

ANNUAL REPORT 2011



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Number of security holders

17,583

Total assets (\$ billion)

8.64

Listed on the ASX

08.04

Average market capitalisation
over FY2011 (\$ billion)

1.513

DUET's objective is to provide stable and predictable distributions for security holders and fund these distributions from operating cash flows

DUET derives a large proportion of its revenue from regulated businesses that produce stable, predictable cash flows

DUET stapled securities comprise one unit in each of DUET1, DUET2 and DUET3, and one share in DIHL

DUET IS AN OWNER OF REGULATED ENERGY UTILITY INFRASTRUCTURE BUSINESSES AND IS LISTED ON THE AUSTRALIAN SECURITIES EXCHANGE

ABOUT DUET*

* As at 30 June 2011.

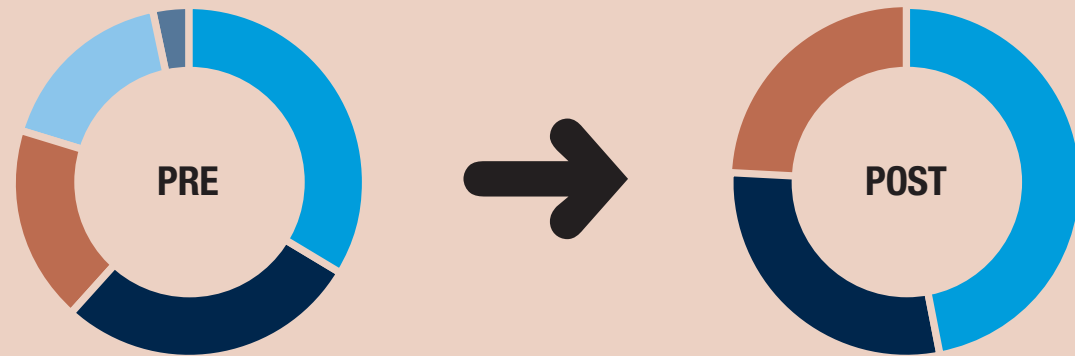
SIMPLIFIED PORTFOLIO

Asset mix based on EBITDA at 30 June 2011

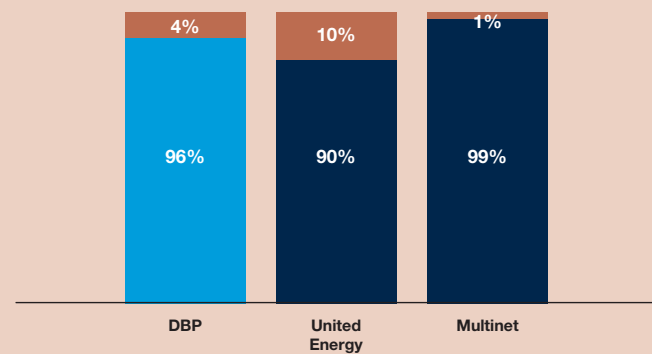
- DBP \$216m 33.7%
- United Energy \$181m 28.2%
- Multinet \$115m 18.0%
- Duquesne \$108m 16.8%
- WAGN \$21m 3.3%

Asset mix based on EBITDA post 30 June 2011¹

- DBP \$288m 47.0%
- United Energy \$181m 29.0%
- Multinet \$144m 24.0%

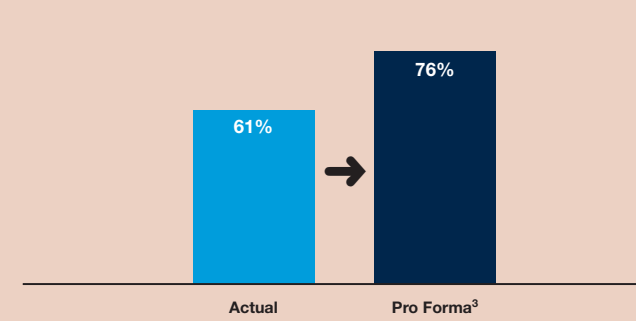


REGULATED/CONTRACTED PROPORTION OF TOTAL REVENUE

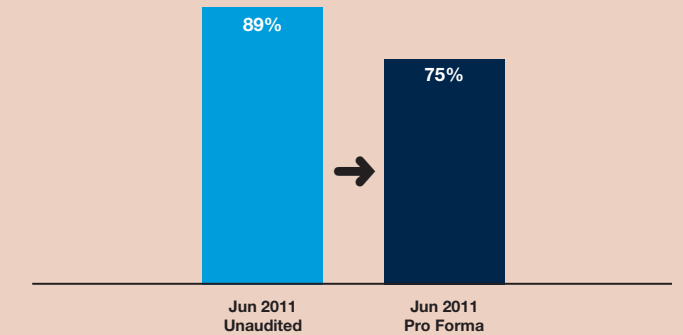


- Contracted
- Regulated
- Other

INCREASED EBITDA MARGIN FY2011 EBITDA² MARGIN

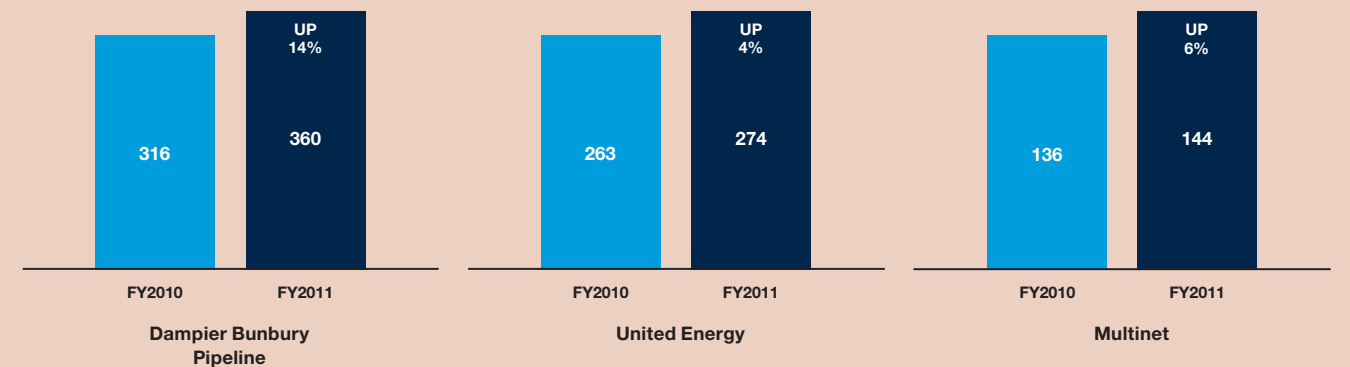


LOWER GEARING (PROP. NET DEBT/RAB³)



PORTFOLIO EBITDA⁴ (STATED IN \$M, 100% INTERESTS)

Australian Asset Portfolio



ABOUT DUET

1 Pro forma asset mix post the sale of DUET's interests in WA Gas Networks and Duquesne Light and increased equity interests acquired in DBP and Multinet.

2 Based on FY2011 proportionate EBITDA.

3 Pro forma post-settlement of the Duquesne sale and the recently completed AET&D/ATCO transaction. June 2011 pro forma refers to June 2011 Group gearing ratio adjusted for the capital raising, AET&D/ATCO transactions, capital initiatives and the settlement of the Duquesne sale.

4 EBITDA excludes the impact of any changes in the fair value of derivatives.

On behalf of the DUET boards, I am pleased to present the DUET annual report for the financial year to 30 June 2011.

The 2011 financial year and the months immediately following year end has been a very active period, with DUET undertaking a number of significant transactions and capital initiatives that have transformed the portfolio, strengthened the capital structure and improved the investment proposition for security holders.

These transactions and initiatives included the acquisition of further interests in the Dampier to Bunbury Pipeline and Multinet, the sale of our minority interest in WA Gas Networks, the successful completion of a fully underwritten \$277 million entitlement offer and, most recently, completion of the sale of our interest in Duquesne Light in the US.

Combined, these initiatives have resulted in a simplified portfolio and strengthened capital structure, providing DUET with greater exposure to its underlying businesses. The DUET portfolio now encompasses majority aggregate interests in three regulated Australian energy utility businesses – 80% of Dampier Bunbury Pipeline, 100% of Multinet and 66% of United Energy.

The sale of Duquesne in the US has also eliminated DUET's foreign exchange rate exposure in relation to its underlying investments, with the sale proceeds also used to significantly reduce the Group's corporate debt balance.

Pleasingly, the entitlement offer was well-supported by both institutional and retail security holders. The proceeds from the offer and the asset transactions will allow DUET to undertake a number of important capital initiatives – including the repayment of all of DUET's corporate level debt and the elimination of the subordinated debt balances in our asset companies.

The capital initiatives have also delivered a significant reduction in DUET's gearing, with the ratio of net debt to regulated asset base reduced from around 89% to approximately 75%, bringing DUET in line with its listed peers in the utilities sector. This will enhance the credit metrics of our underlying businesses, allowing them to access debt markets at better margins in this period of increased volatility.

The year also saw a number of changes to DUET's boards and management team. In February 2011, David Bartholomew was appointed Chief Executive Officer following the retirement of Peter Barry. In addition, Philip Garling stepped down as Chairman and I was appointed to this role. Philip remains a valued member of the DUET boards.

On behalf of the boards and management team, I would like to acknowledge Peter Barry's outstanding contribution to DUET and thank him for his dedication during his seven years as CEO, and to thank Phil Garling for his leadership and service as DUET's previous Chairman.

Importantly, there has been a smooth transition to our new CEO, David Bartholomew. Prior to his appointment as CEO, David was Chief Operating Officer of DUET for five years. He brings to the role an extensive knowledge of DUET's businesses and wealth of experience in the utilities sector.

DUET FY2011 financial performance

DUET's statutory result for FY2011 was \$188.4 million, reflecting an increase of 8% compared to FY2010. Proportionate revenue and EBITDA on a like-for-like basis were both up 7%.

Proportionate earnings of 21.9 cents per stapled security were down 11% as a result of higher maintenance capital expenditure and increased interest expense at our asset companies.

Distributions for financial year 2011 totalled 20 cents per stapled security.

Outlook

Looking ahead, DUET is now well-positioned to focus on its portfolio of Australian energy utility businesses. The simplified portfolio and strengthened capital structure is expected to deliver predictable and growing distributions to investors. Given the regulatory mandate to enhance the United Energy network, a portion of that company's earnings will be retained to fund this accretive growth opportunity.

DUET has provided distribution guidance for FY2012 of 16 cents per stapled security which is expected to be fully covered by forecast operating cash flows. DUET is targeting 3% annual growth in distributions over the medium term.

We thank you for your continued support of DUET.



John Roberts
Chairman

DUET Group

I am pleased to report to security holders that DUET has had another positive year, with our portfolio¹ of majority-owned Australian regulated utility businesses continuing to deliver solid operational performance and strong revenue and EBITDA growth in the year to 30 June 2011.

Our asset companies successfully raised and refinanced over \$1.5 billion during the period. These refinancings reflect the strong appetite of both domestic and offshore lenders for well-managed Australian utilities with strong underlying economics.

A number of significant transactions and capital initiatives have been undertaken in the months since the end of the 2011 financial year. As a result, DUET is now positioned with a simplified portfolio and strengthened capital structure and is well placed to focus on the continued growth of its three majority-owned¹ Australian regulated utility businesses.

I outline below some of the most important milestones achieved at our asset companies this year.

Dampier Bunbury Pipeline

The Dampier Bunbury Pipeline continued to make a strong contribution to DUET's results, with revenues up 10% on the previous year. The Stage 5B expansion, which was completed in April 2010, has already delivered positive results for investors and will continue to drive revenue growth at DBP into FY2012.

The DBP draft regulatory determination published in March 2011 was an important milestone for the business with over \$1.8 billion of expansion capital expenditure rolled into DBP's regulated asset base. DBP is expecting the regulator's final decision to be published in the last quarter of calendar year 2011.

As a result of the transactions completed in July 2011, DUET increased its ownership interest¹ in DBP to 80%. This was an excellent outcome for investors, with the acquisition completed on accretive terms.

United Energy

United Energy had a solid year, with revenue up 9% and EBITDA up 4% due to the increased contribution from the Smart Meter roll out program and the new regulatory pricing introduced in January 2011. The final regulatory determination, published in October 2010, saw UED's regulatory capital expenditure allowance increase by approximately 70% on the previous regulatory period, providing UED with a mandate to grow its regulated asset base. Based on the regulator's final decision, UED's tariffs will increase by CPI plus an average of around 3.5% per annum through to 2015.

UED's smart meter roll-out program is progressing well, with 139,500 meters installed as at 30 June 2011. The program represents a significant further opportunity to invest to grow the regulated asset base of UED.

During the year, UED successfully transitioned key corporate and asset management functions in-house and finalised the operating structure that will see UED introduce a second network operating contractor from January 2012.

In June 2011, DUET and Singapore Power completed the \$150 million recapitalisation of United Energy. The investment was used by United Energy, together with cash reserves, to repay the \$184 million subordinated debt instrument (SOLA) owed to DUET, resulting in reduced gearing and a simplified capital structure for both United Energy and DUET.

Multinet

Multinet's EBITDA was up 6% for the year reflecting its CPI-linked tariff path, strong demand and solid growth in connections. This result was achieved despite the company having to account for three years worth of unaccounted-for gas losses.

Multinet continued its long-term pipe works renewal program to upgrade older parts of the network and has commenced an important program to upgrade its IT systems to better meet market requirements and improve customer service.

WAGN and Duquesne

Since financial year end, DUET has divested its minority interests in WA Gas Networks (WAGN) and Duquesne Light in the US. The sale of both DUET's 25.9% interest in WAGN for \$75.5 million and the \$80 million SOLA subordinated debt due to DUET from WAGN, was completed in July 2011.

In August 2011 DUET received the final remaining regulatory approval for the sale of its interest in Duquesne Light to GIC. Financial settlement occurred in mid September 2011.

Outlook

The 2012 financial year will be an important year for DUET. We will see United Energy transition to its new operating model, and the continuation of UED's network expansion and smart meter roll-out and Multinet's pipeworks renewal programme. These initiatives will provide customers with better service and improved network performance and will grow the Group's regulated asset base. DBP will continue to improve pipeline delivery performance and efficiency in its first full year of operations following the Stage 5B expansion.

The portfolio is now in a strong position to deliver reliable and growing distributions to our security holders.



David Bartholomew
Chief Executive Officer

DUET Group

¹ DUET entities in aggregate hold the majority interests in DBP, UED and Multinet.

\$700_m **THREE**

TRANSACTIONS COMPLETED TO ENHANCE SECURITY HOLDER VALUE

- Acquired further interests in DBP and Multinet
- Sold Duquesne and WAGN minority interests

MAJORITY-OWNED¹ AUSTRALIAN REGULATED UTILITY BUSINESSES

- Dampier Bunbury Pipeline: 80%
- United Energy: 66%
- Multinet: 100%

\$277_m

EQUITY CAPITAL RAISING

- Fully underwritten and institutional component oversubscribed
- Further strengthens and simplifies the Group
- Brings DUET's gearing in line with listed peers

GROWTH

IN DUET'S BUSINESSES

- DBP revenue and EBITDA growth following Stage 5B completion
- UED regulatory growth mandate
- CPI-linked growth in revenues

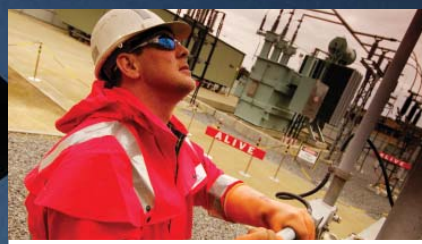
\$2.3_{bn}

DEBT REFINANCED OR REPAYED

- \$1.5bn core portfolio debt raised or refinanced
- \$545m corporate facility refinanced
- \$260m SOLA repaid by UED and DBP

OPERATIONAL CONTROL

- Key functions at UED and Multinet brought in-house
- DBP insourcing in FY2010 delivering results
- Optimisation of DBP pipeline configuration post-Stage 5B



STRONGER AND SIMPLER INVESTMENT PROPOSITION

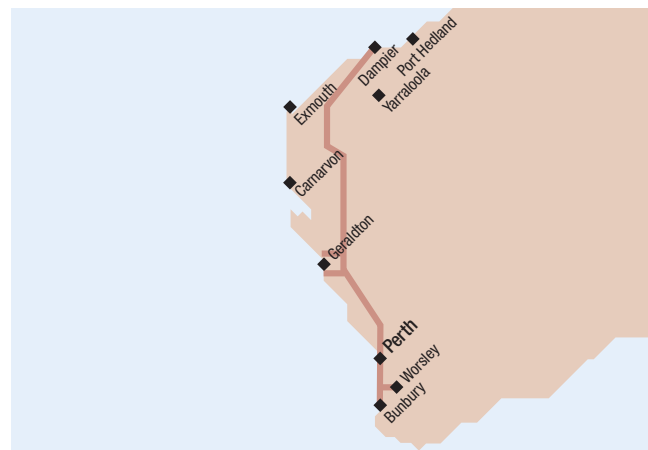
HIGHLIGHTS

¹ DUET entities in aggregate hold the majority interests in DBP, UED and Multinet.

DAMPIER BUNBURY PIPELINE

Snapshot

Interest	60%
Contribution to DUET proportionate EBITDA	33.7%
Revenue (\$ million)	431
EBITDA (\$ million)	360
Regulatory reset date	January 2011 ¹



Asset description

The Dampier Bunbury Natural Gas Pipeline (DBNGP) is Western Australia's principal gas transmission pipeline. It 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. Natural gas supplies approximately 50% of total primary energy consumption in Western Australia.

The group of companies that owns and operates the DBNGP trades under the name of DBP Transmission (DBP). As at 30 June 2011 DUET held a 60% interest in DBP. DUET² has increased its shareholding in DBP to 80% following its acquisition of an additional 20% interest in the business in July 2011.

Key investment attributes

Revenue streams

Almost all of DBP's revenue is derived from contracted gas transportation tariffs, charged to wholesale customers for shipping gas along the pipeline. DBP has entered into standard long-term contracts with the major shippers using the pipeline – other than Alcoa. Under these contracts, more than 80% of the tariff is paid on a capacity reservation (take-or-pay) basis, with the remaining 20% depending on the shipper's actual throughput.

Alcoa, as the foundation shipper, has an evergreen contract with tariff agreements that differ from those of other shippers.

Competitive position

DBP has long-term contracts in place until at least 2019 with all of the shippers on the pipeline, ensuring stable and predictable revenues.

The DBNGP is essential infrastructure with no direct competition from other pipelines or a material risk of bypass by other pipelines and substantial barriers to entry for a competing pipeline to be built. It has an expected remaining useful operating life of over 50 years and has a strong track record of 26 years of reliable operation.

Development and growth potential

Natural gas consumption in Western Australia has increased by 4% per annum over the past 10 years. Known gas reserves in Western Australia's North West Shelf are estimated to be in the order of 117,000 PJ, including proved and probable gas reserves of 21,814 PJ. This is approximately 73% of Australia's known gas reserves. The \$675 million Stage 5B expansion, completed in 2010, increased the firm full haul pipeline capacity by around 110 TJ/day to a total of 845TJ/day of firm full haul capacity.

Further expansions of the pipeline will be considered as economic growth in the south-west of the state drives demand from gas-fired electricity generators and industrial customers. DBP will only invest in expansion projects on the basis of firm, long-term contractual commitments by shippers.

Key events

Pipeline operations

During the year DBP undertook a review of operations with the intent of enhancing the reliability and efficiency of the pipeline. The work has resulted in new operating protocols to reduce operating costs and enhance the ability of the pipeline and compressor system to respond to changes in demand and supply and thereby improve the reliability of gas supplies to the shippers on the pipeline and to their customers.

Pigging

DBP is currently implementing a scheduled pigging program to clean and inspect the interior of the pipeline. This will give confidence as to the long-term integrity of the pipeline. The program has progressed smoothly, and results to date have confirmed that the pipeline is in very good condition.

Labour market

Growth in the oil and gas sector in Western Australia has resulted in an increasingly competitive labour market, with skills shortages in specialised areas and rising salary expectations. In response to this environment, DBP is developing and implementing ongoing strategies for the recruitment and retention of high quality staff.

Regulation

DBP has long-term gas transportation contracts in place until at least 2019 with all of the major full haul gas shippers on the pipeline. However, it is still a requirement under the Western Australian gas regulatory regime that proposed Access Arrangement revisions are lodged with the Economic Regulatory Authority (ERA) for its approval at least every five years.

The ERA released its draft decision for the Dampier to Bunbury Natural Gas Pipeline in March 2011. The draft decision proposes a 7.6% increase in the reference tariff, escalating annually in line with inflation. The reference tariffs do not apply to the existing gas transportation contracts until 2016 (except Alcoa's contract, to which the reference tariffs will never apply). Importantly, the ERA has rolled in \$1.8 billion of expansion capital expenditure invested by DBP since 2005 into the regulated asset base. The final decision is expected in Q4 2011.

Operational overview

	Year to 30 June 2011	Year to 30 June 2010
Throughput (PJs)		
Full haul	233	240
Part haul	37	33
Back haul	39	45
Total	310	318
Occupational health and safety		
Lost time injuries	3	0
Environmental		
Scope 1 CO ₂ e emissions		355,676 t

	One month to 30 June 2011	One month to 30 June 2010
Contracted capacity (average TJ/day)		
Full haul	835	807
Part haul	214	206
Back haul	147	147
Total	1,196	1,159

FY2011 performance

In the year ended 30 June 2011 DBP reported revenues of \$431 million and EBITDA of \$360 million.

Financial summary

\$ million	Year to 30 June 2011	Year to 30 June 2010
Transmission revenue	405	371
Total revenue	431	392
EBITDA	360	316

Capital management

DBP refinanced a total of over \$1 billion of debt in the six-month period to 31 December 2010 in the domestic bond and bank debt markets.

DBP repaid \$76 million of SOLA subordinated debt to DUET in the year to 30 June 2011, leaving a remaining balance outstanding of \$32 million.

DBP proposes to raise \$200 million from its owners (DUET share: \$160 million) with \$32 million of the proceeds to be applied by DBP to repay the remaining SOLA balance and \$168 million to be used to pay down DBP's most expensive bank debt facility. The investment is subject to receiving all necessary Alcoa approvals.

Credit ratings

Rating levels as at period end were:

S&P	BBB- (stable outlook)
Moody's	Baa3 (stable outlook)

¹ DBP is expecting to receive its final regulatory decision for the 2011–2015 access period in Q4 2011.

² DIHL made the acquisition of 20% of DBP.

UNITED ENERGY

Snapshot

Interest	66%
Contribution to DUET proportionate EBITDA	28.2%
Revenue (\$ million)	404
EBITDA (\$ million)	274
Regulatory reset date	1 January 2016



Asset description

UED's electricity distribution network covers 1,472 km² of south-east Melbourne and the Mornington Peninsula.

The distribution network transports electricity from the high voltage transmission network to residential, commercial and industrial electricity users.

UED's distribution area is largely urban and, although geographically small (about 1% of Victoria's land), serves around 25% of Victoria's population.

As at 30 June 2011 DUET held a 66% interest in UED.

Key investment attributes

Revenue streams

UED's distribution business generates predictable, regulated revenues. Approximately 90% of UED's total revenue is regulated and includes network tariffs charged for the use of UED's distribution network and metering revenue. The tariffs are levied on electricity retailers who pass these costs on to their customers. Growth in network tariff revenue is driven by volume growth and regulated network tariff charges. Other revenue comes from services that UED provides to its customers, such as relocating assets at the request of our customers, extending existing distribution networks, providing public lighting to local council areas, and access charges for the use of electricity distribution poles to telecommunication companies.

