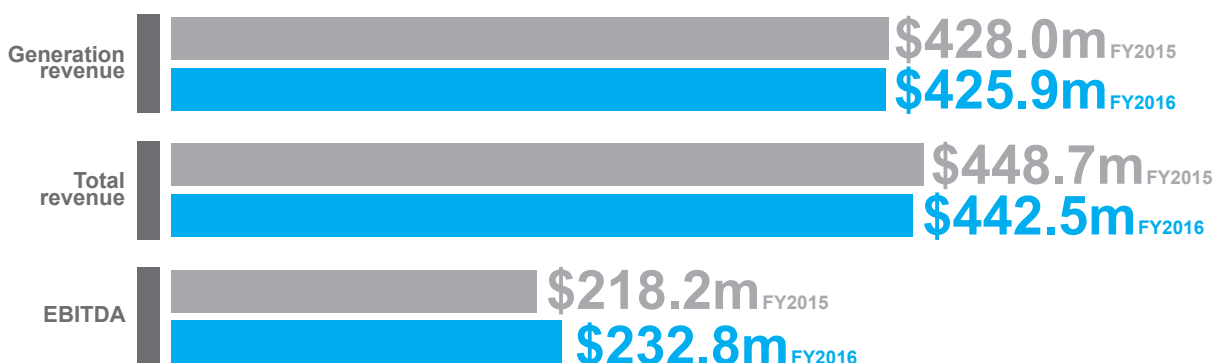
EDL and DDG have already collaborated on a number of joint business development proposals, offering customers integrated gas pipeline and generation solutions.

The rollout of these combined product offerings has the potential to be fairly significant for remote mines, particularly in the Pilbara, who are looking to displace current diesel-fueled power.

- Europe (United Kingdom):** green revenue in the United Kingdom comprises a combination of revenue generated under the Non-Fossil Fuel Obligation (NFFO) scheme which pays a contracted price for power generation and the sale of Renewable Obligation Certificates (ROCs) under the Renewable Obligation (RO) scheme.

- US:** the US does not currently have a Federal renewable energy or carbon abatement policy. Instead certain US states operate various renewable energy schemes which are broadly similar to the LRET scheme in Australia. Under these schemes, renewable energy generators are awarded Renewable Energy Certificates (RECs) for each MWh of electricity generated from any eligible renewable energy source. RECs can be sold or traded.

Financial Performance





In addition, United Energy has provided technical assistance to EDL in high voltage cabling and grid connection design. In future, there is potential for United Energy to support EDL as it seeks to acquire or build private distribution networks, combined with distributed generation.

Cullerin Range Wind Farm acquisition

On 13 July 2016, EDL completed the acquisition of the 30MW Cullerin Range Wind Farm (Cullerin). Cullerin, which has been operational since 2009, enjoys one of the highest historical capacity factors for an Australian windfarm, at around 38%.

The Cullerin acquisition leverages EDL's experience and capability in managing a distributed generation portfolio which is diversified across a range of fuel sources. It is also an excellent strategic fit for EDL and complements the business' existing portfolio which includes 160MW of distributed generation located in NSW and the ACT.

Additional opportunity in the renewable energy sector

EDL is looking to build on its acquisition of the Cullerin wind farm to establish a portfolio of mid-scale grid connected renewable generation sites.

This sector must see significant growth over the next 3-5 years if the renewable energy target (RET) of 33,000 Gigawatt-Hours is to be met by 2020.

EDL is well positioned to be successful in this sector as it is able to manage the operation of these mid-scale generation sites as part of its global generation portfolio totalling over 900MW.

EDL is able to manage the electricity sales and green credits generated from additional renewable sites within its existing contracting portfolio, while at the same time having the advantage of being able to fund these opportunities with more flexible corporate level debt.

A longer term opportunity for EDL is to utilise and up-scale the hybrid solution it is developing at Coober Pedy to integrate wind, solar and storage technologies to replace diesel generation for remote towns, mines and industrial sites.

Operational Overview

As at 30 June 2016	Installed Capacity (MW)	As at 30 June 2015
355	Australian – Remote	381
363	Australia – Clean	342
102	US - Clean	94
83	UK and Greece - Clean	83
903	Total Capacity	900
Year to 30 June 2016	Generation (GWh)	Year to 30 June 2015
1,222	Australian –Remote	1,242
1,763	Australia – Clean	1,756
540	US - Clean	552
495	UK and Greece - Clean	529
4,020	Total Generation	4,080



Year to 30 June 2016	Occupational health and safety	Year to 30 June 2015
3.0	Lost Time Injury Frequency Rates (LTIFR)	1.1
5.1	Total Recordable Injury Frequency Rates (TRIFR)	3.3



Year to 30 June 2016	Environmental	Year to 30 June 2015
n/a	Scope 1 CO ₂ E emissions	n/a

Credit Ratings

(as at 1 September 2016)

Standard & Poor's
BBB (stable)

Moody's
Note rated

1. Environmental & Social Responsibility at DUET

DUET believes that many social, environmental and economic opportunities can be derived from responsible private sector development and through the operation of high-quality energy infrastructure. In order to realise these benefits, we need to understand and manage our economic, environmental, social and governance risks and opportunities.

DUET's approach to environmental and social responsibility (ESR) management is set out in our Board policies. These policies form part of DUET's overarching risk management framework and are in alignment with Principle 7 of the ASX Corporate Governance Principles as detailed in our corporate governance statement. It is DUET's policy to ensure that we and each of our businesses are in compliance with the relevant regulatory frameworks and meet or exceed the minimum standards required.

DUET's environmental and social responsibilities are managed through:

- **Business selection** – environmental and social responsibilities are reviewed as part of acquisition due diligence
- **Ongoing business management** – regular board reporting allows environmental compliance requirements to be monitored, and environmental and social responsibility issues to be identified and discussed
- **Stakeholder reporting** – policies, social and environmental initiatives, and compliance performance are reported internally and, where appropriate, externally.

In this section we provide details of DUET's environmental and social responsibilities and initiatives undertaken during FY2016. DUET's governance responsibilities and policies are set out on the DUET website (www.duet.net.au).

1.1 Driving performance through sustainability

DUET invests in energy utility businesses that have strong strategic positions and predictable cash flows. This allows for the payment of stable dividends and distributions to investors.

As we have expanded our business, we have become increasingly aware of the sustainability issues that influence DUET and our businesses.

We believe sustainability involves understanding the effect of our business operations on the environment, on society and on our stakeholders. It is about managing our businesses in a way that drives enhanced performance and creates value for our investors, customers and employees and therefore society more broadly.

Each of our businesses is responsible to its own Board, which maintains oversight of ESG risk at the relevant business level.

1.2 Basis for reporting

As our business model has evolved, we have taken a higher proportionate ownership share of our businesses and we now own, in aggregate, 100 per cent of four of our five operating companies. We appreciate that this brings higher levels of exposure and scrutiny. We are committed to transparent reporting to allow stakeholders to see that we are taking steps to understand and mitigate material sustainability risks. We believe that openly and transparently reporting on our performance, will strengthen our relationships with our key stakeholders and drive performance improvement.

In this section we have detailed our ESG performance for the year ending 30 June 2016. Data has been gathered and reported separately by each business, with data having been extracted from environmental management systems, human resource systems and internal business templates. DUET's governance responsibilities and policies are set out on the DUET website (www.duet.net.au).

We acknowledge that the sustainability disclosures in this Annual Report are targeted primarily at securityholders, employees and investment analysts. We, and our businesses, use other mechanisms to engage with our customers, suppliers, regulators and communities.

1.3 Understanding our material sustainability issues

This year we undertook an analysis to understand the sustainability issues most material to DUET and our businesses.

This assessment involved reviewing each business' risk register, policy documents and media coverage. It also included in-depth interviews with key decision makers at DUET and in each of the businesses. Through this process, existing and emerging topics were analysed against two key criteria - their potential to materially affect or influence the decisions made by our stakeholders, and their potential impact on the successful operation of our business.

The materiality assessment also included stakeholder perspectives. We identified and included the issues of importance to securityholders as raised at our AGM, employees through employee surveys and investment analysts through proxy voting and direct investor feedback.

The emergent topics have defined the content of our ESG disclosures, which we have divided into five key areas. For each key area we report on why the issue is material, our approach to managing the issue and those stakeholders most impacted by the issue.

Our Governance

Our People

Our Environment

Our Customers

Our Community

Material issue	<ul style="list-style-type: none"> · Acquisition due diligence · Oversight and reporting 	<ul style="list-style-type: none"> · Health and safety · Process safety · Human capital · Diversity 	<ul style="list-style-type: none"> · Climate change · Biodiversity/ Vegetation management · Waste minimisation 	<ul style="list-style-type: none"> · Customer engagement 	<ul style="list-style-type: none"> · Community development
Management approach	<ul style="list-style-type: none"> · Board oversight · EMS closely aligned to the ISO 14001 · ESG due diligence 	<ul style="list-style-type: none"> · Mission of 'Zero Harm' · Reporting on lead and lag indicators · Employee training and apprenticeships · Diversity committees 	<ul style="list-style-type: none"> · Emissions mitigation · Transparency in reporting · Clean energy generation · Minimising water · Reducing waste 	<ul style="list-style-type: none"> · Customer engagement practices · Energy literacy initiatives 	<ul style="list-style-type: none"> · Community engagement · Partnerships with community organisations
Core stakeholders	<ul style="list-style-type: none"> · DUET Boards · Executive team · Securityholders · Proxy advisors 	<ul style="list-style-type: none"> · Existing and prospective employees 	<ul style="list-style-type: none"> · Customers · Environmental agencies · Regulators · Local communities · Suppliers 	<ul style="list-style-type: none"> · Customers and counter parties · Suppliers · Regulators 	<ul style="list-style-type: none"> · Local communities · Local and state government

2 Our Governance Approach

DUET has a structured and pro-active approach to identifying, understanding and managing ESG risks. The key focus of our risk management approach is to ensure alignment of strategy, processes, people, technology and knowledge, in order to evaluate and manage the uncertainties and opportunities faced by DUET.

Corporate governance is core to enabling the creation, protection and enhancement of securityholder value. The Boards' endorse the ASX Corporate Governance Principles and Recommendations, 3rd Edition. DUET's 2016 Corporate Governance Statement can be found in the Corporate Governance section of our website (www.duet.net.au).

2.1 Risk management

Our businesses' operations and projects are inherently hazardous with the potential to cause illness or injury, damage to the environment or disruption to customers. The effective management of risk is therefore critical to supporting the delivery of our strategic objectives.

In order to facilitate the systematic identification, assessment, control and ongoing management of hazards and risks, each of our businesses have defined and endorsed a Risk Management Policy in accordance with AS/NZS ISO 31000:2009, supported by a Corporate and Operational Risk Matrix.

The responsibility for identifying and managing risks lies with all senior managers and business leaders operating within established risk framework and thresholds. The framework includes clearly defined oversight responsibilities for each business' Board and its business executives, who are supported by Internal Audit and Risk Management Committees.

Each business' Internal Audit function and Risk Committees support the board by performing reviews of the integrity and effectiveness of controls. Best practice and non-compliances are tracked and reported to the board.

Through the year the DUET board is also informed of each operating business principal risks and the ongoing management of mitigating controls by each operating company.

2.2 Due diligence of business acquisitions

Where such information is available, ESG risks are either assessed as part of the acquisition due diligence process or immediately after acquisition as part of the broader risk management framework. Such a review may consist of evaluating the business' Workplace Health and Safety risk management framework against DUET requirements and expectations.

2.3 Management systems, policies and standards

We are committed to compliance with the laws and regulations in which we operate. All of DUET's businesses have current, integrated health, safety and environment (HSE) management systems that comply with legal obligations and guidelines as provided in the relevant Australian standards (AS 4801, AS 14001 ,AS 31000) or work within the systems owned service providers who met those standards. HSE key performance indicators (KPIs) have been set for the management teams and each of the operating businesses .These KPIs are integrated into the calculation of remuneration packages for each business' management team.

2.4 Regulatory requirements

All of DUET's businesses have implemented measurement and reporting systems in compliance with the National Greenhouse and Energy Reporting Scheme (NGERS) requirements. Details of DUET's business' emissions (United Energy, Multinet Gas, DBP and EDL) are published on the Clean Energy Regulator's website (www.cleanenergyregulator.gov.au/National-Greenhouse-and-Energy-reporting/Pages/default.aspx).

DUET is not aware of any material breaches of relevant environmental regulatory standards by its businesses during the year ended 30 June 2016.

3 Our People

We are committed to providing a safe, inclusive and rewarding workplace across all our businesses. Being able to attract and retain the best people will help us to deliver on our goals.

3.1 Safety

The safety of our people, our customers and our communities is of primary importance and our commitment is to 'Zero Harm'. Each business is responsible for maintaining its own work health and safety (WH&S) risk management framework and reports WH&S performance to its own Board. DUET executives, as members on each asset company Board, have full visibility of safety performance and initiatives across the Group. DUET actively promotes the sharing of WH&S best practice between the businesses.

In addition, the DIHL and DUECo Boards receive regular safety updates on head office and asset company safety.

The operating businesses manage their WH&S risks by developing appropriate WHS policies, training and reporting in accordance with the required legislation. They also employ external WHS experts to manage these risks.

3.2 Health and wellbeing of our people

We want our people to be fit for work and make sure their work does not negatively impact their health or wellbeing now or in the future. DUET's operating businesses promote the personal health and wellbeing of their employees by providing a range of initiatives designed to encourage employees to take responsibility for their health and wellbeing at home and at work. These initiatives include health screenings, educational seminars focusing on health and nutrition, flu vaccine and confidential counselling services.

3.3 Contractor safety

The operating model of our businesses utilises the services of a number of third party contractors. Our contracting arrangements prescribe that our contractors comply with the WHS Framework of each of our businesses, thereby requiring the same high standards we expect of our employees. We regularly audit and monitor the performance of our contractors and work collectively to meet our goal of Zero Harm.

3.4 Workforce safety performance

DUET and its businesses all enforce comprehensive workplace health and safety policies with their workforce and contractors. Over recent years all of DUET's businesses have undertaken major audits of their safety systems and practices leading to the design and implementation of new safety programs. Our goal is to maintain focus on HSE, continuing to target serious event prevention, injury reduction, mitigating the impacts that our activities and products have on the environment and building strong and lasting relationships with our communities and governments.

We are building a positive and strong safety culture, where everyone contributes to improving our HSE performance and is confident to stop work when it is not safe or harming our environment. Strong and engaged leadership is essential to our approach. We expect our leaders to be visible and passionate champions for HSE, consistently set high standards through their behaviour.

The HSE key performance indicators reported below represent a sample of metrics used by DUET's operating businesses.

In Vehicle Monitoring System (IVMS) – Australia

IVMS is an EDL safety initiative focused on driving behaviours to ensure adherence to road rules and consistency with EDL's mission of Zero Harm. As part of the wider safety refresh, responsible driving behaviour was selected as a priority, as approximately 10 per cent of all EDL reported incidents in recent years were vehicle related. The monitoring systems were installed in all company vehicles in order to collect data including speed, use of seatbelts, braking and acceleration patterns, and vehicle condition.

Since implementation in November 2014, there has been an 90 per cent decrease in instances of speeding greater than 20km/h above the speed limit, bringing the rate to 16 incidents per year. To close the gap further, EDL intends to roll out a 'Consequence Standard' in the next financial year.

DBP and DDG have deployed similar technology. Due to the long distances involved in maintaining pipelines located in remote areas and the approximately 110,000 man hours spent by the workforce in the field each year, DBP and DDG have implemented an updated journey management system which tracks a vehicle's speed patterns and location, and sends alarms when workers are in distress. The system is aimed at improving vehicle related safety and the safety of workers who often work alone in remote areas.

1. DDG does not exceed the threshold of reportable emissions and energy to require reporting to NGERS.

FIGURE 2: LTIFR AND TRIFR FOR EACH BUSINESS
(INCLUDES HEAD OFFICE AND CONTRACTOR STAFF)

LTIFR	FY14	FY15	FY16
DBP / DDG	2.2	4.4	0
United Energy	1.2	0.4	0.6
Multinet Gas	0.0	0.0	1.3
Energy Developments	0.0	3.2	YTD 4.3

TRIFR ¹	FY14	FY15	FY16
DBP / DDG	6.5	28.9	2.8
United Energy	5.3	7.2	2.4
Multinet Gas	5.3	3.3	8.7
Energy Developments	1	3.3	5.1

A lost time injury (LTI) is defined as an occurrence that resulted in a fatality, permanent disability or time lost from work of one day/shift or more. The lost time injury frequency rate (LTIFR) is the number of LTIs within a rolling 12 month period relative to the total number of hours worked, expressed per million hours worked.

Each of DUET's operating businesses strives to continuously improve its HSE performance through management systems, cultural and leadership programs, and the development and completion of annual plans.

Following an increase in recordable injuries in 2014/15, DBP embarked on a safety action plan to improve its safety performance. The key aims of this plan were to reduce complexity in its procedures, improve communication and make sure DBP's workforce and its contractors approached their work consistently across all of its operations and projects.

DBP has also undertaken a five-yearly review of its Safety Case which was submitted to the Western Australia safety regulator in June 2016. The revisions to the Safety Case, expected to be approved the second half of the 2016 calendar year, define how DBP manages the health and safety of its employees, contractors and the public, and ensures the safety and integrity of all assets associated with the DBNGP.

During FY16 the Ashburton Onslow Gas Pipeline (AOGP) project was completed with over 38,000 man hours of work undertaken by the DDG and contractor workforce without a single LTI recorded.

3.5 Process safety

Our businesses operate in a highly regulated industry and for DUET process safety involves making sure their facilities are well designed, safely operated and properly maintained.

DBP

DBP has identified a number of risks to the integrity of the asset and which have the potential to be classified as major accident events. For each of these risks, DBP undertakes a formal safety assessment process designed to reduce these risks to a level that is as low as reasonably practicable (ALARP), through the implementation of a variety of control measures. The most recent review was undertaken in 2016 as part of the Safety Case revision process.

DBP has developed an asset management plan and safety management system to record how the control measures are implemented into the pipeline's operation to achieve ALARP. Performance standards are developed as part of these documents so that control measures are effective in managing the risks to achieve ALARP.

EDL

In its FY15 risk reporting, EDL identified process safety and other associated safety and compliance risks, also identifying existing controls and further treatment plans to manage process safety events including loss of containment scenarios.

EDL manages safety cases for its major hazard facility and pipeline assets which incorporate process safety elements. The balance of assets have procedures developed to manage process safety and to identify and investigate significant incidents and near misses and to ensure that learnings are shared across its business.

EDL's process safety management system is focussed on continuous improvement. The system aims to standardise and consolidate process safety management practices across the company, and uses common key performance indicators, both lagging and leading, to facilitate governance of process safety management performance.

Multinet Gas

Multinet Gas' process safety relates to the design and operation of high-pressure pipelines and associated facilities such as pressure reduction stations. These activities are highly regulated and any new facility or modification of an existing one requires licence approval as well as approval of specific construction and environmental safety management plans in accordance with Australian Standards (the AS2885 series) by specialists in the relevant field.

Maintenance of high-pressure pipelines and facilities is also covered by strict requirements under this standard with detailed safety management studies required for each pipeline licence every five years. Inspection regimes are specified and the outcome of inspections is reported to the relevant safety regulator. These requirements support a pipeline industry to achieve an enviable safety record.

United Energy

United Energy operates a highly regulated electricity distribution network, with no major hazard facilities. The electricity safety management scheme, approved by Energy Safe Victoria, demonstrates safety due diligence by outlining the operating systems and management practices implemented by United Energy to identify the hazards, and establishes controls to minimise the risks associated with the operation of the electricity distribution business.

United Energy's risk management vision is for decision makers to be fully informed of the risks, and be assured that these risks are being effectively managed in achieving its corporate objectives.

1. Total Reported Injury Frequency Rate

United Energy is committed to improving its governance arrangements through strong leadership, responsible and ethical decision-making, management, accountability, and performance improvement. It has established a systematic process of risk management to ensure that it continues to deliver well-managed outcomes for its securityholders, employees, customers and business partners.

3.6 Human Capital

Building and developing our human capital allows us to maintain our competitive advantage and continue to deliver the best solutions to our customers.

To monitor employee sentiment and trends in that sentiment, each of our businesses undertake regular employee engagement or work place safety culture surveys. The results of these surveys are used to design and implement tailored programs that create a clear and shared vision, improve the organisational safety culture, recognise high performance and connect employees to the shared vision of their companies.

The energy utility sector faces a collective challenge on how to manage an ageing work force. Apprenticeship opportunities are an excellent mechanism for attracting and training new talent, and can also be an avenue for achieving enhanced diversity across the workforce.

Since 2012, DBP has participated in the Apprenticeships Australia program that provides professional apprentice and trainee management opportunities to young trainees. DBP's program has also benefited from the involvement of apprentices with indigenous heritage. The original apprentices have now completed the program and its participants have found employment opportunities within DBP's maintenance division.

In 2014, EDL developed an overarching apprenticeship strategy as the company realised the benefits of investing in trainees to renew and extend the talent pool of the company's operator workforce. As part of this initiative it doubled the apprentice intake at the company's national maintenance facility. This program is seen as the ideal training ground for new operations personnel, working under the guidance of our experienced mechanical operators.

These programs have been a rewarding success for DBP and EDL and provide an opportunity to facilitate new skills and employment for young and indigenous Australians.

For the last decade EDL has fostered the development of its future leaders through an executive training program – leaders of tomorrow. This program provides an environment where future leaders within the business gain insights and mentoring from the executive management team alongside a structured external training program.

Leveraging off the EDL experience, in 2016 DUET decided to roll out the Leaders of Tomorrow program to become a Group-wide development initiative. This will not only further enhance the development of high performing employees at the individual businesses but will allow for the cross-pollination of ideas that has the potential to lead to synergistic growth opportunities.

3.7 Diversity

We recognise it is through the collective experience and expertise of our people that our businesses continue to deliver safe, reliable, innovative solutions to our customers. Ensuring we foster diversity and inclusiveness, whether across gender, age, ethnicity or technical skills is expected to benefit DUET in the long term.

Each of DUET's businesses has established diversity policies and track actual performance, with regular reporting to the DUET Board.

Figure 3: Gender diversity split across the DUET Group businesses

	FY14		FY15		FY16	
	Male	Female	Male	Female	Male	Female
DUET Boards	64%	36%	56%	44%	56%	44%
DUET Management	50%	50%	54%	46%	54%	46%
DBP/DDG	78%	22%	79%	21%	77%	23%
United Energy/ Multinet Gas²	69%	31%	69%	31%	70%	30%
Energy Developments	84%	16%	85%	15%	85%	15%

1. DBP has secondment arrangements in place for DDG

2. United Energy and Multinet Gas have a shared management team

4 Our Environment

We recognise the importance of minimising our environmental footprint and seek to achieve standards of environmental performance that exceed the expectations of regulators, customers and the community.

4.1 Climate change

Climate change will exacerbate many of Australia's existing challenges around water security, resource scarcity and extreme weather events. The global energy sector, as a major emitter, has an obligation to meet the growing demand for energy, while also looking for opportunities to minimise the carbon-intensity of operations.

The nature of our industry is such that we can make a real contribution to building energy systems - through energy efficient, transitional, fuel switching, alternatives and advanced technology - which are sustainable for the company and for the community.

In order to prepare our businesses for the risks climate change presents, and to minimise our footprint, we are assessing opportunities for the following:

- GHG emissions management: through operational efficiency and identifying clean fuel alternatives to diesel, we aim to minimise our own operational footprint, as well as support our customers to manage theirs
- Adaptation and resilience: ensure our businesses are sufficiently resilient to be minimally impacted by changes in weather patterns and the impacts of other climate-related factors.

Scope one emissions involve the release of greenhouse gases into the atmosphere as a direct result of an activity, or series of activities at a facility.

Scope 1 emissions from DBP are primarily CO₂ emissions resulting from fuel used in powering the pipeline gas compressor stations. Scope 1 emissions from Multinet Gas are primarily due to the escape of natural gas from the gas distribution system. Multinet Gas' losses are typical of gas distribution systems. United Energy's Scope 1 emissions are below the minimum threshold that previously attracted a carbon tax liability.

From 1 July 2016, the DBNGP is classified as a designated large facility under the Safeguard Mechanism of the NGER Act. This imposes a baseline on the Scope 1 emissions of the DBNGP of 360,901 tonnes of CO₂-e, over which a financial liability may be incurred. Emissions in 2016 were more than 95,000 tonnes below the baseline.

Scope 2 emissions involve the release of greenhouse gases as a direct result of electricity generation, heating, cooling or steam that is consumed by a business, despite these emissions not physically being releasing on the facility.

United Energy's Scope 2 emissions are primarily the result of electrical losses in the distribution system. Under the regulatory regime in Australia, electricity losses in the distribution system comprise a cost to United Energy.

Multinet Gas has implemented various strategies to reduce emissions in the network including:

- An extensive prioritised pipe replacement program to remove leaking cast iron and corroded steel pipes with leak tight polyethylene pipes
- 24 hour/day response to reports of gas leaks with 95 per cent of high priority reports attended within one hour
- A leakage survey of key areas of the network and timely repair of leaks
- Management of network pressures to minimise the volume of emissions.

Figure 4: Scope 1 and Scope 2 Greenhouse Gas emissions by DUET Group businesses¹

Tonnes CO ₂ E	FY13		FY14		FY15	
	Scope 1	Scope 2	Scope 1	Scope 2	Scope 1	Scope 2
DBP	237,663	1,804	272,025	1,581	265,017	1,518
United Energy	10,149	519,657	5,913	480,486	9,948	466,463
Multinet Gas	271,521	3,627	259,427	1,426	273,964	1,356
Energy Developments	1,119,205	2,385	1,276,231	2,383	1,318,296	2,425

1. 2016 NGRS emissions are due 31 October 2016

Reducing emissions in the Pilbara by replacing diesel with gas

By replacing diesel-fired electricity generation with natural gas, DDG's joint venture with TransAlta, the Fortescue River Gas Pipeline (FRGP) feeding the Solomon Power Station, is already helping to reduce emissions in Western Australia's mining sector. DDG is exploring options to extend the FRGP to multiple mining sites in the Pilbara to assist miners with diesel displacement opportunities to reduce their production costs and overall greenhouse gas emissions.

EDL's electricity generation mix

- Approximately 60 per cent of EDL's current installed generation capacity produces electricity from technologies which can reduce greenhouse gas emissions – either landfill gas (LFG) or waste coal mine gas (WCMG). In the absence of EDL's generation, the waste methane gas at these landfill and metallurgical coal mine sites would be flared into the environment. Given that methane is 25 times more destructive than carbon dioxide, EDL's generation actually helps to reduce the overall environmental impact. In FY2016, EDL abated and avoided approximately 13 million tonnes of CO₂ equivalent from its clean energy solutions. This is the equivalent of around two per cent of Australia's total carbon emissions or the removal of approximately 3.8 million cars from Australia's roads.
- In July 2016, EDL completed the acquisition of the 30MW Cullerain Range Wind Farm. EDL is well positioned for further growth in the mid-scale renewable sector, by leveraging its experience in operating distributed power generation, centralised operating configuration, its ability to manage offtake risk (including residual exposures to electricity and LGC markets) within its wider portfolio of electricity sales and its investment grade debt facility for funding these opportunities.
- EDL, with the support of an ARENA funding grant, is currently undertaking a hybrid generation pilot project at Coober Pedy. EDL is aiming to displace existing diesel generation with innovative technology to transform the station into a renewable hybrid power station comprising a combination of wind generation, solar PV and battery storage that will be integrated with the existing diesel fuelled facility.

A combination of rising power prices and an increased desire to seek low carbon energy solutions is expected to encourage customers to seek hybrid solutions. EDL will gain valuable insights from its Coober Pedy project as to the operational capability and financial feasibility of these types of hybrid solutions.

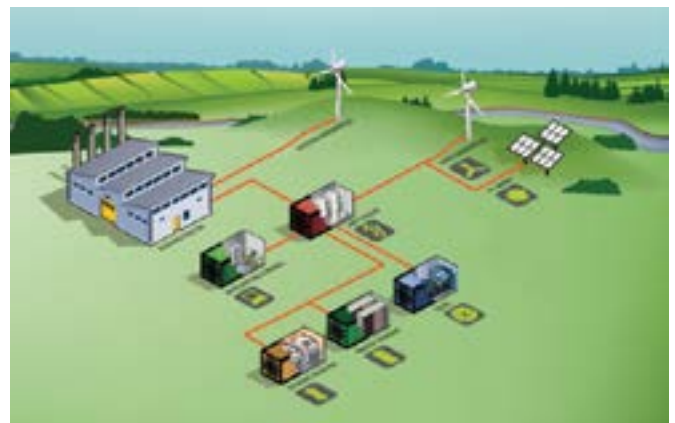
The innovative project involves a hybrid combination of 4MW wind, 1MW solar, a 1MW / 250kWh battery and various other enabling and integration technologies. By integrating the project with EDL's existing diesel power station at Coober Pedy, a significant proportion of diesel and its associated emissions can be abated, while also providing a reliable energy supply. The objective is to achieve a 70 per cent displacement of current diesel usage for the town of Coober Pedy.

