DUET Group

Financial Report for year ended 30 June 2016

Contents

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
Less: items not included in Consolidated EBITDA		
Net fair value gains on debt and derivative contracts	**(32,909)**	(7,184)
Unrealised foreign exchange movements	**(398)**	–
Interest revenue	**(16,611)**	(9,275)
Revenues and other income from ordinary activities, adjusted	**1,588,288**	1,252,856
Operating expenses	**(651,628)**	(506,318)
Add: items not included in Consolidated EBITDA		
Loss on disposal of assets[1]	**8,409**	8,552
Net fair value loss on debt and derivative contracts	**–**	28,400
Operating expenses, adjusted	**(643,219)**	(469,366)
Equity accounted profits	**1,744**	–
Consolidated EBITDA[1]	**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
Add/(subtract): significant items		
Tax expense arising on implementation of group simplification	**–**	7,130
Recognition of temporary differences in deferred tax	**(35,594)**	–
Expenses relating to the acquisition of EDL and DBP	**44,551**	3,054
Loss on disposal of assets	**8,409**	8,552
Net fair value movements on debt and derivative contracts	**(32,909)**	21,216
Tax benefit on expenses relating to the acquisition of EDL and DBP	**(13,365)**	–
Unrealised foreign exchange movements	**(398)**	–
Tax benefit on loss of disposal of assets	**(2,523)**	(2,566)
Tax (benefit)/expense on net fair value movements on debt and derivative contracts[1]	**9,873**	(6,365)
Net profit after income tax excluding significant items[1]	**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 km^2 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 prudency 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 Cullerin Acquisition

On 16 June 2016, EDL executed a share sale agreement with Origin Energy Limited to acquire the 30MW Cullerin 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	
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) and the Association of Mining and Exploration Companies in WA (AMEC). 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.
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 non-executive director of ARC Energy, Merlin Petroleum Limited (Australian oil and gas exploration and production companies), Transfield Services Infrastructure Fund and Clough Limited.
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.

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 Practicing 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	
DUECo	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend
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	
DIHL	Meetings attended	Meetings eligible to attend^	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend
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	
DFL	Meetings attended	Meetings eligible to attend^	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend
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)

Contents

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

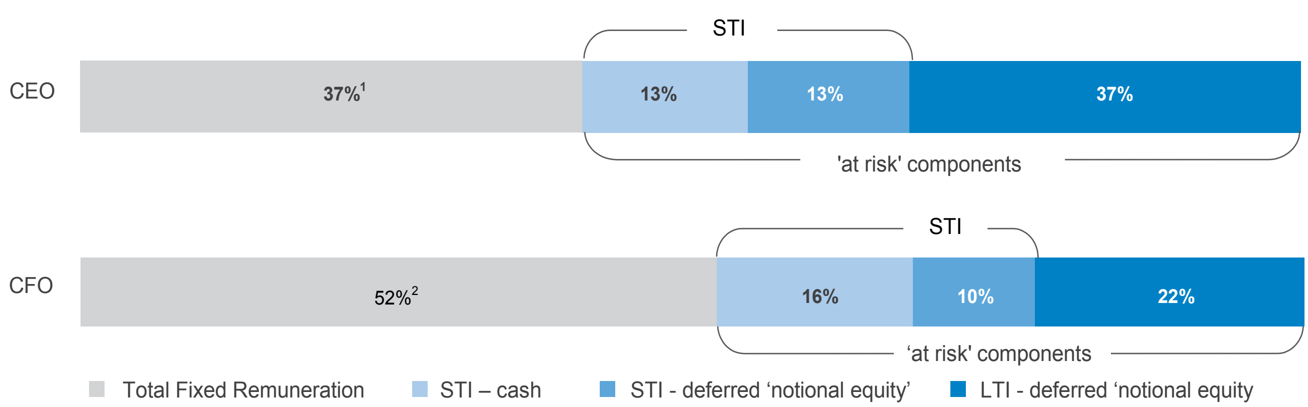
The link between remuneration arrangements and DUET Group's performance is provided by:

- 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	• 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	• 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	The ***STI Performance Measures*** for the relevant financial year are: • **50%** based on hurdles for **financial outcomes**; and • **50%** based on **qualitative** and other performance measures of individual objectives. 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.
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.