The regulatory price determinations, which regulate the majority of these revenues, apply for periods of five years.

Diverse customer base

Energy consumption in UED's distribution area is evenly spread across residential, commercial and industrial users, making UED less vulnerable to variations in energy use in any one of these markets.

Key events

Regulation

In October 2010, the Australian Energy Regulator (AER) released its final decision for the period 2011–2015.

The final decision provides for a price increase of 0.37% above CPI in 2011 and an average increase of 3.7% per annum above CPI in the following four years.

- The initial price increase or Po for 2011 is CPI + 0.37%
- For 2012 the price increase is CPI + 1%; 2013 price increase is CPI + 2%; 2014 price increase of CPI + 6%; 2015 price increase of CPI + 6%
- Allowed gross capital expenditure is approximately 70% higher than the allowance for the 2006–2010 regulatory period.

On 22 November 2010 UED announced that it had appealed several aspects of the AER's final decision. These appeals concern the cost of capital, operational expenditure, S-factor payments and asset values. The outcome of the appeal process is expected in Q4 2011.

The next regulatory reset date for UED's access arrangement is 1 January 2016.

Smart metering

- Advanced Meter Infrastructure (AMI) program

In December 2008 UED commenced the final design and procurement stage for the roll out of approximately 650,000 new smart meters to all customers in UED's service area.

The roll out is expected to be completed by the end of 2013, with a total project cost of \$345 million.

The project involves replacing old-style meters with new smart meters and significantly enhancing UED's information systems to process the increased amount of data.

These smart meters can be read remotely, and allow electricity usage to be recorded in 30-minute intervals. Benefits include the introduction of innovative, more flexible tariff structures to reduce peak power consumption and costs and, potentially, to provide customers with pricing information to enable them to respond to pricing signals and reduce their overall cost of electricity.

Other benefits of smart meters can include rapid detection of outages, enhanced monitoring of quality of supply; detection of meter tampering, remote connection of electricity services, provision of information on network loads; more suitable electricity pricing plans; and a point-in-time display of greenhouse gas emissions. Ultimately, smart meters will become a critical piece of infrastructure supporting UED's 'smart network', providing automated outage detection and management, supporting home and embedded electricity generation from solar, wind and energy storage devices.

As at June 2011 UED had installed approximately 140,000 meters, which amounts to 22% of its meter base. Related computer systems went live in June 2010 and installed AMI meters are now being read remotely.

Transition of operating and corporate functions

During the period UED planned for the transition of its business operating model, on expiry of the fixed price Operating Service Agreement on 30 June 2011. UED has now successfully transitioned key corporate, financial and asset management functions in-house. The transition will provide UED with greater control and transparency over its operations that should result in improved customer service and network performance and allow UED to optimise operating and capital expenditures.

Network operating and field maintenance functions remain outsourced, and contracts were placed with two service providers for the provision of services for five-year periods commencing in January 2012. The new outsourcing arrangements include incentive and penalty arrangements under which the service providers are incentivised to improve efficiency and network performance.

Distribution system augmentation project

To address the growth in peak demand in the region, UED has embarked on a major program to enhance the capacity and reliability of the distribution system. The project has identified distribution transformers and substations that are nearing their capacity limits for replacement with larger units. The program aims to enhance the reliability of supply to UED's customers, particularly during periods of very high demand on hot days.

IT infrastructure renewal

As part of the transition to UED's new business model, a major project has been implemented to secure and enhance UED's information technology infrastructure and bring major systems up to date. The project encompasses the establishment of a new data centre, and segregation and renewal of major IT systems. The project is currently meeting all of its key milestones and budgets and will enhance system reliability and security.

Bushfire prevention

In July 2010, the Victorian Bushfire Royal Commission released its final report. As a result, UED has engaged with the AER and ESV and has adopted a number of initiatives designed to improve the safety and reliability of its network and reduce the potential for fire starts. Programs under way include steel conductor replacement, fitting of vibration dampers, armor rods and spreaders as well as expansion of the scope of vegetation clearance works.

Operational overview

	Year to 30 June 2011	Year to 30 June 2010
Network connections		
Small (residential and unmetered)	579,136	572,658
Medium sized business	55,503	55,342
Commercial and industrial	3,352	3,206
Total connections	637,991	631,206
Electricity load (GWh)		
Small tariff	3,037	3,098
Medium tariff	1,497	1,518
Large tariff	3,537	3,498
Total electricity load	8,071	8,114
Distribution network statistics*		
SAIFI (number of interruptions)	1.0	1.2
MAIFI (number of interruptions)	1.1	1.1
SAIDI (minutes)	117	71
Occupational health and safety		
Lost time injuries	0	2
Environmental		
Scope 1 CO ₂ e emissions		6,603 t

FY2011 performance

In the year ended 30 June 2011 UED reported revenues of \$403 million and EBITDA of \$274 million.

Financial summary

\$ million	Year to 30 June 2011	Year to 30 June 2010
Distribution revenue	303	300
Total revenue	404	370
EBITDA	274	263

Capital management

UED completed a \$500 million bank debt refinancing transaction in April 2011. The facility included a \$260 million capex facility. The new debt facilities, comprising three and seven year tranches totalling \$380 million and \$120 million respectively, will fund growth capital expenditure requirements over the medium term and replace UED's \$450 million facility which matured in June 2011.

In FY2011, UED repaid all of its \$184 million of SOLA subordinated debt owed to DUET.

Credit ratings

Rating levels as at period end were:

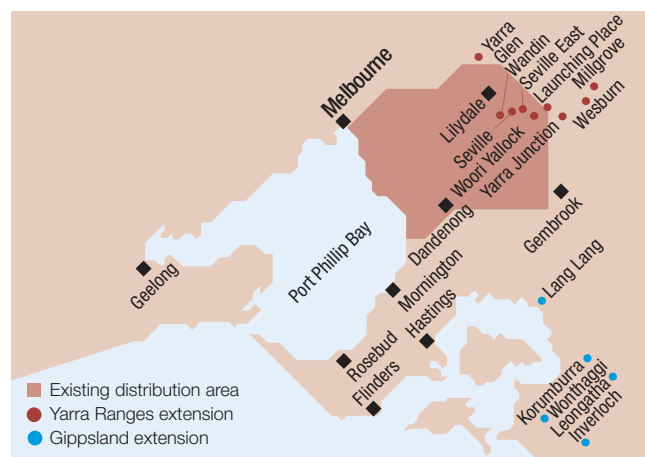
S&P	BBB (stable outlook)
Moody's	Baa2 (stable outlook)

* Does not include Excluded Events as defined by the AER.

MULTINET

Snapshot

Interest	79.9%
Contribution to DUET proportionate EBITDA	18.0%
Revenue (\$ million)	194
EBITDA (\$ million)	144
Regulatory reset date	1 January 2013



Asset description

Multinet is a Victorian gas distribution company with a network covering 1,860 km² of the eastern and south-eastern suburbs of Melbourne and the Yarra Ranges.

As at 30 June 2011 DUET held a 79.9% interest in Multinet. DUET¹ has increased its shareholding in Multinet to 100% following its acquisition of an additional 20.1% interest in the business in July 2011.

Key investment attributes

Revenue streams

Approximately 99% of Multinet's total revenue is regulated and is primarily from distribution tariffs charged to customers for connection to, and use of, Multinet's distribution system.

Growth in distribution revenue is driven by regulated tariff charges and volume growth. Multinet's top 250 gas users collectively account for only around 1% of total distribution revenue. As a result, the potential for a negative impact on revenue from the loss of a major user is very low.

Other revenue comes from the provision of regulated services such as meter reading, mains and services provision, and meter data management.

Multinet's distribution business provides predictable, regulated revenues. The access arrangements, which regulate distribution tariffs, apply for five years. The current regulatory decision provides for the tariffs to be linked to CPI.

The next reset date for Multinet's access arrangement is 1 January 2013.

Established commercial position

Multinet is an established gas distributor within its service area and receives revenues for each energy consumer connected to its distribution network, irrespective of which retailer sells the gas to that customer.

Key events

System enhancement works.

Multinet is undertaking a number of significant capital works programs designed to improve reliability and increase the capacity of the network to meet the growing gas needs of its customers. Current projects include the design and construction of a major new high pressure pipeline at Lilydale and upgrades to key pipeline infrastructure.

Increased rainfall compared to previous years has resulted in an increase in the incidence of water ingress to the network, causing a higher than desirable number of interruptions to customers. As a result, Multinet has initiated de-watering programs in the affected areas and is focussing its pipeworks renewal projects in those areas most at risk of water-related outages.

Multinet is also engaged in major enhancements to its information technology infrastructure and systems to ensure that it is well placed to achieve its reliability and efficiency goals.

Internalisation of services

On the expiry of the current operations and maintenance contract with Jemena in 2013, Multinet is planning to internalise its key management functions, while continuing to outsource its operating functions and network services.

Planning for this transition is well under way. In the interim, with the cooperation of its existing O&M provider, Multinet has brought its corporate and customer services management functions in-house, with the intent of realising early improvements to the business through greater control and transparency of operations.

Operational overview

	Year to 30 June 2011	Year to 30 June 2010
Network connections		
Tariff V residential	653,774	648,648
Tariff V business	16,533	16,537
Tariff D	267	266
Total connections	670,574	665,451
Usage (TJ)		
Tariff V	48,733	43,479
Tariff D	11,897	11,643
Total	60,630	55,122
Occupational health and safety		
Lost time injuries	0	2
Environmental		
Scope 1 CO ₂ e emissions		274,966 t

FY2011 performance

In the year ended 30 June 2011 MGH reported revenues of \$194 million and EBITDA of \$144 million.

Financial summary

\$ million	Year to 30 June 2011	Year to 30 June 2010
Distribution revenue	186	174
Total revenue	194	182
EBITDA	144	136

Capital management

In July 2011, Multinet finalised a two-tranche \$120 million bank debt facility, comprising term debt of \$70 million and a revolving IT growth capital expenditure facility of \$50 million, both over three years. The term debt in this facility extends an existing \$70 million facility while the new growth capex facility secures funding into the next regulatory period.

Multinet intends to repay the remaining SOLA subordinated debt balance of \$112 million owed to DUET by the end of 2011.

Credit ratings

Rating levels as at period end were:

S&P	BBB- (stable outlook)
Moody's	Baa3 (stable outlook)

¹ DIHL made the acquisition of 20% of Multinet.

WA GAS NETWORKS

Snapshot

Interest	25.9%
Contribution to DUET proportionate EBITDA	3.3%
Revenue (\$ million)	141
EBITDA (\$ million)	83
Regulatory reset date	1 January 2011 ¹



Asset description

WA Gas Networks (WAGN) owns, operates and holds distribution licences for four gas distribution systems in Western Australia. These networks supply natural gas to residential, commercial and industrial customers in metropolitan Perth, Geraldton, Bunbury, Busselton and Kalgoorlie-Boulder, and liquefied petroleum gas (LPG) to Albany.

WAGN is the largest distributor of natural gas in Western Australia and services over 600,000 customers, including households and a range of commercial customers. The customers are all supplied gas through its four gas distribution networks. WAGN's networks include approximately 12,856 km of pipelines covering an area of approximately 3,800 km² (including regulated and unregulated networks).

Key events

Sale of WA Gas Networks

In July 2011 DUET sold its 25.9% equity interest in WA Gas Networks for \$75.5 million and sold its SOLA subordinated debt in the business for approximately \$80 million. The sale price represented a 1.20x EV/RAB multiple.

Operational overview

	Year to 30 June 2011	Year to 30 June 2010
Network connections	645,411	627, 205
Usage (TJ)	27,214	27, 880

Occupational health and safety

	Year to 30 June 2011	Year to 30 June 2010
Lost time injuries	0	2

FY2011 performance

In the year ended 30 June 2011 WAGN reported revenues of \$141 million and EBITDA of \$83 million.

Financial summary

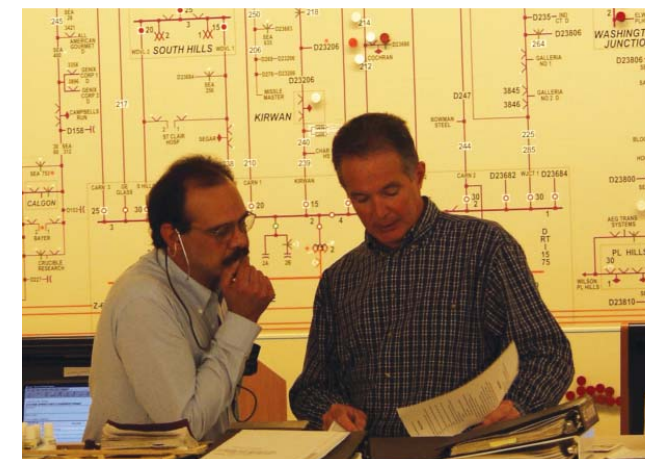
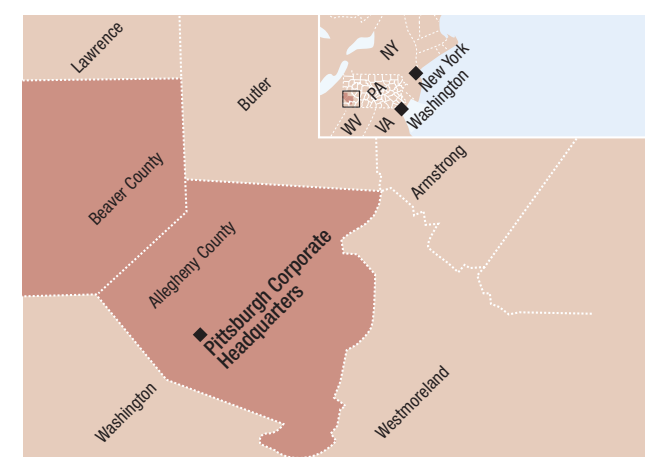
\$ million	Year to 30 June 2011	Year to 30 June 2010
Distribution revenue	133	137
Total revenue	141	143
EBITDA	83	95

¹ WAGN has appealed its final regulatory decision, the outcome of the appeal is expected in Q4 2011.

DUQUESNE LIGHT

Snapshot

Interest	29%
Contribution to DUET proportionate EBITDA	16.8%
Revenue (US\$ million)	1,174
EBITDA (US\$ million)	370
Regulatory reset date	N/A



Asset description

Duquesne Light is an electricity utility based in Pennsylvania, United States. Duquesne Light comprises a core regulated electricity distribution and transmission business, along with several affiliated unregulated businesses.

In addition to providing distribution and transmission networks, Duquesne Light has a statutory obligation to supply electricity to customers as the Provider of Last Resort (PoLR) within its network area. Duquesne Light PoLR business is regulated by the state-based Pennsylvania Public Utility Commission (PaPUC). In addition, Duquesne Light has an unregulated business selling electricity to large commercial and industrial customers in Duquesne Light's service territory.

Key events

Sale of Duquesne Light

In September 2010 DUET announced that it had sold its investment in Duquesne Light, subject to receiving certain regulatory approvals.

Financial settlement of the sale occurred in September 2011.

Operational overview

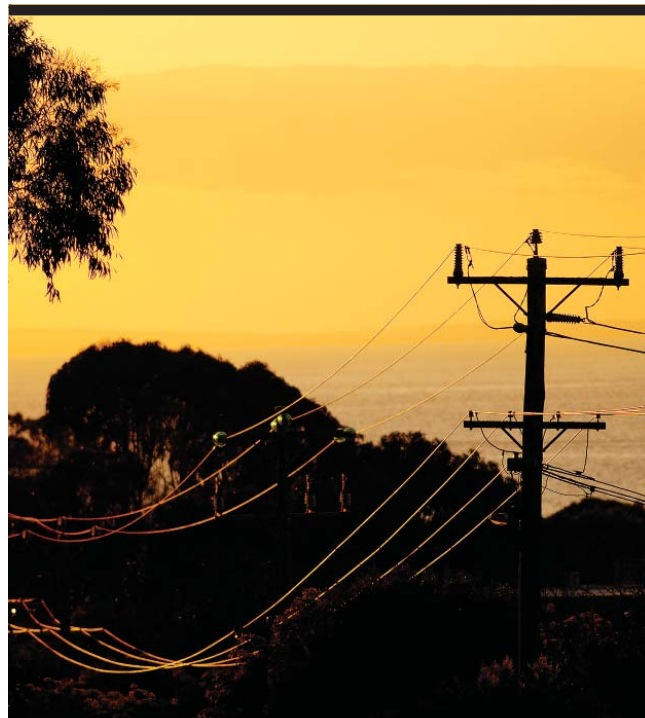
	Year to 30 June 2011	Year to 30 June 2010
System sales ('000s MWhs)		
Residential	4,332	4,031
Commercial and lighting	6,742	6,645
Industrial	3,026	2,748
Total sales	14,100	13,424
Occupational health and safety		
Lost time injuries	14	14

FY2011 performance

In the year ended 30 June 2011 Duquesne Light reported revenues of US\$1,174 million and EBITDA of US\$370 million.

Financial summary

US\$ million	Year to 30 June 2011	Year to 30 June 2010
Total revenue	1,174	1,130
EBITDA	370	350



DUET believes that many social, environmental and economic benefits arise from responsible private sector development and the operation of high-quality infrastructure. DUET is also aware that with these benefits lies the potential for risk, including environmental and social responsibility (ESR) risk.

DUET's approach to ESR management is set out in its board policies. These policies form part of DUET's overarching risk management framework in accordance with principle 7 of its corporate governance statement.

It is DUET's policy to ensure that it and each of its assets are in compliance with the relevant regulatory frameworks and meet or exceed the minimum standards required of it. DUET's environmental and social responsibilities are managed throughout the investment process as follows:

Asset selection – environmental and social responsibilities are reviewed as part of the acquisition due diligence process.

Ongoing asset management – regular asset board reporting enables compliance with environmental requirements to be monitored, and environmental and social responsibility issues to be identified.

Stakeholder reporting – policies, social and environmental initiatives and compliance performance are reported internally and, where appropriate, externally.

In this section we provide details of DUET's environmental and social responsibilities and initiatives undertaken during FY2011. DUET's governance responsibilities and policies are covered in pages 18 to 32.

ESR-related regulatory requirements

DUET is not aware of any material breaches of relevant environmental or social responsibility related regulatory standards by its assets during the year ended 30 June 2011.

ESR-related initiatives at DUET assets during FY2011

Environmental management system
All of DUET's Australian asset company operations are managed under an environmental management system externally certified to ISO 14001, either directly or through the various operating contracts with their service providers.



ENVIRONMENTAL AND SOCIAL RESPONSIBILITY MANAGEMENT

National greenhouse emissions reporting

The federal government has introduced the National Greenhouse and Energy Reporting System (NGERS), a mandatory corporate reporting system for greenhouse gas emissions, energy consumption and production. All of DUET's Australian asset companies have implemented measurement and reporting systems and have submitted reports in compliance with the NGERS requirements. Details of emissions by DUET's majority-owned¹ asset companies (UED, MGH and DBP) are published on the Department of Climate Change website.

Occupational health and safety

All of DUET's asset companies enforce comprehensive occupational health and safety policies with their workforce and contractors.

Over recent years DBP, Multinet and UED have undertaken major audits of their safety systems and practices leading to the design and implementation of new safety programs. Duquesne has now undertaken an external audit of its occupational health and safety systems. Key areas targeted for improvement include safety management structure, performance management and key safety competencies.

All of DUET's Australian assets now embrace a vision of 'zero harm' in their OHS&E policies and practices.

DBNGP

Contributing to state development and energy needs

DBP continued with its program of expanding the capacity of the DBNGP to meet increased demand and to maintain a history of reliable natural gas supply to customers using the pipeline.

In April 2010 DBP announced the practical completion of its third major expansion of the pipeline over the last five years.

Consistent with prior expansion projects undertaken since 2005, the Stage 5B expansion project has also created significant regional development opportunities for Western Australia, including employment and supporting economic growth. Many major industrial companies rely on the pipeline to supply their energy needs, either directly or through electricity generated by gas-fired power stations. These users are fuelling the state's economic growth. Without a reliable supply of natural gas this economic growth would not be possible.

UED

Smart meters

UED is rolling out its Smart Meter project, which will see 650,000 homes and businesses in Melbourne and the Mornington Peninsula receive a new smart meter to help manage electricity consumption.

Customers will be connected to a 'smart' metering network which will allow them to better monitor and manage their energy use in order to help reduce carbon emissions.

Customers will also benefit from faster and more convenient electricity connection services and the removal of manual and estimated meter reading services, which will be replaced by more timely, accurate and detailed automated meter readings, improving customer service.

As at 30 June 2011 approximately 140,000 smart meters had been installed and were operational.

Multinet

Lilydale Pipeline Project

Multinet has completed the design and is currently implementing the construction of the new Lilydale High Pressure Gas Pipeline. This pipeline is designed to provide additional capacity into critical areas of the network to meet the growing demand. The new pipeline will ensure the reliable supply of gas to customers in the area.

Duquesne Light

Energy conservation

The State of Pennsylvania enacted legislation intended to help residents and businesses save money by reducing energy consumption. Act 129 requires all electricity distribution companies to introduce policies that reduce energy consumption and demand. As at January 2011, Duquesne Light had already achieved savings of over 126,000 MWh in the reporting year.

To accomplish these goals, Duquesne Light has commenced the implementation of a number of programs, including rebates and appliance recycling for residential customers; school and low income programs; commercial, industrial and public agency partnership programs covering lighting, refrigeration, weatherisation and office equipment; and demand response programs. Duquesne Light is on target to meet all of its targets.

Occupational health and safety

Duquesne Light has recently completed an external review of its health and safety and is now preparing to roll out its safety improvement plan based on the findings.

Smart meters

As part of a program to improve transmission and distribution efficiency, Duquesne Light is undertaking a two-phase smart meter plan.

Phase 1 is currently under way and involves the implementation of the base systems and technology infrastructure, followed by the completion of the design of the smart meter network. This work is proceeding to plan with completion forecast for November 2012.

¹ DUET entities in aggregate hold the majority interests in DBP, UED and Multinet.