The Coober Pedy project has the potential to pave the way for EDL to replicate this type of renewable hybrid energy generation in other remote areas of Australia.

Improving energy efficiency

DBP has operated its energy smart program since 2013, focusing on improving energy efficiency and reducing carbon emissions through culture change, measurement and monitoring. After three years of operation, the program has been particularly successful in reducing diesel used for electricity generation (for two consecutive years it has been 50 per cent lower than before the program started) and progressively reducing gas losses at compressor stations through improved monitoring and maintenance regimes for valves. These and other projects are considered in DBP's annual project review cycle, which evaluates business, safety and environmental objectives in deciding areas for investment.

Figure 5: Coober Pedy Hybrid Project configuration and location.



4.3 Climate adaptation and resilience building

Changes in weather patterns, resulting from climate change, have the potential to adversely affect DUET's operating businesses by increasing both capital and operating costs. Energy volume and demand can vary due to weather conditions, as well other factors such as changes in industrial use, seasonality, general economic conditions and use of competing sources of energy.

Potential climate-related impacts and opportunities are incorporated in the long term asset management plans and capital expenditure programs of each of DUET's businesses. These are reviewed annually and amended for changing circumstances.

Between 1977 and 2009, Victoria experienced a number of devastating bushfires. As a result, the Victorian government created regulations specific to bushfire mitigation and vegetation management.

In accordance with these regulations, United Energy has developed a fire prevention plan (FPP) and electric line clearance management plan (ELCMP), both approved by Energy Safe Victoria (ESV), to mitigate the risk to the community and the environment of a bushfire initiated by electricity distribution assets. The execution of the FPP and ELCMP provides the key controls to minimising United Energy's fire risk and meeting its regulatory compliance obligations.

In addition, United Energy initiated specific projects to further reduce fire risk. For example, in 2015, a program was undertaken to replace approximately 50km of high voltage aerial bundled cable, in high bushfire risk areas, that had reached end of life. This program will be completed in 2017.

Another key activity during 2015/16 was the development of United Energy's vegetation management system which will enable United Energy to better manage the safety, reliability and compliance risk associated with the vegetation around its overhead network.

4.4 Water

DBP, United Energy and Multinet Gas do not use water for any industrial scale purposes. Water in the businesses is primarily used for hygiene reasons at offices and depots plus a small amount for cleaning of vehicles. EDL uses water as an input to steam turbines at Pine Creek Power Station.

Water is sourced from town water supplies, bore water and rainwater harvesting. Although water use is relatively small, there have been a number of initiatives put in place by the businesses and their contractors to further reduce water consumption and waste. These include:

- water recycling systems for truck washing in Victoria
- rainwater harvesting
- waterless urinals.

DUET's businesses regularly review their water usage, with the aim of identifying further water saving initiatives.

DBP uses only small quantities of water, predominantly for drinking and domestic use in accommodation at remote compressor station sites. Throughout 2016, recognising the potential impacts on the local environment and the importance of hydration for health and safety in remote areas, DBP embarked on a project to improve the delivery of potable water at these sites. New plants are being installed at these sites to improve the efficiency and treatment of water as well as to promote and increase the use of treated water on site and reduce the number of plastic water bottles used. Each new system will also be linked with the onsite sewage system to assist in the dilution of waste water and reduce environmental impacts from waste water disposal.

4.5 Waste minimisation

Although waste is not considered a material impact to our businesses they are focused on ensuring that the waste that is generated is minimised and that we recycle where possible. Over the period DBP has installed facilities for separating waste that has achieved a diversion rate of around 25 per cent in the first year of monitoring.

5 Our Customers

Our customers are fundamental to our business. Across DUET, our businesses seek new and innovative ways to service their customers in efficient, reliable and sustainable ways. They welcome and encourage customer feedback in order to continually improve.

EDL customers are typically large public companies or government bodies including Origin Energy, Anglo American, South32, Horizon Power, Territory Generation and Glencore. Other customers include large energy retailers and owners of landfill sites. EDL's deep engagement with its customers from an operational to corporate level enables EDL deliver energy safely and reliably using a suite of solutions designed to meet customer's requirements.

DBP's customers, referred to as shippers, are large users of natural gas, with users in the electricity generation, mining and minerals processing sectors making up over three quarters of the DBNGP's contracted capacity. DBP engages with all shippers on a daily basis using an online customer reporting system to manage gas nominations and to enable customers to continuously monitor gas flows. With increasing penetration of intermittent renewable energy generation, this process ensures the DBNGP is ready and able to respond to fluctuations in customer demand.

United Energy and Multinet Gas have regular contact with their customers via their customer service call centres. In addition, as part of their regulatory reset process, United Energy and Multinet Gas specifically engage with customers to understand customers current requirements and desires from their energy distribution provider. The information obtained from this engagement process is then included in the work plans and customer initiatives that the business include in their regulatory proposals.

Energy literacy

United Energy and Multinet Gas partnered with the Springvale Community Aid and Advice Bureau to pilot an energy literacy program designed for culturally and linguistically diverse (CALD) communities in the south-east of Melbourne. According to ABS data, 36 per cent of the resident population of United Energy and Multinet Gas's network area was born overseas. The cultural diversity of the distribution area is further highlighted by the 31 per cent of people who speak a language other than English.

United Energy and Multinet Gas provided financial and in-kind support to a pilot program called 'Rewired' to improve energy literacy among newly arrived 'settlement communities'. Rewired is designed to encourage sustainable behaviour change around energy usage among CALD communities and low income households in Melbourne's south east, by educating and empowering communities to understand the modern energy market and energy technology and to make informed decisions about their energy services and usage habits. The program works with individuals as well as community groups, delivering targeted activities and utilising existing service provision to the target groups to embed and reinforce the project's aims.

6 Our Communities

Our businesses seek to have a positive impact on the communities in which they operate and service. Open lines of communication are essential in understanding their impact, and in continuing to identify where our businesses can add value to local communities.

6.1 DUET Corporate Social Responsibility Program

DUET acknowledges our social responsibility footprint and is committed to driving positive change in the communities in which we operate, both now and into the future. As part of this commitment, employees at DUET and our operating companies, are encouraged to adopt and champion initiatives, aligned with the organisation's corporate values and philosophy, which will have a meaningful impact in local communities.

The recently launched DUET corporate social responsibility program aims to provide a focussed approach to our commitment and involvement in the community, and to contribute to the social issues our employees care most about.

Our employees across Australia will have the opportunity to offer financial support and work with charities of their choice to provide practical and effective assistance through corporate volunteering and workplace giving.

6.2 Community engagement

The communities in which each of the DUET's businesses operates are as varied as the businesses themselves. This means there is no 'one size fits all' for community engagement. For example, the DBNGP traverses over 700 landholdings along its 1,600 km length. Accordingly, DBP recognises the importance of effective engagement with the communities through which it passes. In January 2016, a number of landholdings were devastated by fires in the townships of Waroona and Yarloop, south of Perth. Recognising the hardship suffered by these communities, DBP made cash payments to each of the landholders affected by the fires and whose land is traversed by the DBNGP.

In 2016, United Energy partnered with the 'SoEco' group to help local schools realise the significant benefits of implementing a sustainability program. United Energy facilitated student workshops on electrical safety and environmental awareness and assisted with establishing a student sustainability committee, specific environment task teams; developing an action plan based on determined gaps; collecting relevant data and reporting outcomes to the school, parents and the community.

6.3 Community investment

Our businesses regularly engage with the communities in which they operate and discuss issues with a broad range of stakeholders, including employees. As a result, they are able to target and support community projects that will deliver a meaningful impact.

West Kimberley Community Benefit Fund

Since 2012, EDL has delivered funding to not-for-profit indigenous, cultural and sporting groups in the West Kimberley towns of Broome, Derby, Fitzroy Crossing, Halls Creek, Camballin and Looma through its \$1million West Kimberley community benefit fund. The fund is administered by the Shires of Broome, Derby and Halls Creek, with each Shire having an application process for not-for-profit activities that address the following principles:

- Support social cohesion, inclusiveness, equal opportunity and the wellbeing of the community
- Support long term community development
- Be genuinely community-driven initiatives
- Address community needs.

Waverley Adolescent Emergency Care (WEAC)

United Energy and Multinet Gas, along with DUET, made a strong three year commitment to Waverley Adolescent Emergency Care (WEAC), a local Victorian charitable organisation who provided support for families with teenagers in United Energy and Multinet Gas's network areas. WEAC also operated Tandana Place, a residential facility offering drug and alcohol rehabilitation programs for young people.

In 2015/16, the DUET Group contributed \$180,000 in support of the WEAC and Tandana facility. During 2015/16 WEAC ceased operations. This has not detracted from the importance DUET places on providing necessary support for local communities. United Energy and Multinet Gas are in the process of identifying their community investment strategies which supports this issue.

FIGURE 5: TOTAL COMMUNITY SPEND BY DUET GROUP BUSINESSES

	FY14	FY15	FY16
TOTAL	\$270,000	\$245,000	\$338,000

Securityholder Information

As a 31 August 2016

Distribution of Stapled Securities

Range	Total holders	Units	% of issued capital
1 - 1,000	1,449	635,280	0.03
1,001 - 5,000	5,361	16,723,031	0.69
5,001 - 10,000	4,681	35,555,328	1.46
10,001 - 100,000	9,253	246,737,277	10.14
100,001 - 9,999,999,999	486	2,133,394,615	87.68
Total	21230	2,433,045,531	100.00

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum \$ 500.00 parcel at \$ 2.63 per unit	191	459	15447

Twenty Largest Investors

Investor	Units	% of issued capital
1. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	631,419,287	25.95
2. BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	391,403,691	16.09
3. J P MORGAN NOMINEES AUSTRALIA LIMITED	340,436,707	13.99
4. CITICORP NOMINEES PTY LIMITED	212,246,938	8.72
5. NATIONAL NOMINEES LIMITED	211,393,033	8.69
6. BNP PARIBAS NOMS PTY LTD <DRP>	71,724,863	2.95
7. RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	45,151,396	1.86
8. ARGO INVESTMENTS LIMITED	25,458,221	1.05
9. CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	13,278,142	0.55
10. IOOF INVESTMENT MANAGEMENT LIMITED <IPS SUPER A/C>	12,857,591	0.53
11. AMP LIFE LIMITED	6,933,422	0.28
12. RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PISELECT>	6,766,862	0.28
13. NATIONAL NOMINEES LIMITED <N A/C>	6,500,000	0.27
14. SANDHURST TRUSTEES LTD <SISF A/C>	3,780,000	0.16
15. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	3,769,728	0.15
16. BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING COLLATERAL>	3,448,000	0.14
17. EDSGEAR PTY LIMITED	3,377,413	0.14
18. CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	3,305,920	0.14
19. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,144,664	0.13
20. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	3,092,898	0.13
Totals: Top 20 holders of FULLY PAID STAPLED UNITS (TOTAL)	1,999,488,776	82.18
Total Remaining Holders Balance	433,556,755	17.82

Substantial Stapled Securityholders

Holder	Date of substantial holder notice	Number of stapled securities	% issued of stapled securities
UniSuper	4 July 2016	390,200,401	16.04
Lazard Asset Management Pacific Co	12 July 2016	254,551,777	10.46
The Vanguard Group	17 June 2016	123,278,653	5.07
Blackstone Group	31 August 2016	121,766,111	5.00

Directors' Profiles

Information on Directors' (as at the date of this Report)

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 has served 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 priorlisted company board experience with John Fairfax Holdings (now Fairfax Media), Television and Media Services, Foy Group, Corum Group and Mikoh Corporation Ltd (now Kollakorn Corporation Limited).

Ron Finlay

LLB (Sydney), AM
Independent and Non Executive Director (DUECo and DIHL)

Ron joined the DUET Group as an independent director as part of DUET' initial public offering in June 2004.

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 Future Submarines Program). He was awarded membership of the Order of Australia (AM) by the Australian Government in June 2015 for significant service to the law, particularly in the area of dispute avoidance and resolution, through public infrastructure advisory roles, and to the sport of Baseball.

Other current directorships and roles are: Independent chairman on a number of government and private sector Boards, Project Control Groups and Dispute Avoidance Boards for major projects, including Sydney Light Rail Advisory Board, Brisbane Airport's New Parallel Runway Project, Sydney Metro North West OTS, TSC and SVC Projects, RMS Sydney Stewardship Maintenance Contracts, RMS Pacific Motorway Upgrade, K2K Project, and the Optus Mobile rollout Project. Ron is also a NSW Government appointed lead negotiator for the Barangaroo South and Central, Crown Resorts Sydney and White Bay Power Station Projects.

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 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), Asciano and the Association of Mining and Exploration Companies in WA (AMEC).

Other current directorships are: Deputy Chairperson of CSIRO, Chairperson of the Sustainability Committee of Asciano, Director of Perth Airport, NBN Co., Northern Star Resources and member of the Takeovers Panel.

Simon Perrott

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

Simon joined the boards in July 2015. Simon 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).

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

Other 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.

Stewart Butel

BScience (Geology), Grad Diploma of Business Studies, GAICD
Independent and Non-Executive Director (DUECo and DIHL)

Stewart joined the Boards in September 2016 as an independent director after retiring in mid 2016 as Managing Director of Wesfarmers Resources, a position held for 10 years.

Stewart is a geologist who has over 40 years of experience in the coal mining industry. During this time he has held positions covering operations, technology, major projects, M&A and strategy. Stewart was Managing Director of Curragh Queensland Mining / Arco Coal where, in 2000, he led the sale of the mine to Wesfarmers. Stewart was Managing Director of Wesfarmers Premier Coal from 2002 to 2005 before being appointed as Managing Director of Wesfarmers Resources in 2006.

Until September 2016 Stewart was also the President of the Queensland Resources Council, the peak industry association which represents Queensland's minerals and energy companies.

Emma Stein

BSc (Hons) Physics (Manch), MBA (Manch), FAICD
Independent and Non Executive Director (DUECo 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 nonexecutive 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 (DUECo 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: non-executive director of the boards of Calix Ltd and Geodynamics Ltd.

Eric Goodwin

BEng (UNSW), MIE (Aust), AM
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: Eureka Funds Management Limited. Eric is also the chair of Jarjum College Council.

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 and Medibank Private Limited.

Other current directorships are: Non executive director of IOOF Holdings Limited, Colonial Foundation Trust and Orygen - The National Centre of Excellence in Youth Mental Health, UGL Limited and The Bupa Australia and New Zealand Board. 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) and a member of the ASIC NED Advisory Panel.

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 (a marine engineering company based in Port Macquarie) and CBHS Health Fund Limited.

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

Disclaimer

DUET Group comprises DUET Company Limited (DUETCo), DUET Investment Holdings Limited (DIHL) and DUET Finance Limited AFSL 269287 (DFL) in its personal capacity and as responsible entity of DUET Finance Trust ARSN 109 363 135 (DFT).

Stapling

In accordance with its requirements in respect of stapled securities, the ASX reserves the right (but without limiting its absolute discretion) to remove DUETCo, DIHL, DFL and DFT, or all four, from the official list of the ASX if, while the stapling arrangements apply, the securities in DUETCo, DIHL, DFL or DFT cease to be stapled together or one equity securities are issued by DUETCo, DIHL, DFL or DFT to equivalent securities in the other entities.

Advice warning

The information in this annual report is given in good faith and derived from sources believed to be accurate at this date but no warranty of accuracy or reliability is given and no responsibility arising in any other way including by reason of negligence for errors or omissions is accepted by DUETCo, DIHL or DFL or their respective officers.

This report is not an offer or invitation for subscription or purchase of or a recommendation of securities. This report is general advice and 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.

US Restrictions

Each holder of DUET securities that is in the United States or a U.S. Person is required to be a Qualified Institutional Buyer (QIB) (as defined in Rule 144A of the US Securities Act of 1933) or Qualified Purchaser (QP) (as defined in Section 2(a)(51) of the US Investment Company Act of 1940) and the rules thereunder at the time of the acquisition of any stapled securities of the DUET Group, and is required to make the representations in the Subscription Agreement as of the time it acquired the applicable stapled securities.

The DUET stapled securities can only be resold or transferred in a regular brokered transaction on the ASX in accordance with Rule 903 or 904 of Regulation S of the US Securities Act, where neither it nor any person acting on its behalf knows, or has reason to know, that the sale has been pre-arranged with, or the purchaser is, in the United States or a U.S. Person (eg no pre-arranged trades ("special crossing") with U.S. Persons or other off-market transactions).

To the maximum extent permitted by law, each member of the DUET Group reserves the right to (i) request any person that they deem to be in the United States or a U.S. Person, who was not at the time of acquisition of the stapled securities a QIB/QP, to sell its stapled securities, (ii) refuse to record any subsequent sale or transfer of stapled securities to a person in the United States or a U.S. Person, and (iii) take such other action as they deem necessary or appropriate to enable each member of the DUET Group to maintain the exception from registration under Section 3(c)(7) of the US Investment Company Act.

Financial report

The DUET consolidated financial report has been prepared to enable DFL as responsible entity, and DUETCo and DIHL, to comply with their obligations under the Corporations Act and to ensure compliance with the ASX Listing Rules and satisfy the requirements of the Australian accounting standards in relation to stapled structures.

The responsibility for preparation of the financial report and any financial information contained in this annual report rests solely with the directors of DUETCo, DIHL and DFL.

Complaints handling

A formal complaint handling procedure is in place for DUET Group. DFL is a member of the Financial Ombudsman Service. Complaints should in the first instance be directed to DFL. If you have any enquiries or complaints, please contact:

Investor Relations Manager, DUET Group
Level 14
20 Martin Place
Sydney NSW 2000

or

GPO Box 5282
Sydney NSW 2001

Telephone

Within Australia: 1800 005 049

Outside Australia: (612) 8224 2701

Facsimile: (612) 8224 2799

DUET's ongoing commitment to your privacy

We understand the importance you place on your privacy and are committed to protecting and maintaining the confidentiality of the personal information you provide to us.

DUET has adopted a privacy policy. For further information, visit the DUET website at www.duet.net.au or contact DUET Investor Relations on 1800 005 049 or from outside Australia on (612) 8224 2701.



DUET Group

Financial Report for year ended 30 June 2016

At 30 June 2016 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.

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Streamlined Financial Statements

This year, the Group's Financial Statements have been presented in a more streamlined manner by changing the format and layout to simplify the information disclosed and make it more relevant to users. The notes have been grouped into similar sections and key accounting policies, along with key estimates and judgements, have been moved into the notes to which they relate.

The structure of the Financial Report has also changed as a result of the Group applying the option under ASIC Corporations (Amendment and Repeal) Instruments 2015/843 combining financial reports of stapled security issuers to present the consolidated Financial Statements in Sections A and B, and all other reporting group members in adjacent columns in Sections C and D.

Directors' Reports

DUECo, DFT, DIHL and DFL

The Directors of DUECo submit the following report for DUECo for the year ended 30 June 2016.

The Directors of DIHL submit the following report for DIHL for the year ended 30 June 2016.

The Directors of DFL submit the following report for DFL and DFT for the year ended 30 June 2016.

The units of DFT together with the ordinary shares in DUECo, DIHL and DFL are issued as stapled securities in DUET Group and trade as one listed security, DUET Group, on the Australian Securities Exchange (ASX Code: DUE).

Corporate Information

The four stapled DUET entities are domiciled and incorporated in Australia. They are grouped into a corporate arm (comprising DUECo 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.

Principal Activities

DUET Group owns and operates energy utility assets in Australia, the US, UK and Europe. The combined aggregated ownership interest of DUET's stapled entities in Dampier Bunbury Natural Gas Pipeline Trust and its controlled entities (DBP or Dampier Bunbury Pipeline), DBP Development Group Nominees Pty Limited and its controlled entities (DDG), Energy Developments Pty Limited and its controlled entities (EDL or Energy Developments), United Energy Distribution Holdings Limited and its controlled entities (UE or United Energy) and Multinet Group Holdings Limited and its controlled entities (MG or Multinet Gas) is treated as a controlling interest for accounting purposes and consolidated in this DUET Group Financial Report.

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:

- Doug Halley (Chairman)
- Ron Finlay
- Emma Stein
- Shirley In't Veld
- Jack Hamilton
- Simon Perrott (appointed 1 July 2015)

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

Operating and Financial Review

Review and Results of Operations

DUET Group's net profit after tax for the year ended 30 June 2016 was \$217.2 million (2015: \$45.9 million). Excluding significant items resulted in a net profit after tax of \$195.2 million (2015: \$77.0 million) as follows:

Full year to 30 June	2016 \$'000	2015 \$'000
Revenues and other income from ordinary activities	1,638,206	1,269,315
<i>Less: items not included in Consolidated EBITDA</i>		
<i>Net fair value gains on debt and derivative contracts</i>	(32,909)	(7,184)
<i>Unrealised foreign exchange movements</i>	(398)	–
<i>Interest revenue</i>	(16,611)	(9,275)
Revenues and other income from ordinary activities, adjusted	1,588,288	1,252,856
Operating expenses	(651,628)	(506,318)
<i>Add: items not included in Consolidated EBITDA</i>		
<i>Loss on disposal of assets¹</i>	8,409	8,552
<i>Net fair value loss on debt and derivative contracts</i>	–	28,400
Operating expenses, adjusted	(643,219)	(469,366)
Equity accounted profits	1,744	–
Consolidated EBITDA¹	946,813	783,490
Unrealised foreign exchange movements	398	–
Net fair value movements on debt and derivative contracts	32,909	(21,216)
Net loss on disposal of assets ¹	(8,409)	(8,552)
Depreciation and amortisation	(393,953)	(276,509)
Consolidated EBIT	577,758	477,213
Net interest expense	(364,565)	(412,281)
Net profit before income tax	213,193	64,932
Tax (expense)/benefit	3,985	(19,004)
Net profit after income tax	217,178	45,928
<i>Add/(subtract): significant items</i>		
<i>Tax expense arising on implementation of group simplification</i>	–	7,130
<i>Recognition of temporary differences in deferred tax</i>	(35,594)	–
<i>Expenses relating to the acquisition of EDL and DBP</i>	44,551	3,054
<i>Loss on disposal of assets</i>	8,409	8,552
<i>Net fair value movements on debt and derivative contracts</i>	(32,909)	21,216
<i>Tax benefit on expenses relating to the acquisition of EDL and DBP</i>	(13,365)	–
<i>Unrealised foreign exchange movements</i>	(398)	–
<i>Tax benefit on loss of disposal of assets</i>	(2,523)	(2,566)
<i>Tax (benefit)/expense on net fair value movements on debt and derivative contracts¹</i>	9,873	(6,365)
Net profit after income tax excluding significant items¹	195,222	76,949
Basic earnings per stapled security attributable to securityholders - cents	8.64	3.39
Cash available for distribution (\$'000)	416,864	255,111
Weighted average DUET Group stapled securities on issue ('000's)	2,265,568	1,417,426
Cash available for distribution per stapled security - cents	18.4	18.0
Distribution declared and payable per stapled security - cents	18.0	17.5
Distribution coverage (%)	102%	103%

¹ 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.

Operating and Financial Review (continued)

DUET's Management Information Report (MIR) reports proportionate earnings for each energy utility.

Proportionate earnings have been adjusted from the consolidated statutory income statement to provide a view of DUET's results based on the relevant interest that DUET held during the period using the time weighted average beneficial ownership percentage basis of each of its energy utility businesses. In determining proportionate earnings, accounting depreciation and amortisation is substituted by Stay-In-Business capital expenditure ("SIB Capex"). SIB Capex is any capex which cannot be funded by external debt facilities, as set out in the terms of the facilities.

Proportionate earnings for each energy utility per the MIR and Segment Information Note are as follows:

Financial year ended \$'000	DBP 2016	DDG 2016	EDL ¹ 2016	UE 2016	MG 2016
Revenue	326,535	36,585	442,511	353,020	202,485
Operating expenses	(65,863)	(4,237)	(209,733)	(100,920)	(71,300)
EBITDA	260,672	32,348	232,778	252,100	131,185
Customer contributions (net of margin)	(3,552)	–	–	(25,999)	(11,259)
Adjusted EBITDA	257,120	32,348	232,778	226,101	119,926
Net interest expense	(130,025)	(304)	(27,551)	(79,841)	(49,315)
SIB Capex	(29,058)	–	(32,744)	(34,795)	(4,185)
Tax paid	–	–	(4,595)	–	–
Proportionate earnings	98,037	32,044	167,888	111,465	66,426

¹ DUECo completed the acquisition of 100% of Energy Developments Ltd on 22 October 2015. As EDL did not declare and pay any dividends to its shareholders from its FY2016 earnings in the period 1 July 2015 to 22 October 2015, DUET has presented EDL's results for the full year to 30 June 2016 adjusted for (i) the removal of acquisition related costs incurred by EDL, and (ii) the uplift of asset values and consequent depreciation and amortisation in line with the acquisition fair values calculated by DUET (excluding goodwill which was not generated by EDL).

DBP

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

DBP transported 332,468 TJ of gas during the year (2015: 330,773 TJ).

DDG

DDG owns and operates the Wheatstone Ashburton West Pipeline which is a gas transmission pipeline that connects the domestic Wheatstone LNG plant to the DBNGP.

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

EDL

EDL is an international provider of safe, clean, low greenhouse gas emissions energy and remote energy solutions.

EDL currently manages an international portfolio of over 900MW of power generation facilities in Australia, the US, UK and Europe, utilising a range of fuel sources operating in four main areas: remote energy, natural gas and diesel, landfill gas and waste coal mine gas.

During the year, EDL generated 4,020 GWh of electricity (2015: 4,080 GWh).

UE

UE's distribution network covers 1,472 km² 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.

UE distributed 7,823 GWh of electricity (2015: 7,741 GWh).

MG

MG is a Victorian gas distribution company with a network covering eastern and south-eastern suburbs of Melbourne.

During the year, MG distributed 55,727 TJ of gas (2015: 55,958 TJ).

Operating and Financial Review (continued)

Performance of Other DUET Stapled Entities

The financial performance of the other stapled entities (excluding the parent, DUECo) comprising DUET Group for the year ended 30 June 2016 was as follows:

	DFT 1 Jul 15 – 30 Jun 16 \$'000	DIHL Group 1 Jul 15 – 30 Jun 16 \$'000	DFL 1 Jul 15 – 30 Jun 16 \$'000	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
Revenue and other income	250,680	53,201	480	148,413	35,593	326
Profit/(loss) after tax for the year	235,735	37,093	170	103,373	617	67
Profit/(loss) after tax attributable to securityholders	235,735	37,093	170	103,373	617	67
Earnings used in calculation of basic earnings per unit/share	235,735	37,093	170	103,373	617	67
Basic earnings per stapled unit/share	10.41c	1.64c	0.01c	7.29c	0.04c	0.00c

Financial Position and Capital Management

The net assets of the Group increased by \$1,416 million to \$3,411 million during the year. The increase was due to additional equity raised during the period of \$1,879 million, net of costs and taxes to fund the acquisition of EDL and the remaining 20% ownership interest in DBP. As at 30 June 2016, the total interest bearing liabilities of the Group was \$6,263.4 million and gearing (i.e. net senior debt / (net senior debt plus equity)) was 62.3% (30 June 2015: 72.2%).

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 FY17 is 18.5 cents cash per stapled security. This guidance is subject to change if DUET's forecast assumptions are not met.

Material Business Risks

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 DUET Group.

Set out below are key risks of which we are aware that may materially impact the execution and achievement of the business strategies and prospects for 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 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

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 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 DUET Group breaches its permitted operating conditions, this would adversely impact 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 DUET Group's interest costs and its ability to refinance debt.

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.

Operating and Financial Review (continued)

Tax Risk

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 DUET Group operates, may impact the tax liabilities of DUET Group and its operating businesses.

DUET Group seeks to manage this risk by monitoring changes in legislation, utilising highly experienced and qualified external accounting, tax and legal advisors when required, both within each operating business and at the DUET Group level, who regularly monitor the current tax law, changes or foreshadowed changes in tax law and changes in the way current tax laws are interpreted in the various jurisdictions in which DUET Group operates, relevant to the company's and DUET Group's operations.

The tax affairs relating to the various entities in tax jurisdictions across the Group may be subject to review by the relevant tax authorities at any time. Accordingly, it should be noted that, as part of routine monitoring by the Australian Taxation Office (ATO), the Group has been notified that the ATO is to perform a Comprehensive Risk Review relating to income tax returns lodged by the Group's stapled entities for the past 5 years. A Comprehensive Risk Review is broad in scope and involves ongoing dialogue and information gathering to identify any tax risks.

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.

These risks are managed 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 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, including the acquisition of EDL as noted below.

General Economic Conditions

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 2016 was 18.000 cents per stapled security (2015: 17.500 cents per stapled security).