1. 50% of notional securities for the TSR hurdles vest at the 51st percentile, up to 100% at the 75th percentile (pro rata vesting in between). The Board reviewed appropriate vesting hurdles and considered these vesting hurdles to be in line with market practice across comparable ASX listed entities.
2. 67% of notional securities for the distribution hurdle vest if the business plan targets are met and up to 100% if the stretch targets are met. The Board reviewed appropriate vesting hurdles and considered these hurdles focussed the Executives on creating securityholder value.
3. 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	**1,000,0000**	*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**

1 The actual cash amount to be paid on the vesting date may be nil if none of the performance hurdles are met. However, the actual cash amount paid at vesting 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.

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

3 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.

4 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%

1 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%

1 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

1 LTI represents accrued expenses amortised over the vesting period of the relevant grant. The expense is based on the actual amount vested on 1 July 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).

2 Non-monetary benefits include salary continuance insurance and professional membership fees paid by DIHL on behalf of the Executive.

3 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

1 FY2016 STI will be paid in FY2017. FY2016 STI includes amounts deferred from FY2013 STI award.

2 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.

3 Other payments relating to post employment restraints paid during the financial year for each Executive.

4 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**

1 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.

2 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	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. 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.

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
Non-executive directors			
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				
	Director Fees $	Super-annuation $	Director Fees $	Super-annuation $	Director Fees $	Super-annuation $	Other Benefits[1] $	Total paid FY2016 $	Total paid FY2015 $
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.

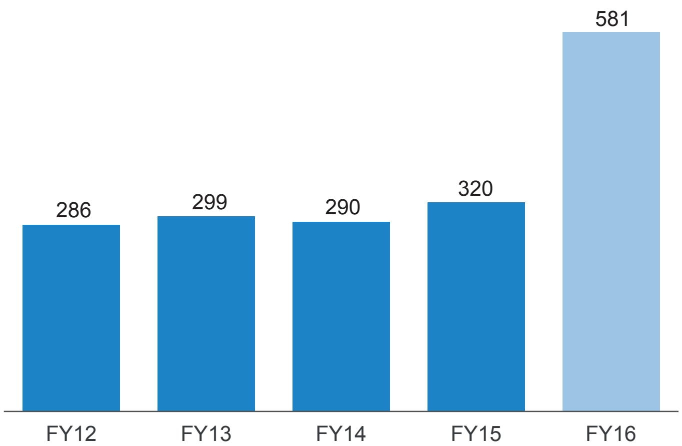
3 Resigned from DIHL/DUECo effective 20 November 2014.

4 Resigned from DIHL/DUECo effective 1 September 2014.

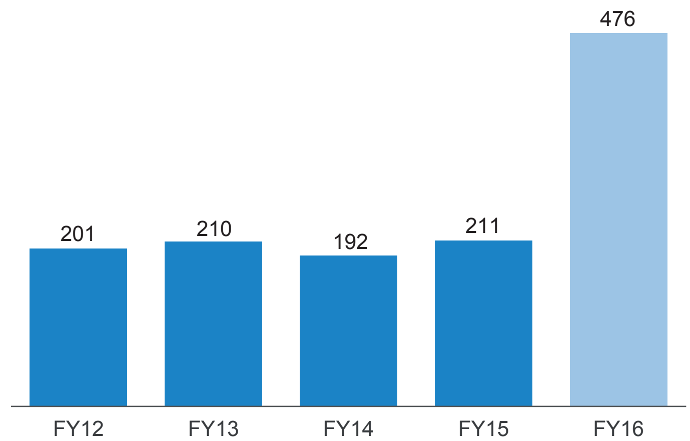
Remuneration Report (audited) (continued)

8. DUET Group performance

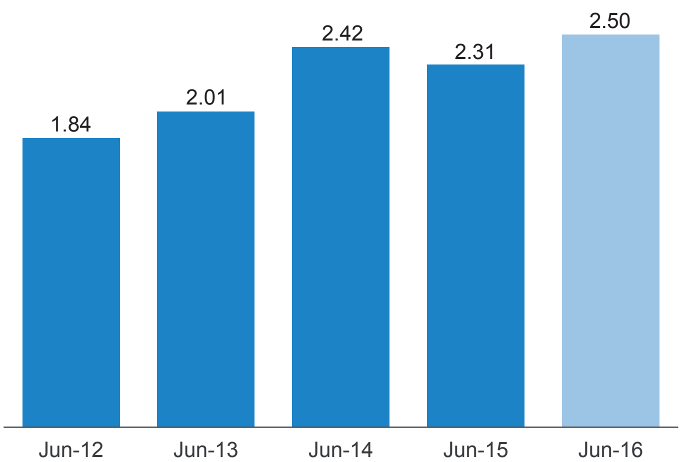
Operating Company Proportionate Adjusted EBITDA less Net Interest Expense ($m)