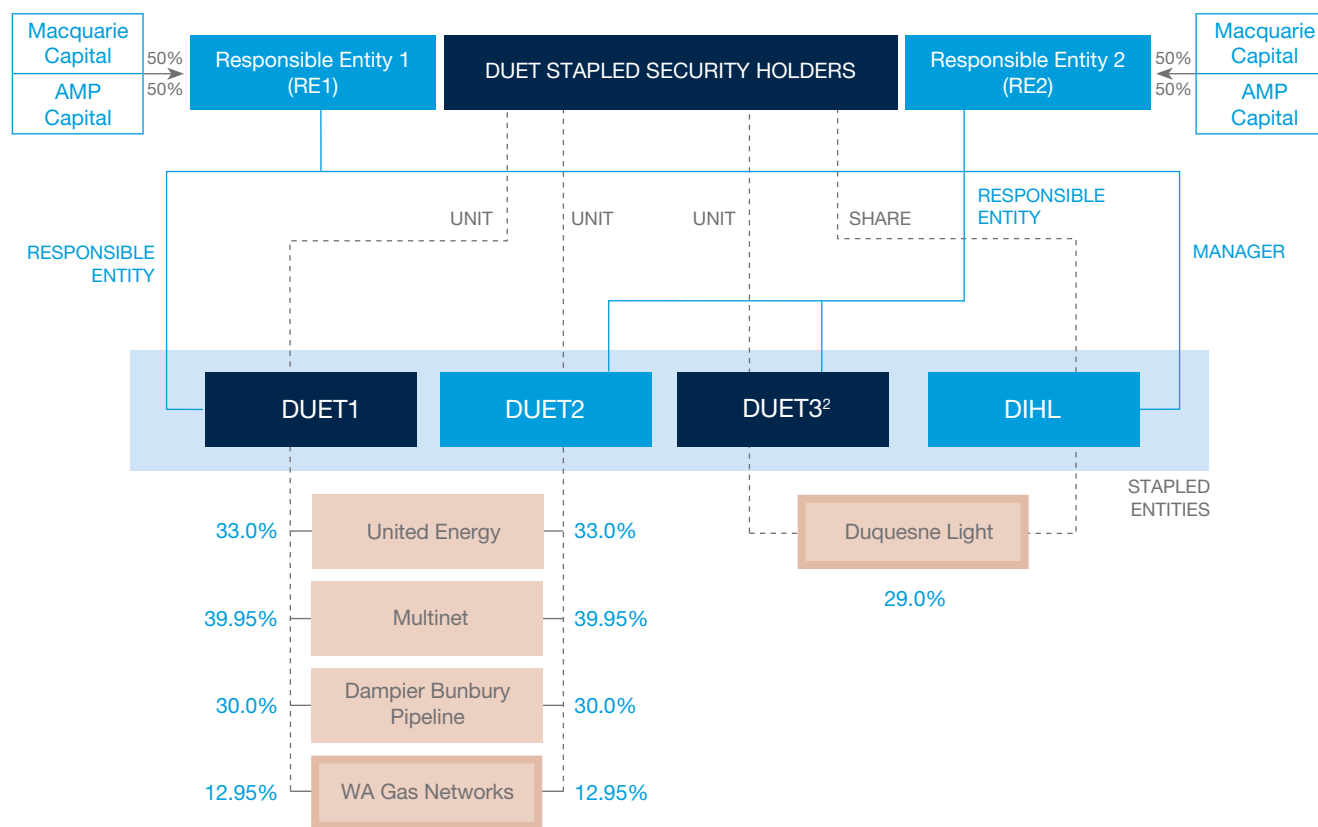
The DUET Group (DUET) is managed jointly by Macquarie Group (Macquarie) and AMP Capital Investors Limited (AMPCI). DUET comprises three Australian trusts – Diversified Utility and Energy Trust No.1 (DUET1), Diversified Utility and Energy Trust No.2 (DUET2) and Diversified Utility and Energy Trust No.3 (DUET3) (collectively, the trusts) and an Australian public company DUET Investment Holdings Limited (DIHL). The securities of the trusts and company are stapled and listed on the ASX and must trade and otherwise be dealt with together.

DUET’s relationship with Macquarie and AMPCI provides DUET with access to Macquarie’s and AMPCI’s expertise in managing funds and their businesses, and sourcing new value-adding opportunities. This is a key attraction for investors who principally seek to harness Macquarie’s and AMPCI’s expertise in sourcing, investing in and managing businesses (made available through the management arrangements), as well as the expertise of appropriately qualified directors.

DUET’s management arrangements are designed to promote consistency of management across all the entities in DUET. DUET’s management arrangements and corporate governance framework are outlined below.

Management arrangements summary

DUET’s structure¹



Divested assets

1 As at 30 June 2011. Since that date DUET has divested its interests in Duquesne Light and WA Gas Networks and has acquired an additional 20.0% interest in DBP and an additional 20.1% interest in Multinet, both held by DIHL.

2 DUET3 holds its investment in Duquesne Light via a promissory note.

The managers, which are owned 50% by AMP Capital Holdings Limited (AMPCH) and 50% by Macquarie Capital Group Limited (MCGL), are AMPCI Macquarie Infrastructure Management No.1 Limited (RE1) for DUET1 and DIHL and AMPCI Macquarie Infrastructure Management No.2 Limited (RE2) for DUET2 and DUET3.

The three trusts are ASIC registered managed investment schemes and their combined trustees/managers, RE1 and RE2, are each known as the responsible entity. RE1’s and RE2’s management roles are defined by the trust constitutions, the Corporations Act and the general law. There is no separate management agreement.

DIHL has a separate Management Services Agreement with RE1 (MSA).

There is a stapling deed in place between all entities and RE1 and RE2 setting out cooperation arrangements for the operation of the stapled structure.

The management arrangements are broadly consistent across the four entities. The following table is a high-level summary of the DUET management arrangements addressing the disclosure recommended in Guidance Note 26 to the ASX Listing Rules. We recommend that you also read the MSA and the trust constitutions available on the DUET website.

Key term	Description	Source documents
Investment mandate	The principal investment policy is to seek to invest in and manage energy utility assets in OECD countries, principally in Australia and New Zealand.	DUET 2004 PDS – section 1.3
	The principal investment policy may be varied from time to time upon giving reasonable notice to security holders.	DUET 2009 Annual Report – page 3 DUET Triple Staple 2006 Information Circular – section 3 DUET Quadruple Staple 2007 Information Circular – section 3 MSA clauses 1 and 3
Services	Company manager	MSA clause 3
	The manager under the terms of the MSA is responsible to the company for: <ul style="list-style-type: none"> – Investment and divestment evaluation and recommendations – Implementation of investment/divestment instructions given by the board – Asset management – Asset valuations – Capital and financial management recommendations – Financial reporting – Board reporting – Investor communications and meetings – General fund administration including company secretarial services (subject to outsourcing of registry services to Computershare Investor Services Pty Limited ABN 48 078 279 277 and trust custodial services to Trust Company Limited ABN 59 004 027 749 and Perpetual Trustee Company Limited ABN 42 000 001 007) – Monitoring of fund operational risk, insurances and compliance – Litigation management – Provision of suitably qualified personnel to perform the CEO and CFO roles for the fund. 	DUET Quadruple Staple 2007 Information Circular – section 10.1.4 Trust constitutions clause 12
	Responsible entity	Corporations Act s601FB, s601FC
Term	No fixed term for the trusts or the company. The term will continue until the manager is removed or retires, or security holders vote to wind up the stapled entities as provided for in the trust constitutions or by law.	Trust constitutions clause 21 MSA clause 11
Extension or renewal	There are no extension or renewal provisions in the MSA.	

CORPORATE GOVERNANCE STATEMENT

Key term	Description	Source documents
Termination	<p>The trusts and company may terminate the appointment of the responsible entities and manager, without cause, by security holder vote. The manager of the company can only be removed if either or both of the responsible entities of DUET1 or DUET2 have been removed.</p> <p>For each trust and the company the resolution must be passed by at least 50% of votes cast at meeting by security holders entitled to vote. Managers and associates may vote their securities on the resolution.</p> <p>The manager of the company can also be removed for cause, being where the manager is in liquidation, ceases to carry on business, lacks the appropriate licence or authorisation or commits a material breach which cannot be remedied.</p> <p>In the case of the trusts, ASIC or a court may replace the responsible entities where there are solvency issues or members are likely to suffer a loss because the responsible entity has breached the Corporations Act.</p> <p>Pursuant to the Corporations Act, the responsible entity of the trust can retire if it first convenes a unitholders' meeting to explain its reason for retirement and to enable unitholders to vote on a resolution to choose a new responsible entity.</p> <p>The manager of the company may resign by giving written notice.</p> <p>Where removal events have occurred in the case of the company, its directors retain discretion as to whether to terminate the manager. As the directors must act in the interest of security holders, it is considered unlikely that they would not terminate the MSA in the situation where security holders have voted to remove the responsible entities and the manager.</p> <p>Base fees and performance fees accrued to the date of termination are payable. There are no other termination fees payable.</p>	<p>Trust constitutions clause 13</p> <p>Corporations Act s601FL, s601FM, s601FN, s601FP, s253E, s915B</p> <p>MSA clause 11</p>
Fees	<p>Base fee</p> <p>Payable quarterly.</p> <p>Base fee = 1% per annum of Net Investment Value.</p> <p>Net Investment Value is the Market Value of DUET securities plus the amount of any fund level external borrowings and firm commitments for future investments less fund level cash or cash equivalents.</p> <p>Market Value is the volume weighted average market capitalisation over the last 20 ASX trading days of each quarter.</p> <p>Performance fee</p> <p>Payable at 30 June and 31 December if earned.</p> <p>Payable in the event that the DUET accumulation index (the Return) outperforms the S&P/ASX 200.</p> <p>Industrials Accumulation Index (the Benchmark Return) for the period having made up for underperformance in previous periods.</p> <p>Performance fee = 20% of the amount (if any) by which the Return exceeds the Benchmark Return for that period. Any underperformance deficit from prior periods must be made up before future performance fees can be earned.</p> <p>The responsible entity and the manager may nominate another person to apply the performance fee in subscription for DUET securities. The price of the DUET securities is the volume weighted average trading price of the DUET securities traded on the ASX during the last 20 ASX trading days of the relevant period.</p> <p>Other services provided by Macquarie and AMP companies</p> <p>Additional market-based fees may be payable for other services, such as financial advisory, underwriting, broking and hedging provided on a transactional basis by Macquarie and AMP companies and as approved under the DUET related party protocol.</p>	<p>Trust constitutions clause 20</p> <p>MSA clause 8</p> <p>Trust constitutions clause 20</p> <p>MSA clause 8</p>

Key term	Description	Source documents
Expenses	<p>The responsible entity and the manager are entitled to be reimbursed for expenses incurred in relation to the proper performance of their duties.</p> <p>Expense reimbursement does not include manager administration costs, such as premises, staff and facilities.</p>	<p>Trust constitutions clause 20</p> <p>Corporations Act s601GA(2)</p> <p>MSA clause 9</p>
Exclusivity	<p>The manager is engaged by the company on an exclusive basis, although the manager itself may act for other parties.</p> <p>The responsible entities may act for other parties with the approval of Macquarie and AMPCH and may outsource their general management responsibilities to other Macquarie or non-Macquarie managers (but remain liable for their actions).</p> <p>Macquarie and AMPCH have agreed to use their best efforts to refer investment opportunities in energy utility assets in Australia and New Zealand which meet DUET's investment mandate to the responsible entities. DUET has no obligation to accept any investment opportunities.</p>	<p>MSA clause 4</p> <p>Trust constitutions clauses 12 and 17</p> <p>Corporations Act s601FB</p> <p>2004 IPO PDS section 8.6</p>
Discretions	<p>The boards of the responsible entity of the trusts make all significant investment/divestment and operational decisions.</p> <p>The manager mandate for the company is non-discretionary. All significant investment/divestment and operational decisions are made by the board of the company based on manager recommendations.</p> <p>The performance of management generally is oversighted by the independent directors on the responsible entity and company boards.</p>	<p>Trust constitutions clause 12</p> <p>MSA clause 4</p>
Related party protocols	<p>The trusts and the company have adopted a detailed related party protocol covering transactions with and services provided by Macquarie and AMP companies and managed vehicles.</p> <p>All related party transactions or services must be on arm's-length terms and approved by the DUET independent directors only. Asset acquisition or sale transactions with related parties for 5% or greater of fund value must generally be supported by an independent valuation.</p> <p>Mandates for the provision of services are subject to third party independent review unless the independent directors determine otherwise on the basis of appropriate market information or practice.</p> <p>Third party independent review is mostly carried out by the corporate advisory divisions of large accounting firms. In the case of the provision of services, the reviewers have regard to market evidence gathered from their own enquiries, including information requested from Macquarie and AMP. For asset sales or acquisitions, the reviewer carries out its own valuation if required.</p> <p>DUET independent directors have put in place a panel of reviewers (which does not include the DUET auditor).</p> <p>Swap and foreign exchange transactions with Macquarie companies solely for hedging purposes are given standing approval if certain conditions are met.</p> <p>Significant volume securities transactions with a Macquarie broker require independent director approval.</p> <p>Fees paid or payable by DUET group entities for related party services are disclosed in the DUET financial statements.</p>	<p>DUET Related Party Policy</p> <p>MSA clause 7</p> <p>Part 5C.7 and Chapter 2E of the Corporations Act which governs related party transactions by trusts and companies</p>

Key term	Description	Source documents
Change of control	<p>DUET co-invests from time to time with other Macquarie companies or managed vehicles. Co-investment arrangements may include pre-emption and tag-along or drag-along rights in favour of each other, including rights which are triggered on removal or change of control of the Macquarie or DUET manager typical of those agreed with third party co-investors.</p> <p>In addition, loan facilities for DUET and its businesses may provide for acceleration of loan payments if DUET is no longer managed by a Macquarie or AMP company.</p> <p>Removal of manager trigger events are typically put in place because counterparties (both equity and debt providers) require ongoing Macquarie and AMP company involvement in the management of the fund or particular businesses.</p> <p>The DUET independent directors obtain separate legal advice as necessary and the arrangements are approved by the independent directors and disclosed to security holders.</p>	
Variation to management arrangements	<p>Any variations adverse to security holders' rights or in respect of changes to fee structures to increase fees would involve trust constitution amendments and therefore effectively require approval by 75% by value of votes cast at a meeting by security holders entitled to vote.</p> <p>There are however no specific requirements in the MSA for variations to the agreement to be approved by security holders but, given the stapled structure, it is unlikely that any changes would result in material inconsistency with the trusts' provisions particularly as regards investment policy, manager termination or fees.</p>	<p>Trust constitutions clause 23</p> <p>Corporations Act s601GC</p>
Director appointment rights	<p>The responsible entities of the trusts have combined director appointment rights for 100% of the board of the company.</p> <p>Macquarie and AMPCH each appoint one director to the board of the responsible entities of the trusts and are each able to nominate one independent director to the board of the responsible entities as they are Macquarie and AMPCH joint venture vehicles. The third independent director on the board of the responsible entities is appointed by the other two independent directors.</p>	

What you can find on our website:

- DUET1 constitution
- DUET2 constitution
- DUET3 constitution
- DIHL constitution
- DIHL Management Services Agreement.

DUET's approach to corporate governance

The DUET boards are committed to DUET's achievement of superior financial performance and long-term prosperity, while meeting stakeholders' expectations of sound corporate governance practices. This statement outlines DUET's main corporate governance practices as at 30 June 2011. Unless otherwise stated they reflect the practices in place throughout the financial year ending on that date.

The DUET boards determine the corporate governance arrangements for DUET. As with all its business activities, DUET is proactive in respect of corporate governance and puts in place those arrangements which it considers are in the best interests of DUET and its investors and consistent with its responsibilities to other stakeholders. It actively reviews Australian and international developments in corporate governance.

In setting the corporate governance framework the DUET boards comply with a policy devised to safeguard the interests of investors. The key elements of the policy are:

- Conflicts of interest arising between DUET and related parties should be managed appropriately and, in particular:
 - Related party transactions should be identified clearly and conducted on arm's-length terms
 - Related party transactions should be tested by reference to whether they meet market standards
 - Decisions about transactions with related parties should be made by parties independent of Macquarie and AMPCH.
- The boards of both the corporate vehicles and the management company/responsible entity of the trusts of listed Macquarie managed vehicles which are stapled groups will comprise at least 50% independent directors and at least one of the boards in each stapled group will have a majority of independents – see Principle 2 below for details of independence criteria.
- Chinese walls operate to separate Macquarie's investment advisory and equity capital markets business from DUET.

ASX Corporate Governance Principles

The ASX Corporate Governance Council (the Council) has Corporate Governance Principles and Recommendations (the Principles) which are designed to maximise corporate performance and accountability in the interests of shareholders and the broader economy. The Principles encompass matters such as board composition, committees and compliance procedures.

The Principles (being those under ASX's 2nd edition of Corporate Governance Principles and Recommendations dated August 2007) can be viewed at www.asx.com.au. The Principles are not prescriptive, however listed entities (including DUET) are required to disclose the extent of their compliance with the Principles, and to explain why they have not adopted a Principle if they consider it inappropriate in their particular circumstances.

DUET's corporate governance statement is in the form of a report against the Principles. DUET's corporate governance policies largely conform to the Principles. Any deviation relates mainly to DUET being an externally managed vehicle. We have noted the differences in our reporting.

Principle 1: Lay solid foundations for management and oversight

Responsibility for corporate governance and the internal working of each DUET entity rests with the board of RE1, RE2 or DIHL, as the case may be. The board of each company has adopted a formal charter of directors' functions and matters to be delegated to management, having regard to the recommendations in the Principles. An outline of the boards' responsibilities in each company's charter is set out below:

- Setting objectives, goals and strategic direction for management, with a view to maximising investor wealth
- Monitoring the implementation of DUET's investment policy
- Approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestures
- Adopting an annual budget for the managed vehicle and monitoring its financial performance
- Consulting with Macquarie and AMPCH on the appointment or, where appropriate, removal of the CEO or CFO or their equivalents
- Participating in the review of the performances of the CEO and CFO or their equivalents and where appropriate replacing those officers
- Appointing and removing the company secretary
- Monitoring senior management's, or in the case of DIHL, RE1's, performance, implementation of strategy, and resources
- Reviewing, ratifying and monitoring systems of risk management, compliance and codes of conduct
- Approving and monitoring financial and other reporting
- Setting the highest business standards and codes for ethical behaviour and monitoring compliance with them.

In addition to the matters outlined above, formal delegations provide for the DUET boards to make all decisions in respect of investments and divestments; approval of directors to be appointed to DUET's asset boards; any further funding or security required for existing investments; managed vehicle level capital management and restructuring; significant related party transactions (in accordance with the related party protocol described at page 21); approval of financial accounts; auditors, budgets for the managed vehicle; distributions, annual reports; and any significant changes to policies or debt facilities. The CEO and CFO have delegated authority (through the external management arrangements and directorships on asset boards) to make decisions in respect of managed vehicle level day-to-day administration up to certain delegated levels; and day-to-day matters for asset administration including appointment of advisers and approvals of asset business plans, budgets, capital expenditure, refinancings, hedging and valuations.

Full board meetings are held at least bi-monthly for RE1, RE2 and DIHL, and other meetings are called as required. Directors are provided with board reports in advance of board meetings, which contain sufficient information to enable informed discussion of all agenda items.

Each independent/non-executive director of RE1, RE2 and DIHL has received a letter of appointment which details the key terms of their appointment. This letter has been enhanced for the more recent board appointments to include all of the recommended matters in the Principles. The CEO and CFO, being DUET's senior executives, have formalised job descriptions and, as Macquarie and AMPCI employees, letters of appointment. To ensure that the DUET senior executives properly perform their duties, the following procedures are in place.

The CEO and CFO are AMPCI and Macquarie employees respectively seconded to RE1 or RE2 as required. The performance of the staff is assessed as part of Macquarie's or AMPCI's formal employee performance appraisal process as applicable. Employees are assessed against set behavioural and technical competencies. The assessment criteria used in determining remuneration are outlined in the remuneration report on pages 64 to 66. The relevant boards provide annual feedback on the performance of the CEO and CFO:

- A review of the performance of RE1 as adviser against its contractual obligations by the DIHL independent directors, with external assistance if required
- A formal induction program to allow senior executives to participate fully and actively in management decision-making
- Access by executives to continuing education to update and enhance their skills and knowledge.

The above process was followed for the year ended 30 June 2011.

What you can find on our website:

A summary of the RE1, RE2 and DIHL board charters.

Principle 2: Structure the board to add value

1. Composition

RE1 board of directors

The RE1 board of directors is comprised as follows:

John Roberts – Chairman Executive
(appointed by Macquarie – 14 May 2004)
Director and Chairman

Philip Garling – Director Executive
Executive (appointed by AMPCH – 17 February 2004)
Director

The Hon. Michael Lee – Director Independent
(appointed 16 June 2004)
Director

Douglas Halley – Director Independent
(appointed 13 February 2006)
Director

Emma Stein – Director Independent
(appointed 16 June 2004)
Director

RE2 board of directors

The RE2 board of directors is comprised as follows:

John Roberts – Chairman Executive
(Macquarie representative)
(appointed by Macquarie – 14 May 2004)
Director and Chairman

Philip Garling – Director Executive
(AMPCH representative)
(appointed by AMPCH – 17 February 2004)
Director

Ron Finlay – Director Independent
(appointed 16 June 2004)
Director

Eric Goodwin – Director Independent
(appointed 16 June 2004)
Director

Duncan Sutherland* – Director Independent
(appointed 16 June 2004)
Director

* Also serves on the board of the Macquarie owned manager of a number of unlisted managed vehicles

DIHL board of directors

The DIHL board of directors is comprised as follows:

John Roberts – Chairman Executive
(appointed by RE1 – 29 June 2006)
Director and Chairman

Philip Garling – Director Executive
(appointed by RE2 – 29 June 2006)
Director

Douglas Halley – Director Independent
(appointed by RE2 – 29 June 2006)
Director

Emma Stein – Director Independent
(appointed by RE1 – 12 July 2006)
Director

Ron Finlay – Director Independent
(appointed by RE1 and RE2 – 4 August 2006)
Director

Profiles of these directors can be found on the DUET website and later in this report.

2. Appointment to the boards

ASX has granted listing rule waivers in respect of the rights attaching to the A, B and C special shares of DIHL (as described below) to facilitate Macquarie and AMPCH appointed directors for the Australian public company in the same way as they are appointed for the responsible entity of the trusts. These director appointment rights were put in place by DUET, Macquarie and AMPCH with a view to promoting consistency of management across the stapled entities. Macquarie and AMPCH consider the selection of appropriately experienced independent directors as an important contribution to DUET's performance. From an investor protection viewpoint, DUET has a majority of independent directors on the combined DUET boards. Though Macquarie and AMPCH appointees, these directors are reputable, appropriately qualified and experienced business people who satisfy objective independence criteria described further below. These directors have a duty at law to prefer the interests of DUET investors to those of Macquarie or AMPCH:

Details of the appointment arrangements are set out below.

RE1 and RE2

RE1 and RE2 are jointly owned by MCGL (a subsidiary of Macquarie Group Limited (MGL)) and AMPCH (a subsidiary of AMP Limited (AMP)) and directors are appointed to RE1 and RE2 in consultation with the MGL and AMPCH boards. The following board composition and membership criteria have been adopted by the board in consultation with MGL and AMPCH:

The board is to comprise at least four directors. Additional directors may be appointed if the board feels that additional expertise is required in specific areas, or when an outstanding candidate is identified.

- New appointments to the board require full RE1 and RE2 board approval
- Independent directors are to comprise a majority of the board
- The board is to comprise directors with an appropriate range of qualifications and expertise
- Any nominee of AMPCH or Macquarie may be removed by AMPCH or Macquarie, respectively
- The chairperson of each board will be the nominee director appointed by AMPCH for the first three years from establishment of DUET and thereafter on each third anniversary the chairperson may be rotated such that the shareholder appointing the chairperson is not the shareholder appointing the DUET CEO.

The shareholder appointing the chairperson will ensure that the person is of appropriate stature to act as chairperson

- To ensure that the board has the benefit of regular new input and to avoid the potential for loss of objectivity over time, independent directors will generally retire after nine years. An independent director can continue to hold office after a nine-year term provided their ongoing candidacy is recommended by the Nomination Committee and their relevant appointing party.

Independence

Independence of directors determined by objective criteria is acknowledged as being desirable to protect investor interests and to optimise the financial performance of the fund and returns to investors.