An interim distribution for the year ended 30 June 2016 of 9.000 cents per stapled security was paid on 18 February 2016 (2015: 8.750 cents per stapled security). This consisted of 4.680 cents per unit from DFT and 4.320 cents per share from DUECo (2015: 4.398 cents per unit from DFT and 4.352 cents per share from DUECo). The DUECo dividend was unfranked.

A final distribution of 9.000 cents per stapled security was paid on 18 August 2016 (2015: 8.750 cents per stapled security). This consisted of 4.002 cents per unit from DFT and 4.998 cents per share from DUECo (2015: 4.409 cents per unit from DFT and 4.341 cents per share from DUECo). The DUECo dividend was unfranked.

Significant Changes in State of Affairs

Acquisition of EDL

On 22 October 2015, DUECo completed its acquisition of EDL, by acquiring 100% of its issued share capital. EDL is an international provider of safe, clean, low greenhouse gas emissions energy and remote energy solutions and is a strategic fit with DUET which further diversifies DUET's cash flows, providing a future growth platform.

Acquisition of Remaining 20% of DBP

On 6 April 2016, DIHL completed its acquisition of the remaining 20% ownership interest in DBP from Alcoa of Australia. As a result of the acquisition, DUET's aggregate ownership of DBP increased from 80% to 100%.

Acquisition of Landfill Gas and Power

On 24 May 2016, EDL acquired Landfill Gas and Power Pty Ltd which owns and operates three generation facilities in Perth, WA, totalling 10MW.

Operating and Financial Review (continued)

Completion of Cullerlin Acquisition

On 16 June 2016, EDL executed a share sale agreement with Origin Energy Limited to acquire the 30MW Cullerlin Range wind farm for \$72 million (excluding transaction costs). Financial close of the acquisition occurred on 13 July 2016.

Indemnification and Insurance of Officers

During the year, DUECo, DIHL and DFL 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, DIHL and DFL 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 2016	DUET Group stapled securities 2015
Director		
Doug Halley	200,442	191,269
Eric Goodwin	142,196	135,316
Jack Hamilton	76,828	50,948
Simon Perrott	71,880	50,000
Emma Stein	58,371	56,078
Ron Finlay	57,419	57,419
Jane Harvey	23,000	23,000
Terri Benson	6,685	6,685
Shirley In't Veld	-	-

Additional Specific Disclosures

Information on Directors at 30 June 2016

Experience and Directorships

Doug 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 has served 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, Foy Group, Corum Group and Mikoh Corporation Ltd (now Kollakorn Corporation Limited).

Operating and Financial Review (continued)

Experience and Directorships

<p>Ron Finlay</p>	<p>LLB (Sydney), AM <i>Independent and Non-Executive Director (DUECo and DIHL)</i></p> <p>Ron joined the DUET Group as an independent director as part of DUET' initial public offering in June 2004.</p> <p>Ron is a lawyer and chief executive of Finlay Consulting, with over 37 years' experience in property, construction development and infrastructure projects, including as project manager or facilitator of major infrastructure projects in Australia and overseas for both public and private sector organisations (such as the Commonwealth Government Future Submarines Program). He was awarded membership of the Order of Australia (AM) by the Australian Government in June 2015 for significant service to the law, particularly in the area of dispute avoidance and resolution, through public infrastructure advisory roles, and to the sport of Baseball.</p> <p>Other current directorships and roles are: Independent chairman on a number of government and private sector Boards, Project Control Groups and Dispute Avoidance Boards for major projects, including Sydney Light Rail Advisory Board, Brisbane Airport's New Parallel Runway Project, Sydney Metro North West OTS, TSC and SVC Projects, RMS Sydney Stewardship Maintenance Contracts, RMS Pacific Motorway Upgrade, K2K Project, and the Optus Mobile rollout Project. Ron is also a NSW Government appointed lead negotiator for the Barangaroo South and Central, Crown Resorts Sydney and White Bay Power Station Projects.</p>
<p>Shirley In't Veld</p>	<p>BComm LLB (Hons) (Melb), FAICD <i>Independent and Non-Executive Director (DUECo and DIHL)</i></p> <p>Shirley joined the DUET Group as an independent director as part of the DUET restructure in August 2013. Shirley 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.</p> <p>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).</p> <p>Other current directorships are: Independent Non-Executive Director of Asciano Ltd, Deputy Chairperson of CSIRO, Chairperson of the Sustainability Committee of Asciano, Director of Perth Airport and NBN Co. and member of the Takeovers Panel.</p>
<p>Emma Stein</p>	<p>BSc (Hons) Physics (Manch), MBA (Manch), FAICD <i>Independent and Non-Executive Director (DUECo and DIHL)</i></p> <p>Emma joined the DUET entity boards as part of DUET's initial public offering in June 2004.</p> <p>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.</p> <p>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.</p> <p>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.</p>
<p>Simon Perrott</p>	<p>BSc (Melb), MBA (AGSM) <i>Independent and Non-Executive Director (DUECo and DIHL)</i></p> <p>Simon joined the boards in July 2015.</p> <p>Simon 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).</p> <p>Simon holds a Bachelor of Science from the University of Melbourne and a Masters of Business Administration from the Australian Graduate School of Management.</p> <p>Other 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.</p>

Operating and Financial Review (continued)

Experience and Directorships

Jack Hamilton

B. Chem, PhD

Independent and Non-Executive Director (DUECo 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: non-executive director of the boards of Calix Ltd and Geodynamics Ltd.

Eric Goodwin

BEng (UNSW), MIE (Aust), AM

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: Eureka Funds Management Limited. Eric is also the chair of Jarjum College Council.

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 and Medibank Private Limited.

Other current directorships are: Non executive director of IOOF Holdings Limited, Colonial Foundation Trust and Orygen - The National Centre of Excellence in Youth Mental Health, UGL Limited and Bupa Australia and New Zealand Boards. 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) and a member of the ASIC NED Advisory Panel.

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 (a marine engineering company based in Port Macquarie) and CBHS Health Fund Limited.

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

Operating and Financial Review (continued)

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.

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 2016 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	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend
DUECo						
Director						
Doug Halley**^	11	11	4	4	6	6
Ron Finlay*	10	11	4	4	–	–
Emma Stein**^	10	10 ¹	4	4	2	3
Shirley In't Veld^	10	11	–	–	6	6
Jack Hamilton*	11	11	4	4	–	–
Simon Perrott^	10	11	–	–	5	6

¹ Recused from 1 meeting due to conflict

	Meetings of Directors		Meetings of Audit and Risk Committee		Meetings of Nomination and Remuneration Committee	
	Meetings attended	Meetings eligible to attend [^]	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend
DIHL						
Director						
Doug Halley**^	11	11	4	4	6	6
Ron Finlay*	10	11	4	4	–	–
Emma Stein**^	10	10 ¹	4	4	2	3
Shirley In't Veld^	10	11	–	–	6	6
Jack Hamilton*	11	11	4	4	–	–
Simon Perrott^	10	11	–	–	5	6

¹ Recused from 1 meeting due to conflict

	Meetings of Directors		Meetings of Audit and Risk Committee		Meetings of Nomination and Remuneration Committee	
	Meetings attended	Meetings eligible to attend [^]	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend
DFL						
Director						
Eric Goodwin**^	9	9	4	4	2	2
Jane Harvey**^	9	9	4	4	2	2
Terri Benson**^	9	9	4	4	2	2

* Members of the Audit and Risk Committee

[^] Member of the Nomination and Remuneration Committee

Remuneration Report (audited)

To our securityholders

As chair of the DIHL Remuneration Committee and on behalf of the Board, I am pleased to present the 2016 remuneration report.

Performance

During 2016 our Executives:

1. Acquired and integrated Energy Developments Limited (EDL) into the Group;
2. Acquired Alcoa's 20% stake in DBP (taking DUET's total aggregate ownership interest in DBP to 100%);
3. Raised over \$1.9 billion of equity to fund the EDL and DBP acquisitions;
4. Met or exceeded each of their three key financial targets (refer section 6.3.2);
5. Delivered the FY16 distribution guidance of 18.0 cents per stapled security; and
6. Set a target to grow distributions to 19 cents per stapled security by the 2018 financial year on the back of the EDL acquisition.

The EDL and DBP acquisitions are expected to make a significant contribution to future DUET Group earnings and targeted distribution growth for our securityholders. The EDL and DBP acquisitions and associated equity raisings were significant accomplishments by our Executives and their management team during the year, and were prominent among the performance measures on which their short term incentive payments were based.

Remuneration Outcomes

STI

Based on DUET's performance in the 2016 financial year, the CEO and CFO (the 'Executives') earned 100% of their maximum possible short-term incentive (STI) award, a portion of which will be deferred as notional equity for 1 and 2 years. These awards are detailed in sections 6.3.1 and 6.5.

LTI

Based on DUET's performance over the 3 year period to 1 July 2016, the CEO and CFO (the 'Executives') earned 51.4% of their maximum possible long-term incentive (LTI) award which will be paid in August 2016. These awards are detailed in sections 6.3.2 and 6.5 and the 3 year performance is depicted in section 8.

Key quantitative performance measures

Effective from the commencement of the 2017 financial year, we have established key quantitative performance measures for future STI and LTI awards to focus on the delivery by the Executives of both short and long term group proportionate earnings growth for DUET (refer to sections 4 and 6.3.2).

CEO and CFO

Following a detailed independent review by an external remuneration specialist, the CEO's remuneration was adjusted to make it more at risk and more variable with performance. Fixed remuneration was increased from 1 September 2015 bringing it more into line with the ASX 100 median. The CFO's remuneration will also be adjusted from 1 September 2016. These changes are detailed in section 6.4.

Non-executive directors (NED)

Following a detailed independent review by an external remuneration specialist, non-executive director remuneration was increased from 1 January 2016 bringing it more into line with the ASX 100 median. This was the first fee increase since 2012 and aggregate NED fees remain within the pool approved by our securityholders in 2012. These changes are detailed in section 7.1.

Remuneration Committee Changes

The Remuneration Committee membership underwent a number of changes this year, including my appointment in January 2016 as chair of the Remuneration Committee. I would like to thank Shirley In't Veld for her previous service in this role.

The DIHL board has set the remuneration structure in light of the interests of our securityholders and DUET's strategic objectives.

We thank you for your continued support and look forward to your attendance at the Annual General Meeting on 19 November 2016.



Simon Perrott
Chair, Remuneration Committee for DUET Investment Holdings Limited

Remuneration Report (audited) (continued)

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Key Terms used in this report

Term	Meaning	Term	Meaning
DFL	DUET Finance Limited, being one of the stapled entities of the DUET Group	KMP	Key Management Personnel, who for the purposes of this Report are the NEDs and Executives as listed in section 4
DIHL	DUET Investment Holdings Limited, being one of the stapled entities of, and the employing entity in, the DUET Group	LTI	Long Term Incentive Plan
DUECo	DUET Company Limited, being one of the stapled entities of the DUET Group	NED	Non-executive director of each of DFL, DIHL and DUECo as listed in section 4
Operating Company Proportionate Adjusted EBITDA	Operating Company Proportionate Earnings Before Interest, Tax, Depreciation and Amortisation, unrealised foreign exchange gains or losses and unrealised fair value movements in derivatives less customer contributions (net of margin) as defined in DUET's Management Information Report	STI	Short Term Incentive Plan
Group Proportionate Earnings	Group Proportionate Adjusted EBITDA less Net Interest Expense, less SIB Capex, less tax paid as defined in DUET's Management Information Report	VWAP	Volume Weighted Average Price
Executives	David Bartholomew, the Chief Executive Officer (CEO) and Jason Conroy, the Chief Financial Officer (CFO)	TSR	Total Securityholder 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.

Remuneration Report (audited) (continued)

1. Remuneration Principles

DUET Group's remuneration philosophy is designed to:

- attract and retain high performing Executives and board members;
- focus Executives on critical financial and non-financial objectives that, if achieved, are accretive to value;
- achieve an appropriate balance between risk taking and reward to maintain sustainable and growing earnings without compromising the quality of earnings that permit high distribution levels;
- align the interests of executives with those of DUET Group securityholders as variable remuneration is notionally linked to both the success and any downturn in the DUET Group's performance; and
- set high governance standards and ensure compliance with legal requirements.

2. Remuneration Governance

The DIHL Board has a responsibility to ensure that appropriate governance is in place in relation to executive remuneration. The Remuneration Committees assist the DUET Group Boards in fulfilling their relevant responsibilities relating to the remuneration of the Executives and NEDs (see section 5 for further detail).

The DIHL Board exercises its discretion and acts independently of the Executives when making decisions affecting remuneration.

To ensure that the DUET Group Boards are fully informed when making remuneration decisions, they may engage directly with external advisors to provide insights on remuneration trends and practices, regulatory updates and benchmarking for Executives and NED remuneration, as was the case during the 2016 financial year. No remuneration recommendations as defined in section 9B of the *Corporations Act 2001* were obtained during the 2016 financial year.

3. Remuneration Structure Changes for FY2017

In August 2016, the DIHL Board implemented changes to the Executives' remuneration structure for short term and long term incentive awards for FY2017. The proportion of CEO and CFO at risk remuneration has been increased. There is now a more consistent focus on the delivery by the Executives of both short and long term group proportionate earnings growth for DUET. This ensures better governance in that actions to enhance short term proportionate earnings growth must also take into account the consequences for longer term proportionate earnings growth, and vice versa. This focus is considered an appropriate enabler of strategy, can be directly influenced by Executives and is a measure to which they can be held to account. Earnings growth is considered by the DIHL Board to be essential to ensuring DUET meets its stated targeted growth in distributions through to FY2018. Growth in earnings and distributions is directly correlated to total securityholder return (TSR).

4. DUET Entities and KMP

The directors of the DUET Group present the Remuneration Report for DUET Investment Holdings Limited (**DIHL**), DUET Company Limited (**DUECo**) 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 2016 outlines the remuneration arrangements of DIHL, DUECo 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 "**Executives**" refers to 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, DUECo and DFL.

Remuneration Report (audited) (continued)

KMPs are the Executives of DIHL and the Non-Executive Directors (**NEDs**) of DIHL, DUECo 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 year ended 30 June 2016

Doug Halley	Chairman – DIHL and DUECo
Eric Goodwin	Chairman – DFL
Ron Finlay	Independent Director – DIHL and DUECo
Jack Hamilton	Independent Director – DIHL and DUECo
Shirley In't Veld	Independent Director – DIHL and DUECo
Simon Perrott	Independent Director – DIHL and DUECo
Emma Stein	Independent Director – DIHL and DUECo
Terri Benson	Independent Director – DFL
Jane Harvey	Independent Director – DFL

Executives

David Bartholomew	Chief Executive Officer
Jason Conroy	Chief Financial Officer

All of the above NEDs and Executives have held their current positions for the whole of the 2016 financial year and since the end of the financial year, up to the date of this Report.

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 respective Boards relating to the compensation of DIHL's key management personnel. In so doing, they seek independent input and advice on market practice, trends and overall executive remuneration structure.

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

DUECo and DIHL	DFL
Simon Perrott (chair)	Terri Benson (chair)
Doug Halley	Eric Goodwin
Shirley In't Veld	Jane Harvey

Specifically, the DIHL Board approves the remuneration arrangements of the Executives and all awards made under the short-term incentive (**STI**) plan and long-term incentive (**LTI**) plan, following recommendations from the DIHL Remuneration Committee.

The Remuneration Committee of each of the DUET Group entities also has responsibility for recommending the remuneration of that Company's directors in their role as director, 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). This resulted in the appointment of a new director on 1 July 2015 – Mr Simon Perrott to the DIHL and DUECo boards. See section 7 for further details.

The Nomination and Remuneration Committees have undertaken periodic reviews of NED remuneration, skills required and selection processes to ensure DUET remains competitive in attracting the best available talent to our Boards. These reviews will be at least on an annual basis but any future changes to NED remuneration would be expected to be more of an incremental nature rather than alter significantly in a particular year.

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).

Remuneration Report (audited) (continued)

6. Executive Remuneration

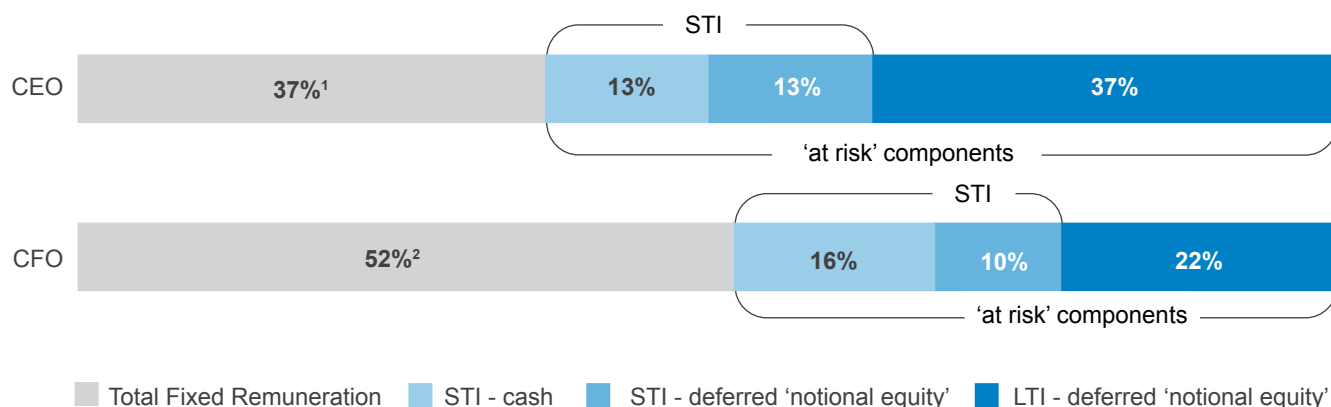
The link between remuneration arrangements and DUET Group's performance is provided by:

- a material portion of Executive remuneration being "at risk" and impacted by the Group's short term and long term performance;
- applying financial and non-financial measures to assess performance; and
- ensuring that these performance measures focus management on financial and strategic objectives that are aimed at creating securityholder value.

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 FY2016, assuming the achievement of maximum "at risk" incentives. Whilst the CEO's fixed remuneration has increased (see Section 6.4), the proportion of the CEO's fixed remuneration component has reduced to ensure a greater proportion of remuneration varies with performance. The CFO's remuneration will be increased from 1 September 2016 (with the relativities noted below and the changes detailed in section 6.4).

Remuneration Structure (% total remuneration opportunity)



¹ FY2015: 44%

² From 1 September 2016, the CFO's Total Fixed Remuneration will be 50%, STI cash 15%, STI deferred 10% and LTI 25%.

6.2 Fixed Remuneration

Feature	Comprises base salary inclusive of superannuation contributions and other benefits
Rationale	<ul style="list-style-type: none"> • To provide a level of fixed remuneration that recognises the size, scope, complexity of the role and experience of the executive with reference to the ASX 100 market median for appropriate attraction and retention. This recognises the high level of financial and operational complexity across the Group requiring significant transaction execution and commercial capabilities. • To provide a predictable 'base' level of remuneration reviewed annually to retain executives. • To maintain a level appropriate and acceptable to stakeholders when benchmarked against comparable peers.
Link to Performance	DUET Group and individual performance are considered during annual remuneration reviews as a qualitative threshold prior to any market based adjustments being approved.

6.3 Performance Based Remuneration

DIHL's performance based remuneration includes the STI plan and LTI plan (details provided in section 6.3.2 and 6.3.3).

The key philosophy underlying these plans is that variable remuneration is linked to both the success and any downturn in the DUET Group's performance and securityholder value, both absolute and relative.

The Remuneration Committee has focused on ensuring that the performance targets and therefore the quantum of short and long term incentives are demanding a level of performance that is sufficiently challenging, such that their achievement underpins TSR growth from increases in earnings and distributions. This not only relies on earnings growth, but also sustainability of earnings to fund distributions. The challenge to Executives is to achieve this through an array of operating company performance and capital management initiatives to improve the quality of earnings critical to DUET Group's strategy of diversification, from predominantly regulated, to both regulated and long term contracted cash flows. The performance targets also take into account the stable and predictable nature of the Group's regulated and long-term contracted cash flows. In this context, there is a threshold requirement which must be met for any award to be

Remuneration Report (audited) (continued)

achieved and budgets must be materially exceeded to achieve 100% of the financial performance measures. Any payment is capped at 100% of opportunity to give a better balance of risk management and reward.

A material proportion of the Executive's variable remuneration is linked to financial outcomes that, in turn, relate to security distribution levels and security price performance. DUET Group also rewards (through each of the Executive's individual non-financial performance measures) management disciplines and projects that improve DUET Group's growth prospects and/or reduce risk and uncertainty.

STIs and LTIs are also intended to assist in the retention of high performing Executives through providing an overlapping series of payment opportunities if performance standards are met or exceeded, so that at any point in time some payment opportunities will not be realised if an Executive chooses to leave. The STI retention arrangements and the rolling nature of LTI entitlements ensures a significant ongoing exposure to DUET Group's security price (refer Section 6.7).

6.3.1 Remuneration Structure

DUET's remuneration structure involves 'notional equity' incentives for both the STI Plan (deferred incentives) and the LTI Plan (further detailed below). 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.

Aligning Executives to securityholders through an equity-based incentive program is not practicable for DUET due to the limited liquidity and trading window restrictions on DUET securities for Executives. This is due to the number and frequency of market sensitive transactions undertaken by DUET which means that after financial results announcements, the regular scheduled trading windows often do not occur. For example, in three of the past six years, and two of the past three years, the regular scheduled August trading window has remained closed due to market sensitive transactions. This means that, if DUET's LTI Plan and STI Plan had been equity based, it would not have been able to issue or acquire securities to satisfy any vested incentive awards.

Given the small number of employees that participate in the LTI, it is also not considered practical to establish the structures necessary for DUET to acquire securities on market in advance of any vesting period (particularly as there is a real risk of forfeiture) or to support the ongoing administration and tax compliance systems associated with an equity plan.

Therefore, the DIHL Board has opted for cash-based 'notional equity' incentive awards, with sufficiently rigorous performance hurdles and appropriate vesting periods, rather than equity-based incentive awards. Any LTI allocation and deferred STI award (from FY2015) is awarded as "notional securities". The value of the notional security award will increase or decrease in value in line with the DUET security price and distributions paid over the vesting period (but ultimately the award will be paid in cash subject to the relevant performance measures being achieved). That is:

- The cash value of the award for the relevant year is converted to a number of notional DUET Group stapled securities based on the volume weighted average price (VWAP) for the 20 days after release of the full year financial results for the year just ended. 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.
- At the end of the vesting period the vesting cash value of the award plus 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.

As a result, the ultimate cash amount that the Executive receives is at risk and will be determined by the underlying performance of the DUET Group security price and level of distributions, thereby providing strong alignment of financial interests between Executives and securityholders.

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.

6.3.2 Short Term Incentive (STI) plan

Performance Measures

The STI Performance Measures described in the following table are 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 as part of each Executive's annual performance review. There is a threshold requirement which must be met for any award to be achieved and budgets must be materially exceeded to achieve 100% of the financial performance measures (as shown below). Short term incentives reward the delivery of both base and stretch financial and non-financial performance measures aligned to the annual budget with payment capped at 100% of opportunity to ensure a better balance of risk management and reward.

To determine if the financial STI Performance Measures are satisfied, the Board has regard to the audited Financial Statements and the DUET Management Information Report.

Remuneration Report (audited) (continued)

STI plan

Feature	Paid partly in cash on grant and partly deferred . Payment of deferred amounts are to be made in equal instalments one year and two years after award . The form of payment of deferred STI for Executives from FY2015 is ' notional equity ' 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.			
Rationale	<ul style="list-style-type: none"> Rewards Executives contingent on performance for the relevant financial year. It provides a balance, in conjunction with the LTI, between annual and longer term performance measures. 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. The deferred component provides alignment with the interests of securityholders, and is subject to continuing service. After consultation with stakeholders, the board introduced a malus condition, whereby the deferred component can be partly or fully forfeited in cases of material financial misstatement or gross misconduct. 			
Link to	<p>The STI Performance Measures for the relevant financial year are:</p> <ul style="list-style-type: none"> 50% based on hurdles for financial outcomes; and 50% based on qualitative and other performance measures of individual objectives. <p>A threshold level of performance must be achieved in respect of all financial performance measures for there to be any eligibility for payment which is capped at 100% of opportunity to give a better balance of risk management and reward.</p>			
FY2016 STI Measures	STI awards for FY2016 were tested against the following measures:			
	Measure and Rationale	Weighting	Hurdle	FY2016 Outcome
	Operating Company Proportionate Adjusted EBITDA less net interest expense relative to budget	30%	If performance is at threshold level, 60% of this measure would be payable. The budget which has set distribution guidance must be materially exceeded for the Executive to receive 100% for this performance measure.	The Executives achieved 100% of this STI Performance Measure
	Cash cover of distributions on a cents per stapled security basis relative to guidance. This measure was considered by the DIHL Board to be essential to ensuring DUET met its distribution guidance to securityholders and fully covered its distribution with operating cash flow	10%	The guidance must be met for the Executive to receive 100% for this measure. If guidance is not met, then there would be no payment under this performance measure.	The Executives achieved 100% of this STI Performance Measure
	Actual controllable corporate costs relative to budget. In 2012 this measure was considered by the DIHL Board to provide focus on the day-to-day running costs of the Group's head office post the internalisation of DUET's management in December 2012.	10%	If performance is at threshold level, 60% of this measure would be payable. The total controllable corporate costs must be materially less than budget for the Executive to receive 100% for this performance measure.	The Executives achieved 100% of this STI Performance Measure
	Qualitative and other individual performance measures of individual performance objectives including development of Group strategy, 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.	50%	Based on the successful acquisitions of EDL and DBP during the year, in addition to strong individual performances, the Executives achieved 100% of this performance measure	
	The EDL and DBP acquisitions and associated equity raisings that were completed during the 2016 financial year were judged as significant contributions to the Group. The Board was satisfied that this performance was outstanding and warranted the 100% STI payment to the Executives.			

Remuneration Report (audited) (continued)

FY2017 STI Measures	For FY2017, the following financial hurdles will be used:		
	Measure and Rationale	Weighting	Hurdle
	Group Proportionate Earnings relative to budget. This measure is considered by the DIHL Board to be essential to ensuring DUET meets its stated targeted growth in distributions through to FY2018 (see section 3 and 6.3 for further detail).	40%	If performance is at threshold level, 60% of this measure would be payable. The budget must be materially exceeded for the Executive to receive 100% for this for this performance measure.
	Cash cover of distributions on a cents per stapled security basis relative to guidance. This measure was considered by the DIHL Board to be essential to ensuring DUET met its distribution guidance to securityholders and fully covered its distribution with operating cash flow.	10%	The guidance must be met for the Executive to receive 100% for this measure. If guidance is not met, then there would be no payment under this component.
	Qualitative and other individual performance measures of individual performance objectives including overseeing Group strategy, Business Plan, special projects and operating company initiatives, safety and environment, Board, investor and other stakeholder relations, leadership of business unit executive teams and people management.	50%	Each Executive is awarded an initial score based on an assessment of their personal performance for the year against their individual performance measures.
Qualitative measures will continue to be assessed on an individual Executive basis (as above) and will continue to constitute 50% of the STI Performance Measures.			

Deferral Policy

To align Executive interests with securityholder interests, for grants made from FY2015, DIHL defers a portion of the total STI award as follows:

- CEO: 50%; and
- CFO: 40%.

Payment of deferred amounts are to be made in equal instalments one year and two years after award subject to each of the Executive's ongoing employment except in the case of termination by DIHL with notice (see section 6.8) where deferred STI will become payable.

For grants made in FY2013 and FY2014, deferred components vest in cash over three years from the second anniversary of grant.

For grants from FY2015, Executives' deferred STI is in 'notional equity' (see section 6.3) where the deferred amounts to be paid are adjusted for movements in the DUET security price and distributions paid from the date of grant until the date of vesting.

Malus Policy

In order to further strengthen DUET's remuneration governance framework, a malus policy applies to Executives. The policy gives the Board the ability to forfeit incentives in the event of a material financial misstatement or gross misconduct. The malus provisions apply to unvested STI awards.

Remuneration Report (audited) (continued)

Awarded and Deferred STIs

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

Executive	STI awarded in cash ¹ \$	STI to be paid ¹ \$	STI to be deferred ¹ \$	STI achieved (% of opportunity)	STI forfeited (% of opportunity)
David Bartholomew					
2016	700,000	350,000	350,000	100.0%	-
2015	494,208	247,104	247,104	90.0%	-10.0%
Jason Conroy					
2016	337,500	202,500	135,000	100.0%	-
2015	310,500	186,300	124,200	92.0%	-8.0%

1. FY2016 STI will be paid in FY2017. FY 2015 STI was paid in FY2016.

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

Executive	Award date ¹	STI deferred \$	Vesting dates ²
David Bartholomew			
	30 June 2016	350,000 ³	August 2017 & 2018
	30 June 2015	247,104 ³	August 2016 & 2017
	30 June 2014	114,450	August 2016/17/18
	30 June 2013	68,400	August 2015/16/17
Jason Conroy			
	30 June 2016	135,000 ³	August 2017 & 2018
	30 June 2015	124,200 ³	August 2016 & 2017
	30 June 2014	43,590	August 2016/17/18
	30 June 2013	20,100	August 2015/16/17

1. FY2016 STI will be paid in FY2017.

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 will 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 6.3 above for further details).