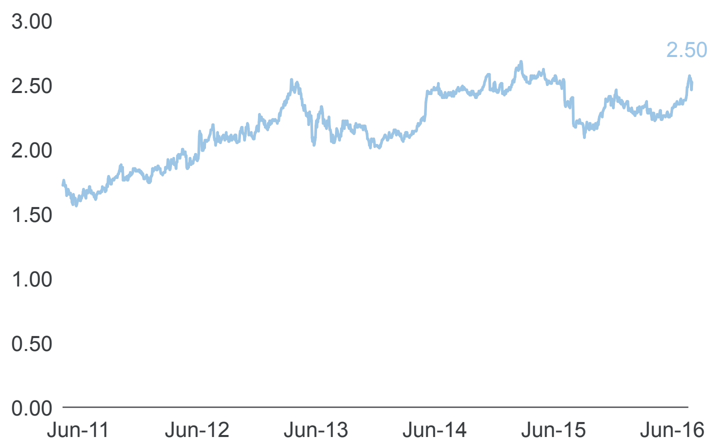
Group Proportionate Earnings ($m)



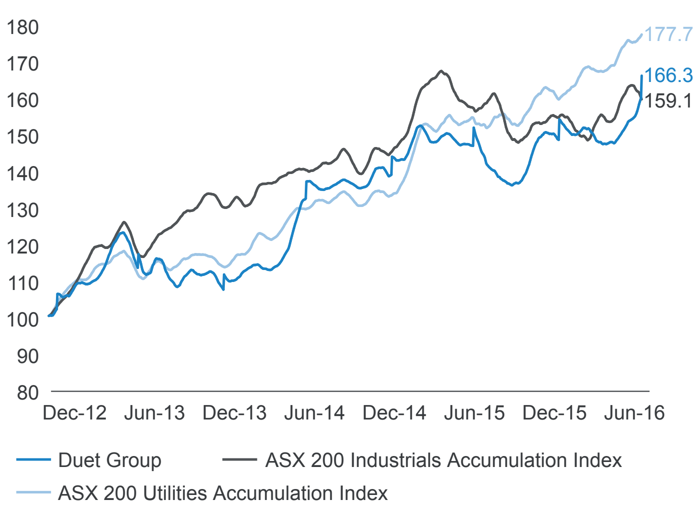
Closing Share Price ($)



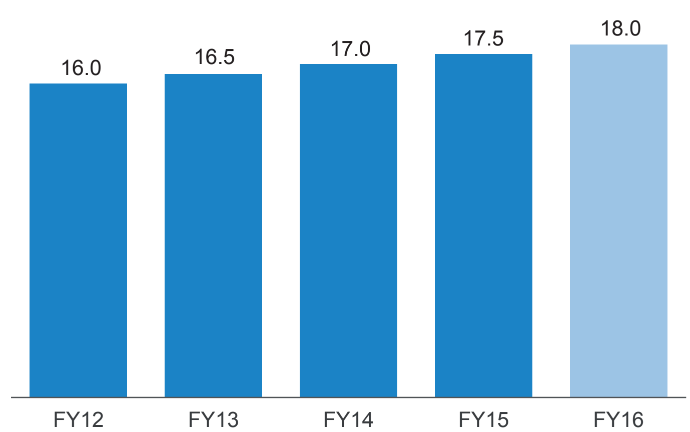
Share Price ($)



Total Shareholder Return (Index)



DPS (cpss)



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

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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.

Ernst & Young

Ernst & Young

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):			
Items that may be reclassified subsequently to profit or loss:			
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)**	–
Items that will never be reclassified to profit or loss:			
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