In determining the status of a director, DUET applies the standards of independence which are similar to but not the same as the Principles. Full details of DUET's independence criteria are as follows:

An independent director is a director of the responsible entity and/or special purpose vehicle who is not a member of management (a non-executive director) and who meets the following criteria:

- Must be appointed in a non-executive capacity and therefore must not be a director, officer or employee of any Macquarie Group Limited (MGL) Group entity or AMP Limited (AMP) Group entity
- Is not a substantial shareholder of MGL, AMP, DUET or a company holding more than 5% of the voting securities of MGL, AMP or DUET
- Is not an officer of, or otherwise associated directly with, a security holder holding more than 5% of the voting securities of MGL, AMP or DUET (other than RE1 and RE2)
- Is not and has not within the last three years been:
 - Employed in an executive capacity by the responsible entity and/or special purpose vehicle, or by another MGL Group or AMP Group entity, or
 - A director of any such entity after ceasing to hold any such employment.
- Is not and has not within the last three years been a principal, director or employee of a material professional adviser or consultant to DUET, MGL, AMP or other MGL Group or AMP Group managed vehicles. A director who is or has within the last three years been a principal, director or employee of a material professional adviser or consultant must not participate in any consideration of the possible appointment of the professional adviser or consultant and will not participate in the provision of any service to DUET, MGL Group, AMP Group or another MGL Group or AMP Group managed vehicle.
- Is not a material supplier or customer of DUET, MGL Group, AMP Group or other MGL Group or AMP Group managed vehicles, or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer.
- Is not a director of more than two MGL Group or AMP Group-related responsible entities or special purpose vehicle boards.
- Has no other interest or relationship that could interfere with the director's ability to act in the best interests of DUET and independently of management of MGL Group or AMP Group.

The boards believe that independence is evidenced by an ability to constructively challenge and independently contribute to the work of the board. The above criteria are satisfied if any interest or relationship does not materially interfere with the exercise of a director's independent judgement. Materiality is assessed having regard to each individual director's circumstances, the circumstances of the supplier, customer or advisor and any other significant relationships with DUET, MGL Group, AMP Group or their respective other managed vehicles.

The main areas of difference from the independence criteria set out in the Principles is that the DUET independence criteria are designed to ensure that directors are not only independent from DUET but that they are also independent from MGL Group, AMP Group and their respective other managed vehicles. Accordingly the independence criteria must be satisfied in respect of relationships with each of DUET, MGL Group, AMP Group and other MGL Group or AMP Group managed vehicles. By way of example, a partner of a professional services firm who is a director of DUET would not be able to provide professional services to DUET or any Macquarie entities or managed vehicles and would not be able to vote on the appointment of the director's professional services firm by DUET. Additionally, the professional services firm must not have earned a material portion of its annual income from doing work for any of DUET, MGL Group, AMP Group or other MGL Group or AMP Group managed vehicles for three years prior to the appointment of the director and on an ongoing basis during the currency of the directorship.

The ability of independent directors to serve on up to two separate managed vehicle boards is considered appropriate because the time commitment and level of remuneration for these roles is not so significant as to compromise independence.

If any independent director serves on two managed vehicle boards or has been determined as independent despite not satisfying all of the criteria set out in the DUET policy they will be noted as such in their description in this statement. Reasons will be provided for any independence determination.

Each year independent directors are required to provide DUET with written confirmation of their independence status, and they have each undertaken to inform DUET if they cease to satisfy the DUET independence criteria at any time. The company secretary also monitors compliance with the DUET independence criteria and seeks information from the independent directors in this regard if necessary and reports to the board.

Director selection and diversity

The following guidelines apply to director selection and nomination:

- Integrity
- Particular expertise (sector and functional) and the degree to which they complement the skill set of the existing board members
- Reputation and standing in the market
- Contribution to the diversity of the board: in particular, increasing the number of women on the board as part of the board renewal process.

In the case of prospective independent directors, actual (as prescribed by the above DUET policy definition) and perceived independence from Macquarie and AMP. Professional intermediaries and/or industry contacts may be used to identify and/or assess candidates. A board skills matrix has not been developed but regard is had to diversity and the appropriate mix of financial, professional and specific industry skills as part of the appointment process.

Nomination committee

DUET is an externally managed vehicle with the majority of RE1 and RE2 directors being appointed by AMPCH and Macquarie (the owners of RE1 and RE2) in consultation with the RE1 and RE2 boards. Each of RE1 and RE2 have appointed a nomination committee which reviews board composition and succession planning and makes representations to AMPCH and Macquarie on these matters and also reviews the appointment of directors to the DIHL board as discussed below. The nomination committee comprises the full board. It is chaired by John Roberts and there is a majority of independent directors.

DIHL

Under the DIHL constitution, RE1 has been issued with an A Special Share (and has rights under the management services agreement), which entitles it to appoint director(s) constituting up to 40% of the DIHL board. RE2, as responsible entity of DUET2, has been issued with a B Special Share, which entitles it to appoint director(s) constituting up to 40% of the DIHL board while the entities are stapled. RE1 and RE2 (in their capacity as responsible entities of DUET1 and DUET2 respectively) have each been issued with a C Special Share, which entitles them to jointly appoint director(s) constituting up to 20% of the DIHL board. None of the A, B or C Special Shares has any economic interest, which means that the holders of those shares are not entitled to any dividends and are only entitled to the par value of those shares on a winding up of DIHL.

The rationale for this approach is that, under the stapling arrangements, the practical operation of the RE1, RE2 and DIHL boards is such that no significant decision (in particular strategy, capital raisings, borrowings and investments) can be made by one board without the consultation and consideration of the other board, and the DIHL board has a sufficient quorum of independent directors to vote on transactions with Macquarie or AMP companies.

In determining the status of directors, the DIHL board has adopted the standards of independence required by the DUET Policy as set out above.

Nomination committee

As part of the DUET external management arrangements, the DIHL directors are appointed by RE1 and RE2. DIHL has appointed a nomination committee which reviews board composition and succession planning and makes representations to the RE1 and RE2 boards in respect of these matters. The nomination committee comprises the full board. It is chaired by John Roberts and has a majority of independent directors.

3. Chairman

The chairman of each board and the nomination committee is John Roberts. John is an executive of Macquarie and the director appointed by Macquarie, and does not satisfy the independence recommendation of the Principles. The joint venture arrangements require the responsible entities' chairman to be an executive chairman given DUET1, DUET2 and DUET3 are externally managed trusts and Macquarie and AMP branded.

The right to appoint the chairman may be rotated between AMPCH and Macquarie so that the party who has not appointed the incumbent chairman may appoint the chairman for the next three years, provided the CEO is also rotated. The appointing shareholder is required to ensure that the chairman is of appropriate stature for a listed entity.

In all cases, the chairman does not exercise the role of CEO. That role is performed by David Bartholomew, an AMPCI employee who was appointed as CEO in February 2011. The RE1, RE2 and DIHL board charters provide that all independent directors will meet at least once per year in the absence of management and at other times as they determine.

4. Independent professional advice

The directors of RE1, RE2 and DIHL are entitled to obtain independent professional advice at the cost of the relevant trust or company subject to the estimated costs being first approved by the chairman as reasonable.

5. Board performance

To ensure that the directors of RE1, RE2 and DIHL are properly performing their duties, the following procedures are in place:

- A formal annual performance self-assessment of the board, the audit and risk committees and individual directors
- A formal induction program for directors
- Access by directors to continuing education to update and enhance their skills and knowledge.

The procedure for evaluation of the boards' performance is:

- Directors are given the opportunity to discuss individual performance and feedback on performance via questionnaire and if necessary the chairman meets with each independent director to discuss the effectiveness of the board and board committees as a whole
- The board as a whole discusses and analyses board and committee performance during the year, including suggestions for change or improvement, based on the questionnaire responses and the chairman's feedback from conducting separate meetings (if any) with the independent directors.

What you can find on our website:

A summary of the RE1, RE2 and DIHL nomination committee charters.

Principle 3: Promote ethical and responsible decision-making

DUET is committed to being a good corporate citizen and has a robust framework of policies to achieve this.

Managing conflicts

DUET has established protocols for identifying and managing conflicts.

In the case of the DUET boards:

- Board members declare their interests as required under the Corporations Act, Bermuda Companies Act, ASX Listing Rules and other general law requirements
- Board members with a material personal interest in a matter are not present at a board meeting during the consideration of the matter and subsequent vote unless the board (excluding the relevant board member) resolves otherwise
- Board members with a conflict not involving a material personal interest may be required to absent themselves from the relevant deliberations of the board.

DUET also has a policy for dealing with actual, apparent or potential conflicts of interest that arise out of the fact that RE1 and RE2 are jointly owned by Macquarie and AMPCI and that DUET may transact from time to time or share staff or information with other Macquarie Group companies or managed vehicles. In particular, there is a comprehensive related party protocol, which has been described on page 21 of this statement. This requires Macquarie and AMP executives who are board members to absent themselves during voting on transactions with Macquarie Group or AMP Group entities or their respective managed vehicles.

Personal conflicts that might arise generally for directors and staff are covered by the Code of Conduct referred to below.

Ethical conduct

DUET's Code of Conduct covers DUET's dealing with external parties and how it operates internally. The Code sets the standards for dealing ethically with employees, investors, customers, regulatory bodies and the financial and wider community, and the responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour. The Code includes whistleblower, anti-corruption and dealing with governments and anti-money laundering policies.

The Code is periodically reviewed and endorsed by the DUET boards. The Code is distributed to all directors and staff and reinforced at induction and other training programs.

Staff and director trading

A policy on securities dealings is in place under which directors and staff involved in the management of DUET are restricted in their ability to deal in DUET stapled securities. Security trading by DUET directors, officers and staff is permitted only during four-week special trading windows following the release of DUET's half-yearly and yearly financial results, and following the annual general meeting or lodgement with ASIC and ASX of a disclosure document for a capital raising or a cleansing statement for a rights issue.

When the trading window is not opened following results announcements, pending disclosure of significant transactional activity being undertaken by DUET, a special four-week trading window may apply following an ASX release in respect of the transaction.

Special arrangements apply for the trading by nominees of RE1 and RE2 (and their associates) of DUET securities issued in connection with performance fees. Standing instructions must be given to a Macquarie broker during a designated directors and staff trading window to sell at above a designated price with the trade to take place at any time in accordance with the instructions. Any instructions given will be on the basis that Chinese walls are operating with the broker at all times during the currency of the instruction. Alternatively, the securities will be placed in a blind trust with an external broker during a trading window with irrevocable instructions to sell at above a designated price with the trade to take place at any time in accordance with instructions.

Environmental and social responsibility management

DUET's approach to environmental and social responsibility management can be found on our website and is set out on pages 16 to 17 of this report.

Diversity Policy

DUET respects and values diversity in its boards and workforce at all levels. A summary of DUET's diversity policy can be found on our website.

Macquarie and AMP (the joint venture owners of the DUET management companies) in combination appoint the majority of board members and make management staff available to DUET under formal resourcing arrangements. Accordingly, DUET seeks to influence diversity in the Group:

- (i) At the board and DUET management levels through consultation with Macquarie and AMP. Each of Macquarie and AMP has their own diversity policies in place, which are based on similar principles to those of DUET's diversity policy
- (ii) At the utility businesses it invests in, through DUET board representatives promoting the implementation of appropriate diversity policies in these businesses to the extent that they are able under the co-ownership arrangements.

An annual review of diversity will be considered by the DUET Nomination Committees and boards. This will monitor DUET's progress in influencing diversity at the board level, in its management team and in the workforces of its utility businesses.

The achievement of gender diversity will be measured in the terms of the advancement of women as follows:

- Increasing the number of women on the DUET boards over time as part of the board renewal process
- Increasing the number of women in senior management roles within the group and generally in the workforce of DUET's utility businesses over the next five years.

Currently there is one woman on the DUET boards and two women (who perform a shared company secretary/general counsel role) in a six-person DUET senior management team. Overall there are approximately 30% women in the DUET management team. They perform mainly support roles.

More detailed reporting will be provided in respect of the diversity of the workforces in DUET's utility businesses in the next annual report.

What you can find on our website:

- A summary of the code of conduct
- A summary of the main provisions of the securities (windows) trading policy
- A description of DUET's environmental and social responsibility management policy
- A summary of the diversity policy.

Principle 4: Safeguard integrity in financial reporting**1. Audit and risk committees**

Each of RE1, RE2 and DIHL has appointed an audit and risk committee which complies with the requirements of the Principles. They are currently comprised as follows:

RE1

Douglas Halley – Director
(Committee Chairman) Independent – 3¹

The Hon. Michael Lee – Director Independent – 3¹

Emma Stein – Director Independent – 3¹

RE2

Duncan Sutherland – Director
(Committee Chairman) Independent – 3¹

Ron Finlay – Director Independent – 3¹

Eric Goodwin – Director Independent – 3¹

DIHL

Douglas Halley – Director
(Committee Chairman) Independent – 3¹

Emma Stein – Director Independent – 3¹

Ron Finlay – Director Independent – 3¹

¹ Meetings attended (three held).

The qualifications of the members of each audit and risk committee can be found on the DUET website and later in this report.

2. Audit and risk committee charters

In establishing its audit and risk committee, each of RE1, RE2 and DIHL has established a charter under which the committee is to operate. The charter is materially the same for both companies.

The responsibilities of the audit and risk committee under each charter in relation to financial reporting are to:

- Review and report to the board on the financial statements and related notes, and on the external auditor's audit of the financial statements and the report thereon
- Recommend to the board the appointment and removal of the external auditor, review the terms of its engagement including arrangements for the rotation of external audit partners, and the scope and quality of the audit
- Monitor auditor independence. The audit and risk committee meets with the external auditor at least twice a year and more frequently if required.

Details of the risk monitoring duties of the audit and risk committee are set out in the Principle 7 commentary.

3. Auditor independence

The audit and risk committees have adopted a policy that includes the following to ensure the independence of the external auditor:

- The external auditor must remain independent from Macquarie and DUET at all times and must comply with APES 110: Code of Ethics for Professional Accountants pertaining to financial independence, and business and employment relationships
- The external auditor must monitor its independence and report to the board every six months that it has remained independent
- Significant permissible non-audit assignments awarded to the external auditor must be approved in advance by the audit and risk committees (or their chairmen between meetings)
- All non-audit assignments are to be reported to the audit and risk committees every six months
- The DUET audit engagement partner and review partner must be rotated every five years.

The RE1, RE2 and DIHL boards and audit and risk committees are of the view that, at the present time, Ernst & Young is best placed to provide DUET's audit services. Ernst & Young is a top tier professional services firm and has provided audit services to DUET since its establishment and is familiar with its structure and businesses. The auditor is required to be independent from DUET and Macquarie. Ernst & Young meets this requirement. The auditor attends DUET's annual general meetings and is available to answer security holder questions on the conduct of the audit, and the preparation and content of the auditor's report.

What you can find on our website:

- The audit and risk committee charters for RE1, RE2 and DIHL
- The auditor independence policy.

Principle 5: Make timely and balanced disclosure

It is DUET's policy to provide timely, open and accurate information to all stakeholders, including investors, regulators and the wider investment community. Under the terms of the stapling deed, RE1, RE2 and DIHL are obliged to exchange relevant information and coordinate ASX releases and financial reporting.

DUET has an external communications policy that includes policies and procedures in relation to disclosure and compliance with the disclosure requirements in the ASX Listing Rules. The procedures include dealing with potentially price-sensitive information which includes referral to the CEO and company secretary/general counsel and sometimes the DUET boards for a determination as to disclosure required. The ASX liaison person is the RE1 company secretary.

What you can find on our website:

- External communications policy summary.

Principle 6: Respect the rights of shareholders

DUET has developed a security holder communications policy. The cornerstone of this policy is the delivery of timely and relevant information as described below.

Investors are provided with an annual report and financial statements either by accessing DUET's website or in hard copy, if specifically requested, which keep them informed of DUET's performance and operations. Investors are notified in writing when this material becomes available and are provided with details of how to access it.

DUET's policy is to lodge market-sensitive information with the ASX and place it on its website, including annual and interim result announcements and analyst presentations, as soon as practically possible. DUET's website (www.duet.net.au) contains recent announcements, presentations, past and current reports to security holders, answers to frequently asked questions and at least a three-year summary of key financial data. Investors may also register here to receive email copies of DUET's significant ASX announcements.

Domestic investor roadshows are held regularly throughout Australia. International roadshows are also held for institutional investors. Where they contain new information, analyst and roadshow presentations are released to the ASX and included on the DUET website.

DUET also produces an analyst package, which is updated annually. This comprehensive guide aims to provide transparency of DUET's investments and structure. The analyst package is released to the ASX and consists of detailed business descriptions, corresponding financial variables and financial modelling tools.

Meetings of the three DUET entities are convened at least once a year, usually in November. DIHL is required to hold an annual general meeting (AGM) each year.

In the case of the trusts, which are not required under the Corporations Act to hold an AGM, these are usually informal annual meetings unless there is formal business to be considered. An AGM is held for DIHL at the same time. Presentations by the chairman and CEO at the AGM are webcast.

For formal meetings, an explanatory memorandum on the resolutions is included with the notice of meeting.

Unless specifically stated in the notice of meeting, all holders of fully paid securities are eligible to vote on all resolutions.

In the event that security holders cannot attend formal meetings, they are able to lodge a proxy in accordance with the Corporations Act. Proxy forms can be mailed or lodged by facsimile.

What you can find on our website:

- External communications policy summary
- The latest annual report and full financial statements.

Principle 7: Recognise and manage risk

Each of RE1, RE2 and DIHL have formalised risk management policies. Compliance with these policies is monitored by their respective audit and risk committees.

Risks are managed through the risk management framework in place and include:

- Investment risk
- Regulatory and reporting risks
- Financial risks (such as liquidity, interest rate, currency, investment, credit)
- Legal risk (such as contract enforceability, covenants, litigation)
- Compliance risk
- Operational risks (such as people, processes, infrastructure, technology, systems, outsourcing and geographic coverage)
- Environmental and social risks
- Occupational health and safety risks
- Project risks
- Business performance risks
- Reputation risks
- Strategic risks.

As part of its risk monitoring duties each audit and risk committee is required to:

- (i) Enquire of management and the external auditor about significant risks or exposures and assess the steps management (RE1 or RE2) has taken to minimise such risk to the trusts or company as applicable
- (ii) Consider and review with the external auditor:
 - The adequacy of the trusts/company's internal controls, including computerised information system controls and security
 - Any related significant findings and recommendations of the external auditor on the matter of internal controls together with management's responses thereto
- (iii) Monitor and review (at least annually) the effectiveness of the trusts/company's operational risk management framework and compliance with key risk management policies
- (iv) Review the scope of any internal audit to be conducted and the independence of the internal audit team.

As required by the Corporations Act, a compliance committee and designated compliance staff assist the RE1 and RE2 boards in overseeing the trusts' risk management framework by monitoring compliance plans and ensuring that there is an underlying compliance framework, including detailed policies and procedures, staff training and supervision, and appropriate compliance reporting.

The compliance committee is currently comprised as follows:

- Ray Kellerman, Chairman, External
- Fiona Dixon, External
- David Bartholomew, DUET.

The external compliance committee members must satisfy the independence criteria set out in s601JB(2) of the Corporations Act. External members are required to certify their compliance with these requirements on an annual basis and otherwise notify RE1 and RE2 if they cease to satisfy the criteria.

RE1 and RE2 are subject to periodic review conducted by Macquarie's internal audit division. Each of DUET's businesses maintains its own risk management framework and supporting infrastructure to manage its own risk. DUET's ability to control or influence this framework and infrastructure differs based on DUET's level of ownership and control. It is DUET's policy to confirm that each business has an appropriate risk management framework in place to assist the business to effectively manage its risks. During the year, management has reported to the audit and risk committees as to the effectiveness of DUET's management of its material risks. In addition, the RE1, RE2 and DIHL boards have received assurance from the CEO and CFO that their declaration under s295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating in all material respects in relation to financial reporting risks.

What you can find on our website:

- A description of DUET's risk management policies and framework
- A description of DUET's environmental and social responsibility management policy
- A description of DUET's occupational health and safety risk management policy
- The compliance plan for DUET1, DUET2 and DUET3
- Details of the qualifications of the DUET1, DUET2 and DUET3 compliance committee members.

Principle 8: Remunerate fairly and responsibly

Below is a brief description of management and performance fee arrangements for RE1 and RE2 as responsible entity and RE1 as manager; remuneration arrangements in relation to DUET staff (whose remuneration is paid by Macquarie or AMPCI, not DUET); and also the fees paid to DUET external directors. Full details and a discussion of DUET remuneration arrangements, alignment of interest and manager and staff incentives are set out in the remuneration report on pages 64 to 66.

1. Responsible entity and adviser fees

RE1, as responsible entity of DUET1 and manager of DIHL, and RE2 as responsible entity of DUET2 and DUET3, are entitled to be paid base management fees and also performance fees for discharging their management/ advisory functions.

These fees are calculated in accordance with a defined formula under the trust constitutions and the Management Services Agreement (MSA) for DIHL. The fee arrangements were fully disclosed to investors on fund inception and subsequent restructure and continue to be disclosed on the DUET website and in annual reports so that investors originally invested and continue to invest on this basis. The structure and level of the fee arrangements are consistent with those paid in the market in respect of similar externally managed vehicles and are not subject to review.

Any changes to the fee provisions that would have the effect of increasing the fees would need to be approved by investors.

2. Reimbursement of responsible entity and adviser expenses

RE1 and RE2 are also entitled to be reimbursed for expenses incurred by them in relation to the proper performance of their duties, out of the assets of DUET. This includes routine ongoing expenses such as the third party costs of acquiring businesses and managing them, as well as capital raising costs, registry, audit, insurance, compliance costs and other expenses as set out in the trust constitutions and management services agreement.

3. Staff remuneration

RE1 and RE2 make available employees, including senior executives, to discharge their obligations to the relevant DUET entity. These staff are employed by entities in Macquarie or AMPCI and made available through formalised resourcing arrangements with RE1 and RE2. Their remuneration is not a DUET expense. It is paid by Macquarie or AMPCI as applicable. Instead, DUET pays management fees to RE1 and RE2 for providing management services. These fees are DUET expenses and are disclosed in the Remuneration Report on page 64. DIHL does not have employees and relies on the RE1 management staff under the MSA to implement operational decisions and carry out administrative functions. DUET holds its businesses through interests in special purpose project vehicles. Most of these vehicles have their own internal management paid for at the business level. Where RE1 or RE2 staff are required to serve as directors on the boards of these vehicles, or are seconded to them from time to time, any fees paid in respect of these arrangements are paid to DUET.

Senior RE1 and RE2 executives who are Macquarie employees may have some of their performance bonus retentions notionally invested by Macquarie in DUET securities so that the amount varies as if they were actually invested in the securities.

Macquarie executives may also have received MGL options or share awards as part of their remuneration package.

4. Director remuneration

RE1 and RE2 independent director fees are paid by RE1 and RE2 in their personal corporate capacities respectively. They are not paid by the trusts.

In the case of the Macquarie executive directors, remuneration earned in connection with their roles as RE1, RE2 or DIHL directors, as the case may be, is paid by Macquarie and not by RE1, RE2 or DIHL.

DIHL non-executive director fees are paid by DIHL. None of the RE1, RE2 or DIHL directors is entitled to DUET options or securities or to retirement benefits as part of their remuneration package.