Deferred STI as notional securities

Further to the above table, the following table sets out the number of notional securities that have been allocated to Executives but deferred in accordance with the terms of the STI and the years in which they may vest.

Executive	Date of award	Cash amount of Deferred STI Award ¹ \$	Notional reference securities ² (No)	Opening VWAP \$	Vesting date ³
David Bartholomew					
	30 June 2015	247,104	115,371	2.14182	August 2016 & 2017
	30 June 2016	350,000	See note 4	See note 4	August 2017 & 2018
Jason Conroy					
	30 June 2015	124,200	57,988	2.14182	August 2016 & 2017
	30 June 2016	135,000	See note 4	See note 4	August 2017 & 2018

1. FY2016 STI will be paid in FY2017.

2. The notional reference securities do not include any distributions notionally reinvested to 30 June 2016.

3. 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.

4. The VWAP will be determined post the announcement of the FY2016 DUET Group results in accordance with the STI retention terms.

6.3.3 Long Term Incentive (LTI) plan

Feature	Cash based 'notional equity' plan
Rationale	LTI grants are annual which means the Executive is exposed to the long term performance of DUET securities continually over rolling three year periods. LTI grants are at risk and align Executive reward with longer term securityholder value creation. The cash based award will increase or decrease in value in line with the DUET security price and distributions declared over the three year vesting period. Refer to section 6.3 for details.
Link to Performance and outcome	100% is subject to vesting based on satisfaction of the following performance measures tested against certain hurdles three years from the grant date (LTI Performance Measures). There are some inherent limitations of using TSR for a low volatility stock such as DUET which has seen DUET reducing the proportion of the TSR based measures from 66.66% of the LTI award to 33% of the LTI award.

Remuneration Report (audited) (continued)

2016 vested LTI awards	For the LTI awards that vested in FY2016 , the following measures were used with equal weighting:		
	Measure	Rationale	FY 2016 Outcome
	the 3 year average DUET Total securityholder Return (TSR) based on the DUET Accumulation Index (DAI) ¹ relative to the constituents of the S&P/ASX200 Industrials Accumulation Index (IAI) as at the grant date.	The DIHL Board considers this an appropriate measure (with some inherent limitations for a low volatility stock as noted above) as DUET seeks to deliver stable returns and distribute all of its earnings through the investment cycle, therefore Executives should seek to outperform the IAI over the long term.	The Executives achieved 54.1% of this LTI Performance Measure
	the 3 year average DUET TSR based on the DUET Accumulation Index (DAI) relative to the ASX Utilities Accumulation Index (UAI) ¹ .	This target has been removed for LTI awards made from 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.	The Executives achieved 0% of this LTI Performance Measure
	achievement of distributions to securityholders relative to business plan projections ² and stretch targets at the time of grant.	The DIHL Board considered this measure necessary to ensuring the Executives remained accountable to achieve the medium term targets for distributions to securityholders. For LTI grants made in FY2015, this target was increased from one third to 67% of the weighting for the LTI Performance Measures. This re-weighting recognised that sustainability of distributions growth was a key strategic objective of DUET Group.	The Executives achieved 100% of this LTI Performance Measure

2017 LTI awards	For the LTI awards made for FY2017 , the following performance measures will be used:		
	Measure	Rationale	
	the 3 year average DUET Total Securityholder Return (TSR) based on the DUET Accumulation Index (DAI) ¹ relative to the constituents of the S&P/ASX200 Industrials Accumulation Index (IAI) as at the grant date.	As above. This target will continue to constitute 33% of the weighting for the LTI Performance Measures given there are some inherent limitations of using TSR for a low volatility stock such as DUET.	
	Group Proportionate Earnings relative to annual budgets ³ and stretch targets.	This target will constitute 67% of the weighting of for the LTI Performance Measures. This measure is considered by the DIHL Board to be essential to ensuring DUET meets its stated targeted growth in distributions through to FY2018 and to maintain growth in future years. In addition, it refines the LTI measure by recognising that management has a direct influence on earnings, while the Board has accountability for distributions policy which earnings make possible.	

- 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 reviewed appropriate vesting hurdles and considered these vesting hurdles to be in line with market practice across comparable ASX listed entities.
- 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 reviewed appropriate vesting hurdles and considered these hurdles focussed the Executives on creating securityholder value.
- 67% of notional securities for the proportionate earnings hurdle vest if the budgeted targets are met and up to 100% if the stretch targets are met (budget and targets are not disclosed because they may be deemed as guidance). The Board has reviewed appropriate vesting hurdles and considers these hurdles focus the Executives on creating securityholder value.

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 vesting date for the 2012 LTI Allocation was 1 July 2015.

Remuneration Report (audited) (continued)

Subsequent LTI grants were made on 1 July of each year thereafter. They will respectively vest (subject to the satisfaction of the relevant LTI Performance Measures) on 1 July three years after initial grant. LTI awards remain subject to the Executive's ongoing employment except in the case of termination by DIHL with notice (see section 8) where LTI grants will remain subject to the terms of grant.

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.

Orient Capital has been engaged to perform the TSR calculations necessary to determine if those LTI Performance Measures are satisfied at the relevant vesting date in accordance with DUET's documented TSR methodology.

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 LTI award	Cash amount of LTI Award ¹ \$	Notional reference securities ² (No)	Opening VWAP \$	Vesting date ³
David Bartholomew	1 July 2014	600,000	245,867	2.44034	1 July 2017
	1 July 2015	624,000	291,341	2.14182	1 July 2018
	1 July 2016	1,000,000	See note 4	See note 4	1 July 2019
Jason Conroy	1 July 2014	252,000	116,172	2.44034	1 July 2017
	1 July 2015	283,500	132,364	2.14182	1 July 2018
	1 July 2016	365,000	See note 4	See note 4	1 July 2019

- 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 will 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.
- The notional reference securities do not include any distributions notionally reinvested to 30 June 2016.
- If the employment of the Executive is terminated without notice or the Executive resigns, all unvested LTIs will be forfeited. The 2013 LTI award, being \$435,400 for the CEO and \$182,868 for the CFO based on a vesting outcome of 51.4%, vested on 1 July 2016 and will be paid in FY2017.
- The VWAP will be determined post the announcement of the FY2016 DUET Group results in accordance with the LTI terms.

6.4 Summary Remuneration Structure

The annual Executive remuneration structure in place as at 30 June 2016 was:

Executive	Position	Fixed Remuneration \$ ¹	STI opportunity (% of Fixed Remuneration)	LTI opportunity (% of Fixed Remuneration)	Total performance based pay (% of Fixed Remuneration)
David Bartholomew	CEO	1,000,000	70%	100%	170%
Jason Conroy	CFO	675,000	50%	42%	92%

- Including superannuation.

The annual Executive remuneration structure in place from 1 September 2016 is summarised below:

Executive	Position	Fixed Remuneration \$ ¹	STI opportunity (% of Fixed Remuneration)	LTI opportunity (% of Fixed Remuneration)	Total performance based pay (% of Fixed Remuneration)
David Bartholomew	CEO	1,000,000	70%	100%	170%
Jason Conroy	CFO	730,000	50%	50%	100%

- Including superannuation.

Except for the payment of statutory superannuation entitlements and any termination benefit described in section 6.8, Executives do not receive any other post-employment benefits.

Changes made to the CEO's and CFO's remuneration structure from 1 September 2015 and 2016 (respectively) were the result of detailed independent reviews by an external remuneration specialist (taking into account a number of relevant sub-samples of the ASX100) and provide for an adjustment in fixed pay of 20% and 8% respectively. This change was made to position the CEO's fixed remuneration and at risk components closer to the ASX100 median given the Group's financial and distribution performance and increased size, complexity and scope associated with a larger and more diverse business.

Remuneration Report (audited) (continued)

6.5 Statutory Remuneration

Executive	Salary and fees \$	STI \$	LTI ¹ \$	Superannuation \$	Non-monetary ² \$	Sub-Total \$	Other payments ³ \$	Total \$
David Bartholomew								
2016	952,692	700,000	533,102	19,308	6,714	2,211,816	277,333	2,489,149
2015	807,884	494,208	410,879	18,783	6,162	1,737,916	554,667	2,292,583
Jason Conroy								
2016	655,692	337,500	238,632	19,308	2,748	1,253,880	225,000	1,478,880
2015	655,165	310,500	172,567	19,835	2,524	1,160,591	450,000	1,610,591
TOTAL								
2016	1,608,384	1,037,500	771,734	38,616	9,462	3,465,696	502,333	3,968,029
2015	1,463,049	804,708	583,446	38,618	8,686	2,898,507	1,004,667	3,903,174

- 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 2016 (for the 2013 LTI award, being \$435,400 for the CEO and \$182,868 for the CFO based on a vesting outcome of 51.4%) and the likelihood of the 2014 and 2015 LTI awards meeting the performance conditions and vesting on 1 July 2017 and 2018 respectively, currently assumed to be approximately 83.5% (60% assumption in FY2015).
- Non-monetary benefits include salary continuance insurance and professional membership fees paid by DIHL on behalf of the Executive.
- Other payments include amounts expensed during the financial year for each Executive in relation to consideration for post employment restraints as detailed in section 6.8.

6.6 Actual Remuneration Received

Actual remuneration is provided in addition to the statutory reporting of remuneration to increase transparency about what the Executive actually received during the financial year.

These tables do not include any deferred STI or LTI allocations as they are still subject to conditions relating to service and performance.

The 'Other Payments' listed below are for one-off post employment restraints as announced on 16 June 2014 as detailed in section 6.8.

Executive	Salary \$	STI paid ¹ \$	LTI paid ⁴ \$	Superannuation \$	Non-monetary ² \$	Sub-Total	Other payments ³ \$	Total \$
David Bartholomew								
2016	952,692	269,904	284,717	19,308	6,714	1,533,335	832,000	2,365,335
2015	807,884	347,050	-	18,783	6,162	1,179,879	-	1,179,879
Jason Conroy								
2016	655,692	193,000	119,579	19,308	2,748	990,327	675,000	1,665,327
2015	655,165	181,710	-	19,835	2,524	859,234	-	859,234
TOTAL								
2016	1,608,384	462,904	404,296	38,616	9,462	2,523,662	1,507,000	4,030,662
2015	1,463,049	528,760	-	38,618	8,686	2,039,113	-	2,039,113

- FY2016 STI will be paid in FY2017. FY2016 STI includes amounts deferred from FY2013 STI award.
- Non-monetary benefits include salary continuance insurance and professional membership fees paid by DIHL on behalf of the Executive as detailed in section 6.8.
- Other payments relating to post employment restraints paid during the financial year for each Executive.
- The December 2012 LTI award (the first 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 was paid in FY2016. The 2013 LTI award, being \$435,400 for the CEO and \$182,868 for the CFO based on a vesting outcome of 51.4%, vested on 1 July 2016 and will be paid in FY2017.

6.7 Securityholdings

The interests in the DUET Group as at 30 June 2016 held by the Executives including the notional securities awarded but unvested under the LTI and STI retentions are set out below:

Executive	Securities ¹	Notional Securities ²	Total Interest
David Bartholomew	144,054	652,579	796,633
Jason Conroy	-	306,524	306,524
		Total	1,103,157

- David Bartholomew's opening balance at 1 July 2015 was 100,000 with 44,054 securities acquired during the year. Jason Conroy's opening balance at 1 July 2015 was nil. There were no securities granted during the year as compensation or via exercise of an option or right.
- Does not include any distributions notionally reinvested or the 2016 STI retained amounts or 2016 LTI award where the VWAP will be determined post the announcement of the FY2016 DUET Group results in accordance with the STI retention terms and LTI terms respectively. The actual cash amount to be paid on the vesting date may be nil if none of the vesting conditions are met (refer to section 6.3).

Remuneration Report (audited) (continued)

6.8 Employment Contract Provisions

Each of the Executives is and has been employed on a permanent basis by DIHL since 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
Duration of Contract	Permanent full-time employment contract until notice given by either party
Notice to be provided by Executive or DIHL	Notice period is 3 months. Alternatively, DIHL may make a payment in lieu of notice
Termination without notice	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.
Termination with notice by DIHL	Where DIHL terminates the Executives employment with notice, the Executive will receive a payment of up to 12 months' Base 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.
Termination with notice by Executive	If the Executive resigns, DIHL must pay any accrued salary, superannuation and statutory entitlements and all unvested STI and LTI allocations will be forfeited.
Redundancy	Three weeks fixed remuneration for each year of service capped at 12 months' fixed remuneration on redundancy.
Post employment restraints	<p>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> <p>As announced on 16 June 2014, the Executives 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 became 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'). The Board believed that these arrangements served the best interests of securityholders by putting in place arrangements for the continuity of trusted and experienced management to implement DUET Group's strategic objectives and further enhance securityholder value.</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.

Remuneration Report (audited) (continued)

7. Non-Executive Director Remuneration

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 strategic direction, operations, financing and employees.

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.

NED fees are fixed and not linked to the financial performance of DUET Group to enable NEDs to maintain their independent status in line with market practice.

Board fees were last reviewed and adjusted in 2012 as part of the internalisation process. Since that time, DUET Group has been involved in a board renewal process whereby it became evident that DUET's NED remuneration structure was below other comparable ASX listed entities and would need to be increased if DUET were to be successful in attracting high calibre NEDs from a diverse background

The Nomination and Remuneration Committees have undertaken a detailed review of NED remuneration, skills required and selection processes to ensure consistency with the required skills across the DUET director group and due regard to market practice, entity size, market capitalisation, number of meetings, board and committee workload and different workloads between board and committee chairs and members. To assist the boards an external remuneration specialist was engaged to complete a detailed independent review of DUET Group's remuneration policy for NEDs to ensure that the level and structure of remuneration is sufficient to attract and retain NEDs with the appropriate experience, knowledge, skills and judgement to govern DUET's strategic direction, operations, financing and employees.

This was then compared with external market data across various ASX peer groups (e.g. ASX100 and ASX 200 groupings). Based on these two independently conducted exercises, NED remuneration was increased from 1 January 2016 to be better aligned with the ASX100 median (the DUET market capitalisation approximates the median of the ASX100). As part of this, consideration was also given to the responsibilities and time commitments of committee members on the various boards. For example, as DIHL is the employer entity, the fees it pays to the Remuneration Committee chair and members is higher than on the DFL Remuneration Committee (which only considers its NED fees). Importantly, NED remuneration remains within the constitutional fee pool limit approved by securityholders in 2012 and 2013 and is the first material increase of directors' fees since the internalisation of DUET's management arrangements in December 2012.

7.1 Fees

The annual fees payable to the NEDs were:

	Annual Fee ¹ \$ 1 Jul 15 – 31 Dec 15	Annual Fee ¹ \$ 1 Jan 16 – 30 Jun 16
DIHL/DUECo		
Chair	230,000	300,000
NED Fee	110,000	130,000
DFL		
Chair	125,000	160,000
NED Fee	85,000	110,000
Committee Fees – DIHL, DUECo, DFL		
Audit & Risk Committee Chair	15,000	30,000
Audit & Risk Committee Member	7,500	16,000
Nomination and Remuneration Committee Chair (DIHL, DUECo)	10,000	26,000
Nomination and Remuneration Committee Member (DIHL, DUECo)	5,000	13,000
Nomination and Remuneration Committee Chair (DFL)	10,000	13,000
Nomination and Remuneration Committee Member (DFL)	5,000	7,500

¹ Fees are inclusive of superannuation.

Given that the DIHL and DUECo boards have the same directors, board meetings are generally held at the same time and therefore the above Annual Fees 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 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.

Remuneration Report (audited) (continued)

7.2 Securityholdings

Name	Balance at 1 July 2015	Other changes during the year	Balance at 30 June 2016
<i>Non-executive directors</i>			
Doug Halley	143,900	56,542	200,442
Eric Goodwin	77,612	64,584	142,196
Jack Hamilton	16,030	60,798	76,828
Simon Perrott	–	71,880	71,880
Emma Stein	41,648	16,723	58,371
Ron Finlay	41,859	15,560	57,419
Jane Harvey	–	23,000	23,000
Terri Benson	2,050	4,635	6,685
Shirley In't Veld	–	–	–

As can be seen from the table above, the majority of NEDS have holdings of at least one times NED fees with the Chairmen having over 1.5 times NED fees. NED stapled security holdings are encouraged and monitored, although DUET's boards do not have a policy for compulsory DUET securityholding. Ultimately, it is a matter for each NED taking into account his or her own financial circumstances and investment practices. This flexible approach is considered beneficial to DUET having more scope in attracting potential NED candidates of greater diversity than if a more prescriptive policy is in place.

7.3 Statutory Remuneration

Name	DIHL		DUECo		DFL		Other Benefits ¹	Total paid FY2016	Total paid FY2015
	Director Fees	Super-annuation	Director Fees	Super-annuation	Director Fees	Super-annuation			
Doug Halley	133,221	9,654	133,221	9,654			25,000	310,750	251,500
Ron Finlay	65,069	6,615	65,069	6,615			9,132	152,500	141,875
Jack Hamilton	60,160	6,545	60,160	6,545			33,340	166,750	117,500
Shirley In't Veld	60,046	5,704	60,046	5,704				131,500	125,626
Simon Perrott	61,301	5,824	61,301	5,824				134,250	-
Emma Stein	62,443	5,932	62,443	5,932				136,750	128,410
Eric Goodwin					146,575	14,772	24,153	185,500	143,500
Terri Benson					110,274	10,476		120,750	101,666
Jane Harvey					115,297	10,953		126,250	105,000
John Roberts ²	–	–	–	–				–	122,820
Duncan Sutherland ³	–	–	–	–				–	48,232
Michael Lee ⁴	–	–	–	–				–	17,083
Total	482,514		482,514		408,347		91,625	1,465,000	1,303,212

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

2 Resigned from DIHL/DUECo effective 30 June 2015.

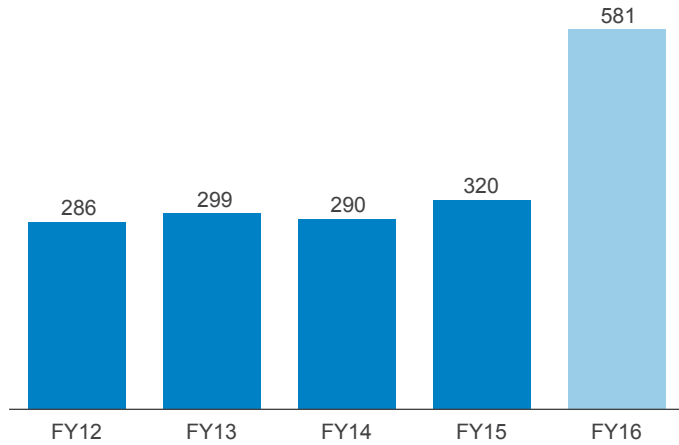
3 Resigned from DIHL/DUECo effective 20 November 2014.

4 Resigned from DIHL/DUECo effective 1 September 2014.

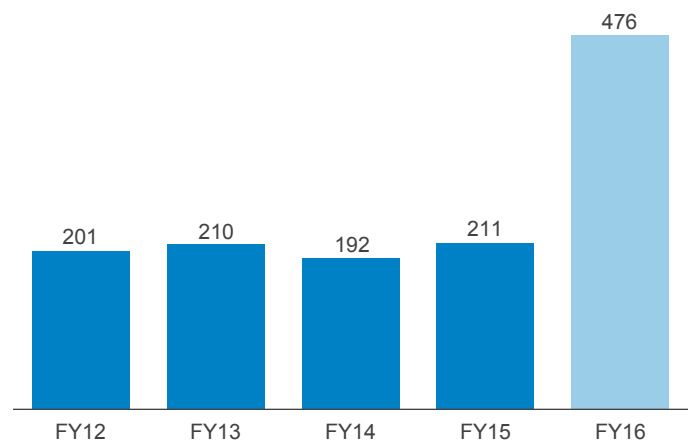
Remuneration Report (audited) (continued)

8. DUET Group performance

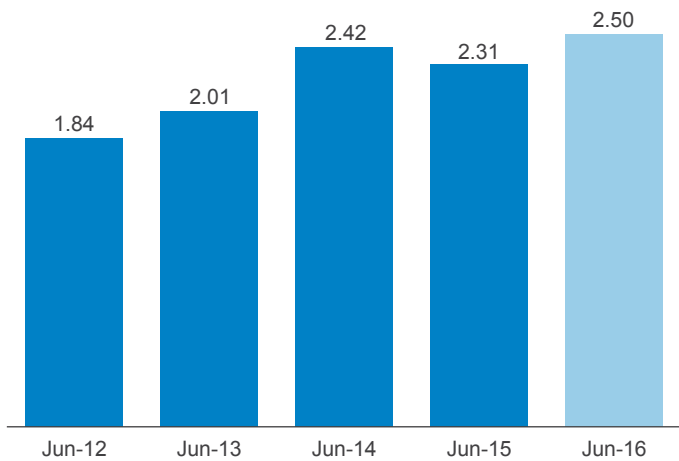
Operating Company Proportionate Adjusted EBITDA less Net Interest Expense (\$m)



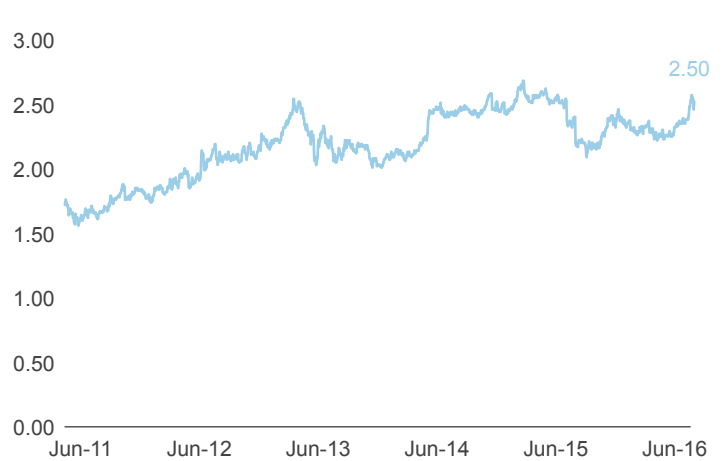
Group Proportionate Earnings (\$m)



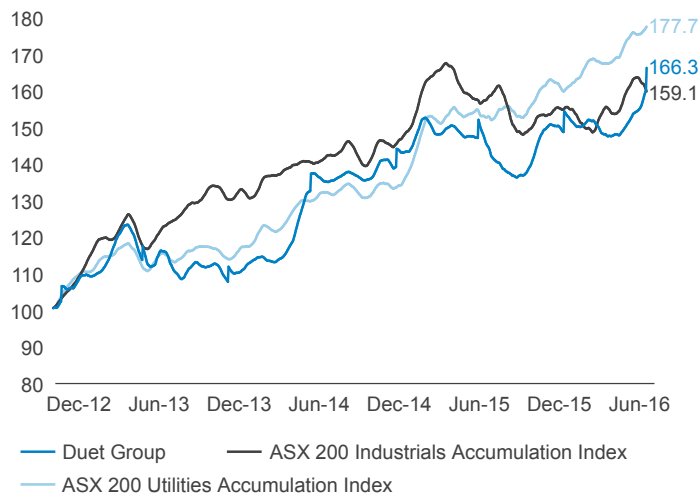
Closing Share Price (\$)



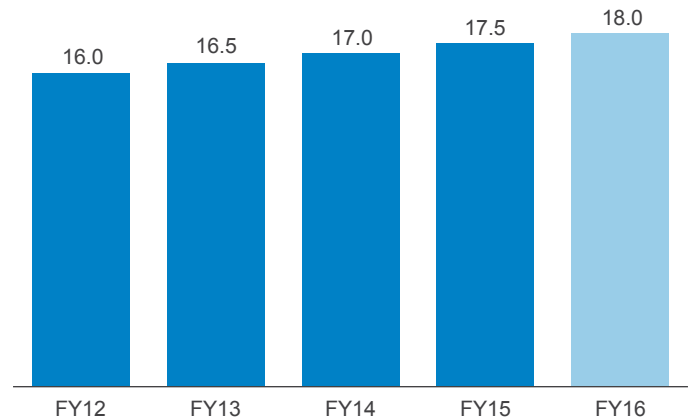
Share Price (\$)



Total Shareholder Return (Index)



DPS (cps)



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 B6.4 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 B6.4 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 DUET Group has invested are subject to environmental regulations particular to the states in which they are located. The regulations and compliance are discussed below:

DBP

The Petroleum Pipelines Act 1969 (WA) places requirements on DBP as operator of the DBNGP. Environmental obligations are identified and managed through DBP's Environment Plan, which outlines how all environmental risks and impacts associated with the pipeline operation are reduced to the required level, and at all times carried out in a manner consistent with the principles of ecologically sustainable development.

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. The corporation that controls the operation of the DBNGP exceeds these thresholds and has lodged its current year's NGER reporting with the Clean Energy Regulator for the period from 1 July 2014 to 30 June 2015.

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

DDG

The Petroleum Pipelines Act 1969 (WA) places requirements on DDG as operator of its various assets. Environmental obligations are identified and managed through DDG's Environment Plan, which outlines how all environmental risks and impacts associated with the pipeline operation are reduced to the required level, and at all times carried out in a manner consistent with the principles of ecologically sustainable development.

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. The corporations that control each of the operations of DDG's pipelines do not exceed the threshold for the period from 1 July 2014 to 30 June 2015 and accordingly, are not required to report.

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

EDL

EDL's operations in Australia, the US, UK and Europe are subject to environmental laws in these jurisdictions. The Company operates a rigorous environmental compliance program, and reports to the appropriate authorities against relevant compliance standards. During the year, EDL was not prosecuted nor was any fine imposed on it for breach of environmental laws in any jurisdiction.

UE

United Energy is subject to significant environmental regulation under the Environmental Protection Act (EPA) 1970 (Vic). In the context of United Energy's operating structure, many activities are performed for United Energy by its service providers, as a part of normal operating, construction and maintenance processes. In this regard, United Energy's field service providers are required to have and maintain their own Environmental Management Systems (EMS) which are externally certified to the International Standard ISO 14001. These providers are required to meet the obligations in this plan through service agreements.

United Energy reports its carbon emissions annually under the National Greenhouse and Energy Reporting Scheme (NGERS). United Energy's NGERS reporting is independently audited annually for assurance purposes. United Energy has lodged its reporting with the Clean Energy Regulator for the period from 1 July 2014 to 30 June 2015.

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

MG

Multinet Gas is subject to significant environmental regulation under the Environmental Protection Act (EPA) 1970 (Vic). In the context of Multinet Gas's operating structure, many activities are performed for Multinet Gas by its service providers, as a part of normal operating,

construction and maintenance processes. In this regard, Multinet Gas's field service providers are required to have and maintain their own Environmental Management Systems (EMS) which are externally certified to the International Standard ISO 14001. These providers are required to meet the obligations in this plan through service agreements

Multinet Gas reports its carbon emissions annually under the National Greenhouse and Energy Reporting Scheme (NGER). Multinet Gas's NGER reporting is independently audited annually for assurance purposes. Multinet Gas has lodged its reporting with the Clean Energy Regulator for the period from 1 July 2014 to 30 June 2015.

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 2016 are jointly presented in one report, as permitted by ASIC Corporations (Amendment and Repeal) Instruments 2015/843.

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 30.

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 ASIC Corporations (Rounding in Financial / Directors' Reports) Instruments 2016/191, 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.

Share Options for DUET Group

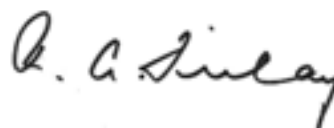
No options over the stapled securities of DUET Group existed at 30 June 2016 (2015: nil).

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



Doug Halley
Director
DUET Company Limited
Sydney

18 August 2016



Ron Finlay
Director
DUET Company Limited
Sydney

18 August 2016

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



Eric Goodwin
Director
DUET Finance Limited
Sydney

18 August 2016



Jane Harvey
Director
DUET Finance Limited
Sydney


18 August 2016

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



Doug Halley
Director
DUET Investment Holdings Limited
Sydney

18 August 2016



Ron Finlay
Director
DUET Investment Holdings Limited
Sydney

18 August 2016



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

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

As lead auditor for the audit of DUET Group for the year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of DUET Group, DUET Company Limited, DUET Investment Holdings Limited, DUET Finance Limited and DUET Finance Trust and the entities the Group controlled during the financial year.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Matthew A. Honey'.