		Attributable to DUECo Shareholders								
DUET Group	Number of securities issued '000	Contributed equity $'000	Hedging reserve $'000	Capital reserve $'000	Other reserve $'000	Retained profits $'000	Total $'000	DFT, DIHL and DFL as NCI $'000	Other NCI $'000	Total equity $'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	171,449	1,805,027
Profit/(loss) for the year	–	–	–	–	–	(55,956)	(55,956)	104,057	(2,173)	45,928
Other comprehensive income for the year	–	–	1,594	–	2,932	–	4,526	(1,297)	11,268	14,497
Total comprehensive income	–	–	1,594	–	2,932	(55,956)	(51,430)	102,760	9,095	60,425
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	–	410,872
Distribution paid and provided for	–	–	–	–	–	(129,843)	(129,843)	(131,550)	(38,275)	(299,668)
Contributions of equity by NCI	–	–	–	–	–	–	–	–	18,929	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	166,811	1,995,585
Profit/(loss) for the year	–	–	–	–	–	(77,168)	(77,168)	272,998	21,348	217,178
Other comprehensive income for the year	**–**	**–**	**(65,757)**	**–**	**–**	**–**	**(65,757)**	**(24,013)**	**(16,767)**	**(106,537)**
Total comprehensive income	**–**	**–**	**(65,757)**	**–**	**–**	**(77,168)**	**(142,925)**	**248,985**	**4,581**	**110,641**
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**	**–**	**1,878,991**
Distribution paid and provided for	**–**	**–**	**–**	**–**	**–**	**(221,871)**	**(221,871)**	**(206,014)**	**(40,060)**	**(467,945)**
Contributions of equity by NCI	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**89,676**	**89,676**
Reversal of NCI on acquisition of remaining share capital	**–**	**–**	**(15,685)**	**–**	**–**	**–**	**(70,253)**	**(54,568)**	**(125,372)**	**(195,625)**
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**	**3,411,323**

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

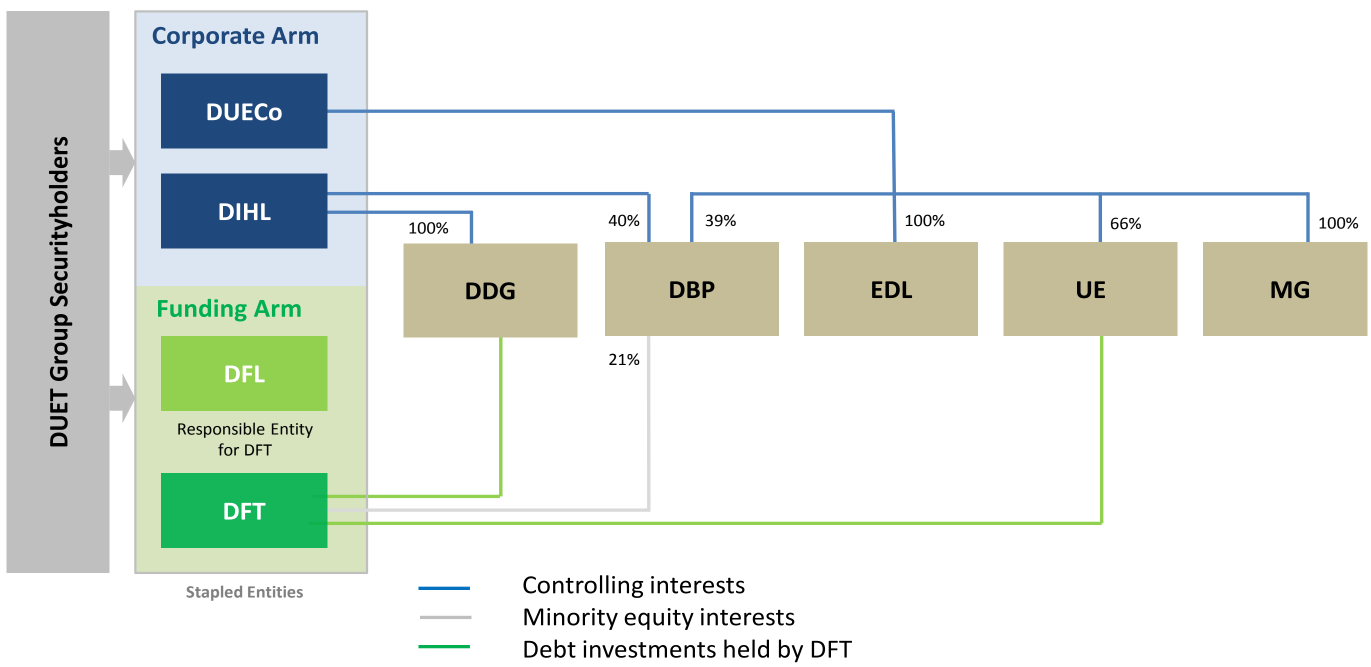
B1. Basis of Preparation and Significant Changes

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 (DUECo), 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 DUECo, 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, DUECo 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

The Directors of the responsible entity of DFT and the Directors of DIHL and DUECo have determined the operating segments based on the reports reviewed by the chief operating decision maker, being the Boards of DUECo, DIHL and DFL.

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. EDL is a new operating segment being reported as a result of DUECo's acquisition of EDL.