Senior Macquarie executives who are DUET directors may have some of their performance bonus retentions notionally invested by Macquarie in DUET securities so that the amount varies as if they were actually invested in the securities, and may also have received MGL options or share awards as part of their remuneration package.

5. Remuneration committee

Each of the RE1, RE2 and DIHL boards have constituted a Remuneration Committee consisting solely of independent directors. The RE1 and DIHL Remuneration Committees are chaired by Doug Halley and the RE2 Committee is chaired by Duncan Sutherland. The Remuneration Committees have responsibility for reviewing and benchmarking independent director remuneration, recommending remuneration for DIHL directors to the DIHL board and making recommendations to the RE1 and RE2 boards to be passed on to the management company owners Macquarie and AMPCH as they pay RE1 and RE2 director fees. Senior executive remuneration is not paid by DUET and accordingly the DUET boards and Remuneration Committees do not consider executive remuneration.

What you can find on our website:

- The DUET remuneration report.
- A summary of the RE1, RE2 and DIHL remuneration committee charters.

CONCISE FINANCIAL REPORT

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This report comprises:
Diversified Utility and Energy Trust No.1
ARSN 109 363 037
And its controlled entities

DUET Group comprises Diversified Utility and Energy Trust No.1 (ARSN 109 363 037) (DUET1) and its controlled entities, Diversified Utility and Energy Trust No.2 (ARSN 109 363 135) (DUET2), Diversified Utility and Energy Trust No. 3 (ARSN 124 997 986) (DUET3) and DUET Investment Holdings Limited (ABN 22 120 456 573) (DIHL).

AMPCI Macquarie Infrastructure Management No.1 Limited (ABN 99 108 013 672) (RE1) (AFSL 269286) is the Responsible Entity for Diversified Utility and Energy Trust No.1 (DUET1) (ARSN 109 363 037) (ABN 83 495 791 796) and the manager of DUET Investment Holdings Limited (DIHL) (ABN 22 120 456 573) and AMPCI Macquarie Infrastructure Management No.2 Limited (ABN 15 108 014 062) (RE2) (AFSL 269287) is the Responsible Entity for Diversified Utility and Energy Trust No.2 (DUET2) (ARSN 109 363 135) (ABN 85 482 841 876) and Diversified Utility and Energy Trust No. 3 (DUET3) (ARSN 124 997 986) (ABN 42 998 980 995) (in combination referred to as "DUET" or "the DUET Group"). RE1 and RE2 are joint ventures between AMP Capital Holdings Limited, a wholly owned subsidiary of AMP Limited (AMP), and Macquarie Capital Group Limited, a wholly owned subsidiary of Macquarie Group Limited (MGL).

None of the entities noted in this document is an authorised deposit taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia) and their obligations do not represent deposits or other liabilities of Macquarie Bank Limited (ABN 46 008 583 542) (MBL) or AMP Bank Limited (ABN 15 081 596 009) (AMP Bank). AMP Capital Holdings Limited (ABN 69 078 651 966) has arranged for an external bank limited \$2.5 million guarantee which together with an MBL limited \$2.5 million guarantee are provided to the Australian Securities and Investments Commission in respect of Corporations Act obligations of each of RE1 and RE2 as responsible entities of managed investment schemes. MBL and AMP Bank and their related corporations do not otherwise guarantee or provide assurance in respect of the obligations of RE1 or RE2 or any other entity noted in this document.

This report is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in DUET, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

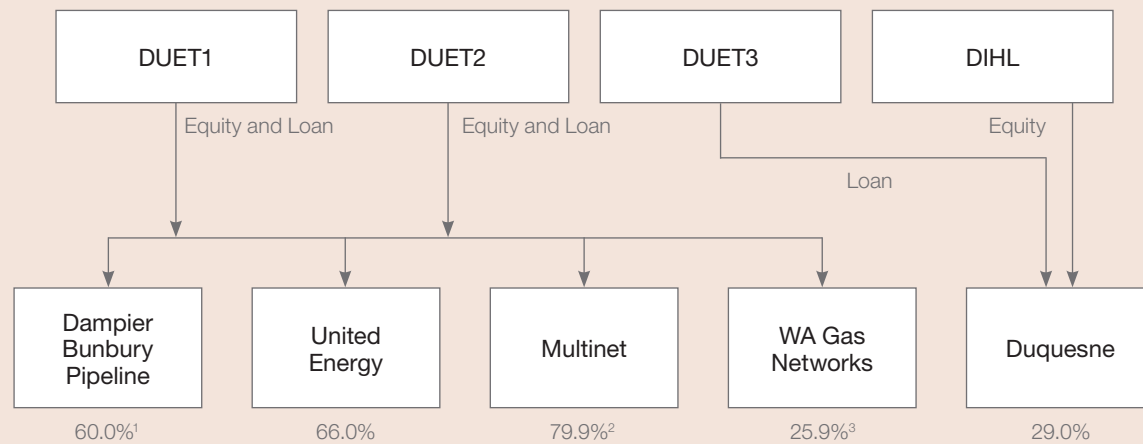
RE1 as Responsible Entity for DUET1 and manager of DIHL, and RE2 as Responsible Entity of DUET2 and DUET3 are entitled to fees for so acting. RE1, RE2, AMP and MGL and their related corporations, together with their officers and Directors, may hold stapled securities in DUET from time to time.

DIRECTORS' REPORT

Explanation of the Financial Report

At 30 June 2011, DUET Group comprises Diversified Utility and Energy Trust No.1 (DUET1), Diversified Utility and Energy Trust No.2 (DUET2), Diversified Utility and Energy Trust No.3 (DUET3) and DUET Investment Holdings Limited (DIHL) and their subsidiaries (together, DUET). These four stapled entities DUET1, DUET2, DUET3 and DIHL trade as one listed security, DUET Group, on the Australian Securities Exchange (ASX Code: DUE).

A summary of the Group structure as at 30 June 2011 is illustrated below.



1 On 29 July 2011, equity ownership increased to 80.0%. DIHL acquired a 20.0% holding.

2 On 29 July 2011, equity ownership increased to 100%. DIHL acquired a 20.1% holding.

3 On 29 July 2011, equity ownership was sold.

DUET Group holds a controlling interest in the Dampier Bunbury Natural Gas Pipeline Trust and its controlled entities (DBP or Dampier Bunbury Pipeline), United Energy Distribution Holdings Limited and its controlled entities (UEDH or United Energy) and Multinet Group Holdings Limited and its controlled entities (MGH or Multinet). Accordingly the results, assets and liabilities of these entities are consolidated into the DUET Group Financial Report. DUET Group holds non-controlling interests in WA Network Holdings Pty Limited (WAGN or WA Gas Networks) and DQE Holdings LLC (DQE or Duquesne) and therefore these investments are equity accounted into the DUET Group Financial Report. This means DUET Group's share of profits and losses of WAGN and DQE are recognised in one line in the Income Statement.

Under Australian Accounting Standards, DUET1 has been deemed the parent entity of DUET2, DUET3 and DIHL for accounting purposes. Therefore, the DUET1 consolidated Financial Statements include all entities forming DUET.

Financial Statements for DUET2, DUET3 and DIHL for the year ended 30 June 2011 have also been presented in this report jointly as permitted by ASIC class orders 05/642 and 06/441.

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

As the securities held by investors are stapled securities in DUET, the Financial Report for DUET Group provides the most concise information regarding the performance of investors' funds, with further information on the components of the investment presented in the remaining columns.

AMPCI Macquarie Infrastructure Management No.1 Limited (RE1) acts as Responsible Entity for Diversified Utility and Energy Trust No.1 (DUET1) and manager of DUET Investment Holdings Limited (DIHL).

AMPCI Macquarie Infrastructure Management No.2 Limited (RE2) acts as Responsible Entity for Diversified Utility and Energy Trust No.2 (DUET2) and Diversified Utility and Energy Trust No.3 (DUET3).

In accordance with AASB127 *Separate and Consolidated Financial Statements*, DUET1 has been identified as the parent of the consolidated Group consisting of DUET1, DUET2, DUET3 and DIHL and the entities they control, together acting as DUET or DUET Group.

RE1 and RE2 are joint ventures between AMP Capital Holdings Limited (AMPCH), a wholly owned subsidiary of AMP Limited, and Macquarie Capital Group Limited (MCG), a wholly owned subsidiary of Macquarie Group Limited (MGL).

The directors of RE1 submit the following report for DUET1 for the year ended 30 June 2011.

The directors of RE2 submit the following report for DUET2 and DUET3 for the year ended 30 June 2011.

The directors of DIHL submit the following report for DIHL for the year ended 30 June 2011.

The units of DUET1, DUET2 and DUET3, together with the ordinary shares in DIHL, are issued as stapled securities in DUET.

Principal Activities

The principal activity of DUET1, DUET2, DUET3 and DIHL is investment in energy utility assets. The investment policy of DUET Group is to invest funds in accordance with the provisions of the Trust Constitutions and the governing documents of the individual entities within DUET Group.

Directors' Names (and periods of service)

The following persons held office as directors of RE1 during the year and up to the date of this report:

- John Roberts (Chairman)
- Philip Garling
- The Hon. Michael Lee
- Emma Stein
- Douglas Halley
- Francis Kwok (alternate for John Roberts – resigned 25 November 2010)
- Shemara Wikramanayake (alternate for John Roberts – appointed 25 November 2010)
- Bodhisahwa Pahari (alternate for Philip Garling)

The following persons held office as directors of RE2 during the year and up to the date of this report:

- John Roberts (Chairman)
- Philip Garling
- Ron Finlay
- Eric Goodwin
- Duncan Sutherland
- Francis Kwok (alternate for John Roberts – resigned 25 November 2010)
- Shemara Wikramanayake (alternate for John Roberts – appointed 25 November 2010)
- Bodhisahwa Pahari (alternate for Philip Garling)

The following persons held office as directors of DIHL during the year and up to the date of this report:

- John Roberts (Chairman)
- Philip Garling
- Ron Finlay
- Douglas Halley
- Emma Stein
- Francis Kwok (alternate for John Roberts – resigned 25 November 2010)
- Shemara Wikramanayake (alternate for John Roberts – appointed 25 November 2010)
- Bodhisahwa Pahari (alternate for Philip Garling)

Distributions and Dividends

The distribution for the year ended 30 June 2011 was 20.00 cents per stapled security (2010: 20.000 cents per stapled security).

An interim distribution for the year ended 30 June 2011 of 10.00 cents per stapled security was paid on 15 February 2011 (2010: 10.000 cents per stapled security). This consisted of 3.206 cents per unit from DUET1 (2010: 3.600 cents per unit), 4.549 cents per unit from DUET2 (2010: 4.850 cents per unit) and 2.245 cents per unit from DUET3 (2010: 1.550 cents per unit).

A final distribution of 10.00 cents per stapled security was paid on 16 August 2011 (2010: 10.00 cents per stapled security). This consisted of 3.670 cents per unit from DUET1 (2010: 3.220 cents per unit), 4.870 cents per unit from DUET2 (2010: 4.768 cents per unit) and 1.460 cents per unit from DUET3 (2010: 2.012 cents per unit).

DIRECTORS' REPORT CONTINUED

Review and Results of Operations

The performances of the DUET Group and entities comprising DUET for the year ended 30 June 2011 were as follows:

	DUET Group 1 July 2010– 30 June 2011 \$'000	DUET Group 1 July 2009– 30 June 2010 \$'000
Revenue and other income from continuing operations	1,212,261	1,154,410
Profit/(Loss) for the year	188,400	173,754
Profit/(Loss) attributable to securityholders	124,917	140,040
Earnings used in calculation of basic and diluted earnings per stapled security/unit/share ¹	68,784	42,042
Basic earnings per stapled security/unit/share	7.70c	4.88c
Diluted earnings per stapled security/unit/share	7.70c	4.88c
Basic earnings per stapled security/unit/share based on consolidated profit for the year	21.08c	20.16c

¹ DUET Group includes earnings of DUET1 only and has been calculated in accordance with AASB 133 *Earnings per Share*. DUET1 was identified as parent of DUET on transition to AIFRS.

The DUET Group profit/(loss) for the year to 30 June 2011 of \$188.4 million (2010: \$173.8 million) is influenced by non cash changes in the fair value of derivatives and defined benefit pension plans during the year and booking of previously unrecognised tax losses in DBP. Net mark to market (losses)/gains of \$(2.1) million (2010: \$39.1 million) have been consolidated or equity accounted into the DUET Group result.

Significant movements include the following:

- (a) Consolidated: Unrealised non-cash mark to market gains/(losses) on derivatives at:
- DUET corporate-level of \$4.3 million (2010: \$37.3 million);
 - DBP of \$(10.1) million (2010: \$nil);
 - UEDH of \$4.6 million (2010: \$25.7 million); and
 - Multinet of \$5.8 million (2010: \$(0.4) million).
- (b) Equity accounted share of Duquesne's unrealised:
- non-cash mark to market gains (net of tax) of \$21.1 million (2010: \$7.7 million) on energy hedging derivatives; and
 - actuarial gain/(loss) on defined benefit pension plan of \$22.1 million (2010: \$(22.5) million).
- (c) DUET Group unrealised foreign exchange losses of \$(49.9) million (2010: \$(8.7) million), mostly related to the translation into AUD of the USD-denominated DQE promissory note.
- (d) DBP tax benefit of \$112 million (2010: \$2.8 million).

Dampier Bunbury Pipeline

During the year under review, DBP transmitted 310 PJ (2010: 318 PJ) of gas.

The Stage 5B Expansion Project, which achieved practical completion in April 2010, has increased the pipeline's firm full haul capacity by around 112 terajoules per day. Construction commenced in early 2009 and predominantly involved looping, which is the installation of new pipe lengths parallel to the existing pipeline. Stage 5B saw 440km of parallel pipe installed.

United Energy

During the year under review, United Energy distributed 8,071 GWh (2010: 8,114 GWh) of electricity.

United Energy continues to progress the smart meter project in Victoria. As at 30 June 2011, approximately 139,500 meters had been installed in the UED service area.

Multinet

During the year under review, Multinet distributed 60.6 PJ (2010: 55.1 PJ) of gas.

WA Gas Networks

During the year under review, WAGN distributed 27.2 PJ (2010: 27.8 PJ) of gas.

Duquesne

During the year under review, Duquesne delivered 14,100 GWh (2010: 13,424 GWh) of electricity.

Significant Changes in State of Affairs

Sale of Duquesne

On 29 September 2010, DUET announced the sale of its 29.0% stake in Duquesne to the Government of Singapore Investment Corporation Pty Ltd (GIC) for US\$360 million. Financial settlement of the sale occurred in mid September.

DUET \$545 million Bank Debt Refinancing

On 24 May 2011, DUET announced it had achieved contract close of its bank debt refinancing transaction. The new bank debt facility comprises 364 day fully-drawn and three year revolving tranches totalling \$345 million and \$200 million respectively.

United Energy \$500 million Bank Debt Refinancing

On 1 April 2011, United Energy Distribution announced it had completed a bank debt raising of \$500 million including a \$260 million capex facility. The new debt facilities, comprising three and seven year tranches totalling \$380 million and \$120 million respectively, will fund key growth capital expenditure requirements over the medium term and refinanced UED's \$450 million facility which matured in June 2011.

DBP \$1.025 billion Refinancings

During the year, DBP refinanced all term debt due to mature in the 2011 calendar year, including:

- the issue of \$550 million of five year Medium Term Notes in September 2010. A further \$25 million of five year Medium Term Notes were issued in October 2010; and
- the \$450 million refinancing of the Stage 5B expansion project related debt facilities due to mature in June and August 2011. The refinancing comprised of a \$150 million three year and \$300 million seven year bank facility.

United Energy US\$435 million US Private Placement

On 15 December 2010, United Energy reached financial close on a US\$435 million private placement bond issue. The proceeds were used to refinance existing debt including \$363 million of bonds maturing in April 2011.

United Energy \$184 million SOLA repayment

During the year to 30 June 2011, United Energy repaid approximately \$184 million of subordinated debt ("SOLA") to DUET.

DBP \$76 million SOLA repayment

During the year to 30 June 2011, DBP repaid \$76 million of subordinated debt ("SOLA") to DUET.

Events Occurring After Balance Sheet Date

Asset acquisition and divestment

On 29 July 2011, DUET reached financial close on transactions with ATCO Ltd (ATCO) and AET&D Holdings No 2 Pty Ltd (AET&D). The total transaction is summarised as follows:

Transaction Details	\$m
Acquired an additional 20.0% interest in DBP	(168.0)
Acquired an additional 20.1% interest in Multinet and sold the 25.9% interest in WAGN	45.5
Sold the subordinated debt due from WAGN	80.0
Net consideration paid by DUET	(\$42.5)

Following completion of the transaction, DUET entities now hold in aggregate majority-ownership interests in three regulated Australian energy utility businesses – 80% of DBP, 100% of Multinet and 66% of United Energy.

DUET Group Entitlement Offer

On 4 August 2011, DUET launched a fully underwritten accelerated non-renounceable pro rata entitlement offer of one new stapled security for every five existing stapled securities at an offer price of \$1.52 per new security to raise approximately \$277 million. At the date of this report, DUET had raised \$174 million from the Institutional Entitlement Offer. The Retail Entitlement Offer is expected to raise \$103 million.

DUET Group securities issued under DRP

As a result of the timing and pricing of the DUET Group Entitlement Offer, DUET's dividend and distribution reinvestment plan (DRP) relating to the FY2011 final distribution was suspended. DUET's DRP is expected to be reactivated in FY2012.

Final distribution paid

A final distribution of 10.00 cents per stapled security was paid by DUET on 16 August 2011 (2010: 10.00 cents). This consists of a distribution of 3.670 cents per unit from DUET1 (2010: 3.220 cents), 4.870 cents per unit from

DUET2 (2010: 4.768 cents) and 1.460 cents per unit from DUET3 (2010: 2.012 cents).

Multinet \$120 million Bank Debt Transaction

On 12 July 2011, Multinet announced it had finalised a two tranche \$120 million bank debt facility. The debt facility comprises term debt of \$70 million (to refinance bank debt due in 2012) and a new revolving IT growth capital expenditure facility of \$50 million, both over three years.

No other circumstances have arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of DUET Group, DUET2, DUET3 and DIHL, the results of those operations in future financial years, or the state of affairs of DUET Group, DUET2, DUET3 and DIHL in years subsequent to the year ended 30 June 2011.

Likely Developments and Expected Results of Operations

On 28th June 2011, the Clean Energy Future draft legislation was released. The government has announced that it intends to introduce the package of legislation into parliament later in 2011. The plan aims to introduce a carbon price to reduce Australia's carbon pollution and drive investment in renewable energy. The plan is intended to commence on 1 July 2012.

DIRECTORS' REPORT CONTINUED

Indemnification and Insurance of Officers and Auditors

During the year, RE1, RE2 and the Company paid a premium to insure their respective officers. As long as these officers act in accordance with the Constitution and the law, they will remain indemnified out of the assets of the Trusts and Company of DUET Group against any losses incurred while acting on behalf of the Trusts, Company and DUET Group. The auditors of DUET Group are in no way indemnified out of the assets of the Trust, Company or DUET Group. Disclosure of further details is prohibited by a confidentiality clause in the policy.

Interests in DUET Group Securities Issued During the Financial Year

The movement during the year in securities on issue of DUET Group is set out below:

	DUET Group 1 July 2010– 30 June 2011 \$'000	DUET Group 1 July 2009– 30 June 2010 \$'000
Securities on issue at the beginning of the year	870,560	847,086
Securities issued during the year	39,133	23,474
Securities on issue at the end of the year	909,693	870,560

Value of Assets

	DUET Group 30 June 2011 \$'000	DUET Group 30 June 2010 \$'000
Value of assets	8,640,918	8,394,799

The value of DUET Group, DUET2, DUET3 and DIHL assets is derived using the basis set out in Note 1 to the Financial Statements.

Directors' Holdings of Stapled Securities

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

Director	DUET Group stapled securities 2011	DUET Group stapled securities 2010
John Roberts	4,222,901	3,978,801
Philip Garling	72,750	72,750
The Hon Michael Lee	12,288	11,577
Emma Stein	43,506	43,506
Douglas Halley	95,000	95,000
Ron Finlay	14,455	14,455
Eric Goodwin	43,059	40,570
Duncan Sutherland	200,000	200,000
Shemara Wikramanayake ¹	1,842,987	n/a
Bodhisahwa Pahari	–	–

¹ Appointed as an alternate for John Roberts on 25 November 2010.

Certain employees of MGL and AMPCH associated with the management of DUET hold stapled securities in DUET Group at the date of this report.

RE1's and RE2's Holdings of Stapled Securities

Neither RE1 nor RE2 hold any stapled securities in DUET Group at the date of this Financial Report (30 June 2010: nil).

Change of DUET Chairmanship

In accordance with the provisions of the DUET joint venture arrangements between AMP Capital and Macquarie, John Roberts took over chairmanship of DUET from Philip Garling on 25 February 2011.

Environmental Regulations

DUET Group, DUET2, DUET3 and DIHL are not subject to any environmental regulations. The operations of the underlying assets in which the DUET Group, DUET2, DUET3 and DIHL invests are subject to environmental regulations particular to the countries in which they are located.

Dampier Bunbury Pipeline

Both the DBP Licence and DBP Access Licence place requirements on DBP as operator of the DBNGP. Environmental obligations are identified and managed through DBP's Environmental Management Plan, which sets out procedures for necessary restoration work associated with operations and construction.

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

United Energy

United Energy is subject to significant environmental regulation under the Environmental Protection Act (EPA) 1970 (Vic). United Energy adheres to environmental management principles using compliance with ISO 14001 for proactive planning, sustainable development and self assessment for continuous improvement. United Energy did not receive any notices from the Environmental Protection Agency for violation of the Act during the year.

Multinet

Multinet is subject to significant environmental regulation under the Environmental Protection Act 1970 (Vic). Multinet adheres to environmental management principles using compliance with ISO 14001 for proactive planning, sustainable development and self assessment for continuous improvement. Multinet did not receive any notices from the Environmental Protection Agency for violation of the Act from 2004 to the date of signing this report.

Application of Class Order

The Financial Reports for DUET Group, DUET2, DUET3 and DIHL are jointly presented in one report, as permitted by ASIC Class Orders 05/642 and 06/441.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 40.

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

DUET Group, DUET2, DUET3 and DIHL are of a kind referred to in Class Order 98/0100, issued by ASIC, relating to the "rounding off" of amounts in the directors' report and Financial Report. Amounts in the directors' report and Financial Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of directors of AMPCI Macquarie Infrastructure Management No.1 Limited.