Matthew A. Honey
Partner
18 August 2016

Section A: DUET Group Financial Statements

Consolidated Statement of Comprehensive Income

	Note	DUET Group 1 Jul 15 - 30 Jun 16 \$'000	DUET Group 1 Jul 14 - 30 Jun 15 \$'000
Revenue	B2.3	1,604,353	1,261,946
Other income	B2.3	33,853	7,369
Total revenue and other income	B2.3	1,638,206	1,269,315
Share of net profit of joint ventures accounted for using the equity method		1,744	–
Expenses relating to the acquisition of EDL and DBP		(44,551)	(3,182)
Operating expenses		(396,167)	(241,829)
Other operating expenses		(185,282)	(215,111)
Depreciation expense	B4.1	(306,215)	(207,854)
Amortisation expense	B4.2	(87,738)	(68,655)
Finance costs		(27,378)	(20,238)
Interest expense		(353,798)	(401,318)
Fair value loss on derivative contracts		–	(28,400)
Other expenses		(25,628)	(17,796)
Total expenses		(1,426,757)	(1,204,383)
Profit before income tax expense		213,193	64,932
Income tax benefit/(expense)	B2.5	3,985	(19,004)
Profit for the year		217,178	45,928
Profit/(loss) is attributable to:			
DUECo shareholders		(77,168)	(55,956)
DFT unitholders and DIHL/DFL shareholders as non-controlling interests		272,998	104,057
Stapled securityholders		195,830	48,101
Other non-controlling interests		21,348	(2,173)
Profit after income tax expense for the year		217,178	45,928
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 taken to equity		(129,958)	(138,600)
Transferred to income statement		40,865	149,565
Foreign currency translation differences		(16,049)	–
<i>Items that will never be reclassified to profit or loss:</i>			
Movement in defined benefit reserve		(1,395)	3,532
Total comprehensive income for the year		110,641	60,425
Total comprehensive income/(expense) for the year is attributable to:			
DUECo shareholders		(142,925)	(51,430)
DFT unitholders and DIHL/DFL shareholders as non-controlling interests		248,985	102,760
Stapled securityholders		106,060	51,330
Other non-controlling interests		4,581	9,095
Total comprehensive income for the year		110,641	60,425
Basic earnings per stapled security	B2.2	8.64	3.39

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

Consolidated Statement of Financial Position

	Note	DUET Group 30 Jun 16 \$'000	DUET Group 30 Jun 15 \$'000
Current assets			
Cash and cash equivalents	B2.6	505,185	320,657
Term deposits		2,851	55,520
Accrued revenue		132,873	89,591
Receivables	B3.3	69,207	63,516
Inventories		49,310	23,764
Green credits		43,874	–
Derivative financial instruments	B3.2	23,295	24,309
Prepaid expenses and other assets		21,182	20,346
Total current assets		847,777	597,703
Non-current assets			
Property, plant and equipment	B4.1	7,066,196	6,002,956
Intangible assets	B4.2	2,962,657	2,033,899
Deferred tax assets	B2.5	25,107	298,316
Derivative financial instruments	B3.2	152,622	112,896
Investments in joint ventures		21,783	–
Other receivables		22,577	20,053
Other assets		6,357	–
Total non-current assets		10,257,299	8,468,120
Total assets		11,105,076	9,065,823
Current liabilities			
Distribution payable	B2.1	218,975	130,697
Interest bearing liabilities	B3.1	798,255	1,090,303
Payables	B3.3	228,909	186,951
Derivative financial instruments	B3.2	73,719	96,321
Provisions	B4.3	45,066	30,729
Unearned revenue		38,346	45,321
Other liabilities		5,003	2,269
Total current liabilities		1,408,273	1,582,591
Non-current liabilities			
Interest bearing liabilities	B3.1	5,465,095	4,640,484
Deferred tax liabilities	B2.5	445,224	666,787
Derivative financial instruments	B3.2	282,985	126,638
Provisions	B4.3	51,383	32,845
Unearned revenue		23,194	20,640
Payables		15,098	–
Retirement benefit obligations		2,501	253
Total non-current liabilities		6,285,480	5,487,647
Total liabilities		7,693,753	7,070,238
Net assets		3,411,323	1,995,585
Equity			
Equity attributable to DUECo shareholders			
Contributed equity		1,541,479	929,532
Reserves		(370,465)	(294,870)
Retained profits/(accumulated losses)		(739,931)	(440,892)
DUECo shareholders interest		431,083	193,770
Equity attributable to DFT unitholders and DIHL/DFL shareholders as non-controlling interests			
Contributed equity		3,398,988	2,131,944
Reserves		(385,828)	(336,968)
Retained profits/(accumulated losses)		(122,709)	(159,972)
DFT unitholders and DIHL/DFL shareholders interests		2,890,451	1,635,004
Other non-controlling interests	B3.5	89,789	166,811
Total equity		3,411,323	1,995,585

The above Statement of Financial Position should be read in conjunction with the accompanying Notes.

Consolidated Statement of Changes in Equity

DUET Group	Attributable to DUECo Shareholders							DFT, DIHL and DFL as NCI \$'000	Total equity \$'000
	Number of securities issued '000	Contributed equity \$'000	Hedging reserve \$'000	Capital reserve \$'000	Other reserve \$'000	Retained profits \$'000	Total \$'000		
Total equity at 1 July 2014	1,317,809	793,109	(14,934)	(90,324)	(188,525)	(255,093)	244,233	1,389,345	1,805,027
Profit/(loss) for the year	-	-	-	-	-	(55,956)	(55,956)	104,057	(2,173)
Other comprehensive income for the year	-	-	1,594	-	2,932	-	4,526	(1,297)	11,268
Total comprehensive income	-	-	1,594	-	2,932	(55,956)	(51,430)	102,760	9,095
Transactions with equity holders in their capacity as equity holders:									
Contributions of equity, net of transaction costs and deferred tax	175,870	136,423	-	-	-	-	136,423	274,449	-
Distribution paid and provided for	-	-	-	-	-	(129,843)	(129,843)	(131,550)	(38,275)
Contributions of equity by NCI	-	-	-	-	-	-	-	-	18,929
Gain/(loss) on dilution of minority interest	-	-	-	-	(5,613)	-	(5,613)	-	5,613
Total equity at 30 June 2015	1,493,679	929,532	(13,340)	(90,324)	(191,206)	(440,892)	193,770	1,635,004	1,995,585
Profit/(loss) for the year	-	-	-	-	-	(77,168)	(77,168)	272,998	21,348
Other comprehensive income for the year	-	-	(65,757)	-	-	-	(65,757)	(24,013)	(16,767)
Total comprehensive income	-	-	(65,757)	-	-	(77,168)	(142,925)	248,985	4,581
Transactions with equity holders in their capacity as equity holders:									
Contributions of equity, net of transaction costs and deferred tax	939,367	611,947	-	-	-	-	611,947	1,267,044	-
Distribution paid and provided for	-	-	-	-	-	(221,871)	(221,871)	(206,014)	(40,060)
Contributions of equity by NCI	-	-	-	-	-	-	-	-	89,676
Reversal of NCI on acquisition of remaining share capital	-	-	(15,685)	-	-	-	(70,253)	(54,568)	(125,372)
Gain/(loss) on dilution of minority interest	-	-	-	-	5,847	-	5,847	-	(5,847)
Total equity at 30 June 2016	2,433,046	1,541,479	(94,782)	(90,324)	(185,359)	(739,931)	431,083	2,890,451	89,789

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

Purpose of reserve

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 B3.2. Amounts are recognised in the profit or loss when the associated hedged transaction affects the profit or loss.

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

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

Consolidated Statement of Cash Flow

	DUET Group 1 Jul 15 - 30 Jun 16 \$'000	DUET Group 1 Jul 14 - 30 Jun 15 \$'000
Cash flows (used in)/from operating activities		
Receipts from customers (including GST)	1,763,706	1,337,834
Payments to suppliers and employees (including GST)	(782,143)	(574,528)
Payments relating to head office projects (includes EDL acquisition costs)	(72,736)	(3,249)
Income tax paid	(787)	(1,777)
Other interest received	16,805	11,055
Indirect tax paid	(16,599)	(14,628)
Net cash flows from operating activities	908,246	754,707
Cash flows (used in)/from investing activities		
Payments for purchase of property, plant and equipment	(356,102)	(465,864)
Payments for purchase of intangibles	(35,541)	(35,171)
Proceeds from/(payments for) term deposits (> 90 days)	53,669	28,480
Acquisition of subsidiaries, net of cash acquired	(1,531,571)	-
Proceeds from sale of property, plant and equipment, net of costs	1,277	1,811
Net cash flows used in investing activities	(1,868,268)	(470,744)
Cash flows (used in)/from financing activities		
Proceeds from issue of stapled securities, net of transaction costs	1,880,457	409,562
Proceeds from securities issued to non-controlling interest	95,007	18,929
Proceeds from borrowing from external parties	2,159,848	1,355,718
Repayment of borrowings from external parties	(2,238,230)	(1,498,465)
Finance costs paid	(371,442)	(391,556)
Dividends paid to non-controlling interest	(40,061)	(38,276)
Distributions paid to DUET securityholders	(339,609)	(242,710)
Net cash flow from/(used in) financing activities	1,145,970	(386,798)
Net increase/(decrease) in cash and cash equivalents held	185,948	(102,835)
Cash and cash equivalents at the beginning of the year	320,657	423,434
Effects of exchange rate changes on cash and cash equivalents	(1,420)	58
Cash and cash equivalents at the end of the year	505,185	320,657

The above Statement of Cash Flow should be read in conjunction with the accompanying Notes.

Section B: Notes to the DUET Group Financial Statements

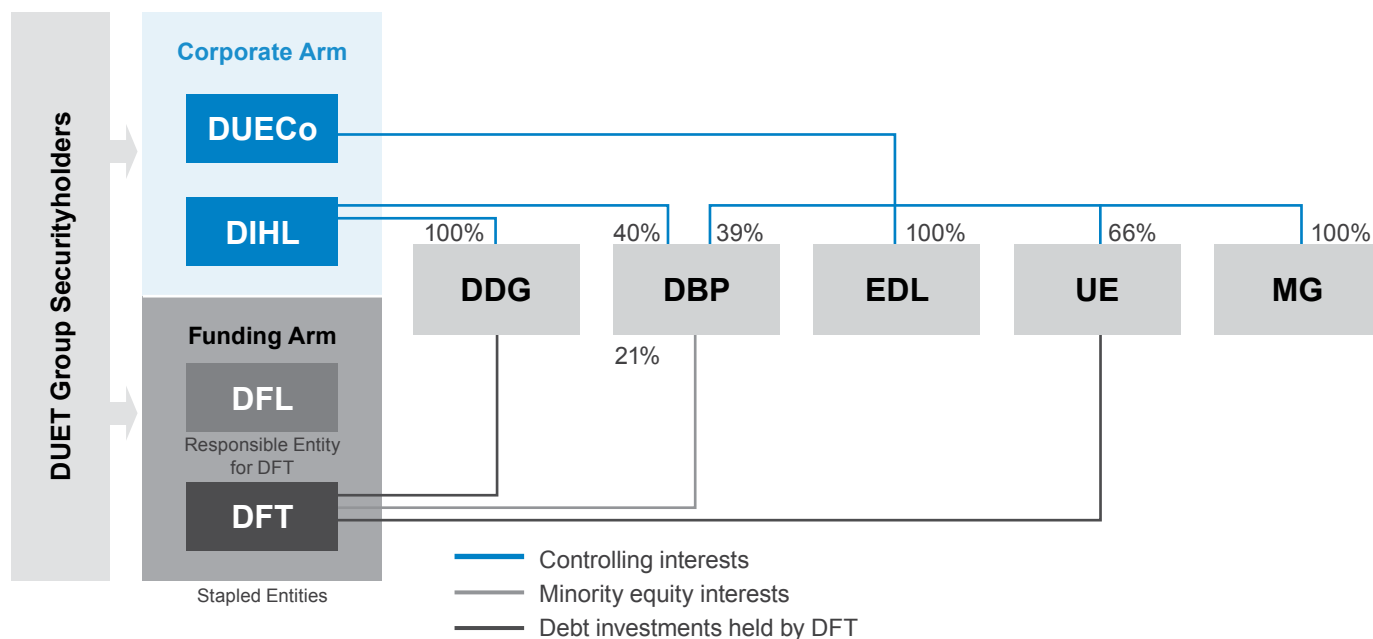
B1. Basis of Preparation and Significant Changes

This section sets out DUET Group's corporate information, corporate structure and significant changes to the Group's operations. Included below is information regarding the basis of preparation of the consolidated Group as a whole and an assessment of the impact of adopting new accounting standards.

B1.1 Corporate Information and Group Structure

DUET Group comprises 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) and their subsidiaries (together DUET).

A summarised structure of DUET as at 30 June 2016 is illustrated below:



As permitted by ASIC Class Order 06/441 and 05/642, this Financial Report consists of the consolidated Financial Statements of DUETCo, DFT, DIHL and DFL and the entities they control, together acting as DUET Group, as well as the Financial Statements for DFT, DIHL Group and DFL for the year ended 30 June 2016.

In accordance with AASB10 Consolidated Financial Statements, DUETCo has been identified as the parent of the consolidated group consisting of its subsidiaries, DFT, DIHL and DFL and their subsidiaries. As required by the Standard, the financial results of DFT, DIHL and DFL are shown as non-controlling interests in the Financial Statements.

B1. Basis of Preparation and Significant Changes (continued)

B1.2 Summary of Significant Events in the Current Reporting Period

Acquisition of EDL

On 22 October 2015 DUECo completed its acquisition of Energy Developments Limited (EDL), by acquiring 100% of the issued share capital. EDL is an international provider of safe, clean, low greenhouse gas emissions energy and remote energy solutions and is a strategic fit with DUET which further diversifies DUET's cash flows, providing a future growth platform.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	DUET Group 30 Jun 16 \$'000
Purchase consideration	
Cash paid (total consideration) ⁽¹⁾	1,561,829

⁽¹⁾ At the date of acquisition, DUET made an additional equity injection of \$193.0 million in EDL, used to de-gear the business and settle liabilities, resulting in total cash paid of \$1,561.8 million.

The fair values of assets and liabilities recognised as a result of the acquisition are as follows:

	DUET Group 30 Jun 16 \$'000
Cash	57,110
Receivables	60,654
Inventories	19,871
Equity accounted investments	21,009
Property, plant and equipment	999,400
Intangible assets	514,800
Deferred tax assets	70,166
Other assets	35,411
Payables	(85,454)
Deferred tax liabilities	(175,776)
Interest bearing liabilities	(568,684)
Other liabilities	(60,100)
Retirement benefit obligations	(1,782)
Net identifiable assets acquired	886,625
Add: Goodwill	482,249
Net assets acquired ⁽¹⁾	1,368,874

⁽¹⁾ At the date of acquisition, DUET made an additional equity injection of \$193.0 million in EDL, used to de-gear the business and settle liabilities, resulting in total cash paid of \$1,561.8 million.

Goodwill is attributable to the workforce and the high profitability of the acquired business.

(i) Acquired receivables

The fair value of acquired trade receivables is \$60.6 million. The gross contractual amount for trade receivables due is \$60.6 million, all of which is expected to be collectable.

(ii) Revenue and profit contribution

The acquired business contributed revenues of \$301.1 million and a net profit after tax of \$12.5 million to the Group for the period from 22 October 2015 to 30 June 2016.

If the acquisition had occurred on 1 July 2015, consolidated pro-forma revenue and loss for the year would have been \$440.1 million and \$2.2 million respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- Differences in the accounting policies between the group and the subsidiary, and
- The additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2015, together with the consequential tax effects.

(iii) Acquisition related costs

Acquisition-related costs for EDL of \$43.6 million (30 June 2015: \$3.2 million) that were not directly attributable to the issue of shares are included in 'Expenses relating to the acquisition of EDL and DBP' in the Consolidated Statement of Comprehensive Income (refer section A) and in operating cash flows in the Statement of Cash Flow.

B1. Basis of Preparation and Significant Changes (continued)**B1.2 Summary of Significant Events in the Current Reporting Period (continued)****Purchase consideration – cash outflow**

	DUET Group 30 Jun 16 \$'000
Cash consideration ⁽¹⁾	1,561,829
Less: Balances acquired	
– Cash	(57,110)
– Funds used by EDL to de-gear the business and settle liabilities	(192,955)
Net outflow of cash – investing activities	1,311,764

⁽¹⁾ At the date of acquisition, DUET made an additional equity injection of \$193.0 million in EDL, used to de-gear the business and settle liabilities, resulting in total cash paid of \$1,561.8 million.

Acquisition of 20% of DBP

On 6 April 2016, DIHL completed its acquisition of the remaining 20% ownership interest in DBP for a total consideration of \$205 million.

Acquisition of Landfill Gas and Power

On 24 May 2016, EDL acquired Landfill Gas & Power Pty Ltd which owns and operates three generation facilities in Perth, WA, totalling 10MW.

B1.3 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 the general purpose Financial Report. The group accounting policies are set out in the relevant note to the Financial Statements. These policies have been consistently applied to all the periods presented, unless otherwise stated. All accounting policies, even those which are not specifically disclosed in the relevant note to the Financial Statements are in accordance with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

New Accounting Standards and Interpretations

The Group applied several mandatory amendments for the first time in financial year 2016. They are as follows:

AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB1031 Materiality

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

AASB9 Financial Instruments was early adopted for the first time as of 1 July 2015. The impact of the adoption of this standard is disclosed in Note B3.2.4.

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 2016 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 15 Revenue from Contracts with Customers

The Australian Accounting Standards Board (AASB) has amended the effective date of AASB 15 from 1 January 2017 to 1 January 2018, which means 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.

AASB 16 Leases

AASB 16 Leases includes requirements to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Group is currently assessing the impact of adopting this standard. The application date of this standard for the Group is 1 July 2019.

B1. Basis of Preparation and Significant Changes (continued)

B1.4 Basis of Preparation of Financial Report

These general purpose Financial Reports have been prepared in accordance with Australian Accounting Standards, the *Corporations Act 2001* and other authoritative pronouncements of the Australian Accounting Standards Board. The Financial Reports comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The Financial Reports were authorised for issue by the Directors on 18 August 2016. The Directors of DUECo, DIHL and DFL have the power to amend and reissue these Financial Reports.

The Financial Statements are presented in Australian dollars \$ which is the group's functional currency. The amounts presented are rounded to the nearest \$'000, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

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.

Net Current Asset Deficiency

At 30 June 2016 DUET Group had a net current liability position of \$560.5 million which is due to the following interest bearing term borrowings maturing in the next 12 months:

UE - Fixed Rate Notes	\$265.0 million
DBP - Senior Facility Agreement	\$225.0 million
DBP - Fixed Rate Notes	\$275.0 million

Notwithstanding the 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 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:

- DUET Group's stapled entities had \$302.0 million of cash and short term deposits as at 30 June 2016;
- UE had a cash balance of \$93.0 million as at 30 June 2016 with \$142.5 million of undrawn debt facilities, and is a stable investment grade entity with planning underway to refinance its CY17 debt maturities; and
- DBP had a cash balance of \$19.9 million as at 30 June 2016 with \$30 million of undrawn debt facilities and is a stable investment grade entity with planning underway to refinance its CY17 debt maturities.

B2. Operating Performance

This section focuses on the results and performance of DUET Group. The following pages explain the Group's results for the year, earnings per share, segment information, cash and cash equivalent and related cash flows and taxation.

B2.1 Distributions Paid and Proposed

	DUET Group 1 Jul 15 – 30 Jun 16 \$'000	DUET Group 1 Jul 14 – 30 Jun 15 \$'000
Distributions paid/payable:		
Interim distribution ¹	208,910	130,696
Final distribution ²	218,975	130,697
	427,885	261,393
	Cents per stapled security	Cents per stapled security
Interim distribution	9.000	8.750
Final distribution	9.000	8.750
	18.000	17.500

1 DUET's 2016 interim distribution was paid on 18 February 2016 (2015: 19 February 2015)

2 DUET's 2016 final distribution was recognised as current liability at 30 June 2016 and subsequently paid on 18 August 2016 (2015: 20 August 2015)

A final distribution of 9.000 cents per stapled security announced on 17 June 2016 (2015: 8.750 cents per stapled security) was paid on 18 August 2016. This consisted of 4.002 cents per unit from DFT and 4.998 cents per share from DUECo (2015: 4.409 cents per unit from DFT and 4.341 cents per share from DUECo). The DUECo dividend was unfranked.

Accounting Policy

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.

B2.2 Earnings per Security

	DUET Group 30 Jun 16	DUET Group 30 Jun 15
Basic earnings per stapled security	8.64c	3.39c
Earnings used in calculation of basic earnings per stapled security (\$'000)	195,830	48,101
Weighted average number of stapled securities used in calculating basic earnings per stapled security ('000)	2,265,568	1,417,426

There are no potential dilutive ordinary securities as at 30 June 2016 or 30 June 2015.

Accounting Policy

Basic Earnings per Security

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

B2. Operating Performance (continued)

B2.3 Revenue

	DUET Group 1 Jul 15 - 30 Jun 16 \$'000	DUET Group 1 Jul 14 - 30 Jun 15 \$'000
Sales revenue		
Distribution revenue	920,976	691,625
Transportation revenue	409,383	394,130
Metering and other operations revenue	83,553	91,928
Green credit revenue	74,843	–
New connections revenue	3,411	2,156
Other sales revenue	32,567	33,293
Total sales revenue	1,524,733	1,213,132
Other revenue		
Customer contributions	55,520	27,976
Interest revenue	16,611	9,275
Miscellaneous revenue	7,489	11,563
Total other revenue	79,620	48,814
Total revenue	1,604,353	1,261,946
Other income		
Fair value gain on derivative contracts and loans	32,909	7,184
Gain on disposal of property, plant and equipment	–	76
Net foreign exchange gains	944	109
Total other income	33,853	7,369
Total revenue and other income	1,638,206	1,269,315

Accounting Policy

Revenue is recognised for the major business activities as follows:

Distribution revenue	Electricity distribution revenue earned from the use of the distribution network is recognised when electricity and related services are provided. Accrued electricity distribution revenue is determined having regard to the period since a customer's last billing date and the customer's previous consumption patterns. Electricity distribution revenue includes the cost of transmission services charged by the transmission companies, which is passed onto the customers. Gas distribution revenue 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.
Transportation revenue	Transportation revenue is brought to account when gas is transported for a shipper in accordance with the terms and conditions of the haulage contract.
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.
Green credit revenue	Green credit revenue is recognised at the point of generation at the lower of spot and net realisable value and adjusted for changes in market value when sold. Where the market is inactive or thin trades are noted, management uses best estimates based on expert advice to determine the fair value recognised at the point of generation.
New connections revenue	Revenue is brought to account when the connection occurs.
Other sales revenue	Revenue is brought to account when the goods and services are provided.
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 on an accruals basis using the effective interest method.
Miscellaneous revenue	Dividend and trust distributions from entities that are not associates are recognised as revenue on the date the right to receive the payment is established.

B2. Operating Performance (continued)

B2.4 Segment Information (continued)

Proportionate Earnings

	DBP \$'000	DDG \$'000	UE \$'000	MG \$'000	Total \$'000
DUET Group for the 12 months to 30 June 2015					
Revenue	321,537	12,680	336,430	184,128	854,775
Operating expenses	(66,648)	(3,411)	(98,743)	(61,937)	(230,739)
EBITDA	254,889	9,269	237,687	122,191	624,036
Customer contributions (net of margin)	(5,186)	–	(11,766)	(3,307)	(20,259)
Adjusted EBITDA	249,703	9,269	225,921	118,884	600,777
Net interest expense	(145,478)	691	(90,171)	(48,434)	(283,392)
Net regulatory depreciation	(6,316)	–	(68,201)	(26,683)	(101,200)
Tax paid	–	–	–	–	–
Proportionate earnings (excluding Head Office)	97,909	9,960	67,549	43,767	219,185

Reconciliation of Proportionate Earnings to Profit Before Income Tax

	DBP \$'000	DDG \$'000	UE \$'000	MG \$'000	Head Office \$'000	Total \$'000
DUET Group for the 12 months to 30 June 2015						
Proportionate earnings	97,908	9,959	67,549	43,767	(8,256)	210,927
<i>Adjust for non-IFRS measures</i>						
Customer contributions	5,186	–	11,766	3,307	–	20,259
Net regulatory depreciation	6,316	–	68,201	26,683	–	101,200
Net interest expense	145,480	(691)	90,171	48,434	(6,596)	276,438
Net tax expense	–	–	–	–	1,761	1,761
Proportionate EBITDA						610,585
Additional EBITDA from controlled assets	59,548	–	118,694	–	–	178,242
<i>Statutory adjustments</i>						
Expenses relating to EDL acquisition	–	–	–	–	(5,440)	(5,440)
Equity accounted profits	40	–	63	–	–	103
Consolidated EBITDA						783,490
Interest income	291	106	1,441	480	6,957	9,275
Finance costs	(204,980)	(4,326)	(162,405)	(49,832)	(13)	(421,556)
Depreciation and amortisation	(75,653)	(2,759)	(149,952)	(48,055)	(90)	(276,509)
Net movements in derivatives	7,184	–	(28,206)	(194)	–	(21,216)
Unrealised FX gains	40	–	63	–	–	103
Net loss on disposal of assets	76	–	(2,842)	(5,786)	–	(8,552)
Profit before income tax expense						65,035

Reconciliation of Segment revenue to Consolidated Revenue

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

	30 Jun 16 \$'000	30 Jun 15 \$'000
Segment Revenue	1,361,135	854,775
TUOS adjustment	130,351	135,373
EDL Pre-acquisition revenue	(138,390)	–
Other Revenue	13,934	23,338
Revenue attributable to non-controlling interest	237,323	248,460
Total Consolidated Revenue	1,604,353	1,261,946

B2. Operating Performance (continued)

B2.5 Income Tax

DUET Group is not a tax consolidated group for the purposes of the *Income Tax Assessment Act 1997*, but DUECo and DIHL are head entities of separate tax consolidated groups. Income tax has not been brought to account in respect of DFT as, pursuant to the *Income Tax Assessment Act 1997*, the Trust is not liable for income tax provided that its taxable income (including any assessable realised capital gains) is fully distributed to its unitholders each year.

Income Tax Expense/(Benefit)

	DUET Group 1 Jul 15 – 30 Jun 16 \$'000	DUET Group 1 Jul 14 – 30 Jun 15 \$'000
Income tax expense/(credit)		
Income tax expense comprises:		
– Current tax	3,280	2,328
– Deferred tax	(6,265)	17,315
– (Over)/under provision from prior year	(1,000)	(639)
Total income tax expense/(credit)	(3,985)	19,004
Deferred income tax (revenue)/expense included in income tax expense comprises:		
– Decrease/(increase) in deferred tax assets	(43,755)	(41,498)
– Decrease/(increase) in deferred tax liabilities	37,490	58,813
	(6,265)	17,315
Tax reconciliation to income tax expense		
Profit before income tax expense	213,193	64,932
Tax expense at 30%	63,958	19,480
Unused tax losses and offsets not recognised as DTA	47,637	17,156
Over provision from prior year	(447)	(839)
Tax effect of operating results of Australian Trusts	(57,340)	(6,517)
Non deductible expenses	988	720
Tax losses not previously recognised, recouped during the year	(16,824)	(11,873)
Recognition of temporary differences	(35,594)	–
Difference in overseas tax rates	(799)	–
Sundry items	(5,564)	877
Total income tax expense/(credit)	(3,985)	19,004
Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity:		
Net deferred tax – (credited)/debited directly to equity on revaluation of cash flow hedges	(14,355)	(5,153)
Tax losses		
Unused Australian tax losses for which no deferred tax asset has been recognised	851,863	801,429
Potential tax benefit at 30%	255,559	240,429
Unused overseas tax losses for which no deferred tax asset has been recognised	32,907	–
Potential tax benefit at 34%	11,189	–

B2. Operating Performance (continued)

B2.5 Income Tax (continued)

Deferred Tax Assets and Liabilities

	Assets		Liabilities	
	DUET Group 30 Jun 16 \$'000	DUET Group 30 Jun 15 \$'000	DUET Group 30 Jun 16 \$'000	DUET Group 30 Jun 15 \$'000
The balance comprises temporary difference attributable to:				
Doubtful debts	1,173	660	–	–
Green credits	–	–	(12,002)	–
Meter replacement	–	725	–	–
Other employee entitlements	11,001	7,493	–	–
Borrowing costs	514	–	(430)	(789)
Property, plant and equipment	142,746	142,980	(612,227)	(562,814)
Intellectual property	–	–	(5,452)	(5,777)
Intangibles	4,879	4,398	(138,055)	(7,698)
Licence	–	–	(172,578)	(172,578)
Accrued revenue	8,099	7,195	(160)	–
Environmental provision	1,199	1,355	–	–
Other provisions	13,608	12,613	–	–
Decommissioning provision	12,306	8,169	–	–
Other	10,114	2,358	(5,049)	(5,968)
Equity raising costs	16,116	3,927	–	–
Cash flow hedges and hedged interest bearing liabilities	98,771	82,795	(61,518)	(64,384)
Deferred tax asset not recognised	–	(41,012)	–	–
Tax losses *	222,788	198,010	–	–
	543,314	431,666	(1,007,471)	(820,008)
Cash flow hedges recognised directly in equity	37,821	18,201	(179)	–
Equity raising costs recognised directly in equity	5,629	1,059	19	–
Defined benefit reserve recognised directly in equity	750	611	–	–
	587,514	451,537	(1,007,631)	(820,008)
Set-off deferred tax liabilities pursuant to set off provisions	(562,407)	(153,221)	562,407	153,221
Net deferred tax assets/(liabilities)	25,107	298,316	(445,224)	(666,787)

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

	Assets		Liabilities	
	DUET Group 30 Jun 16 \$'000	DUET Group 30 Jun 15 \$'000	DUET Group 30 Jun 16 \$'000	DUET Group 30 Jun 15 \$'000
Movements:				
Opening balance at 1 July	298,316	264,755	(666,787)	(610,758)
Credited/(charged) to the Income Statement	43,755	41,498	(37,490)	(58,813)
Acquisition of subsidiaries	70,166	–	(175,776)	–
Credited/(charged) to equity	33,198	(7,937)	14,501	2,784
Set-off of deferred tax	(420,328)	–	420,328	–
Closing balance 30 June	25,107	298,316	(445,224)	(666,787)
Deferred tax assets to be recovered after more than 12 months	25,107	298,316	(445,224)	(666,787)
Deferred tax assets to be recovered within 12 months	–	–	–	–

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 B4.2 to assess the carrying value of goodwill.