Understanding the Segment Results

The operating segments note discloses performance by individual energy utility assets. The information is presented as DUET's proportionate share of earnings ("Proportionate Earnings") as detailed in the DUET Group's Management Information Report.

As this measure is different from the profit or loss as reported in the Statement of Comprehensive Income, a reconciliation of these non-IFRS measures and specific items to the nearest measure prepared in accordance with IFRS is included in the tables below.

Proportionate Earnings

	DBP $'000	DDG $'000	EDL $'000	UE $'000	MG $'000	Total $'000
DUET Group for the 12 months to 30 June 2016						
Revenue	326,535	36,584	442,511	353,020	202,485	1,361,135
Operating expenses	(65,863)	(4,236)	(209,733)	(100,920)	(71,300)	(452,052)
EBITDA	260,672	32,348	232,778	252,100	131,185	909,083
Customer contributions (net of margin)	(3,552)	–	–	(25,999)	(11,259)	(40,810)
Adjusted EBITDA	257,120	32,348	232,778	226,101	119,926	868,273
Net interest expense	(130,025)	(304)	(27,551)	(79,841)	(49,315)	(287,036)
SIB Capex	(29,058)	–	(32,744)	(34,795)	(4,185)	(100,782)
Tax paid	–	–	(4,595)	–	–	(4,595)
Proportionate earnings (excluding Head Office)	98,037	32,044	167,888	111,465	66,426	475,860

Reconciliation of Proportionate Earnings to Profit Before Income Tax

	DBP $'000	DDG $'000	EDL $'000	UE $'000	MG $'000	Head Office $'000	Total $'000
DUET Group for the 12 months to 30 June 2016							
Proportionate earnings	98,037	32,044	167,888	111,465	66,426	472	476,332
Adjust for non-IFRS measures							
Customer contributions	3,552	–	–	25,999	11,259	–	40,810
Net interest expense	130,025	304	27,551	79,841	49,315	(14,545)	272,491
SIB Capex	29,058	–	32,744	34,795	4,185	–	100,782
Tax paid	–	–	4,595	–	–	443	5,038
Proportionate EBITDA							895,453
Additional EBITDA from controlled assets	38,572	–	–	129,870	–	–	168,442
EDL pre-acquisition EBITDA	–	–	(71,079)	–	–	–	(71,079)
Statutory adjustments							
Expenses relating to EDL and DBP acquisitions	–	–	–	–	–	(44,551)	(44,551)
DDG project expenses	–	(3,196)	–	–	–	–	(3,196)
Equity accounted profits	–	–	1,744	–	–	–	1,744
Consolidated EBITDA							946,813
Interest income	251	205	470	893	226	14,566	16,611
Finance costs	(156,764)	(790)	(26,266)	(147,681)	(49,675)	–	(381,176)
Depreciation and amortisation	(74,905)	(10,160)	(115,774)	(145,040)	(47,977)	(97)	(393,953)
Net movements in derivatives	6,752	–	–	24,056	2,101	–	32,909
Unrealised FX gains	260	–	82	56	–	–	398
Net loss on disposal of assets	84	–	–	(4,333)	(4,160)	–	(8,409)
Profit before income tax expense							213,193

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
Adjust for non-IFRS measures						
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
Statutory adjustments						
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

[1]The redeemable preference shares issued by United Energy are deferred cumulative preference shares that are redeemable on the date 20 years from the dates of issue, being 23 July 2003, 21 January 2009, 29 January 2009 and 11 March 2011. Dividends are paid semi-annually or at any time a declaration is made by the Board of Directors of United Energy. The annual coupon rate on the shares is 13.5% and 11.75% per annum.

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

Interest Rate Risk

		Year of maturity					
		2016	**2017**	**2018**	**2019**	**2020 onwards**	**Total**
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**
Movements								
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
Movements								
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**
Movements								
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
Movements							
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

DFT	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	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
Transactions with equity holders in their capacity as equity holders:							
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**
Transactions with equity holders in their capacity as equity holders:							
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	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	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)
Transactions with equity holders in their capacity as equity holders:							
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**
Transactions with equity holders in their capacity as equity holders:							
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	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	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
Transactions with equity holders in their capacity as equity holders:							
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**
Transactions with equity holders in their capacity as equity holders:							
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)
Adjust for non-IFRS measures								
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:

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

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

	30 Jun 16		30 Jun 15	
DFL	**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

	Less than 1 year $'000		1 – 2 years $'000		2 – 3 years $'000		3 – 5 years $'000		Over 5 years $'000	
Entity	**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. Not withstanding 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 liabilites 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

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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.

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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

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
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