John Roberts
Director

AMPCI Macquarie Infrastructure Management
No.1 Limited

Sydney
18 August 2011



Philip Garling
Director

AMPCI Macquarie Infrastructure Management
No.1 Limited

Sydney
18 August 2011

AUDITOR'S INDEPENDENCE DECLARATION



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Auditor's Independence Declaration to the Directors of the Responsible Entities of Diversified Utility and Energy Trust No.1

In relation to our audit of the financial report of Diversified Utility and Energy Trust No.1 for the year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Kester C Brown
Partner

18 August 2011

CONSOLIDATED INCOME STATEMENTS

	Note	DUET Group 1 July 2010– 30 June 2011 \$'000	DUET Group 1 July 2009– 30 June 2010 \$'000
Revenue	3	1,189,059	1,091,759
Other income	3	23,202	62,651
Total revenue and other income		1,212,261	1,154,410
Share of net profit/(loss) of associates accounted for using the equity method		20,789	(4,705)
Operating expenses	3	(320,464)	(321,787)
Depreciation and amortisation expense	3	(214,264)	(175,562)
Finance costs	3	(505,003)	(437,887)
Other expenses	3	(119,959)	(35,826)
Total expenses		(1,159,690)	(971,062)
Profit before income tax expense		73,360	178,643
Income tax credit/(expense)		115,040	(4,889)
Profit for the year		188,400	173,754
Profit is attributable to:			
DUET1 unitholders		68,784	42,042
DUET2 and DUET3 unitholders and DIHL shareholders as non-controlling interests		56,133	97,998
Stapled Securityholders		124,917	140,040
Other non-controlling interests		63,483	33,714
Basic earnings per stapled security/share/unit	5	7.70	4.88c
Diluted earnings per stapled security/share/unit	5	7.70	4.88c

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	DUET Group 1 July 2010– 30 June 2011 \$'000	DUET Group 1 July 2009– 30 June 2010 \$'000
Profit after income tax expense for the year	188,400	173,754
Other comprehensive income/(expense)		
Changes in fair value of cash flow hedges, net of tax:		
Gain taken to equity	19,714	43,082
Transferred to Income Statement	41,774	(20,146)
Changes in share of associates reserves, net of tax	(1,427)	(418)
Changes in available for sale financial asset, net of tax	–	–
Changes in share of associates foreign currency translation reserve	(24,144)	4,865
Total comprehensive income for the year	224,317	201,137
Total comprehensive income/(expense) for the year is attributable to:		
DUET1 unitholders	121,829	44,169
DUET2 and DUET3 unitholders and DIHL shareholders as non-controlling interests	17,681	116,979
Stapled Securityholders	139,510	161,148
Other non-controlling interests	84,807	39,989
Total comprehensive income/(expense) for the year	224,317	201,137

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

CONSOLIDATED BALANCE SHEETS

	Note	DUET Group 30 June 2011 \$'000	DUET Group 30 June 2010 \$'000
Current assets			
Cash and cash equivalents		543,482	464,682
Receivables		321,909	41,736
Inventories		14,429	12,498
Other assets		103,055	80,910
Derivative financial instruments		5,785	5,669
Total current assets		988,660	605,495
Non-current assets			
Receivables		21,968	319,056
Other financial assets – investments in unlisted securities		–	–
Investment in associated entities		166,129	142,847
Property, plant and equipment		5,319,868	5,209,179
Deferred tax assets		70,820	18,365
Intangible assets		2,059,815	2,033,011
Derivative financial instruments		13,658	66,846
Total non-current assets		7,652,258	7,789,304
Total assets		8,640,918	8,394,799
Current liabilities			
Distribution payable		90,969	87,056
Payables		181,533	176,970
Interest bearing liabilities	6	1,468,204	1,414,508
Provisions		9,768	9,187
Derivative financial instruments		46,976	105,108
Other liabilities		39,807	33,887
Total current liabilities		1,837,257	1,826,716
Non-current liabilities			
Interest bearing liabilities	6	4,277,725	4,237,512
Deferred tax liabilities		508,777	547,820
Derivative financial instruments		290,776	217,279
Provisions		26,963	26,884
Retirement benefit obligations		–	–
Other liabilities		22,731	23,153
Total non-current liabilities		5,126,972	5,052,648
Total liabilities		6,964,229	6,879,364
Net assets		1,676,689	1,515,435
Equity			
Equity attributable to DUET1 unitholders			
Contributed equity		553,887	532,697
Reserves		(96,997)	(150,045)
Retained profits/accumulated (losses)		(209,585)	(216,537)
Unitholders interest		247,305	166,115
Equity attributable to DUET2, DUET3 and DIHL Securityholders (as non-controlling interest)			
Contributed equity		1,378,338	1,335,963
Reserves		(249,474)	(141,930)
Retained profits/accumulated (losses)		(84,204)	(92,553)
DUET2, DUET3 and DIHL securityholders interest		1,044,660	1,101,480
Other non-controlling interest		384,724	247,840
Total equity		1,676,689	1,515,435

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

DUET Group	Attributable to DUET1 Unitholders						DUET2, DUET3 and DIHL non-controlling interests \$'000	Other non-controlling interest \$'000	Total equity \$'000
	Contributed equity \$'000	Hedging reserve \$'000	Capital reserve \$'000	Other reserve \$'000	Retained profits/ (accumulated losses) \$'000	Total \$'000			
Total equity at 1 July 2009	519,121	(48,309)	(90,324)	(13,539)	(199,614)	167,335	1,069,183	203,970	1,440,488
Profit/(Loss) for the year	–	–	–	–	42,042	42,042	97,998	33,714	173,754
Other comprehensive income/(expense) for the year	–	7,631	–	(5,504)	–	2,127	18,981	6,275	27,383
Total comprehensive income/(loss) for the year	–	7,631	–	(5,504)	42,042	44,169	116,979	39,989	201,137
Transactions with equity holders in their capacity as equity holders:									
Contributions of equity	12,041	–	–	–	–	12,041	26,873	–	38,914
Capital raising costs	1,535	–	–	–	–	1,535	1,544	–	3,079
Distribution paid and provided for to DUET equity holders	–	–	–	–	(58,965)	(58,965)	(113,099)	–	(172,064)
Dividends and distributions provided for or paid to non-controlling interests	–	–	–	–	–	–	–	(50,547)	(50,547)
Contributions of equity by non-controlling interests	–	–	–	–	–	–	–	54,428	54,428
Total equity at 30 June 2010	532,697	(40,678)	(90,324)	(19,043)	(216,537)	166,115	1,101,480	247,840	1,515,435
Profit for the year	–	–	–	–	68,784	68,784	56,133	63,483	188,400
Other comprehensive income/(expense) for the year	–	27,646	–	25,399	–	53,045	(38,452)	21,324	35,917
Total comprehensive income for the year	–	27,646	–	25,399	68,784	121,829	17,681	84,807	224,317
Transactions with equity holders in their capacity as equity holders:									
Contributions of equity	21,190	–	–	–	–	21,190	42,375	–	63,565
Distribution paid and provided for to DUET equity holders	–	–	–	–	(61,829)	(61,829)	(116,876)	–	(178,705)
Dividends and distributions provided for or paid to non-controlling interests	–	–	–	–	–	–	–	(56,311)	(56,311)
Contributions of equity by non-controlling interests	–	–	–	–	–	–	–	108,388	108,388
Total equity at 30 June 2011	553,887	(13,032)	(90,324)	6,356	(209,582)	247,305	1,044,660	384,724	1,676,689

CONSOLIDATED STATEMENTS OF CASH FLOWS

	DUET Group 1 July 2010– 30 June 2011 \$'000	DUET Group 1 July 2009– 30 June 2010 \$'000
Cash flows from operating activities		
Receipts from customers (including GST)	1,247,813	1,131,030
Payments to suppliers and employees (including GST)	(447,044)	(434,308)
Income tax received/(paid)	(968)	1,219
Interest received from associates	35,681	53,179
Interest received from related parties	–	–
Dividends received	5,402	5,161
Other interest received	31,924	17,935
Management and Responsible Entity fee paid	(20,331)	(19,587)
Indirect tax net (paid)/received	(21,928)	(12,313)
Net cash flows from operating activities	830,549	742,316
Cash flows (used in)/from investing activities		
Payments for purchase of property, plant and equipment	(265,434)	(514,330)
Payments for purchase of software	(52,438)	(69,982)
Payments for purchase of investments	(35,404)	(97,926)
Amounts deposited in escrow account for asset acquisition	(42,500)	–
Investment in term deposits	7,462	–
Proceeds from government grant	–	3,414
Proceeds from sale of non-current assets	279	1,024
Net cash flows (used in)/from investing activities	(388,035)	(677,800)
Cash flows from financing activities		
Proceeds from issue of stapled securities	–	–
Payments for capital raising costs	–	(121)
Proceeds from securities issued to non-controlling interests	118,267	54,423
Proceeds from borrowings lent by non-controlling interests	5,610	–
Proceeds from borrowing from external parties	3,057,579	749,550
Repayment of borrowings from external parties	(2,879,697)	(419,000)
Loans to related parties	–	–
Loans from related parties	–	–
Finance costs paid	(501,502)	(391,498)
Dividends paid to non-controlling interest	(56,309)	(50,541)
Distributions paid to DUET securityholders	(111,226)	(130,818)
Net cash flow from/(used in) financing activities	(367,278)	(188,005)
Net increase/(decrease) in cash and cash equivalents held	75,236	(123,489)
Cash assets at the beginning of the period	464,682	588,687
Effects of exchange rate changes on cash and cash equivalents	3,564	(516)
Cash and cash equivalents at the end of the year	543,482	464,682

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

DISCUSSION AND ANALYSIS OF RESULTS

Financial Performance

Operating Performance

The profit attributable to securityholders and non-controlling interests for the year ended 30 June 2011 was \$188.4 million (2010: \$173.8 million). The profit attributable to DUET securityholders for the year ended 30 June 2011 was \$124.9 million (2010: \$140.0 million).

The DUET Group profit for the full year of \$188.4 million includes non cash charges for changes in the fair value of derivatives. These derivatives include interest rate swaps, forward foreign exchange contracts, revenue swaps, CPI index hedge contracts and cross currency swaps used by DUET and its assets as financial risk management tools. Australian accounting standards require that derivative instruments be recorded at fair value potentially leading to volatility in the income statement. Excluding the impact of significant non cash items, DUET Group's net result after income tax for the full year was \$190.6 million as follows:

	DUET Group 1 July 2010– 30 June 2011 \$'000	DUET Group 1 July 2009– 30 June 2010 \$'000
Net result after income tax	188.4	173.7
Consolidated derivative mark to market and FX loss/(profit)	45.4	(53.9)
Duquesne mark to market profit on derivatives (net of tax)	(21.1)	(7.7)
Duquesne actuarial (gain)/loss on defined benefit plan	(22.1)	22.5
Net result excluding significant non cash items	190.6	134.6
Net pre-tax profit excluding significant non cash items	75.6	139.5

Revenue

The total revenue for the year was \$1,212.3 million (2010: \$1,154.4 million), comprising the following:

- Distribution revenue of \$579.7 million (2010: \$567.7 million).
- Metering revenue of \$71.1 million (2010: \$41.9 million).
- Transportation revenue of \$405.4 million (2010: \$371.4 million).
- Other sales revenue of \$20.9 million (2010: \$16.0 million).
- Investment income of \$32.8 million (2010: \$35.5 million).
- Other revenue of \$100.1 million (2010: \$120.3 million).
- New connections revenue \$2.1 million (2010: \$1.5 million).

Share of net profit of associates

Share of net profits of associates accounted for using the equity method for the year was \$20.7 million (2010: \$(4.7) million). This represents the Group's 25.9% share of the net profit after tax generated by WA Network Holdings Pty Limited as well as DUET's 29.0% share of the net loss after tax generated by DQE Holdings LLC.

Operating Expenses

Operating expenses of \$320.4 million were incurred during the year (2010: \$321.8 million) and included the following:

- Operating fees of \$223.5 million (2010: \$226.6 million).
- Other operating expenses of \$96.9 million (2010: \$95.1 million).

Depreciation and amortisation expense

- Amortisation of intangible assets was \$33.9 million (2010: \$10.6 million).
- Depreciation of property, plant and equipment was \$180.3 million (2010: \$165.0 million).

Finance costs

Finance costs of \$505.0 million (2010: \$437.9 million) were incurred during the year. This includes \$26.4 million (2010: \$20.3 million) of amortisation of borrowing costs.

Income Tax

- Under the Income Tax Assessment Acts, DUET1, DUET2, and DUET3 are not liable for income tax provided that the taxable income is fully distributed to stapled securityholders each year.
- Income tax expense benefit of \$115.0 million (2010: \$(4.9) million) was recognised during the year. This primarily relates to \$112.0 million of DBP pre-acquisition tax losses recognised in the year.

Non-controlling Interests

- Non-controlling equity interests of \$63.5 million represent the net results of DBP, UEDH and MGH attributable to non-controlling interests (2010: \$33.7 million).

DISCUSSION AND ANALYSIS OF RESULTS CONTINUED

Earnings per Stapled Security

The basic earnings per stapled security after finance costs is 7.70 cents per stapled security (2010: 4.88 cents per stapled security).

- The weighted average number of stapled securities on issue used in the calculation of the earnings per stapled security is 893.7 million (2010: 861.9 million).
- Earnings per stapled security for DUET Group includes earnings of DUET1 only and has been calculated in accordance with *AASB 133 Earnings per Share*. Earnings per stapled security on consolidated profit for the year is 21.08c (2010: 20.16c).

Financial Position

Assets

- At 30 June 2011, total assets of DUET were \$8,640.9 million (2010: \$8,394.8 million).
- Property, plant and equipment of \$5,319.9 million (2010: \$5,209.2 million) included \$5.6 million of land (2010: \$5.6 million), \$24.9 million of land and buildings (2010: \$9.1 million), \$5,043.1 million of plant and equipment (2010: \$4,380.6 million), \$30.5 million of other property, plant and equipment (2010: \$21.7 million) and \$215.6 million of plant and equipment in the course of construction (2010: \$792.2 million).
- Intangible assets of \$2,059.8 million (2010: \$2,033.0 million) comprise \$76.1 million of intellectual property (2010: \$82.6 million), \$1,035.4 million of distribution licences (2010: \$1,035.4 million) and \$789.8 million of goodwill (2010: \$789.8 million), \$105.2 million of software assets (2010: \$67.5 million), and \$53.3 million of development project costs (2010: \$57.8 million).

Liabilities

- At 30 June 2011, total liabilities of DUET were \$6,964.2 million (2010: \$6,879.4 million).

Equity

- At 30 June 2011, total equity of DUET was \$1,676.7 million (2010: \$1,515.4 million).
- Contributed equity is \$1,932.2 million (2010: \$1,868.7 million).
- Reserves are \$(346.5) million (2010: \$(292.0 million)). This represents cash flow hedges measured in accordance with IFRS.

Net Asset Backing

- The net asset backing per stapled unit at 30 June 2011 is \$1.84 (2010: \$1.74).

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies

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

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

The Financial Reports were authorised for issue by the Directors on 18 August 2011. The Responsible Entities and Directors of DIHL have the power to amend and reissue these Financial Reports.

(a) Basis of preparation of Financial Reports

The principal accounting policies adopted in the preparation of the Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Compliance with IFRS

The Financial Reports comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Historical cost convention

These Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value.

Stapled Security

The units of DUET1, DUET2, DUET3 and the ordinary shares in DIHL are combined and issued as stapled securities in DUET Group. The individual securities cannot be traded separately and can only be traded as stapled securities.

This Financial Report consists of the consolidated Financial Statements of DUET1, which comprises DUET1, DUET2, DUET3, DIHL and the entities they control, together acting as DUET.

As permitted by ASIC Class orders 05/642 and 06/441, these Financial Reports consist of the consolidated Financial Statements of DUET1 and its controlled entities (collectively referred to as “DUET” or “DUET Group”), and the Financial Statements of DUET2, DUET3 and DIHL.

(b) Consolidated accounts

The Group is required to prepare its consolidated Financial Statements in accordance with the revised AASB 127 *Separate and Consolidated Financial Statements*. Under the standard DUET2 is presented as a non-controlling interest, together with DUET3 and DIHL. This interpretation requires “non-controlling interests” formerly known as “outside equity interests” to be presented in the consolidated Balance Sheet within equity but separately from the equity owners of the parent. In addition, profit or loss and total comprehensive income have been apportioned to reflect the amount attributable to the owners of the parent and to the non-controlling interests.

(c) Principles of consolidation

The consolidated Financial Statements incorporate the assets and liabilities of the entities controlled by DUET1, DUET2, DUET3 and DIHL at 30 June 2011, including those deemed to be controlled by DUET1 by identifying it as the parent of DUET on transition to AIFRS, and the results of those controlled entities for the period then ended. The effects of all transactions between entities in DUET Group are eliminated in full. Non-controlling interests in the results and equity are shown separately in the Income Statement and the Balance Sheet respectively. Non-controlling interests are those interests in partly owned subsidiaries which are not held directly or indirectly by DUET1, DUET2, DUET3 or DIHL. Non-controlling interests also represent the interests of DUET2, DUET3 and DIHL.

Where control of an entity is obtained during a financial period, its results are included in the Income Statement from the date on which control commences. Where control of an entity ceases during a financial period, its results are included for that part of the period during which control existed.

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

(d) Segment reporting

Operating segments are reported in a manner that is consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Boards of RE1, RE2 and DIHL.

For the year ended 30 June 2011 the segments are based on the core assets of DUET’s investment portfolio, being Dampier Bunbury Pipeline, United Energy, Multinet, WA Gas Networks and Duquesne.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 Summary of Significant Accounting Policies continued

(e) Net current asset deficiency

At 30 June 2011 the DUET Group has a net current liability position of \$848.6 million which is due to the following interest bearing borrowings having become current:

	Maturity date	Borrowings outstanding \$m
DUET	June 2012	345.0
DBP	April 2012	275.0
DBP	June 2012	252.6
MGH	July 2011	150.0
MGH	July 2011	100.0
MGH	April 2012	70.0
MGH	June 2012	165.0
MGH	June 2012	94.5
		1,452.1

DUET1, DUET2, and DIHL have net current asset deficiencies of \$166.6 million, \$111.3 million and \$55.8 million respectively.

Notwithstanding these net current asset deficiencies, the Financial Reports have been prepared on a going concern basis as DUET Group, DUET1, DUET2 and DIHL continue to generate positive cash flows and have sufficient appropriate debt and equity capital in place to enable operations to continue as a going concern.

The net current asset deficiency at the DUET Group level is primarily due to non-recourse loans that are due within 12 months, as noted above, and the impact of the recognition of financial instruments, including cross-currency and interest rate swaps, at fair value in the consolidated Balance Sheet.

The net current asset deficiencies at the DUET1, DUET2 and DIHL level are primarily due to the classification of intercompany loans payable as current liabilities (as they are repayable on demand), whereas intercompany loans receivable are classified as non-current receivables.

Given the following, and based on current expectations, the Directors consider that DUET Group, DUET1, DUET2 and DIHL will have sufficient cash available to meet their liabilities as they fall due:

- The related party loans are not expected to be called upon in the next 12 months;
- Any material call for repayment of the related party loans would be met by the funds on-lent to the Australian majority controlled asset companies or through the realisation of investments;
- As announced on 12 July 2011, Multinet confirmed it has refinanced a \$70 million bank debt facility due in July 2012;
- On 8 June 2010, Multinet raised US\$185 million (A\$230 million) through a private placement of unsecured notes with US bond investors with the funds held on deposit. A\$230 million was applied to repay Multinet's \$250.0 million debt that matured in July 2011; and
- DBP is in discussions with financiers with plans to refinance the debt due in April 2012 and June 2012 within six months of maturity.

(f) Earnings per stapled security

(i) 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.

(ii) Diluted earnings per security

Diluted earnings per stapled security adjusts the figures used in the determination of basic earning per security to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary securities and the weighted average number of securities assumed to have been issued for no consideration in relation to dilutive potential ordinary securities.

(g) Comparative figures

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

(h) Rounding of amounts

DUET Group, DUET2, DUET3 and DIHL are of a kind referred to in Class Order 98/0100, issued by ASIC, relating to the 'rounding off' of amounts in the Directors' report and Financial Report. Amounts in the Directors' report and Financial Report have been rounded off in accordance with that Class Order to the nearest thousand dollars or, in certain cases, to the nearest dollar.

2 Segment Information

The Directors of the Responsible Entities (RE1 and RE2) of DUET1, DUET2, DUET3 and the Directors of DIHL have determined the operating segments based on the reports reviewed by the chief operating decision maker, being the Boards of AMPCI Macquarie Infrastructure Management No.1 Limited (RE1), AMPCI Macquarie Infrastructure Management No.2 Limited (RE2) and DIHL.

The Boards consider the business from the aspect of each of the core portfolio assets and have identified five operating segments. The segments are the investments in Dampier Bunbury Pipeline (DBP), United Energy (UEDH), Multinet (MGH), WA Gas Networks (WAGN) and Duquesne (DQE). DUET Group has control or significant influence over these investments and as such, the Directors of RE1, RE2 and DIHL can exert control or significant influence over the management control of the entities.

DBP, UEDH, MGH and WAGN are all located in Australia. Revenue is derived from customers within Australia. Non-current assets are located in Australia. DQE is located in the United States, with revenue derived in the United States. Non-currents of DQE are located in the United States.

The primary business from which each operating segment derives revenue is as follows; DBP gas transmission, MGH gas distribution, UED electricity distribution, DQE electricity distribution and transmission and WAGN gas distribution. There were no inter-segment transactions during the period (2010: nil).

The operating segments note discloses performance by individual core-portfolio asset in Australian dollars. The information is presented as DUET's proportionate share of the earnings before interest, tax, depreciation and amortisation ("EBITDA").

	DBP \$'000	UEDH \$'000	MGH \$'000	WAGN \$'000	DQE \$'000	Total \$'000
DUET Group for the 12 months to 30 June 2011						
Total segment revenues	258,855	265,616	155,006	36,476	343,099	1,059,052
Total segment expenses	(42,720)	(85,030)	(39,852)	(15,020)	(234,946)	(417,568)
Proportionate EBITDA ¹	216,135	180,586	115,154	21,456	108,153	641,484
DUET Group for the 12 months to 30 June 2010						
Total segment revenues	235,023	244,178	145,149	37,091	370,790	1,032,231
Total segment expenses	(45,553)	(70,339)	(36,509)	(12,337)	(255,890)	(420,628)
Proportionate EBITDA ¹	189,470	173,839	108,640	24,754	114,900	611,603
Total proportionate segment assets						
30 June 2011	2,313,859	1,696,353	1,264,306	249,432	1,173,946	6,697,896
30 June 2010	2,298,795	1,598,634	1,065,443	242,846	1,447,369	6,653,087
Maintenance capital expenditure						
	11,851	46,278	8,064	2,801	41,467	110,461
Total proportionate segment liabilities						
30 June 2011	(1,918,951)	(1,536,867)	(1,108,118)	(223,966)	(984,545)	(5,772,447)
30 June 2010	(1,983,130)	(1,586,185)	(942,265)	(216,779)	(392,900)	(5,121,259)

¹ Excludes changes in the fair value of derivatives, net foreign exchange gains/losses and actuarial losses on the Duquesne defined benefit pension plan.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2 Segment Information continued

A reconciliation of DUET EBITDA to profit/(loss) before income tax expense is provided as follows:

	DBP \$'000	UEDH \$'000	MGH \$'000	WAGN \$'000	DQE \$'000	Corporate \$'000	Total \$'000
DUET Group for the 12 months to 30 June 2011							
Proportionate EBITDA	216,135	180,585	115,153	21,457	108,153	-	641,483
Additional EBITDA from controlled assets ¹	144,090	93,029	28,968	-	-	-	266,087
Exclude non-controlled assets ²	-	-	-	(21,456)	(108,153)	-	(129,609)
Corporate expenses	-	-	-	-	-	(22,060)	(22,060)
Other	-	-	-	-	-	(800)	(800)
Equity accounted profits ²	-	-	-	859	(23,298)	-	(22,439)
Consolidated EBITDA							732,662
Controlled assets							
Interest income	5,388	10,260	8,955	-	-	-	24,603
Depreciation and amortisation	(78,135)	(105,330)	(30,799)	-	-	-	(214,264)
Finance costs	(231,482)	(143,961)	(86,513)	-	-	-	(461,956)
Changes in fair value of derivatives	(10,031)	6,851	7,407	-	-	-	4,227
Non-controlled assets							
Change in fair value of derivatives ³	-	-	-	-	21,128	-	21,128
Change in defined benefit pension plan	-	-	-	-	22,100	-	22,100
Corporate							
Interest income	-	-	-	-	-	42,228	42,228
Finance costs	-	-	-	-	-	(43,047)	(43,047)
Net foreign exchange gains/(losses)	-	-	-	-	-	(49,964)	(49,964)
Changes in fair value of derivatives	-	-	-	-	-	300	300
Other eliminations	-	-	-	-	-	-	(4,657)
Profit before income tax expense							73,360

1 To consolidate 100% of controlled asset EBITDA.

2 Excludes proportionate EBITDA of associates and includes the equity accounted result.

3 Includes amortisation of the fair value of electricity contracts recognised on acquisition reported by the non-controlled asset with operating costs.