B2. Operating Performance (continued)

B2.5 Income Tax (continued)

Accounting Policy

Current Tax

The tax currently payable is based on taxable profit for the year. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities, using tax rates and laws that are enacted or substantively enacted at reporting date.

Deferred Tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, with recognition criteria as stated below.

Deferred Tax Recognition - Assets

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 Recognition - Liabilities

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 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 Measurement and Presentation

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.

Critical Accounting Estimates and Judgements

The Group is subject to income taxes in Australia, the US and UK. Currently the Group has some tax losses available for use that have been recognised as deferred tax assets. This is based on an assumption that the use of these losses in the foreseeable future is probable and can be offset against future taxable profit. If this assumption was to change, the corresponding tax assets may be not recognised in the Group's Balance Sheet.

The Group recognises tax losses carried forward which are in excess of the profits arising from the reversal of existing taxable temporary differences. The recognition of this deferred tax asset is supported by forecast modelling of taxable profits based on revised long-term power purchase agreements, green credits where applicable, and other project arrangements.

The tax affairs relating to the various entities in tax jurisdictions across the Group may be subject to review by the relevant tax authorities at any time. Accordingly, it should be noted that, as part of routine monitoring by the Australian Taxation Office (ATO), the Group has been notified that the ATO is to perform a Comprehensive Risk Review relating to income tax returns lodged by the Group's stapled entities for the past 5 years. A Comprehensive Risk Review is broad in scope and involves ongoing dialogue and information gathering to identify any tax risks.

Judgements are also required about the application of income tax legislation and its interaction with income tax accounting principles. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement

B2. Operating Performance (continued)

B2.6 Cash and Cash Equivalents and Related Cash Flow

(i) Reconciliation of Cash and Cash Equivalents

	DUET Group 30 Jun 16 \$'000	DUET Group 30 Jun 15 \$'000
Cash at bank	383,281	141,128
Cash on deposit	121,904	179,529
Cash assets	505,185	320,657

(ii) Reconciliation of Net Result from Ordinary Activities After Income Tax to Net Cash Flows from Operating Activities

	DUET Group 30 Jun 16 \$'000	DUET Group 30 Jun 15 \$'000
Net result from ordinary activities after income tax	217,178	45,928
Depreciation and amortisation	393,953	276,509
Net loss/(profit) on sale of non-current assets	8,409	8,552
Customer contributions – in kind	(16,321)	(3,428)
Finance costs	331,656	442,772
Foreign exchange	(944)	(103)
Other	5,618	375
Change in assets and liabilities:		
Decrease/(increase) in trade and other debtors	55,135	(14,065)
(Increase)/decrease in deferred tax assets	343,375	(33,561)
Decrease/(increase) in other operating assets	(50,078)	32,703
(Increase)/decrease in green credits	(16,979)	–
Increase/(decrease) in payables and accruals	(34,387)	(46,978)
(Decrease)/increase in deferred tax liabilities	(349,640)	56,029
Increase/(decrease) in other provisions	21,271	(10,026)
Net cash inflow from operating activities	908,246	754,707

Accounting Policy

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.

B3. Capital and Debt

This section outlines how DUET Group manages its capital and financing structure including its liquidity and management of its senior debt and trading risks through use of financial derivatives. The Group's objectives in managing its capital and trading risks is to safeguard its ability to continue as a going concern, in order to be able to provide returns to its shareholders and benefits to other stakeholders.

B3.1 Interest Bearing Liabilities

	DUET Group 30 Jun 16 \$'000	DUET Group 30 Jun 15 \$'000
Current		
Bank loans – secured	237,570	10,000
Bank loan – unsecured	19,453	13,500
Guaranteed notes - secured	275,000	–
Guaranteed notes - unsecured	267,739	1,066,315
Finance lease liabilities	950	911
Capitalised borrowing transaction costs	(2,457)	(423)
Total current interest bearing liabilities	798,255	1,090,303
Non-current		
Bank loans – secured	1,465,425	791,000
Bank loans – unsecured	1,414,500	1,154,000
Guaranteed notes – secured	875,000	1,025,000
Guaranteed notes – unsecured	1,520,054	1,479,425
Redeemable preference shares ¹	201,180	201,180
Finance lease liability	17,233	18,183
Other	511	218
Capitalised borrowing transaction costs	(28,808)	(28,522)
Total non current interest bearing liabilities	5,465,095	4,640,484
Total interest bearing liabilities	6,263,350	5,730,787

¹The 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.

During the period, the following new credit facilities were entered into:

a) Guaranteed Notes

Nature of facility	Amount \$'000	Original currency	Term length of facility
Private placement loan notes	42,000	AUD \$	10 years
Private placement loan notes	174,000	USD \$	7-10 years
Floating rate notes	125,000	AUD \$	8 years

b) Bank Loans

Nature of facility	Amount \$'000	Original currency	Term length of facility
Revolving facility	443,000	AUD \$	3-5 years
Revolving facility	26,124	USD \$	3 years
Syndicated facility agreement	845,000	AUD \$	2-7 years
Term debt facility	402,570	AUD \$	1-5 years
Term debt facility	53,865	USD \$	5 years
Term debt facility	72,085	GBP £	5 years
Working capital facility	120,000	AUD \$	1-3 years

Of the external credit facilities available, the amounts undrawn are as follows:

	DUET Group 30 Jun 16 \$'000	DUET Group 30 Jun 15 \$'000
Working capital facility	55,000	11,500
Syndicated bank facilities	50,000	20,000
Senior corporate facility	10,000	280,000
Capital expenditure facility	157,500	98,000
Revolving facility	113,207	–
Bank loans – working capital facility	75,586	65,735
Total	461,293	475,235

B3. Capital and Debt (continued)

B3.1 Interest Bearing Liabilities (continued)

Financing Arrangements

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

	DUET Group 30 Jun 16 \$'000	DUET Group 30 Jun 15 \$'000
DBP		
Syndicated bank facilities	20,000	20,000
Working capital facility	10,000	10,000
	30,000	30,000
DDG		
Working capital facility	5,000	1,500
Term debt facility	10,000	–
	15,000	1,500
EDL		
Working capital facility	40,000	–
Revolving facility	113,207	–
	153,207	–
UE		
Bank loans – working capital facility and AIMRO Capex	50,000	50,000
Syndicate banks	30,000	53,500
Capex facility	62,500	–
	142,500	103,500
MG		
Senior Corporate Facility	–	280,000
Capital expenditure facility	95,000	44,500
Bank loans – working capital facility	25,586	15,735
	120,586	340,235
Total undrawn balance	461,293	475,235

Accounting Policy

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 costs, and any discount premium on settlement. When a borrowing is discharged, cancelled or expired and therefore is no longer recorded on the balance sheet, the difference between the carrying amount of the financial liability and the consideration paid is recognised in the Income Statement as other income or other expenses.

Assets Pledged as Security

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

	DUET Group 30 Jun 16 \$'000	DUET Group 30 Jun 15 \$'000
Current		
Cash and cash equivalents	68,944	24,068
Receivables	90,866	21,308
Inventories	41,740	17,125
Green credits	43,874	–
Other	31,373	18,276
Total current assets pledged as security	276,797	80,777
Non-current		
Property, plant and equipment	4,038,448	3,122,415
Intangible asset	1,134,172	669,703
Other	34,593	20,053
Total non-current assets pledged as security	5,207,213	3,812,171

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.

B3. Capital and Debt (continued)

B3.2 Derivatives, Financial Risk Management and Fair Value Measurement

B3.2.1 Derivative Financial Instruments

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

Set out below is an overview of derivatives held by the Group as at 30 June:

	2016				2015			
	Fair value profit or loss \$'000		Fair value other comprehensive income \$'000		Fair value profit or loss \$'000		Fair value other comprehensive income \$'000	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Assets								
Interest rate currency swaps	9,652	11,776	1,786	3,202	5,710	8,159	–	–
Cross currency swaps	8,903	131,537	–	–	–	–	18,599	104,737
FX forwards	–	–	2,954	3,250	–	–	–	–
Electricity CFDs	–	–	–	2,857	–	–	–	–
Total	18,555	143,313	4,740	9,309	5,710	8,159	18,599	104,737
Liabilities								
Interest rate currency swaps	6	1,377	56,784	250,701	9,544	12,070	55,140	114,568
Cross currency swaps	734	–	–	15,120	–	–	11,873	–
Electricity CFDs	–	–	16,195	15,789	–	–	–	–
CPI Index hedge contracts	–	–	–	–	–	–	19,764	–
Total	740	1,377	72,979	281,610	9,544	12,070	86,777	114,568

Accounting Policy

Derivative financial instruments are recognised initially at fair value and subsequently remeasured at fair value each reporting date. 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.

Hedge accounting is a technique that enables the matching of the gains and losses on the hedged items and the associated hedging instruments in the same accounting period to minimise volatility in the income statement. The gain or loss on the underlying item (the “hedged item”) is expected to move in the opposite direction to the gain or loss on the derivative (the “hedging instrument”), therefore offsetting the risk position.

To the extent permitted by AASB 9, we formally designate and document financial instruments as fair value, cash flow or net investment hedges for accounting purposes. In order to qualify for hedge accounting, AASB 9 requires that prospective hedge effectiveness testing meet all of the following criteria:

- an economic relationship exists between the hedged item and hedging instrument
- the effect of credit risk does not dominate the value changes resulting from the economic relationship
- the hedge ratio is the same as that resulting from actual amounts of hedged items and hedging instruments for risk management.

The fair value of interest rate swaps, cross currency swaps and forward exchange contracts is the estimated amount that a market participant 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.

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).

B3. Capital and Debt (continued)

B3.2 Derivatives, Financial Risk Management and Fair Value Measurement (continued)

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.

Hedging Strategy

The Group's major exposure to interest rate risk and foreign currency risk arises from our long term borrowings. The Group also has translation foreign currency risk associated with investments in foreign operations. The Group enters into cross currency swaps, interest rate swaps and forward exchange contracts to offset these risks. The instruments used by the Group are as follows:

Interest Rate Swap Contracts and Forward Exchange Contracts – Cash Flow Hedges

The Group uses interest rate swap contracts to manage its exposure to variable interest rates related to borrowings. Interest rate swap contracts currently in place cover 100% (2015: 100%) of the variable debt held by the Group (excluding working capital facilities).

The Group currently uses forward exchange contracts to protect against exchange rate movements between the AUD and foreign currencies. The Group has hedged a portion of its USD denominated payment obligations.

All of DUET's cash flow hedges are regarded as effective economic relationships on the basis that the critical terms of the hedging instrument and hedged item are aligned (including face values, cash flows and currency). During the year, there has been no material ineffectiveness attributable to our cash flow hedges.

The Group has established a hedge ratio of 1:1 for its interest rate and forward exchange hedging relationships. Potential sources of hedge ineffectiveness that may affect the hedging relationship during the term are alignment of repricing and repayment dates.

Cross-Currency Interest Rate Contracts – Fair Value Hedges

The Group has entered into cross-currency interest rate swap contracts to remove the risk of unfavourable exchange rate movements on borrowings held in USD. Under these contracts, the Group receives foreign currency at fixed rates and pays AUD at floating rates. The Group then uses separate interest rate swap contracts to hedge the floating interest rate commitments back to fixed interest rates in cash flow hedge relationships as described above.

The Group's fair value hedges have an economic relationship on the basis that the critical terms of the hedging instrument and hedged item (including face value, cash flows, and maturity date) are aligned.

The Group has established a hedge ratio of 1:1 for its cross currency hedging relationships. Potential sources of hedge ineffectiveness that may affect the hedging relationship during the term are alignment of repricing and repayment dates.

Offsetting Financial Assets and Financial Liabilities

Currently there is no legal right of set-off to present any financial assets or financial liabilities on a net basis, and as such no financial assets or financial liabilities have been presented on a net basis in the Group's balance sheet at the end of the financial year.

Critical Estimates and Judgments

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.

B3.2.2 Financial Risk Management

The Group's activities expose it to a variety of financial risks including market risk (foreign exchange, price and interest rates), credit risk and liquidity risk. The Group's overall financial risk management strategy focuses on the unpredictability of financial markets and seeks to minimise adverse effects on the Group's performance. Treasury policies have been approved by the Board for managing this risk,

maintaining a Group-wide framework for financial risk management and reviewing issues of material risk exposure. This section contains disclosures of financial risks that the Group is exposed to and how the Group manage these risks.

Market risk

(a) Foreign Currency Risk

Foreign currency exposure risk is the risk in local currency terms that the value of a financial commitment or a recognised asset or liability will fluctuate due to changes in foreign currency exchange rates.

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). EDL has transactional currency exposures arising from project commitments and sales and purchases denominated in currencies other than its functional currency (A\$). The Group requires the use of forward exchange contracts to reduce currency exposures on such project commitments where the unhedged commitments exceed US \$5 million at any one time and the timing of the commitments is firmly established. It is the Group's policy not to enter forward contracts until a firm commitment is in place. 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.

B3. Capital and Debt (continued)

B3.2 Derivatives, Financial Risk Management and Fair Value Measurement (continued)

The exposure to foreign currency risk at the reporting date, based on the carrying value of cash and debt, and the notional value of derivatives, was as follows:

	DUET Group 30 Jun 16 \$'000	DUET Group 30 Jun 15 \$'000
Foreign denominated cash and cash equivalents (USD, GBP)	20,315	1,459
Loan	(1,037,095)	(1,138,739)
Derivatives	845,440	1,033,889
Receivables	21,323	–
Payables	(28,964)	–

Sensitivity to exchange rate movements based on the translation of financial instruments held at the reporting date was as follows:

	30 Jun 16 \$'000		30 Jun 15 \$'000	
	Profit	Equity	Profit	Equity
+10% appreciation exchange rate	320	21,139	(58)	102,241
-10% deprecation exchange rate	(159)	(25,848)	11	(108,447)

(b) Price Risk

(i) Green Credits

As at 30 June 2016, the Group held \$43.9 million green credits for sale (2015: \$nil). DUET Group has a policy of entering into forward sales contracts for a proportion of green credits to manage its exposure to price risk on its green credit holdings.

(ii) Electricity Prices

The Group entered into fixed price electricity contracts to reduce the volatility attributable to price fluctuations of electricity. These contracts are for 100% of the electricity generated at certain sites for periods ranging from 1 to 3 years. Hedging the price volatility of electricity is in accordance with the Group's risk management strategy.

As at 30 June 2016, the fair value of these full effective hedges amounted to an asset of \$2.9 million (2015: \$nil) and a liability of \$32.0 million (2015: \$nil). The change in fair value was recognised in other comprehensive income.

Sensitivity to electricity price movements based on the financial instruments held at the reporting date was as follows:

	30 Jun 16 \$'000		30 Jun 15 \$'000	
	Profit	Equity	Profit	Equity
+10% appreciation electricity prices	–	(10,697)	–	(6,489)
-10% deprecation electricity prices	–	10,697	–	6,489

(c) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in market interest rates.

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.

The Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps.

The interest rate swaps designated as cash flow hedges cover approximately 100% (2015: 100%) of the variable rate loan principal outstanding and are timed to expire as the loan repayments are due or to coincide with the next prevailing regulatory reset.

The cross currency swaps in place cover approximately 100% (2015: 100%) of the foreign currency loan principal outstanding and are timed to expire as the loan repayments are due.

The Group also has interest rate swaps not designated in hedge relationships which are therefore classified as fair value through profit and loss (FVTPL) where the aim is to achieve an economic hedge against interest rate risk of loans and guaranteed notes.

B3. Capital and Debt (continued)

B3.2 Derivatives, Financial Risk Management and Fair Value Measurement (continued)

The notional principal amounts and period of expiry of the groups' interest and cross-currency swap contracts are as follows:

2016	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Over 5 years	Total
\$'000							
Interest rate swap contracts – cash flow hedges	514,000	839,000	1,779,000	375,419	3,009,500	1,166,500	7,683,419
Interest rate swap contracts – held for trading	–	–	–	13,581	79,500	–	93,081
Cross currency interest rate swap contracts – cash flow hedges	–	–	–	–	–	125,950	125,950
Cross currency interest rate swap contracts – fair value hedges	–	401,717	–	–	–	359,910	761,627
Total	514,000	1,240,717	1,779,000	389,000	3,089,000	1,652,360	8,664,077

2015	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Over 5 years	Total
\$'000							
Interest rate swap contracts – cash flow hedges	982,000	785,000	945,000	–	–	2,140,000	4,852,000
Interest rate swap contracts – held for trading	660,000	200,000	165,000	–	210,000	147,500	1,382,500
Cross currency interest rate swap contracts – cash flow hedges	509,048	–	401,717	–	–	123,124	1,033,889
Total	2,151,048	985,000	1,511,717	–	210,000	2,410,624	7,268,389

The exposure to interest rate risk at the reporting date, based on the carrying value of cash and debt, and the notional value of derivatives, was as follows:

	30 Jun 16 \$'000	30 Jun 15 \$'000
Cash	508,036	376,177
Interest rate swap contracts – cash flow hedges	7,683,419	4,852,000
Interest rate swap contracts – held for trading	93,081	1,382,500
Cross currency interest rate swap contracts – cash flow hedges	125,950	1,033,889
Cross currency interest rate swap contracts – fair value hedges	761,627	–
Variable rate borrowings	(5,075,496)	(4,459,239)
Net exposure	4,096,617	3,185,327

The Group's interest rate swap contracts including forward starting swaps which are included above, also hedge against variable rate exposure from (i) highly probable future cashflows from future borrowings and (ii) fixed rate USD borrowings swapped into variable rate AUD borrowings from cross currency interest rate swap contracts.

Sensitivity to interest rate movements based on the translation of financial instruments held at the reporting date was as follows:

	30 Jun 16 \$'000		30 Jun 15 \$'000	
	Profit	Equity	Profit	Equity
+ 100 basis points appreciation	(560)	187,514	(58)	102,241
- 100 basis points depreciation	677	(165,980)	11	(108,447)

Credit Risk

Credit risk is the risk that a counterparty will not be able to meet its obligations in respect of a financial instrument, resulting in a financial loss to the Group. This risk relates to the recoverability of financial assets such as cash and cash equivalents, accounts receivable, derivative financial instruments and credit exposures to committed transactions.

The Group has no significant concentrations of credit risk from operating activities and 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. However, as an operator of large infrastructure assets, the Group is exposed to credit risk with its financial counterparties through entering into financial transactions through the ordinary course of business. These include funds held on deposit, cash investments and the market value of derivative transactions.

The Group assesses the credit strength of potential financial counterparties using objective ratings provided by multiple independent rating agencies. The Board approved policies ensure that higher limits are granted to higher rated counterparties. The Group also seeks to mitigate its total credit exposure to counterparties by only dealing with credit worthy counterparties, limiting the exposure to any one counterparty, minimising the size of the exposure where possible through offsetting exposures with the same counterparty, diversifying exposures across counterparties, closely monitoring changes in total credit exposures and changes in credit status, and taking mitigating action when necessary.

B3. Capital and Debt (continued)

B3.2 Derivatives, Financial Risk Management and Fair Value Measurement (continued)

Liquidity Risk

Liquidity risk is the risk of having insufficient funds to settle financial liabilities as and when they fall due.

The Group's main liquidity risks are having insufficient levels of committed credit facilities to settle financial liabilities and derivatives as and when they fall due.

The Group manages this risk by maintaining the stability of funding, holding surplus cash or near cash assets, managing anticipated cash inflows and outflows and exposure to connected parties, and by maintaining a timely review of credit facilities.

The table below sets out the contractual maturity of undiscounted future cash flows of the Group's liabilities:

	Less than 1 year \$'000		1-2 years \$'000		2-3 years \$'000		3-5 years \$'000		Greater than 5 years \$'000	
	30 Jun 16	30 Jun 15	30 Jun 16	30 Jun 15	30 Jun 16	30 Jun 15	30 Jun 16	30 Jun 15	30 Jun 16	30 Jun 15
DUET Group										
Borrowings	1,057,194	1,431,297	1,932,753	971,939	1,536,129	2,093,436	1,097,528	1,499,942	1,208,393	670,422
Derivative financial instruments	56,409	103,083	(24,261)	40,696	55,768	(37,635)	–	31,255	11,313	(4,329)
Finance lease	1,949	2,062	1,985	2,113	2,023	1,821	4,160	4,083	21,915	24,014
Payables	212,568	317,647	1,812	–	2,581	–	4,147	–	7,800	–
	1,328,120	1,854,089	1,912,289	1,014,748	1,596,501	2,057,622	1,105,835	1,535,280	1,249,421	690,107

Hedge Details

As at 30 June 2016, the Group is holding the following interest rate, cross currency and forward exchange contracts to hedge the exposure on its foreign currency, electricity price and interest rate risk over the next 10 years:

Foreign Currency Risk

		Year of maturity					Total
		2016	2017	2018	2019	2020 onwards	
Notional amount	\$'000	–	440,408	34,526	10,595	359,911	845,440
Average hedged rate	AUD:USD	–	0.8997	0.6970	0.7028	0.7752	0.8381
Average hedged rate	AUD:GBP	–	0.4831	0.4756	0.4744	–	0.4790
Average hedged rate	AUD:EUR	–	0.6583	0.6454	–	–	0.6564

Electricity Price Risk

		Year of maturity					Total
		2016	2017	2018	2019	2020 onwards	
Notional amount	\$'000	–	–	–	(31,891)	2,765	(29,126)
Average hedged rate	%	–	–	–	41.80	59.21	40.15

Interest Rate Risk

		Year of maturity					Total
		2016	2017	2018	2019	2020 onwards	
Notional amount	\$'000	514,000	839,000	1,779,000	375,419	4,176,000	7,683,419
Average hedged rate	Interest rate %	3.66	3.66	3.42	3.39	3.71	3.61

The impact of hedging instruments designated in hedging relationships as at 30 June 2016 on the statement of financial position of the Group is as follows:

		Notional amount \$'000	Carrying amount \$'000	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period \$'000
Foreign currency risk					
Forward foreign currency contracts – cash flow hedges	USD \$	83,813	6,204	Derivative financial instruments	6,204
Cross currency interest rate swaps – fair value hedges	USD \$	761,627	139,706	Derivative financial instruments	28,485
Interest rate risk					
USD Interest rate swap contracts – cash flow hedges	USD \$	53,865	(7,086)	Derivative financial instruments	110
GBP Interest rate swap contracts – cash flow hedges	GBP £	72,085	(8,034)	Derivative financial instruments	(796)
AUD Interest rate swap contracts – cash flow hedges	AUD \$	7,683,419	(275,945)	Derivative financial instruments	(108,136)
Price risk					
Electricity price derivatives	AUD \$	n/a	(29,126)	Derivative financial instruments	(14,377)

B3. Capital and Debt (continued)

B3.2 Derivatives, Financial Risk Management and Fair Value Measurement (continued)

There are also fixed to floating interest rate swap contracts with a notional value \$257,500,000 (carrying amount of \$9,474,000 at 30 June 2016) designated in fair value hedge relationships against fixed rate debt. The resulting floating exposure is offset by existing interest rate swaps designated in cash flow hedging relationships disclosed above.

The impact of hedged items designated in hedging relationships as at 30 June 2016 on the statement of financial position are as follows:

	Change in value used for measuring ineffectiveness \$'000	Cash flow hedge reserve \$'000
Foreign currency risk		
Cross currency net investment	6,204	(6,204)
USD borrowings	(16,312)	–
Interest rate risk		
Floating rate USD borrowings	110	(110)
Floating rate GBP borrowings	(796)	796
Floating rate AUD borrowings	41,270	(200,298)
Price risk		
Electricity price	(14,377)	14,377

The above hedging relationships affected the income statement and other comprehensive income as follows:

	Hedging gain or loss recognised in OCI \$'000	Ineffectiveness recognised in income statement \$'000	Amount reclassified from OCI to income statement \$'000	Line item in the income statement \$'000
Foreign currency risk				
Cross currency net investment	6,204	–	–	Finance costs
USD borrowings	–	1,596	42,281	Finance costs
Interest rate risk				
Floating rate USD borrowings	110	–	–	Finance costs
Floating rate GBP borrowings	(796)	–	–	Finance costs
Floating rate AUD borrowings	(97,730)	2,322	(103,109)	Finance costs
Price risk				
Electricity price	(14,377)	–	–	Finance costs

B3.2.3 Fair Valuation Measurement

Fair Value Hierarchy

The fair value measurements of financial assets and liabilities are assessed in accordance with the following 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 (unobservable valuation input) (Level 3).

The fair values and carrying amount of borrowings of DUET Group are as follows (based on cash flows discounted using current lending rates for liabilities with similar risk profiles) and are all measured at Level 2 in the Fair Value Hierarchy:

	30 Jun 16		30 Jun 15	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Non-traded financial liabilities				
Bank loans and other	3,137,459	3,163,681	1,968,718	2,014,062
Guaranteed notes	2,937,793	3,067,349	3,570,740	3,570,740
Redeemable preference shares	201,180	201,180	201,180	201,180
	6,276,432	6,432,210	5,740,638	5,740,982

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. There were no transfers in the current year.

Valuation Techniques for Financial Assets and Liabilities

The carrying value of all receivable and payable balances approximate their fair value. This is generally the case of all borrowings, except for redeemable preference shares, because the interest payable on those borrowings is close to market rates or of a short term nature.

B3. Capital and Debt (continued)

B3.2 Derivatives, Financial Risk Management and Fair Value Measurement (continued)

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, discounted using a current borrowing rate.

Valuation Techniques for Debt Held at Fair Value

Certain non-current liabilities are held at fair value as opposed to amortised cost. This 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 in Australian dollar functional currency entities, the series of cashflows is translated to Australian dollars using the appropriate foreign exchange rates at valuation date as observed in the market.

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.

Critical Estimates and Judgments

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.

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 securityholders.

- 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 and AFSL requirements it is subject to.

B3.2.4 Change in Accounting Policy

The Group early adopted AASB 9 *Financial Instruments* as of 1 July 2015.

(i) Changes to Classification and Measurement of Financial Assets and Financial Liabilities

AASB 9 introduced new classification and measurement models for financial instruments. Held to Maturity (HTM) and Available for Sale (AFS) asset categories have been 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 have been classified and measured at fair value. A new asset category measured as Fair Value through Other Comprehensive Income (FVOCI) has been introduced.

Impact of Changes

On adoption of AASB 9, the Group classified financial assets as subsequently measured at either amortised cost or fair value, depending on the business model for those assets and on the asset's contractual cash flow characteristics.

There were no changes in the measurement of the Group's financial assets or financial liabilities.

There was no impact on the statement of comprehensive income or the statement of changes in equity on adoption of AASB 9 in relation to classification and measurement of financial assets and financial liabilities.

The following table summarises the impact on the classification and measurement of the Group's financial assets and liabilities as at 1 July 2015:

B3. Capital and Debt (continued)

B3.2 Derivatives, Financial Risk Management and Fair Value Measurement (continued)

Presented in statement of financial position	Financial asset	AASB 139	AASB 9	Reported \$'000	Restated \$'000
Cash and cash equivalents	Bank deposits and negotiable certificates of deposit	Loans and receivables	Amortised cost	No change	No change
Trade and other receivables - current	Loans and receivables – current	Loans and receivables	Amortised cost	No change	No change
Non-current other financial assets	Equity instruments	Available for sale	Fair value through profit or loss/other comprehensive income	No change	No change
Non-current other financial assets/liabilities	Interest bearing liabilities	Held to maturity	Amortised cost	No change	No change

(ii) Changes to Hedge Accounting

AASB 9 introduced new hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged, and disclosures. AASB 9 aligns hedge accounting more closely with common risk management practices. Hedge ineffectiveness will continue to be recognised in profit or loss. DUET Group is still required to prepare contemporaneous documentation; however, the information to be documented under AASB 9 differs.