2 Segment Information continued

	DBP \$'000	UEDH \$'000	MGH \$'000	WAGN \$'000	DQE \$'000	Corporate \$'000	Total \$'000
DUET Group for the 12 months to 30 June 2010							
Proportionate EBITDA	189,470	173,839	108,640	24,754	114,900	-	611,603
Additional EBITDA from controlled assets ¹	126,407	87,873	24,734	-	-	-	239,014
Exclude non-controlled assets ²	-	-	-	(24,754)	(114,900)	-	(139,654)
Corporate income	-	-	-	-	-	301	301
Corporate expenses	-	-	-	-	-	(22,939)	(22,939)
Equity accounted profits ²	-	-	-	5,695	4,390	-	10,085
Consolidated EBITDA							698,410
Controlled assets							
Interest income	2,979	893	684	-	-	-	4,556
Depreciation and amortisation	(65,835)	(79,073)	(30,654)	-	-	-	(175,562)
Finance costs	(201,054)	(119,087)	(73,648)	-	-	-	(393,789)
Changes in fair value of derivatives	-	25,402	(440)	-	-	-	24,962
Non-controlled assets							
Change in fair value of derivatives ³	-	-	-	-	7,693	-	7,693
Change in defined benefit pension plan	-	-	-	-	(22,483)	-	(22,483)
Corporate							
Interest income	-	-	-	-	-	49,967	49,967
Depreciation and amortisation	-	-	-	-	-	(44,100)	(44,100)
Finance costs	-	-	-	-	-	(5,167)	(5,167)
Changes in fair value of derivatives	-	-	-	-	-	34,156	34,156
Net foreign exchange gains/(losses)	-	-	-	-	-	-	-
Loss before income tax expense							178,643

1 To consolidate 100% of controlled asset EBITDA.

2 Excludes proportionate EBITDA of associates and includes the equity accounted result.

3 Includes amortisation of the fair value of electricity contracts recognised on acquisition reported by the non-controlled asset with operating costs.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2 Segment Information continued

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

	30 June 2011 \$'000	30 June 2010 \$'000
Total proportionate segment assets	6,697,896	6,653,087
Balance of controlled entity assets	2,292,364	1,948,922
Exclude non-controlled assets	(1,423,378)	(1,690,215)
Cash and cash equivalents	125,455	317,369
Derivatives	6,230	1,975
Other assets	103	123
Receivables	776,119	1,018,099
Equity accounted investments	166,129	145,439
Total assets	8,640,918	8,394,799

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

	30 June 2011 \$'000	30 June 2010 \$'000
Total proportionate segment liabilities	(5,772,447)	(5,121,259)
Balance of controlled entity liabilities	(1,884,791)	(1,684,026)
Exclude non-controlled liabilities	1,208,511	609,679
Distribution payable	(90,969)	(87,056)
Payables	(10,260)	(19,937)
Interest bearing liabilities	(414,273)	(576,765)
Total liabilities	(6,964,229)	(6,879,364)

3 Profit for the Year

	DUET Group 1 July 2010– 30 June 2011 \$'000	DUET Group 1 July 2009– 30 June 2010 \$'000
(i) Revenue		
Sales revenue		
Distribution revenue	579,677	567,688
Metering revenue	71,066	41,989
Transportation revenue	405,388	371,403
New connections revenue	2,199	1,474
Other sales revenue	20,922	16,006
	1,079,252	998,560
Revenue from investments		
Interest revenue	32,831	35,471
Distribution and dividend revenue	–	–
	32,831	35,471
Other revenue		
Interest revenue	33,999	19,051
Customer contributions	35,738	30,264
Miscellaneous revenue	7,239	8,413
	76,976	57,728
Total revenue	1,189,059	1,091,759

3 Profit for the Year continued

	DUET Group 1 July 2010– 30 June 2011 \$'000	DUET Group 1 July 2009– 30 June 2010 \$'000
(ii) Other income		
Net fair value gain on derivative contracts and loans	17,296	62,651
Net foreign exchange gains	5,906	–
Total other income	23,202	62,651
Total revenue and other income	1,212,261	1,154,410
(iii) Expenses		
Operating expenses		
Operating fees	223,527	226,647
Other operating expenses	96,937	95,140
	320,464	321,787
Depreciation and amortisation expense		
Depreciation of property, plant and equipment	180,310	164,999
Amortisation of intangible assets	33,954	10,563
	214,264	175,562
Finance costs		
Amortisation of borrowing costs	26,425	20,344
Financing costs	21,956	5,290
Interest expense		
Related parties	–	–
Other parties	456,622	412,253
	505,003	437,887
Other expenses		
Net loss on write off/abandonment	4,353	4,185
Management fees	20,478	20,022
Net foreign exchange losses	55,870	8,700
Net fair value loss on derivative contracts	10,723	–
Other	28,535	2,919
	119,959	35,826
Total expenses	1,159,690	971,062

4 Distributions Paid and Proposed

	DUET Group 1 July 2010– 30 June 2011 \$'000	DUET Group 1 July 2009– 30 June 2010 \$'000
Interim distribution paid for the year ended 30 June	88,731	85,916
Final distribution proposed and subsequently paid for the year ended 30 June	90,970	87,056
	179,701	172,972
	Cents per stapled security	Cents per stapled security
Interim distribution paid for the year ended 30 June	10.000	10.000
Final distribution proposed and subsequently paid for the year ended 30 June	10.000	10.000

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5 Earnings per Security

(a) Basic earnings per stapled security

	DUET Group As at 30 June 2011 '000	DUET Group As at 30 June 2010 '000
Basic earnings per stapled security	7.70c	4.88c
Earnings used in calculation of basic earnings per stapled security	68,784	42,042
Weighted average number of stapled securities used in calculating basic earnings per stapled security	893,674	861,858

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

	DUET Group As at 30 June 2011 \$'000	DUET Group As at 30 June 2010 \$'000
Basic earnings per stapled security		
Profit/(Loss) for the year	188,400	173,754
(Profit)/Loss for the year attributable to non-controlling interests	(119,616)	(131,712)
Profit/(Loss) attributable to the ordinary securityholders of the company used in calculating basic earnings per stapled security	68,784	42,042

(c) Diluted earnings per stapled security

	DUET Group As at 30 June 2011 '000	DUET Group As at 30 June 2010 '000
Diluted earnings per stapled security*	7.70c	4.88c
Earnings used in calculation of diluted earnings per stapled security	68,784	42,042
Weighted average number of stapled securities used in calculating diluted earnings per stapled security	893,674	861,858

* Where diluted earnings per stapled security is anti-dilutive, the figure for diluted earnings per stapled security is shown the same as the figure for basic earnings per stapled security.

(d) Weighted average number of shares used as the denominator

	DUET Group As at 30 June 2011 '000	DUET Group As at 30 June 2010 '000
Weighted average number of stapled securities used as the denominator in calculating basic earnings per stapled security	893,674	861,858
Weighted average number of stapled securities used as the denominator in calculating diluted earnings per stapled security	893,674	861,858

6 Interest Bearing Liabilities

	DUET Group 30 June 2011 \$'000	DUET Group 30 June 2010 \$'000
Current		
Secured		
Bank loan	597,352	–
	597,352	–
Unsecured		
Bank loans	349,500	1,102,012
Guaranteed notes	526,759	313,295
Borrowings from related parties	–	–
	876,259	1,415,307
Capitalised borrowing transaction costs	(5,407)	(799)
Total current interest bearing liabilities	1,468,204	1,414,508
Non-current		
Secured		
Bank loans	724,008	1,254,131
Guaranteed notes	1,500,000	1,200,000
	2,224,008	2,454,131
Unsecured		
Bank loans	346,999	372,499
Guaranteed notes	1,564,204	1,320,257
Redeemable preference shares	164,399	125,614
Borrowings from related party	–	–
Shareholder loans	–	23,290
	2,075,602	1,841,660
Finance lease liability	21,628	–
Capitalised borrowing transaction costs	(43,513)	(58,279)
Total non current interest bearing liabilities	4,277,725	4,237,512
Total interest bearing liabilities	5,745,929	5,652,020

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6 Interest Bearing Liabilities (continued)

Financing arrangements

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

	Undrawn balance 30 June 2011 '000	Undrawn balance 30 June 2010 '000
DUET1		
Related party loans	37,147	37,147
DUET2		
Related party loans	–	–
DUET3		
Related party loans	18,711	18,711
DIHL		
Related party loans	200,000	200,000
DUET 2008 Funding Sub Trust		
Tranche A 364 days: 2012	–	–
Tranche B three year: 2014	130,500	n/a
Tranche C three year: 2011	n/a	100,000
Total	130,500	100,000
Dampier Bunbury Pipeline		
<i>Term loan</i>	23,000	–
Capital expenditure facility (Stage 4)	–	20
Capital expenditure facility (Stage 5A)	–	–
Capital expenditure facility (Stage 5B)	–	67,569
Capital expenditure facility (Stage 5A2)	–	1,700
Working capital facility	–	20,000
	23,000	89,289
United Energy		
Senior Corporate Facility – Tranche A	–	90,000
Capex shareholder loan	–	16,500
Senior Corporate Facility – Tranche B Capex facility	–	40,500
Senior Corporate Facility – Tranche C	237,000	–
Bank loans – working capital facility and AIMRO Capex	71,000	110,000
	308,000	257,000
Multinet		
Senior subscription agreement	40,000	63,000
Capital expenditure facility	55,500	51,500
Bank loans – working capital facility	30,000	5,000
	125,500	119,500
Total	842,858	821,647

6 Interest Bearing Liabilities (continued)

Bank Loans

DUET Group

DUET Group has utilised \$414.5 million of the \$545.0 million syndicated corporate senior debt facility.

Dampier Bunbury Pipeline

DBP has two syndicated facility agreements in place. The first syndicated facility agreement is a \$450.0 million facility broken into two tranches. The first tranche is a \$150.0 million facility limit maturing in December 2013. The second tranche is a \$300.0 million facility limit maturing in December 2017.

The second syndicated facility agreement is a \$480.0 million facility broken into two tranches. The first tranche is a commitment of \$252.6 million maturing in June 2012 and the second tranche totals \$227.4 million maturing in June 2014.

A working capital facility is in place with a \$20 million limit maturing in May 2012. This facility is currently undrawn.

United Energy

Term bank loans under the senior corporate facilities comprise two \$120.0 million tranches, which have a maturity dates of April 2014 and April 2018. A working capital facility with a facility limit of \$20.0 million matures in December 2013.

Tranche C of the senior corporate facilities is a capex facility with a facility limit of \$260 million maturing in April 2014. The smart meter debt facility is a \$150 million capex facility maturing in December 2013 for the purpose of funding the roll-out of Advanced Metering Infrastructure.

Multinet

A term bank loan with a facility limit of \$205.0 million drawn under the senior corporate facility matures in June 2012. A working capital facility with a facility limit of \$20.0 million matures in April 2014.

A \$70 million term bank loan matures in April 2012. On 12 July, Multinet announced it had refinanced the A\$70 million bank debt facility due in April 2012 and raised a new \$50 million IT growth capex bank debt facility. Both of the new facilities mature in July 2014.

Tranche B of the senior corporate facilities is a capex facility with a facility limit of \$130 million maturing in June 2012.

Guaranteed notes

Dampier Bunbury Pipeline

There are four tranches of floating rate note facilities outstanding with credit support provided by Ambac Assurance Corporation. There are two tranches of \$275.0 million each, which mature in April 2012 and April 2017 and two further tranches of \$325.0 million, which mature in April 2013 and April 2016.

A \$425.0 million floating rate note matures in September 2015.

A \$150.0 million fixed rate note with a coupon of 8.25% matures in September 2015.

United Energy

US\$200.0 million (A\$263 million) 5.45% fixed rate guaranteed notes maturing in April 2016, were issued on 19 November 2003.

UEDH drew down on funds raised through a US Private Placement in December 2010. The notes are fixed rate for four years (US\$70m at interest rate of 3.91%) and seven years (US\$365m at interest rate of 5.01%).

A\$500 million floating rate guaranteed notes maturing in October 2014, were issued on 31 October 2005.

Scheduled payment of principal and interest on the notes is guaranteed by an unrelated party.

Long term currency swaps have been entered into to convert the USD exposure on the guaranteed notes into an Australian dollar exposure. The swaps entitle the Group to receive an agreed amount of USD and oblige it to pay an agreed amount of Australian dollars at the date of maturity of the guaranteed notes. The value of the guaranteed notes presented above is after the impact of the amount payable under the currency swap agreement.

Multinet

In July two fixed rate guaranteed notes were refinanced using proceeds raised from the US Private Placement notes (described below). The refinanced notes outstanding as at 30 June 2011 comprised:

- A\$150 million 6.375% fixed rate guaranteed note maturing on 29 July 2011.
- A\$100 million floating rate maturing on 29 July 2011.

A\$300 million floating rate guaranteed notes were issued on 15 June 2007 and mature in July 2011.

US\$135.0 million 4.2% fixed rate US Private Placement loan notes maturing on 8 November 2015, were issued on 8 November 2010.

US\$50.0 million 4% fixed rate US Private Placement loan note maturing on 9 August 2015, were issued on 9 August 2010.

Scheduled payment of principal and interest on the notes is guaranteed by an unrelated party.

Redeemable preference shares

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

Borrowings from related parties

Loan agreements between DUET parent entities are included in borrowings from associates. These loans have a maturity of nine years and pay interest at 8% per annum. At 30 June 2011, the amounts payable to associated entities by DUET2 is \$176 million (2010: \$231.6 million), by DUET3 is \$204.7 million (2010: \$210.5 million), and by DIHL \$106.4 million (2010: 98.7 million).

Capex shareholder loan to United Energy

The capex shareholder loan to United Energy was converted to redeemable preference shares on 11 March 2011.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7 Investments in Controlled Entities

Name of entity	Year end	Country of incorporation	Class of shares/units	Equity holding 30 June 2011 %*	Equity holding 30 June 2010 %*
Amistel Pty Ltd	30 June	Australia	Ordinary	79.9	79.9
Australia Energy Finance Pty Ltd	30 June	Australia	Ordinary	79.9	79.9
Australian Energy Fund No.2	30 June	Australia	Ordinary	80.9	80.9
Energy Partnership (Gas) Pty Ltd	30 June	Australia	Ordinary	79.9	79.9
Energy Partnership (Holdings) Pty Ltd	30 June	Australia	Ordinary	79.9	79.9
Energy Partnership Pty Ltd	30 June	Australia	Ordinary	79.9	79.9
Energy Retail Holdings Pty Ltd	30 June	Australia	Ordinary	73.1	73.1
Multinet Gas (DB No1) Pty Ltd	30 June	Australia	Ordinary	79.9	79.9
Multinet Gas (DB No2) Pty Ltd	30 June	Australia	Ordinary	79.9	79.9
Multinet Gas Distribution Partnership	30 June	Australia	Ordinary	79.9	79.9
Multinet Gas (IE) Pty Ltd	30 June	Australia	Ordinary	79.9	79.9
Multinet Group Holdings Pty Ltd	30 June	Australia	Ordinary	79.9	79.9
Pacific Indian Energy Services Pty Ltd (PIES)	30 June	Australia	Ordinary	57.3	57.3
Power Partnership Pty Ltd	30 June	Australia	Ordinary	66.0	66.0
UEIP Pty Ltd	30 June	Australia	Ordinary	66.0	66.0
United Energy Distribution Pty Ltd	30 June	Australia	Ordinary	66.0	66.0
United Energy Distribution Holdings Pty Ltd	30 June	Australia	Ordinary	66.0	66.0
United Energy Finance Pty Ltd	30 June	Australia	Ordinary	66.0	66.0
United Energy Finance Trust	30 June	Australia	Ordinary	66.0	66.0
United Nominee Assets Pty Ltd	30 June	Australia	Ordinary	66.0	66.0
Utilicorp Australia (Gas) Finance Pty Ltd	30 June	Australia	Ordinary	79.9	79.9
Utilicorp Australia (Gas) Holdings Pty Ltd	30 June	Australia	Ordinary	79.9	79.9
Utilicorp Southern Cross Pty Ltd	30 June	Australia	Ordinary	79.9	79.9
Utilities Consulting Service Pty Ltd	30 June	Australia	Ordinary	66.0	66.0
DUET Dampier Bunbury Pty Ltd	30 June	Australia	Ordinary	100.0	100.0
DBNGP Trust	30 June	Australia	Ordinary	60.0	60.0
DBNGP Holdings Pty Ltd	30 June	Australia	Ordinary	60.0	60.0
DBNGP Finance Company Pty Ltd	30 June	Australia	Ordinary	60.0	60.0
DBNGP WA Pipeline Trust	30 June	Australia	Ordinary	60.0	60.0
DBNGP (WA) Nominees Pty Ltd	30 June	Australia	Ordinary	60.0	60.0
DBNGP (WA) Transmission Pty Ltd	30 June	Australia	Ordinary	60.0	60.0
DBNGP Compressor Co. Pty Ltd	30 June	Australia	Ordinary	60.0	60.0
DBNGP (WA) Finance Pty Ltd	30 June	Australia	Ordinary	60.0	60.0
DUET 2008 Debt Funding Trust	30 June	Australia	Ordinary	100.0	100.0

* The equity holding is the equity holding of DUET Group. DUET1, as the deemed parent of the Group, is the deemed parent of these entities.

DUET2, DUET3 and DIHL have no subsidiaries.

8 Critical Accounting Estimates and Judgements

The preparation of the Financial Report in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. Estimates and judgements are continually evaluated and are based on historical cost experience and other factors, including reasonable expectations of future events. Management believes the estimates used in the preparation of the Financial Report are reasonable. Actual results in the future may differ from those reported.

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Estimated impairment of goodwill and indefinite life intangibles

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash generating units have been determined based on value-in-use and fair value less costs to sell calculations.

(b) Derivative financial instruments

The fair values of over-the-counter derivatives are determined using valuations techniques adopted by the Directors with assumptions that are based on market conditions existing at each reporting date.

(c) Income taxes

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

(d) Significance of inputs in fair value hierarchy

An unobservable valuation input is considered significant if stressing the unobservable input to the valuation model would result in a greater than 10% change in the overall fair value of the instrument.

9 Events Occurring After Balance Sheet Date

DUET Group Entitlement Offer

On 4 August 2011, DUET launched a fully underwritten accelerated non-renounceable pro rata entitlement offer of one new stapled security for every five existing stapled securities at an offer price of \$1.52 per new security raising \$277 million.

DUET Group securities issued under DRP

As a result of the timing and pricing of the DUET Group Entitlement Offer, DUET's dividend and distribution reinvestment plan (DRP) relating to the FY2011 final distribution was suspended. DUET's DRP is expected to be reactivated in FY2012.

Final distribution paid

A final distribution of 10.00 cents per stapled security was paid by DUET on 16 August 2011 (2010: 10.00 cents). This consists of a distribution of 3.670 cents per unit from DUET1 (2010: 3.220 cents), 4.870 cents per unit from DUET2 (2010: 4.768 cents) and 1.460 cents per unit from DUET3 (2010: 2.012 cents).

Asset acquisition and divestment

On 29 July 2011, DUET reached financial close on transactions with ATCO Ltd (ATCO) and AET&D Holdings No 2 Pty Ltd (AET&D). The total transaction is summarised as follows;

Transaction Details	\$m
Acquired an additional 20.0% interest in DBP	(168.0)
Acquired an additional 20.1% interest in Multinet and sold the 25.9% interest in WAGN	45.5
Sold the subordinated debt due from WAGN	80.0
Net consideration paid by DUET	(\$42.5)

Following completion of the transaction, DUET entities now hold majority-ownership interests in three regulated Australian energy utility businesses – 80% of DBP, 100% of Multinet and 66% of United Energy.

For the year ended 30 June 2011, DUET's share of associates net profit was \$20.8 million (2010: \$(4.7) million). This comprises DUET's share of DQE's profit \$19.9 million (2010: \$(10.4) million) and WAGN's profit \$0.9 million (2010: \$5.7 million).

Multinet \$120m Bank Debt Transaction

On 12 July 2011, Multinet announced it had finalised a two tranche \$120 million bank debt facility. The debt facility comprises term debt of \$70 million (to refinance bank debt due in 2012) and a new revolving IT growth capital expenditure facility of \$50 million, both over three years.

10 Full Financial Report

Further financial information can be obtained from the full financial report which can be downloaded from the DUET website (www.duet.net.au) or is available, free of charge, on request from the DUET Group by calling 1800 005 049 (in Australia) or +61 2 8232 4491 (international).

STATEMENT BY THE DIRECTORS OF THE RESPONSIBLE ENTITY

ON THE CONCISE FINANCIAL REPORT OF THE DUET GROUP

In the opinion of the directors of AMPCI Macquarie Infrastructure Management No.1 Limited as the Responsible Entity for Diversified Utility and Energy Trust No.1, the accompanying concise report of the DUET Group comprising DUET1 and the entities it controls and is deemed to control, for the financial year ended 30 June 2011, set out on pages 33 to 61:

- Has been derived from or is consistent with the full financial report for the financial year; and
- Complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*

Signed in accordance with a resolution of directors:



John Roberts
Director

Sydney
18 August 2011

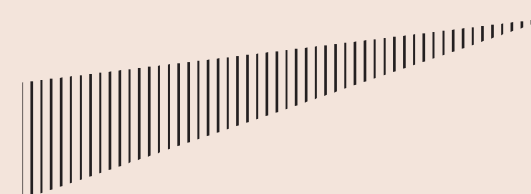


Philip Garling
Director

Sydney
18 August 2011

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF DIVERSIFIED UTILITY AND ENERGY TRUST NO.1



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Report on the Concise Financial Report

We have audited the accompanying concise financial report of Diversified Utility and Energy Trust No.1 which comprises the balance sheet as at 30 June 2011, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and related notes, derived from the audited financial report of the stapled entity DUET Group comprising Diversified Utility and Energy Trust No.1, Diversified Utility and Energy Trust No.2, Diversified Utility and Energy Trust No.3 and DUET Investment Holdings Limited, and the entities they controlled during the year, for the year ended 30 June 2011. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

Directors' Responsibility for the Concise Financial Report

The Directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*, and for such internal controls as the directors determine are necessary to enable the preparation of the concise financial report.

Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures which were conducted in accordance with ASA 810 *Engagements to Report on Summary Financial Statements*. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Diversified Utility and Energy Trust No.1 for the year ended 30 June 2011. We expressed an unmodified audit opinion on the financial report in our report dated 18 August 2011. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the concise 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. Our procedures included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of audit evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with AASB 1039 *Concise Financial Reports* and whether the discussion and analysis complies with the requirements laid down in AASB 1039 *Concise Financial Reports*.