The following summarises the key changes:

- risk components that are separately identifiable and reliably measurable will be eligible as hedged items, including non-financial items;
- effectiveness measurement testing is required only on a prospective basis and new hedge effectiveness criteria includes the existence of an economic relationship between the hedged item and the hedging instrument;
- certain requirements must be met for discontinuing a hedge relationship; and
- hedging of groups of net positions is permitted subject to certain criteria.

The accounting and presentation requirements for hedge accounting remain largely unchanged; however, additional disclosures are required under the new standard.

Hedge Relationships

AASB 9 has expanded the range of eligible hedged items, to include aggregated exposures (a combination of exposures), where derivatives may be a hedging instrument as well as part of a hedged item. This has resulted in the de-designation of certain existing hedge relationships and re-designation from 1 July 2015 without any change to the underlying economic objective of the hedging. The above changes did not result in any market transactions.

Foreign Currency Basis Spreads

Under AASB 9, certain costs of hedging, including foreign currency basis spreads, are excluded from the designation of a financial instrument as a hedging instrument, and accounted for as a cost of hedging. The cumulative change in fair value of the foreign currency basis spreads is recognised in the hedge reserve temporarily, and subsequently recognised in the income statement over the life of the hedge relationship.

(iii) Impairment

AASB 9 introduces a new expected credit loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standards requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. This had no material impact on the Group.

B3.3 Working Capital

Receivables

	DUET Group 30 Jun 16 \$'000	DUET Group 30 Jun 15 \$'000
Trade receivables	59,376	59,917
Provision for impairment of receivables	(3,907)	(2,199)
GST receivable	420	44
Interest receivable - other parties	1,798	3,719
Other debtors	11,520	2,035
	69,207	63,516

The carrying value of short term receivables approximates fair value.

B3. Capital and Debt (continued)

B3.3 Working Capital (continued)

Provision for Impairment of Trade Receivables

	DUET Group 30 Jun 16 \$'000	DUET Group 30 Jun 15 \$'000
Not yet due	38,569	38,574
Past due but not impaired	20,807	21,343
Provision for impairment loss	(3,907)	(2,199)
	55,469	57,718

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.

Accounting Policy

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. Bad debts are written off when identified.

Green Credits

Green credits held for sale are recognised at the point of generation at the lower of spot and net realisable value (NRV) where an active market exists without thin trading. Where the market is inactive or thin trades are noted, management uses best estimates based on expert advice to recognise revenue at the point of generation. Green credits that are not expected to be realised within 12 months of the reporting date are recognised as a non-current asset. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Payables

	DUET Group 30 Jun 16 \$'000	DUET Group 30 Jun 15 \$'000
Trade creditors	18,678	11,825
Interest payable	61,891	66,784
GST payable	10,785	8,862
Operating and maintenance agreement costs	37,869	24,784
Accrued expenses and other payables	99,686	74,696
	228,909	186,951

The carrying amount of payables reflects fair value.

Accounting Policy

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.

Goods and Services Tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which were recovered from or paid to the ATO are classified as operating cash flows.

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.

B3. Capital and Debt (continued)

B3.4 Contributed Equity

Ordinary Equity

	DUET Group 30 Jun 16 \$'000	DUET Group 30 Jun 15 \$'000
On issue at the beginning of the year	3,061,476	2,650,601
Equity issued during the period, net of costs and deferred tax	1,878,991	387,592
DRP during the period	–	23,283
On issue at the end of the year	4,940,467	3,061,476

Accounting Policy

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.

B3.5 Other Non-Controlling Interest

Non-Controlling Interest Classified as Equity

	DUET Group 30 Jun 16 \$'000	DUET Group 30 Jun 15 \$'000
Interest in:		
Share capital	178,878	355,826
Retained losses	(69,255)	(170,264)
Reserves	(19,834)	(18,751)
Total	89,789	166,811

B4. Distribution and Generation Assets

This section shows the assets used to generate the DUET Group's trading performance including the assets which are used in day-to-day trading activities, those assets which have been acquired and identified from acquisitions, and liabilities which arise from operating those assets.

B4.1 Property, Plant and Equipment

2016	Land and buildings \$'000	Freehold land \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Office equipment \$'000	Fixtures and fittings \$'000	In the course of construction \$'000	Total \$'000
DUET Group								
Cost	38,573	6,450	8,867,381	31,075	54,284	21,856	289,910	9,309,529
Accumulated depreciation and impairment	(10,232)	–	(2,158,186)	(18,752)	(44,762)	(11,401)	–	(2,243,333)
Carrying amount at 30 June 2016	28,341	6,450	6,709,195	12,323	9,522	10,455	289,910	7,066,196
Net carrying amount at 1 July 2015	29,465	5,834	5,700,564	14,773	11,474	10,528	230,318	6,002,956
<i>Movements</i>								
Acquisitions through business combinations*	–	437	967,687	–	–	–	38,337	1,006,461
Additions	–	179	194,377	467	1,473	654	193,440	390,590
Disposals	–	–	(9,515)	(184)	–	–	–	(9,699)
FX revaluations	–	–	(18,053)	–	–	–	–	(18,053)
Transfers	202	–	170,244	409	628	858	(172,185)	156
Depreciation	(1,326)	–	(296,109)	(3,142)	(4,053)	(1,585)	–	(306,215)
Carrying amount at 30 June 2016	28,341	6,450	6,709,195	12,323	9,522	10,455	289,910	7,066,196

* Arising from the acquisition of EDL and Landfill Gas and Power (refer B1.2).

2015	Land and buildings \$'000	Freehold land \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Office equipment \$'000	Fixtures and fittings \$'000	In the course of construction \$'000	Total \$'000
DUET Group								
Cost	38,371	5,834	7,578,580	31,670	52,224	21,033	230,318	7,958,030
Accumulated depreciation and impairment	(8,906)	–	(1,878,016)	(16,897)	(40,750)	(10,505)	–	(1,955,074)
Carrying amount at 30 June 2015	29,465	5,834	5,700,564	14,773	11,474	10,528	230,318	6,002,956
Net carrying amount at 1 July 2014	30,199	5,834	5,469,209	16,939	13,366	8,671	240,353	5,784,571
<i>Movements</i>								
Additions	332	–	169,194	1,825	2,073	1,475	272,349	447,248
Revision of decommissioning asset	–	–	(11,331)	–	–	–	–	(11,331)
Disposals	–	–	(10,331)	(30)	–	–	–	(10,361)
Transfers	241	–	278,558	(689)	2,996	1,961	(282,384)	683
Depreciation	(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

Accounting Policy

Recognition and Measurement

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.

Where items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate. Major spare parts purchased specifically for a particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

B4. Distribution and Generation Assets (continued)

B4.1 Property, Plant and Equipment (continued)

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

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

Impairment

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. No impairment of other assets including property, plant and equipment has been recognised during the period.

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.

B4.2 Intangibles

2016	Goodwill \$'000	Distribution licenses \$'000	Customer contracts \$'000	Software \$'000	Intellectual property \$'000	Development project costs \$'000	Employee contracts \$'000	Total \$'000
DUET Group								
Cost	1,278,644	1,035,377	490,274	419,036	127,340	102,681	2,376	3,455,728
Accumulated amortisation	–	–	(25,967)	(305,756)	(83,429)	(75,662)	(2,257)	(493,071)
Carrying amount at 30 June 2016	1,278,644	1,035,377	464,307	113,280	43,911	27,019	119	2,962,657
Net carrying amount at 1 July 2015	789,780	1,035,377		123,609	50,349	34,190	594	2,033,899
<i>Movements</i>								
Acquisitions through business combinations*	488,864	–	513,025	1,900	–	–	–	1,003,789
Additions	–	–	–	33,019	–	2,678	–	35,697
Disposals	–	–	–	(83)	–	–	–	(83)
FX revaluations	–	–	(22,751)	–	–	–	–	(22,751)
Transfers	–	–	–	(2,463)	–	2,307	–	(156)
Amortisation	–	–	(25,967)	(42,702)	(6,438)	(12,156)	(475)	(87,738)
Carrying amount at 30 June 2016	1,278,644	1,035,377	464,307	113,280	43,911	27,019	119	2,962,657

* Arising from the acquisition of EDL and Landfill Gas and Power (refer B1.2).

2015	Goodwill \$'000	Distribution licenses \$'000	Software \$'000	Intellectual property \$'000	Development project costs \$'000	Employee contracts \$'000	Total \$'000
DUET Group							
Cost	789,780	1,035,377	386,663	127,340	97,696	2,376	2,439,232
Accumulated amortisation	–	–	(263,054)	(76,991)	(63,506)	(1,782)	(405,333)
Carrying amount at 30 June 2015	789,780	1,035,377	123,609	50,349	34,190	594	2,033,899
Net carrying amount at 1 July 2014	789,780	1,035,377	137,409	56,786	47,376	1,069	2,067,797
<i>Movements</i>							
Additions	–	–	30,596	–	5,378	–	35,974
Transfers	–	–	2,439	–	(3,182)	–	(743)
Amortisation	–	–	(46,835)	(6,437)	(15,382)	(475)	(69,129)
Carrying amount at 30 June 2015	789,780	1,035,377	123,609	50,349	34,190	594	2,033,899

B4. Distribution and Generation Assets (continued)

B4.2 Intangibles (continued)

Critical Accounting Estimates and Judgments

Estimated Impairment of Goodwill and Indefinite Life Intangibles Including Distribution Licenses

The Group tests annually whether goodwill and distribution licenses (being indefinite life intangible assets) and if they have suffered any impairment, in accordance with the accounting policy stated above.

Goodwill and distribution licenses are tested for impairment as part of the cash generating unit (CGU) to which they are allocated, as they do not generate cash flows independently of the distribution or generation assets of the CGU.

The recoverable amounts of CGUs have been determined based on value-in-use and fair value less costs of disposal calculations. These calculations require the use of assumptions which require estimates including the underlying CGU revenue forecasts, input assumptions to the valuation models including WACC rate and judgment of long term growth rate assumptions. Details and the potential impact of changes to these assumptions are set out below.

Accounting Policy

Recognition and Measurement

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.

Indefinite Life Intangibles

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.

Impairment

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.

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

	Licenses	Software	Development project costs	Intellectual property	Contracts
Useful lives	Indefinite	Finite	Finite	Finite	Finite
Method used	Not depreciated or revalued	3 to 5 years straight line	5 to 7 years straight line	20 years straight line	Timing of projected cashflows over estimated useful life (varies from 1 to 20 years)
Acquired	Acquired	Acquired	Internally generated	Acquired	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	Amortisation method reviewed at each financial year-end; and Reviewed annually for indicator of impairment

B4. Distribution and Generation Assets (continued)

B4.2 Intangibles (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.

2016	EDL	MG	DBP	UE	Total
\$'000					
Goodwill	488,864	72,806	670,832	46,142	1,278,644
Distribution licences	–	407,881	–	627,496	1,035,377
	488,864	480,687	670,832	673,638	2,314,021

2015	MG	DBP	UE	Total
\$'000				
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.

No impairment was recognised during the period.

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 UE and MG, 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 4.6% to 7.1%. 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 for regulated activities and EBITDA multiples for unregulated activities at the end of the forecast period. These terminal values imply a weighted average long term growth rate of 0.9%.

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.

B4. Distribution and Generation Assets (continued)**B4.3 Provisions**

Year ended 30 June 2016

	Other employee benefits \$'000	Unaccounted for gas provision \$'000	Environmental provision \$'000	AMI rebate provision \$'000	Decomm- issioning provision \$'000	Total \$'000
Current consolidated						
Carrying amount at 1 July 2015	20,764	9,122	390	453	–	30,729
Acquisitions through business combinations	7,823	–	2,000	–	–	9,823
Additional provisions recognised/(released)	15,462	6,662	690	(4)	–	22,810
Amounts used during the year	(10,401)	(6,687)	(1,207)	–	–	(18,295)
Carrying amount at 30 June 2016	33,648	9,097	1,873	449	–	45,066
Non-current consolidated						
Carrying amount at 1 July 2015	1,486	–	4,128	–	27,231	32,845
Acquisitions through business combinations	1,782	–	–	–	–	1,782
Additional provisions recognised/(released)*	2,258	–	–	–	15,132	17,390
Amounts used during the year	(504)	–	(130)	–	–	(634)
Carrying amount at 30 June 2016	5,022	–	3,998	–	42,363	51,383

Year ended 30 June 2015

	Other employee benefits \$'000	Unaccounted for gas provision \$'000	Environmental provision \$'000	AMI rebate provision \$'000	Decomm- issioning provision \$'000	Total \$'000
Current consolidated						
Carrying amount at 1 July 2014	17,362	6,594	399	1,343	–	25,698
Additional provisions recognised/(released)	13,651	2,528	–	(890)	–	15,289
Amounts used during the year	(10,249)	–	(9)	–	–	(10,258)
Carrying amount at 30 June 2015	20,764	9,122	390	453	–	30,729
Non-current consolidated						
Carrying amount at 1 July 2014	930	–	4,130	–	39,229	44,289
Additional provisions recognised/(released)*	556	–	–	–	(11,998)	(11,442)
Amounts used during the year	–	–	(2)	–	–	(2)
Carrying amount at 30 June 2015	1,486	–	4,128	–	27,231	32,845

* The decommissioning provision includes additions of \$1.0 million (2015: \$1.3 million) due to unwinding of the present value discount.

B4. Distribution and Generation Assets (continued)

B4.3 Provisions (continued)

Decommissioning Provision

DBP has a legislative obligation to purge and seal the pipeline on retirement of the asset, together with the abandonment of associated ground facilities. The total cost (based on satisfying the minimum obligation) has been estimated at \$172.7 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 2016, 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.

Accounting Policy

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.

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.

Annual Leave and Sick Leave

Liabilities for annual leave, accumulating sick leave and non monetary benefits which are 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. There is one immaterial defined benefit plan within the Group which is closed to new members.

Discount Rate for Employee Benefits

The Group uses a high-quality corporate bond rate to discount defined benefit obligations, long service leave liabilities and other long term employee benefits.

Critical Accounting Estimates and Judgments

Provisions Related to Operating Assets

Estimation is required in measuring the provisions related to rehabilitation of certain assets which may be long term in nature and there is an obligation to restore the site or maintain the local environment that site is located at. There are estimates involved including the remaining life of the asset, the future cash outflows required to make good these sites and discounting of the cash flows back to fair value.

B5. Items not Recognised

This section details those items which are not incurred in the current year Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position or Consolidated Statement of Cash Flow but are disclosed to assist the user in understanding future trading matters or financial commitments.

B5.1 Commitments for Expenditure

	DUET Group 30 Jun 16 \$'000	DUET Group 30 Jun 15 \$'000
Capital commitments		
Commitments for the acquisition of major capital assets not shown as a liability within one year	44,510	22,821
	44,510	22,821
Lease commitments		
Commitments in relation to non-cancellable operating leases are payable as follows:		
Within one year	8,995	4,742
Later than one year but not later than 5 years	23,134	10,856
Later than 5 years	13,411	6,030
	45,541	21,628
Commitments in relation to finance leases are payable as follows:		
Within one year	1,949	1,913
Later than one year but not later than 5 years	8,168	8,018
Less future finance charges	21,915	24,014
Later than 5 years	(13,848)	(14,850)
	18,184	19,095
Operating expenditure commitments		
Commitments in relation to non-cancellable operating expenditure including fuel gas are payable as follows:		
Within one year	17,550	17,391
Later than one year but not later than 5 years	55,350	69,989
	72,900	87,380

B5.2 Contingent Liabilities

The Group had no material contingent liabilities at 30 June 2016 except for those listed below.

DDG Fortescue River Pty Ltd (DDG FR), in its capacity as agent for the unincorporated Fortescue River Gas Pipeline joint venture with TEC Pilbara Pty Ltd (a wholly owned subsidiary of TransAlta Energy (Australia) Pty Ltd), is in receipt of a claim filed by Monadelphous KT Pty Ltd (MKT) in the Supreme Court of Western Australia. The claim relates to works carried out by MKT for the joint venture in relation to the Fortescue River Gas Pipeline project that reached practical completion in March 2015. An unfavourable outcome of the proceedings would likely result in additional cost being incurred for this project. Given the stage of the court proceedings, such an outcome could not be reliably estimated at the date of issue of these financial statements.

B5.3 Events Occurring After Balance Sheet Date

Final Distribution

The final distribution as disclosed in section B2.1, was paid on 18 August 2016.

Completion of Cullerin Acquisition

On 16 June 2016, EDL executed a share sale agreement with Origin Energy Ltd to acquire the 30MV Cullerin Range wind farm for \$72 million (excluding transaction costs). Financial close of the acquisition occurred on 13 July 2016.

B6. Other Disclosures

B6.1 Related Party Disclosures

(a) Key Management Personnel (KMP)

The aggregate remuneration paid to KMPs is set out below:

	Year ended 30 Jun 16 \$	Year ended 30 Jun 15 \$
Short term employment benefits	4,505,930	4,474,294
Long term employment benefits	771,734	583,446
Post employment benefits	155,365	148,646
Total	5,433,029	5,206,386

(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 \$267,023 (2015: \$170,891 paid or payable to Trust Company Ltd & Perpetual Trustee Co Ltd).

B6.2 Investment in Controlled Entities and Joint Ventures

The Group's principal subsidiaries at 30 June 2016 are set out below. All subsidiaries have a 30 June year end and are incorporated within Australia.

Equity holding* 30 Jun 16	Equity holding* 30 Jun 15	Name of entity
100.0% owned	100.0% owned	Multinet Group Holdings Pty Ltd DUET Dampier Bunbury Pty Ltd DBP Development Group Pty Ltd DBP Development Group Trust DDG Fortescue River Pty Ltd DDG Operations Pty Ltd DUET1 Trust
100.0% owned	81.4% owned	DBNGP Trust DBNGP Holdings Pty Ltd DBP Development Group Pty Ltd
100.0% owned	0.00% owned	Energy Developments Pty Ltd
83.0% owned	83.0% owned	UE & Multinet Pty Ltd
66.0% owned	66.0% owned	United Energy Distribution Pty Ltd United Energy Distribution Holdings Pty Ltd

* The equity holding is the equity holding (in aggregate) of DUET Group. DUECo, as the deemed parent of the Group, is the deemed parent of these entities.

DFL has no subsidiaries.

Critical Accounting Estimates and Judgments

DUET has determined that its 57% investment in Fortescue River Group Pty Ltd and its 50% interest in a joint venture with Helector in Greece, are joint arrangements, because both parties have joint control of the arrangements, including rights to the gross assets and liabilities of the joint ventures, and joint control has been contractually agreed (all activities require unanimous consent of both parties).

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 results of which are proportionally consolidated by the Group. The net assets of the joint operation at 30 June 2016 were \$188.0 million (2015: \$188.3 million), including \$0.02 million in cash (2015: \$4.8 million) and property, plant and equipment of \$184.9 million (2015: \$180.6 million).

DUET, through its 100% interest in EDL, has a 50% interest in a joint venture with Helector, a Greek renewable energy generation company, at the Ano Liosia site near Athens, Greece. The principal activity is the development and operation of land fill gas projects, the results of which are equity accounted by the Group. The net assets of the joint venture at 30 June 2016 were \$36.3 million, including \$3.8 million in cash and property, plant and equipment of \$23.1 million.

B6. Other Disclosures (continued)**B6.3 Parent Entity Information****(a) DUECo (as parent of DUET Group)**

	DUET Group 30 Jun 16 \$'000	DUET Group 30 Jun 15 \$'000
Current assets	158,266	317,279
Total assets	2,570,718	1,042,107
Current liabilities	124,727	120,457
Total liabilities	1,423,112	205,110
Net assets	1,147,606	836,997
Contributed equity	1,541,479	929,532
Retained earnings	(471,873)	(170,535)
Capital reserve	–	–
Other reserves	78,000	78,000
Total equity	1,147,606	836,997
Profit/(loss)	79,467	59,279
Total comprehensive income/(loss)	79,467	59,279

DUECo has no guarantees in relation to the debts of any of its subsidiaries as at 30 June 2016.

DUECo has no contingent liabilities as at 30 June 2016.

B6.4 Auditor's Remuneration

	DUET Group 30 Jun 16 \$	DUET Group 30 Jun 15 \$
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	1,566,490	922,000
Regulatory audit services	624,050	704,300
Other assurance services*		
– Capital raising related assurance	212,000	290,500
– Other assurance	195,046	143,930
Total assurance services	2,597,586	2,060,730
Other services in relation to the entity and any other entity in the consolidated group		
– Taxation compliance	99,090	244,810
– Other advisory services	45,511	–
Total services	2,742,187	2,305,540

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

Section C: DFT, DIHL and DFL Financial Statements

Statements of Comprehensive Income

	Note	DFT 1 Jul 15 – 30 Jun 16 \$'000	DIHL Group 1 Jul 15 – 30 Jun 16 \$'000	DFL 1 Jul 15 – 30 Jun 16 \$'000	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
Transportation revenue	D2.3	–	33,634	–	–	13,027	–
Interest revenue	D2.3	246,820	9,686	222	147,498	–	–
Other income	D2.3	3,860	9,881	258	915	22,566	326
Total revenue and other income	D2.3	250,680	53,201	480	148,413	35,593	326
Share of net profit/(loss) of associates accounted for using the equity method		–	14,310	–	(37,800)	5,683	–
Expenses relating to acquisition of EDL		(36)	(64)	(1)	(6)	(19)	–
Operating expenses		–	(12,180)	–	–	(21,155)	–
Depreciation expense		–	(10,257)	–	–	(2,849)	–
Finance costs		(517)	(297)	–	–	(150)	–
Interest expense		(9,092)	(12,974)	–	–	(9,103)	–
Resources fee paid		(3,967)	–	(17)	(6,405)	–	–
Other expenses		(1,333)	(6,815)	(278)	(829)	(5,815)	(259)
Total expenses		(14,945)	(42,587)	(296)	(7,240)	(39,091)	(259)
Profit before income tax expense		235,735	24,924	184	103,373	2,185	67
Income tax benefit/(expense)	D2.5	–	12,169	(14)	–	(1,568)	–
Profit/(loss) for the year		235,735	37,093	170	103,373	617	67
Profit/(loss) is attributable to:							
DUECo shareholders		–	–	–	–	–	–
DFT unitholders and DIHL/DFL shareholders as non-controlling interests		235,735	37,093	170	103,373	617	67
Stapled securityholders		235,735	37,093	170	103,373	617	67
Other non-controlling interests		–	–	–	–	–	–
Profit after income tax expense for the year		235,735	37,093	170	103,373	617	67
Other comprehensive income/(expense):							
Items that may be subsequently reclassified to profit or loss:							
Changes in share of associates reserves, net of tax		–	(24,013)	–	–	(1,297)	–
Total comprehensive income/(expense) for the year		235,735	13,080	170	103,373	(680)	67
Total comprehensive income/(expense) for the year is attributable to:							
DUECo shareholders		–	–	–	–	–	–
DFT unitholders and DIHL/DFL shareholders as non-controlling interests		235,735	13,080	170	103,373	(680)	67
Stapled securityholders		235,735	13,080	170	103,373	(680)	67
Other non-controlling interests		–	–	–	–	–	–
Total comprehensive income/(expense) for the year		235,735	13,080	170	103,373	(680)	67
Earnings per unit/share	D2.2	10.41	1.64	0.01	7.29	0.04	–

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

Statements of Financial Position

	Note	DFT 30 Jun 16 \$'000	DIHL Group 30 Jun 16 \$'000	DFL 30 Jun 16 \$'000	DFT 30 Jun 15 \$'000	DIHL Group 30 Jun 15 \$'000	DFL 30 Jun 15 \$'000
Current assets							
Cash and cash equivalents	D2.6	130,649	16,713	3,307	654	8,217	2,604
Term deposits		–	–	2,851	–	–	4,071
Trade receivables		–	13,585	–	–	3,349	–
Other receivables		1,488	257	2	1,428	11,168	3
Accrued revenue		–	6,730	–	–	3,563	–
Prepaid expense		559	129	110	–	210	262
Other assets		–	1,155	–	–	1,141	–
Total current assets		132,696	38,569	6,270	2,082	27,648	6,940
Non-current assets							
Loans to associated entities		1,999,799	81,423	5,000	1,065,143	–	–
Redeemable preference shares – associated entity		427,699	–	–	427,699	–	–
Investments in associated entities	D6.1	–	331,262	–	–	163,044	–
Property, plant and equipment	D4.1	–	211,514	–	–	227,000	–
Deferred tax assets	D2.5	–	11,854	–	–	–	–
Prepaid expense		605	107	100	–	–	–
Other assets		–	606	–	–	–	–
Total non-current assets		2,428,103	636,766	5,100	1,492,842	390,044	–
Total assets		2,560,799	675,335	11,370	1,494,924	417,692	6,940
Current liabilities							
Distribution payable	D2.1	97,374	–	–	65,853	–	–
Interest bearing liabilities	D3.1	–	–	–	–	8,500	–
Payables		8,201	22,633	39	10,223	12,345	34
Unearned revenue		–	231	–	–	3,742	–
Derivative financial instruments		–	23	–	–	–	–
Provisions		–	594	–	–	629	–
Total current liabilities		105,575	23,481	39	76,076	25,216	34
Non-current liabilities							
Interest bearing liabilities	D3.1	12,736	154,293	–	–	180,121	–
Payables		4,365	605	8	–	–	–
Decommissioning provisions		–	1,343	–	–	1,251	–
Derivative financial instruments		–	40	–	–	–	–
Deferred tax liabilities	D2.5	–	–	–	–	1,854	–
Total non-current liabilities		17,101	156,281	8	–	183,226	–
Total liabilities		122,676	179,762	47	76,076	208,442	34
Net assets		2,438,123	495,573	11,323	1,418,848	209,250	6,906
Equity							
Equity attributable to DUECO shareholders							
Contributed equity	D3.4	–	–	–	–	–	–
Reserves		–	–	–	–	–	–
Retained profits/(accumulated losses)		–	–	–	–	–	–
Unitholders interest		–	–	–	–	–	–
Equity attributable to DFT, DIHL and DFL securityholders (as non-controlling interest)							
Contributed equity	D3.4	2,768,454	619,226	11,308	1,778,900	345,983	7,061
Reserves		(330,331)	(929)	–	(360,052)	23,084	–
Retained profits/(accumulated losses)		–	(122,724)	15	–	(159,817)	(155)
DFT, DIHL, and DFL securityholders interest		2,438,123	495,573	11,323	1,418,848	209,250	6,906
Other non-controlling interest		–	–	–	–	–	–
Total equity		2,438,123	495,573	11,323	1,418,848	209,250	6,906

The above Statements of Financial Position should be read in conjunction with the accompanying Notes.

Statements of Changes in Equity

	Number of securities issued '000	Contributed equity \$'000	Hedging reserve \$'000	Capital reserve \$'000	Other reserve \$'000	Retained profits \$'000	Total \$'000
DFT							
Total equity at 1 July 2014	1,317,809	1,565,843	(17,774)	(349,848)	35,747	–	1,233,968
Profit/(loss) for the year	–	–	–	–	–	103,373	103,373
Other comprehensive income for the year	–	–	–	(28,177)	–	28,177	–
Total comprehensive income	–	–	–	(28,177)	–	131,550	103,373
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of transaction costs	175,870	213,057	–	–	–	–	213,057
Distribution paid and provided for to DUET equity holders	–	–	–	–	–	(131,550)	(131,550)
Total equity at 30 June 2015	1,493,679	1,778,900	(17,774)	(378,025)	35,747	–	1,418,848
Profit/(loss) for the year	–	–	–	–	–	235,735	235,735
Other comprehensive income for the year	–	–	–	29,721	–	(29,721)	–
Total comprehensive income	–	–	–	29,721	–	206,014	235,735
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of transaction costs	939,367	989,554	–	–	–	–	989,554
Distribution paid and provided for to DUET equity holders	–	–	–	–	–	(206,014)	(206,014)
Total equity at 30 June 2016	2,433,046	2,768,454	(17,774)	(348,304)	35,747	–	2,438,123
DIHL Group							
Total equity at 1 July 2014	1,317,809	285,495	(15,709)	–	40,090	(160,434)	149,442
Profit/(loss) for the year	–	–	–	–	–	617	617
Other comprehensive income for the year	–	–	(1,297)	–	–	–	(1,297)
Total comprehensive income for the year	–	–	(1,297)	–	–	617	(680)
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of transaction costs	175,870	60,488	–	–	–	–	60,488
Total equity at 30 June 2015	1,493,679	345,983	(17,006)	–	40,090	(159,817)	209,250
Profit/(loss) for the year	–	–	–	–	–	37,093	37,093
Other comprehensive income for the year	–	–	(24,013)	–	–	–	(24,013)
Total comprehensive income for the year	–	–	(24,013)	–	–	37,093	13,080
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of transaction costs	939,367	273,243	–	–	–	–	273,243
Total equity at 30 June 2016	2,433,046	619,226	(41,019)	–	40,090	(122,724)	495,573
DFL							
Total equity at 1 July 2014	1,317,809	6,154	–	–	–	(222)	5,932
Profit/(loss) for the year	–	–	–	–	–	67	67
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	67	67
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of transaction costs	175,870	907	–	–	–	–	907
Total equity at 30 June 2015	1,493,679	7,061	–	–	–	(155)	6,906
Profit/(loss) for the year	–	–	–	–	–	170	170
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	170	170
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of transaction costs	939,367	4,247	–	–	–	–	4,247
Total equity at 30 June 2016	2,433,046	11,308	–	–	–	15	11,323

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

Statements of Cash Flow

	DFT 1 Jul 15 – 30 Jun 16 \$'000	DIHL Group 1 Jul 15 – 30 Jun 16 \$'000	DFL 1 Jul 15 – 30 Jun 16 \$'000	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
Cash flows from operating activities						
Receipts from customers (including GST)	–	78,565	–	–	12,975	–
Payments to suppliers and employees (including GST)	(798)	(61,772)	(139)	(1,999)	(10,566)	(52)
Payments relating to head office projects	(806)	(625)	(2)	(20)	–	–
Income tax (paid)/received	–	(46)	(7)	–	–	–
Distributions received from related parties	66,875	27,123	152	69,673	23,119	–
Interest received from related parties	167,737	–	–	79,350	–	–
Other interest received	41	9,010	–	396	1,337	146
Indirect tax net received	618	(389)	(10)	421	–	4
Net cash flows from operating activities	233,667	51,866	(6)	147,821	26,865	98
Cash flows (used in)/from investing activities						
Payments for purchase of property, plant and equipment	–	(6,987)	–	–	(160,414)	–
Proceeds from/(payments for) short term deposits	–	–	1,220	–	15,000	(4,071)
Payments for purchase of investments	–	(200,955)	–	–	–	–
Net cash flows (used in)/from investing activities	–	(207,942)	1,220	–	(145,414)	(4,071)
Cash flows from financing activities						
Proceeds from issue of stapled securities, net of costs	992,749	272,603	4,260	(616)	10	855
Proceeds from borrowings from related party	–	15,000	–	–	17,000	–
Repayment of borrowings by DDG to external parties	–	(8,500)	–	–	8,500	–
Loans to related parties	(921,928)	(102,426)	(5,013)	(160,361)	(28,855)	51
Finance costs paid	–	(12,105)	242	–	(12,680)	–
Distributions paid to DUET securityholders	(174,493)	–	–	(63,200)	(2,692)	–
Net cash flow from/(used in) financing activities	(103,672)	164,572	(511)	(224,177)	(18,717)	906
Net (decrease)/increase in cash and cash equivalents held	129,995	8,496	703	(76,356)	(137,266)	(3,067)
Cash and cash equivalents at the beginning of the year	654	8,217	2,604	77,010	145,422	5,671
Effects of exchange rate changes on cash and cash equivalents	–	–	–	–	61	–
Cash and cash equivalents at the end of the year	130,649	16,713	3,307	654	8,217	2,604

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

Section D: Notes to the DFT, DIHL and DFL Financial Statements

D1. Basis of Preparation and Significant Changes

The accounting policies adopted by each entity are consistent with those adopted by the stapled group as set out in Section B and all significant changes have been disclosed in Note B1.3 and B1.4.

D1.1 Corporate Information

The DUET Group includes DUET Finance Trust (DFT), DUET Investment Holdings Limited (DIHL) and DUET Finance Limited (DFL). DFT, DIHL and DFL form part of the stapled group. Each stapled entity is registered and domiciled in Australia.

D1.2 Basis of Preparation of Financial Report

The Basis of Preparation of the Financial Reports of DFT, DIHL Group and DFL are consistent with those of the stapled group disclosed in Note B1.4.

D2. Operating Performance

D2.1 Distributions Paid and Proposed

No distributions were paid from or proposed in DIHL or DFL as at 30 June 2016 or 30 June 2015.

	DFT 1 Jul 15 – 30 Jun 16 \$'000	DFT 1 Jul 14 – 30 Jun 15 \$'000
DFT Distributions paid/payable:		
Interim distribution ¹	108,640	65,697
Final distribution ²	97,374	65,853
	206,014	131,550
	Cents per stapled security	Cents per stapled security
Interim distribution	4.680	4.398
Final distribution	4.002	4.409
	8.682	8.807

1 DUET's 2016 interim distribution was paid on 18 February 2016 (2015: 19 February 2015)

2 DUET's 2016 final distribution was recognised as a current liability at 30 June and subsequently paid on 18 August 2016 (2015: 20 August 2015)

DFL has franking credits available for subsequent reporting periods (based on a tax rate of 30%) of \$0.6 million (2015: \$0.6 million). 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.

D2.2 Earnings per Security

	DFT 30 Jun 16	DIHL Group 30 Jun 16	DFL 30 Jun 16	DFT 30 Jun 15	DIHL Group 30 Jun 15	DFL 30 Jun 15
Basic earnings per stapled security	10.41c	1.64c	0.01c	7.29c	0.04c	0.00c
Earnings used in calculation of basic earnings per stapled security (\$'000)	235,735	37,093	170	103,373	617	67
Weighted average number of stapled securities used in calculating basic earnings per stapled security ('000)	2,265,568	2,265,568	2,265,568	1,417,426	1,417,426	1,417,426

There are no potential dilutive ordinary securities as at 30 June 2016 or 30 June 2015.

D2. Operating Performance (continued)**D2.3 Revenue**

	DFT 1 Jul 15 - 30 Jun 16 \$'000	DIHL Group 1 Jul 15 - 30 Jun 16 \$'000	DFL 1 Jul 15 - 30 Jun 16 \$'000	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
Sales revenue						
Transportation revenue	–	33,634	–	–	13,027	–
	–	33,634	–	–	13,027	–
Revenue from investments						
Interest revenue	246,820	9,686	222	147,498	–	–
	246,820	9,686	222	147,498	–	–
Other revenue						
Interest revenue	3,860	873	158	915	436	146
Resource fee revenue	–	6,059	–	–	11,134	–
Trustee fee revenue	–	–	100	–	–	180
Miscellaneous revenue	–	2,949	–	–	10,996	–
	3,860	9,881	258	915	22,566	326
Total revenue	250,680	53,201	480	148,413	35,593	326

Accounting Policy

Revenue is recognised for the major business activities as follows:

Resource fee revenue	Resource fee revenue is the oncharge of head office costs incurred by DIHL to DUECo, DFL and DFT and is recognised in the accounting period in which the services are provided
Trustee fee revenue	Trustee fee revenue is a management fee charged by DFL to DFT for DFL's services as the trustee of DFT is recognised in the accounting period in which the services are provided

D2. Operating Performance (continued)

D2.4 Segment Information

The Boards consider the business from the aspect of each of the core portfolio assets and have identified five operating segments during the year. The segments are the investments in DBP, DDG, EDL, UE and MG.

Operating segments are reported in a manner that is consistent with internal reporting provided to the chief operating decision maker.

Understanding the Segment Results

The operating segments note discloses performance by individual core-portfolio asset.

DFT

Proportionate Earnings for each of DBP, DDG, EDL, UE and MG is set out on page 41.

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

	1 Jul 15 – 30 Jun 16					1 Jul 14 – 30 Jun 15				
	DBP \$'000	UE \$'000	MG \$'000	DFT \$'000	Total \$'000	DBP \$'000	UE \$'000	MG \$'000	DFT \$'000	Total \$'000
Proportionate earnings	98,037	111,465	66,426	–	275,929	97,908	67,549	43,767	–	209,224
Exclude non-controlled assets	(98,037)	(111,465)	(66,426)	–	(275,929)	(97,908)	(67,549)	(43,767)	–	(209,224)
Corporate expenses	–	–	–	(5,300)	(5,300)	–	–	–	(7,233)	(7,233)
Proportionate EBITDA				(5,300)	(5,300)					(7,233)
Project related expenses	–	–	–	(36)	(36)	–	–	–	(6)	(6)
Equity accounted profits	–	–	–	–	–	–	–	–	(37,800)	(37,800)
Consolidated EBITDA				(5,336)	(5,336)					(45,039)
Interest income	–	–	–	250,680	250,680	–	–	–	148,413	148,413
Finance costs	–	–	–	(9,609)	(9,609)	–	–	–	–	–
Profit before income tax				235,735	235,735					103,373

DIHL Group

Proportionate Earnings for each of DBP, DDG, EDL, UE and MG is set out on page 41.

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

	1 Jul 15 – 30 Jun 16				1 Jul 14 – 30 Jun 15			
	DBP \$'000	DDG \$'000	DIHL Group \$'000	Total \$'000	DBP \$'000	DDG \$'000	DIHL Group \$'000	Total \$'000
Proportionate earnings	98,037	32,044	4,696	134,777	97,908	9,960	(1,082)	106,786
Exclude non-controlled assets	(98,037)	–	–	(98,037)	(97,908)	–	–	(97,908)
<i>Adjust for non-IFRS measures</i>								
Net interest expense	–	304	–	304	–	(691)	–	(691)
Proportionate EBITDA	–	32,348	4,696	37,044	–	9,269	(1,082)	8,187
Expenses relating to acquisition of EDL and DBP								
Interest	–	–	(64)	(64)	–	–	(19)	(19)
Equity accounted profits	–	–	14,310	14,310	–	–	5,683	5,683
DDG Project Expenses	–	(3,196)	–	(3,196)	–	–	–	–
Consolidated EBITDA				48,094				13,851
Interest Income	–	205	153	358	–	106	330	436
Finance costs	–	(12,747)	(524)	(13,271)	–	(4,326)	(4,927)	(9,253)
Depreciation and amortisation	–	(10,160)	(97)	(10,257)	–	(2,759)	(90)	(2,849)
Profit before income tax				24,924				2,185

DFL

The chief operating decision maker of DFL reviews the DFL financial information as presented in this report, that is, there is only one operating segment for DFL.

D2. Operating Performance (continued)**D2.5 Income Tax****Income Tax Expense/(Benefit)**

	DFT 1 Jul 15 - 30 Jun 16 \$'000	DIHL Group 1 Jul 15 - 30 Jun 16 \$'000	DFL 1 Jul 15 - 30 Jun 16 \$'000	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
Income tax expense/(credit)						
Income tax expense comprises:						
– Current tax	–	–	14	–	–	–
– Deferred tax	–	(12,169)	–	–	1,568	–
– Under provision from prior year	–	–	–	–	–	–
– Contribution to head company's tax position	–	–	–	–	–	–
Total income tax expense/(credit)	–	(12,169)	14	–	1,568	–
Tax reconciliation to income tax expense						
Profit/(loss) before income tax expense	235,735	24,924	184	103,373	2,185	67
Tax expense/(benefit) at 30%	70,721	7,477	55	31,012	656	20
Share of net profit of associates	–	(4,682)	–	11,340	1,705	–
Recognition of previously unrecognised tax losses	–	(10,338)	–	–	(792)	–
Tax effect of operating results of Australian Trusts	(70,721)	–	–	(42,352)	–	–
Tax losses not previously recognised, recouped during the year	–	(4,626)	–	–	–	–
Non deductible expenses	–	–	–	–	(1)	–
Sundry items	–	–	(41)	–	–	(20)
Total income tax expense	–	(12,169)	14	–	1,568	–
Deferred income tax (revenue)/expense included in income tax expense comprises:						
– Decrease/(increase) in deferred tax assets	–	(10,315)	–	–	581	–
– Increase/(decrease) in deferred tax liabilities	–	(1,854)	–	–	987	–
	–	(12,169)	–	–	1,568	–
Amounts recognised directly in equity						
Net deferred tax – (credited)/debited directly to equity on revaluation of cash flow hedges	–	–	–	–	–	–
	–	–	–	–	–	–
Tax losses						
Unused tax losses for which no deferred tax asset has been recognised	2,831	25,342	–	900	31,497	–
Potential tax benefit @ 30%	849	7,603	–	270	9,449	–

D2. Operating Performance (continued)

D2.5 Income Tax (continued)

Assets and Liabilities

	Assets		Liabilities	
	DIHL Group 30 Jun 16 \$'000	DIHL Group 30 Jun 15 \$'000	DIHL Group 30 Jun 16 \$'000	DIHL Group 30 Jun 15 \$'000
The balance comprises temporary difference attributable to:				
Amounts recognised in profit or loss				
Other provisions	343	59	-	-
Property, plant and equipment	-	-	(3,841)	(366)
Construction work in progress	4,523	-	-	(3,022)
Decommissioning Provision	403	376	-	-
Deferred income	69	1,099	-	-
Other	2,918	-	-	-
Tax losses*	5,900	-	-	-
	14,156	1,534	(3,841)	(3,388)
Equity raising costs recognised directly in equity	1,539	-	-	-
Set – off deferred tax liabilities pursuant to set off provisions	(3,841)	(1,534)	3,841	1,534
Net deferred tax assets	11,854	-	-	(1,854)
Movements:				
Opening balance at 1 July	-	582	(1,854)	(867)
Credited/(charged) to Income Statement	10,315	(582)	1,854	(987)
Credited/(charged) to equity	1,539	-	-	-
Closing balance 30 June	11,854	-	-	(1,854)
Deferred tax assets to be recovered after more than 12 months	11,854	-	-	(1,854)
	11,854	-	-	(1,854)

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

No deferred tax assets or liabilities were recognised in DFT or DFL as at 30 June 2016 or 30 June 2015.

D2.6 Cash and Cash Equivalents and Related Cash Flow

(i) Reconciliation of Cash and Cash Equivalents

	DFT 1 Jul 15 - 30 Jun 16 \$'000	DIHL Group 1 Jul 15 - 30 Jun 16 \$'000	DFL 1 Jul 15 - 30 Jun 16 \$'000	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
Cash at bank	130,649	16,713	3,307	654	8,217	2,604
Cash on deposits	-	-	-	-	-	-
	130,649	16,713	3,307	654	8,217	2,604

(ii) Reconciliation of Net Result from Ordinary Activities After Income Tax to Net Cash Flows from Operating Activities

	DFT 1 Jul 15 - 30 Jun 16 \$'000	DIHL Group 1 Jul 15 - 30 Jun 16 \$'000	DFL 1 Jul 15 - 30 Jun 16 \$'000	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
Net result from ordinary activities after income tax	235,735	37,093	170	103,371	618	67
Depreciation and amortisation	-	10,257	-	-	2,849	-
Deferred borrowing costs	-	566	-	-	10,947	-
Borrowing costs paid	(3,302)	13,271	-	-	9,253	-
Foreign exchange	-	-	-	-	(59)	-
Other	115	(10,703)	(243)	176	1,804	-
Share of associates losses/(profits) not received as Dividends	-	12,813	-	37,800	17,436	-
Change in assets and liabilities:						
Decrease/(increase) in receivable	(60)	675	1	(5)	(1,349)	(3)
(Increase)/decrease in deferred tax asset	-	(14,257)	-	-	582	-
Decrease/(increase) in other operating assets	(1,164)	(7,869)	52	-	(1,924)	20
Increase/(decrease) in payables and accruals	2,343	10,893	14	6,479	(12,379)	14
(Decrease)/increase in deferred tax liability	-	(1,854)	-	-	987	-
Increase/(decrease) in other provisions	-	981	-	-	(1,900)	-
Net cash inflow from operating activities	233,667	51,866	(6)	147,821	26,865	98

D3. Capital and Debt

D3.1 Interest Bearing Liabilities

	DFT 1 Jul 15 - 30 Jun 16 \$'000	DIHL Group 1 Jul 15 - 30 Jun 16 \$'000	DFL 1 Jul 15 - 30 Jun 16 \$'000	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
Current						
Unsecured						
Bank loans	-	-	-	-	8,500	-
Borrowings from related parties	-	-	-	-	-	-
Total current interest bearing liabilities	-	-	-	-	8,500	-
Non-current						
Unsecured						
Borrowings from related parties	12,736	140,000	-	-	180,421	-
Bank loans	-	15,000	-	-	-	-
Capitalised borrowing transaction costs	-	(707)	-	-	(300)	-
Total non current interest bearing liabilities	12,736	154,293	-	-	180,121	-
Total interest bearing liabilities	12,736	154,293	-	-	188,621	-

Financing Arrangements

At balance date, the following entities had access to the following undrawn lines of internal credit:

	30 Jun 16 \$'000	30 Jun 15 \$'000
DIHL		
Related party loan - DFT	-	39,666
Related party loan - DUECo	60,000	48,272
	60,000	87,938

Assets Pledged as Security

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

	DFT 1 Jul 15 - 30 Jun 16 \$'000	DIHL Group 1 Jul 15 - 30 Jun 16 \$'000	DFL 1 Jul 15 - 30 Jun 16 \$'000	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
Current						
Cash and cash equivalents	-	7,227	-	-	6,680	-
Receivables	-	13,585	-	-	3,349	-
Other	-	7,884	-	-	4,704	-
Total current assets pledged as security	-	28,696	-	-	14,733	-
Non-current						
Property, plant and equipment (DDG)	-	210,769	-	-	226,192	-
Total non-current assets pledged as security	-	210,769	-	-	226,192	-

D3. Capital and Debt (continued)

D3.2 Derivatives, Financial Risk Management and Fair Value Measurement

Market risk

(a) Foreign Currency Risk

As at 30 June 2016 and 30 June 2015, DFT, DIHL Group and DFL did not have a significant exposure to market risk.

(b) Price Risk

As at 30 June 2016 and 30 June 2015, DFT, DIHL Group and DFL did not have a significant exposure to price risk.

(c) Interest Rate Risk

Sensitivity (AUD \$'000) to interest rate movements based on the translation of financial instruments held at the reporting date was as follows:

DFT	30 Jun 16		30 Jun 15	
	Profit	Equity	Profit	Equity
+100 basis points appreciation AUD	(1,306)	-	7	-
-100 basis points depreciation AUD	(1,306)	-	(7)	-

DIHL	30 Jun 16		30 Jun 15	
	Profit	Equity	Profit	Equity
+100 basis points appreciation AUD	167	-	499	-
-100 basis points depreciation AUD	(167)	-	(499)	-

DFL	30 Jun 16		30 Jun 15	
	Profit	Equity	Profit	Equity
+100 basis points appreciation AUD	62	-	67	-
-100 basis points depreciation AUD	(62)	-	(67)	-

(d) Credit Risk

As disclosed in section B3.2, the group has no concentrations of credit risk from operating activities. The group level credit risk policy is applied to the stapled entities, resulting in agreements with financial counterparties who are considered credit worthy. As at 30 June 2016 and 30 June 2015, there are no concentrated credit risks at a stapled entity level.

(e) Liquidity Risk

Entity	Less than 1 year \$'000		1 – 2 years \$'000		2 – 3 years \$'000		3 – 5 years \$'000		Over 5 years \$'000	
	30 Jun 16	30 Jun 15	30 Jun 16	30 Jun 15	30 Jun 16	30 Jun 15	30 Jun 16	30 Jun 15	30 Jun 16	30 Jun 15
DFT - Inter-company loan	-	-	-	-	-	-	-	-	12,736	-
DFT - Payables	105,575	76,026	4,365	-	-	-	-	-	-	-
DIHL - Inter-company loan	12,142	11,499	12,142	11,467	142,674	11,467	-	142,248	5,000	45,362
DIHL - Bank debt	491	315	472	8,579	15,354	-	-	-	-	-
DIHL - Payables	22,633	12,345	-	-	-	-	-	-	-	-
DFL - Payables	47	34	-	-	-	-	-	-	-	-

(f) Fair Valuation Estimation

DIHL Group has interest bearing liabilities with a carrying amount of \$154.3 million (2015: \$188.6 million) which approximates its fair value. DFL does not hold any financial instruments. DFT has non-current receivables with a carrying amount of \$2,427.5 million (2015: \$1,493 million) which approximates its fair value.

D3. Capital and Debt (continued)

D3.3 Working Capital

Working capital balances are as disclosed on the Statement of Financial Position. Balances within receivables do not contain impaired assets and are not past due. It is expected these amounts will be received when due.

D3.4 Contributed Equity

Ordinary Equity

	DFT 1 Jul 15 - 30 Jun 16 \$'000	DIHL Group 1 Jul 15 - 30 Jun 16 \$'000	DFL 1 Jul 15 - 30 Jun 16 \$'000	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
On issue at the beginning of the year	1,778,900	345,983	7,061	1,565,843	285,495	6,154
Equity issued during the period, net of costs and deferred tax	989,554	273,243	4,247	200,960	57,045	856
DRP during the period	-	-	-	12,097	3,443	51
On issue at the end of the year	2,768,454	619,226	11,308	1,778,900	345,983	7,061

(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 securityholders, subject to any voting restrictions imposed on a securityholder under the Corporations Act 2001 and the Listing Rules. On a show of hands, every securityholder present in person or by proxy has one vote. On a poll, every securityholder 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.

D4. Distribution and Generation Assets

D4.1 Property, Plant and Equipment

2016	Plant and equipment	In the course of construction	Fixtures and fittings	Land and buildings	Total
DIHL Group \$'000					
Cost	219,508	3,761	933	418	224,620
Accumulated depreciation and impairment	(12,919)	-	(187)	-	(13,106)
Carrying amount at 30 June 2016	206,589	3,761	746	418	211,514
2015	Plant and equipment	In the course of construction	Fixtures and fittings	Land and buildings	Total
DIHL Group \$'000					
Cost	217,275	11,889	959	239	230,362
Accumulated depreciation and impairment	(3,212)	-	(150)	-	(3,362)
Carrying amount at 30 June 2015	214,063	11,889	809	239	227,000

No property, plant and equipment was held or acquired in DFT and DFL as at 30 June 2016 or 30 June 2015.

D5. Items not Recognised

D5.1 Commitments for Expenditure

DFL, DIHL Group and DFT had no material commitments for expenditure as at 30 June 2016 or 30 June 2015.

D5.2 Contingent Liabilities

DFL, DIHL Group and DFT had no material contingent liabilities at 30 June 2016 or 30 June 2015.

D6. Other Disclosures

D6.1 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 %	DFT 30 Jun 16 \$'000	DIHL Group 30 Jun 16 \$'000	DFT 30 Jun 15 \$'000	DIHL Group 30 Jun 15 \$'000
DBNGP Trust	21% & 40%	–	331,262	–	163,044

At 30 June 2016, DFT indirectly holds 21% and DIHL holds 40% (2015: 20%) of DBNGP Trust. DBNGP Trust has a year end of 30 June.

DFL has no investments in associates.

Investments Accounted for Using the Equity Method

	DFT 1 Jul 15 - 30 Jun 16 \$'000	DIHL Group 1 Jul 15 - 30 Jun 16 \$'000	DFT 1 Jul 14 - 30 Jun 15 \$'000	DIHL Group 1 Jul 14 - 30 Jun 15 \$'000
Movements in carrying amounts				
Carrying amount at the beginning of the year	–	163,044	–	145,779
Share of associates' net profits/(losses)	–	14,310	–	5,680
Dividends received from associates	–	(27,123)	–	(23,118)
Acquisition	–	205,000	–	36,000
Disposal	–	–	–	–
Reserve movements	–	(23,969)	–	(1,297)
Carrying amount of investment in associates at the end of the year	–	331,262	–	163,044
Results attributable to associates				
Profits/(losses) before income tax	–	80,544	–	41,440
Income tax expense	–	(25,231)	–	(13,025)
Profits/(losses) after income tax	–	55,313	–	28,415
Summary of performance and financial positions of associates				
The aggregate profits, assets and liabilities of associates are:				
– Revenues	–	397,857	–	417,156
Profits/(losses) from ordinary activities after income tax expense	–	55,313	–	28,415
Other Comprehensive Income	–	(22,189)	–	(6,498)
Total Comprehensive Income	–	33,124	–	21,917
– Current assets as at 30 June	–	69,265	–	68,597
– Non-current assets as at 30 June	–	3,567,993	–	3,588,575
– Assets as at 30 June	–	3,637,258	–	3,657,172
– Current liabilities as at 30 June	–	(617,298)	–	(703,345)
– Non-current liabilities as at 30 June	–	(2,398,569)	–	(2,278,390)
– Liabilities as at 30 June	–	(3,015,867)	–	(2,981,735)

Shares of Associates' Contingencies

As at 30 June 2016, DFT, and DIHL Group associates have no material contingent liabilities.

D6. Other Disclosures (continued)**D6.1 Investments in Associates (continued)****Investments in Associates – Equity Method Discontinued**

	DFT 1 Jul 15 - 30 Jun 16 \$'000	DIHL Group 1 Jul 15 - 30 Jun 16 \$'000	DFT 1 Jul 14 - 30 Jun 15 \$'000	DIHL Group 1 Jul 14 - 30 Jun 15 \$'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)	-
Income tax expense	-	-	-	-
(Loss)/profit after income tax	-	-	(22,684)	-
Summary of performance and financial positions of associates				
The aggregate profits, assets and liabilities of associates are:				
– Revenues	-	-	820	-
Profit/(loss) from ordinary activities after income tax expense	-	-	(64,810)	-
– Assets as at 30 June	-	-	826,264	-
– Liabilities as at 30 June	-	-	(554,611)	-

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

Accounting Policy**Investments in 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.

Investments in 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 B6.2.

D6. Other Disclosures (continued)

D6.2 Parent Entity Information

DIHL (as parent of DIHL Group)	DIHL 30 Jun 16 \$'000	DIHL 30 Jun 15 \$'000
Current assets	9,967	12,915
Total assets	529,107	266,233
Current liabilities	11,562	7,333
Total liabilities	16,862	52,695
Net assets	512,245	213,538
Contributed equity	619,226	345,983
Retained earnings	(125,130)	(174,563)
Capital reserve	-	-
Other reserves	18,148	42,118
Total equity	512,244	213,538
Profit/(loss) of DIHL	(49,434)	5,160
Total comprehensive income/(loss) of DIHL	(49,434)	5,160

DIHL has a net current asset deficiency of \$1.6 million at 30 June 2016. Notwithstanding the net current asset deficiency the financial report has been prepared on a going concern basis as DUET Group's stapled entities had \$304.0 million of cash and short term deposits as at 30 June 2016 and DIHL had available undrawn loan balances of \$60.0 million which it can utilise. Given this, and based on current expectations, the Director's consider that DIHL will have sufficient cash available to meet its liabilities as they fall due.

DIHL has no contingent liabilities as at 30 June 2016.

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

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 31 to 82 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 2016 and of its performance for the year ended on that date; and

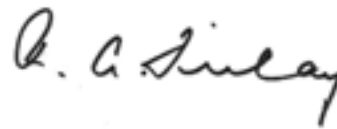
There are reasonable grounds to believe that DUET Group will be able to pay its debts as and when they become due and payable.

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 2016.

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



Doug Halley
Director
Sydney
18 August 2016



Ron Finlay
Director
Sydney
18 August 2016

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 31 to 82 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 2016 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 2016.

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



Jane Harvey
Director
Sydney

18 August 2016



Eric Goodwin
Director
Sydney

18 August 2016

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 31 to 82 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 2016 and of its performance, for the year ended on that date; and

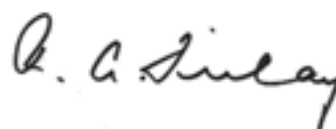
There are reasonable grounds to believe that DIHL Group will be able to pay its debts as and when they become due and payable.

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 2016.

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



Doug Halley
Director
Sydney
18 August 2016



Ron Finlay
Director
Sydney
18 August 2016

Statement by the Directors of DFL

In the opinion of the Directors of DUET Finance Limited (DFL), the Financial Statements set out on pages 31 to 82 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 2016 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 2016.

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



Jane Harvey
Director
Sydney
18 August 2016



Eric Goodwin
Director
Sydney
18 August 2016



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 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2016.

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 B1.4, 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 2016 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 B1.4.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Matthew A. Honey
Partner
Melbourne
18 August 2016



www.duet.net.au

Corporate Directory

DUET Entities

DUET Company Limited
(ABN 93 163 100 061) (DUECo)

DUET Investment Holdings Limited
(ABN 22 120 456 573) (DIHL)

DUET Finance Limited
(ABN 15 108 014 062) (AFSL 269287) (DFL)

in its personal capacity and
as responsible entity of
DUET Finance Trust (ARSN 109 363 135)

Level 15
55 Hunter Street
Sydney NSW 2000

or

GPO Box 5282
Sydney NSW 2001

Telephone
(612) 8224 2701 or
1800 005 049

Facsimile
(612) 8224 2799

Website
www.duet.net.au

Registry

Computershare Investor Services
Pty Limited
GPO Box 2975
Melbourne VIC 3001

or

Level 14
20 Martin Place
Sydney NSW 2000

Telephone
(613) 9415 4189 or
1800 009 874

Facsimile
(613) 9473 2500



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