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*.

Auditor's Opinion

In our opinion, the concise financial report, including the discussion and analysis and the directors' declaration of Diversified Utility and Energy Trust No.1 for the year ended 30 June 2011 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.



Ernst & Young



Kester C Brown
Partner

Melbourne, 18 August 2011

Liability limited by a scheme approved
under Professional Standards Legislation

REMUNERATION REPORT

As noted in the corporate governance statement, DUET is an externally managed vehicle comprising three Australian trusts and an Australian public company:

- DUET1
- DUET2
- DUET3, and
- DIHL.

The combined trustees, known as a responsible entity, for each of the trusts are RE1 and RE2 which are owned 50% by AMPCH and 50% by Macquarie Capital Group Limited, a wholly owned subsidiary of Macquarie Group Limited (Macquarie). RE1 also manages DIHL.

RE1 and RE2 make available employees (including senior executives) to discharge their obligations to the relevant DUET entity. These staff are employed by entities in the Macquarie Group or AMP Group and made available to DUET through formalised resourcing arrangements with RE1 and RE2. Their remuneration is not a DUET expense. It is paid by Macquarie Group and AMP Group as appropriate. Instead, DUET pays management fees to RE1 and RE2 (and therefore the Macquarie Group and AMP Group) for providing management and advisory services. These fees are a DUET expense and are therefore disclosed below.

Under the Corporations Act, it is only Australian listed companies that are required to prepare a remuneration report. Accordingly, the remuneration report that appears in the DIHL directors' report is only for DIHL, and only DIHL securityholders participate in a non-binding advisory vote in respect of it. DUET1, DUET2, DUET3 and the DUET Group as a whole are not required to prepare a remuneration report.

However, consistent with what is referred to above as an actual expense to DUET, we have set out below details of the management fees paid by DUET together with qualitative disclosure detailing how RE1 and RE2 staff are incentivised and their interests aligned with DUET.

Management fees

Under the terms of the trust constitutions and the management services agreement, RE1 and RE2 are entitled to base and performance fees for acting as responsible entity and manager to the stapled entities that comprise DUET.

Base management and performance fees are calculated in accordance with a defined formula under the constitutions of DUET1, DUET2, DUET3 and the management services agreement with DIHL. The management fee structure is linked to market performance and, in the case of performance fees, ongoing outperformance against an external benchmark.

The management fees paid or payable by DUET to RE1 and RE2 for the financial year ending 30 June 2011 were:

Base fee	\$20.3 million
Performance fee	Nil

The fee arrangements were fully disclosed to investors on fund inception and subsequent restructure and capital raisings and continue to be disclosed on the DUET website and in annual reports. Investors originally invested and continue to invest with this knowledge. The structure and level of the fee arrangements are consistent with those paid in the market in respect of similar externally managed vehicles and are not subject to review. Any changes to the structure of the fee provisions that would have the effect of increasing the fees would need to be approved by DUET stapled securityholders.

Base fees

Base fees are calculated quarterly, with reference to the average market capitalisation of DUET over the last 20 trading days of the quarter. The base fee is calculated as 1.0% per annum of the net investment value of DUET at the end of each quarter.

For the purposes of calculating the base fee, the net investment value of DUET is determined as follows:

- The volume weighted average market capitalisation over the last 20 ASX trading days of each quarter, plus
- Fund level external borrowings, plus
- Firm commitments for future investment, less
- Fund level cash or cash equivalents.

The quantum of the base management fee can increase or decrease as a result of both the movement in DUET securities on issue and any movement in the security price. Investors can effectively control the growth of securities on issue and therefore any base fee increases by factors such as deciding whether or not to support a capital raising involving the issue of new DUET securities or to participate in the Dividend and Distribution Reinvestment Plan.

As capital raisings are predominantly undertaken to fund new acquisitions, retire bridging debt for new acquisitions or to de-gear the business, RE1 and RE2 are incentivised to ensure that each initiative is seen as disciplined and of value by the market in order to attract investor support for the raising and general ongoing support for the security price.

Performance fees

A performance fee is payable by DUET half-yearly in arrears in the event that the DUET accumulation index outperforms the S&P/ASX 200 Industrials Accumulation Index in the period, having made up for any underperformance in previous years.

The performance fee is 20% of the dollar amount of the net outperformance for the period.

Where DUET underperforms the benchmark, a fee deficit exists. Before any future performance fees can be earned, all accumulated deficits from prior periods of underperformance must be eliminated, ensuring that any performance fees are paid as a result of sustained benchmark outperformance. This requirement for sustained outperformance creates a strong alignment of interest between RE1, RE2 and DUET securityholders.

Fees are apportioned between DUET1, DUET2, DUET3 and DIHL based on each entity's share of the net assets of DUET. The net market values of the assets are used in the calculation of this apportionment.

Oversight of fee payments

There is independent oversight in respect of the calculation and payment of management fees as follows.

The payment of management fees (both base and performance fees) are audited as part of the annual financial statement audit and through the audit of the stapled scheme's compliance plan:

- The performance fee calculation is subject to review by DUET's auditors, Ernst & Young
- The performance fee calculation is checked by an actuarial firm
- DUET's independent directors review the external certifications and authorise payment of the performance fee.

Reinvestment of performance fees

Under DUET's constituent documents, non-executive directors of RE1, RE2 and DIHL acting in the interests of stapled securityholders have the discretion as to whether or not the performance fee is applied for a subscription in new DUET stapled securities.

Under ASX Listing Rule waiver requirements, the ability to reinvest performance fees is subject to DUET security holder approval every three years and is seen by DUET as creating further alignment between DUET management and DUET securityholders. These approvals were last refreshed at the DUET 2010 AGM.

The issue price for the new DUET stapled securities is the volume weighted average trading price of all DUET stapled securities traded on the ASX during the last 20 trading days of the relevant half-year period.

Expense reimbursement

RE1 and RE2 are also entitled to be reimbursed for expenses incurred by them in relation to the proper performance of their duties, out of the assets of DUET.

This includes routine ongoing expenses such as the third party costs of acquiring assets and managing them, as well as capital raising costs, registry, audit, insurance, compliance costs and other expenses as set out in the trust constitutions and Advisory Deed.

Fees paid or payable by DUET Group entities for related party services are disclosed in the DUET financial statements.

Directors

No director of RE1 or RE2 is remunerated by DUET. The independent directors of RE1 and RE2 receive fees of \$85,000 per annum from RE1 or RE2 respectively, except where an independent director is also a director of DIHL in which case that director only receives \$42,500 from RE1 or RE2 respectively, with \$42,500 paid to the independent director by DIHL. The Macquarie and AMPCH nominee directors on the RE1 and RE2 boards are employed and remunerated by the Macquarie Group and AMP Group respectively.

The fees paid to the independent and non-executive directors of RE1, RE2 and DIHL are determined by reference to current market rates for directorships. The level of fees is not related to the performance of DUET. The boards of RE1, RE2 and DIHL will consider remuneration payable to their independent and non-executive directors from time to time. Remuneration for the independent and non-executive directors is approved by the boards and any increases are benchmarked to market based on external advice. Under the DIHL constitution, aggregate director fees are capped at \$400,000. Any increase to this cap requires shareholder approval.

None of the RE1, RE2 and DIHL independent and non-executive directors are entitled to DUET options or securities or to retirement benefits as part of their remuneration package.

Senior Macquarie executives who are DUET directors may have some of their performance bonus retentions notionally invested by Macquarie in DUET securities so that the amount varies as if they were actually invested in the securities, and may also have received Macquarie options or share awards as part of their remuneration package.

REMUNERATION REPORT CONTINUED

Executives

DUET management is employed by the Macquarie Group or AMP Group. Their remuneration is paid by the Macquarie Group or AMP Group and is not recharged to DUET.

AMP executives

The remuneration of AMP executives who are involved in the management of DUET is not disclosed because the executives are not employed by DUET.

AMP executive remuneration comprises base salary, superannuation and short-term and long-term incentives. Payment of a portion of short term incentives may be deferred, and all long term incentives are deferred, for up to two years. Executives must be employed by AMP Group at the time incentives and deferred incentives are due for payment in order to receive them.

While some DUET management are AMP Group employees, there is a strong alignment of interest between those employees and DUET investors as all AMP executives have a significant component of their remuneration at risk and dependent on performance. For the AMP executives who are part of the DUET management team, their performance is measured against their contribution to the performance of DUET.

Performance assessment of AMP Group employees takes place half-yearly. The RE1, RE2 and DIHL boards, which comprise a majority of independent and non-executive directors, provide feedback in respect of the DUET CEO's performance and can request that the DUET CEO be replaced if not performing satisfactorily.

Macquarie executives

The remuneration of Macquarie executives that are involved in the management of DUET is not disclosed because the executives are not employed by DUET.

While some DUET management are Macquarie Group employees there is a strong alignment of interest between those employees and DUET investors. This is evidenced by Macquarie Group's remuneration system which ensures that a significant amount of remuneration is at risk and solely dependent on performance. The remuneration package of all Macquarie Group executives consists of a base salary and an annual profit share allocation.

The base salary is reviewed annually and the profit share allocation, which is not guaranteed, is based on performance. Performance assessment of Macquarie Group employees takes place half-yearly. The RE1, RE2 and DIHL boards, which comprise a majority of independent and non-executive directors, provide feedback in respect of the DUET CFO's performance and can request that the DUET CFO be replaced if not performing satisfactorily.

The levels of base salary for senior executives take into consideration the role of the individual and market conditions. However, the levels of base salary can be low compared to similar roles in non-investment banking companies.

The profit share allocations to executives provide substantial incentives for superior performance but low or no participation for less satisfactory outcomes. Profit share allocations are therefore highly variable and can comprise a high proportion of total remuneration in the case of superior performance. The level of profit share received by members of the DUET management team is driven predominantly by their individual contribution to the performance of DUET, taking into account the following elements:

- Strong operational performance of DUET's underlying assets
- Management and leadership of DUET and the assets controlled by DUET
- Acquisitions and subsequent management of the assets purchased to ensure performance is in line with the business plans
- Effective risk management and capital management
- Maintenance of Macquarie's reputation and track record in respect of its branded funds.

There is no formulaic approach to determining DUET management's profit share allocation. It is completely discretionary and takes into account factors outlined above as well as input from the DUET boards in the case of the DUET CFO. Deferral and restriction arrangements apply to a portion of allocated profit share to encourage a long-term perspective and commitment from Macquarie employees.

Senior DUET executives may have some of their performance bonus retentions notionally invested by Macquarie in DUET securities so that the amount varies as if they were actually invested in the securities.

Executives may also have received Macquarie options or share awards as part of their remuneration package.

Alignment of interests

Alignment between the Macquarie Group, AMP Group and DUET securityholders is demonstrated through the interest the Macquarie Group and AMP Group hold in DUET. At 29 August 2011 the Macquarie Group held approximately \$56 million¹ in DUET securities and the AMP Group held approximately \$221 million² in DUET securities. At 29 August 2011 DUET senior staff and directors of the DUET entities also hold over \$11 million in DUET securities.

¹ Includes both principal and fiduciary holdings with the latter being about 50% of the total holding.

² Includes both principal and fiduciary holdings with the latter being about 38% of the total holding.

STAPLED SECURITY HOLDER INFORMATION

AS AT 29 AUGUST 2011

Distribution of stapled securities

Investor ranges	Holders	Total stapled securities	% of issued stapled securities
1 – 1,000	1,140	534,794	0.05
1,001 – 5,000	4,711	14,966,452	1.46
5,001 – 10,000	4,748	35,196,893	3.43
10,001 – 100,000	6,330	150,292,748	14.65
100,001 and over	268	825,008,125	80.41
Total	17,197	1,025,999,012	100
Investors with less than the minimum marketable parcel:	411	35,314	0.003

Twenty largest investors

Investor	Number of stapled securities	% of issued stapled securities
1 HSBC Custody Nominees (Australia) Limited	201,614,938	19.65
2 AMP Life Limited	91,884,747	8.96
3 J P Morgan Nominees Australia Limited	80,949,891	7.89
4 National Nominees Limited	80,731,808	7.87
5 Citicorp Nominees Pty Limited	65,699,115	6.40
6 Cogent Nominees Pty Limited	52,979,905	5.16
7 JP Morgan Nominees Australia Limited	48,422,134	4.72
8 Cogent Nominees Pty Limited	26,481,754	2.58
9 Tasman Asset Management Ltd	13,513,945	1.32
10 Queensland Investment Corporation	12,037,122	1.17
11 Macquarie Capital Group Ltd	10,212,997	1.00
12 Questor Financial Services Limited	10,192,633	0.99
13 Argo Investments Limited	7,527,390	0.73
14 JP Morgan Nominees Australia Limited	4,866,544	0.47
15 RBC Dexia Investor Services Australia Nominees Pty Ltd	4,551,757	0.44
16 Aotearoa Investment Company Pty Limited	4,222,901	0.41
17 Tasman Asset Management Ltd	3,983,080	0.39
18 M F Custodians Ltd	3,883,637	0.38
19 Citicorp Nominees Pty Limited	3,499,126	0.34
20 RBC Dexia Investor Services Australia Nominees Pty Limited	3,488,262	0.34
Total	730,743,686	71.22

Details of substantial stapled securityholders

Holder	Date of substantial holder notice	Number of stapled securities	% of issued stapled securities
AMP Limited	26 August 2011	170,554,465	15.03
Lazard Asset Management Pacific Co	27 June 2011	97,104,481	10.67
Tyndall Investment Management Ltd	10 August 2011	61,107,600	6.72

DIRECTORS' PROFILES

DUET is managed jointly (50:50) by AMPCH and the Macquarie Group (Macquarie). DUET's management team has expert knowledge of, and experience in, the energy utility sector, and the responsible entities will have access to the combined infrastructure expertise and investment management resources of Macquarie and AMP Capital Group. Each of the responsible entities and DIHL has an experienced board of directors, a majority of whom are independent from DUET, the AMP Capital Group and Macquarie.

John Roberts
LLB (Canterbury)
Chairman

Chairman, Nomination Committee

AMPCI Macquarie Infrastructure Management No.1 Limited (appointed 14 May 2004)
AMPCI Macquarie Infrastructure Management No.2 Limited (appointed 14 May 2004)
DUET Investment Holdings Limited (appointed 29 June 2006)

John joined Macquarie in 1991 and is based in Sydney, Australia. He is the Macquarie representative on each of the responsible entity and DIHL boards.

John is executive chairman of the Macquarie Funds Group, which has over US\$300 billion of capital under management and includes the activity of the Macquarie Infrastructure and Real Assets division (MIRA). John is on all Investment Committees or boards of directors in MIRA to provide oversight and strategic direction to individual fund management executive teams.

Previous roles within Macquarie include Head of Europe; Joint Head of Macquarie Capital Advisers; and Global Head of Macquarie Capital Funds.

Other directorships are: MAp Airports Limited, Southern Cross Airports Corporation Holdings Limited, Macquarie Atlas Roads Limited and Macquarie Infrastructure Company Inc.

His former directorships include Macquarie International Infrastructure Fund Limited.

Shemara Wikramanayake
LLB, BCom (UNSW)
Alternate Director to John Roberts
(appointed 25 November 2010)

Shemara is an Executive Director of Macquarie and Head of the Macquarie Funds Group, a funds management business that offers a diverse range of products, including securities investment management, infrastructure and real asset management, and fund and equity based structured products.

Prior to becoming Head of Macquarie Funds Group, Shemara spent 20 years in the Macquarie Capital division. During this period, Shemara held roles as Head of Macquarie Infrastructure and Real Assets, North America (formerly known as Macquarie Capital Funds); Head of Prudential, Sydney; and established and led the corporate advisory businesses in New Zealand, Hong Kong and Malaysia.

Prior to joining Macquarie in 1987, Shemara worked as a corporate lawyer at Blake Dawson Waldron in Sydney.

She holds no other listed entity directorships.

Philip Garling
B.Build (UNSW) FAIB, FAICD, FIE (Aust), AFAIM
Director

Member, Nomination Committee

AMPCI Macquarie Infrastructure Management No.1 Limited (appointed 17 February 2004)
AMPCI Macquarie Infrastructure Management No.2 Limited (appointed 17 February 2004)
DUET Investment Holdings Limited (appointed 29 June 2006)

Philip is the AMPCH representative on responsible entity and DIHL boards. He has over 30 years' experience in infrastructure, construction, development and investment. He recently retired from full-time executive roles. He was formerly Global Head of Infrastructure at AMP Capital Investors for nine years and was also CEO of Tenix Infrastructure.

Philip was also a senior executive with Lend Lease Corporation, culminating in his role as CEO of Lend Lease Capital Services, the development capital and infrastructure investment and development arm of Lend Lease. He also spent two years in Singapore implementing the company's Asian infrastructure strategy.

Philip holds the Advanced Diploma from the Australian Institute of Company Directors and is a Fellow of the Australian Institute of Building, Australian Institute of Company Directors and Institution of Engineers Australia.

Other current directorships are: AMP Capital Finance Mauritius Limited, Australian Renewable Fuels, The Infrastructure Fund of India and the chairman of Asian Giants Infrastructure Fund.

Bodhisahwa Pahari
BCom, LLB (UNSW), LLM (Sydney)
Alternate Director to Philip Garling
(appointed 3 May 2010)

Boe has over 20 years' experience in the banking industry. Boe commenced his banking career at Citigroup in Sydney and subsequently worked for more than 13 years with ABN AMRO based in Singapore, Amsterdam, New York and London. During this period, Boe worked in regional and global positions, including regional CFO for Asia Pacific, Global Head of Strategy and M&A (Wholesale Bank), Global Head of Proprietary Structuring Group, Head of Emerging Growth Markets, Head of Infrastructure Capital, Americas, Global Head of Integrated Finance/Infrastructure Capital, Global Head of Special Situations and Distressed Capital and Global Head Structured Capital. Subsequently, in Royal Bank of Scotland, Boe was appointed Global co-Head Principal Strategies.

Boe has led principal, and management teams across Asia, North America and Europe and personally led the creation and development of a number of businesses for ABN AMRO and RBS. At AMP Capital, Boe joined as the Head of Infrastructure, Asia Pacific and is currently Head of Infrastructure, Europe.

Boe is also admitted as a Solicitor in Sydney.

Boe holds no other listed entity directorships.

The Hon. Michael Lee
BSc (UNSW), BEng (Hons1) (UNSW), FIE (Aust)
Independent director

Member, Audit & Risk Committee

Member, Remuneration Committee

Member, Nomination Committee

AMPCI Macquarie Infrastructure Management No.1 Limited (appointed 16 June 2004)

Michael is an electrical engineer. He served in the Australian Parliament for 17 years, and was Minister for Resources, Tourism, Communications and The Arts in the Keating Government. He is currently president of the NSW Branch of the Australian Labor Party.

Other current directorships are: MAp Airports Limited; Chairman, Communications Alliance Limited, the peak communications industry body, and Superpartners Limited.

Former roles include chairman of NSW TAFE Commission Board and the Central Coast Campuses Board; a director of Essential Energy (formerly Country Energy); a councillor of the City of Sydney; and a member of the NSW Architects Registration Board.

Doug Halley
BCom (UNSW), MBA (UNSW), FAICD, FTA
Independent director

Chairman, Audit & Risk Committee

Chairman, Remuneration Committee

Member, Nomination Committee

AMPCI Macquarie Infrastructure Management No.1 Limited (appointed 13 February 2006)
DUET Investment Holdings Limited (appointed 29 June 2006)

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

His experience has been gained in executive positions at national or Asia Pacific level with Philips Electrical, Hill Samuel Australia, Rothschild Australia, Goodman Fielder, John Fairfax Holdings, Television & Media Services, IBM Global Services and Thomson Reuters. Since 2007 Doug has been focusing on advisory and non-executive board activities.

Other current directorships are: chairman, MIL Resources Limited; Aurora Community Television Limited; chairman of Print & Digital Publishing Pty Limited ("Time Out Sydney"); and chairman, Advisory Board of Australian Enterprises Holdings Pty Limited.

Former directorships include: MIKOH Corporation Limited (1988 to 2010) and Corum Group Limited (2009 to 2010).

Emma Stein
BSc (Hons) Physics (Manch), MBA (Manch)
Independent director

Member, Audit & Risk Committee

Member, Remuneration Committee

Member, Nomination Committee

AMPCI Macquarie Infrastructure Management No.1 Limited (appointed 16 June 2004)
DUET Investment Holdings Limited (appointed 12 July 2006)

Emma's operational utilities experience includes energy retailing and asset management, international business operations, strategy development and implementation, acquisition integration and divestment.

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

Other current directorships are: Clough Limited; Programmed Maintenance Group; Alumina Limited; and Transpacific Industries Limited.

Emma is also a member of University of Western Sydney's Board of Trustees and a NSW Ambassador for the Guides.

Formerly, Emma was a non-executive director of ARC Energy and of Merlin Petroleum Limited (Australian oil and gas exploration and production companies) and Transfield Services Infrastructure Fund.

Ron Finlay
LLB (Sydney)
Independent director
Member, Audit & Risk Committee
Member, Remuneration Committee
Member, Nomination Committee
AMPCI Macquarie Infrastructure Management No.2 Limited (appointed 16 June 2004)
DUET Investment Holdings Limited (appointed 4 August 2006)

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

Other current directorships are: Macquarie Generation, NSW's largest generator; independent chairman on a number of government and private sector Project Control Groups and Dispute Resolution Boards for major projects (such as Brisbane's New Parallel Runway Project and the Brisbane Legacy Way Project).

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

DIRECTORS' PROFILES CONTINUED

Eric Goodwin

BEng (UNSW), MIE (Aust)

Independent director

Member, Audit & Risk Committee

Member, Remuneration Committee

Member, Nomination Committee

AMPCI Macquarie Infrastructure Management No.2 Limited (appointed 16 June 2004)

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

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

Duncan Sutherland

BA (Yale), MBA (Wayne State)

Independent director

Chairman, Audit & Risk Committee

Chairman, Remuneration Committee

Member, Nomination Committee

AMPCI Macquarie Infrastructure Management No.2 Limited (appointed 16 June 2004)

Duncan has broad experience in the mining, metals and auto industries, where his focus areas included acquisitions and divestments, business analysis and corporate planning. Duncan joined CRA Limited in 1980, and was most recently responsible for acquisitions and divestments and corporate strategy. After CRA merged with RTZ in 1995 to form Rio Tinto, Duncan was appointed managing director, Energy Developments, responsible for business development and the management of acquisitions and divestments in the energy sector.

During his career, Duncan has also worked overseas in the USA, Europe, Brazil and Argentina.

Other current directorships are: director of a Macquarie-owned manager of a number of unlisted managed vehicles and a director of Haileybury College, Melbourne.

Christine Williams

MA, LLB (Sydney)

Company secretary

Christine is a qualified solicitor and an executive director in Macquarie Funds Group. She has worked in the banking industry for over 25 years, including over 15 years in funds management, performing a general counsel/company secretarial and compliance function for listed and wholesale infrastructure and other specialised funds managed by the Macquarie Group.

Leanne Pickering

BEc, LLB (Macquarie)

Company secretary

Leanne Pickering is a qualified solicitor with over 10 years' experience and a division director in Macquarie Funds Group. Leanne joined Macquarie in 2005 and is responsible for the legal and company secretarial function for a number of funds managed by the Macquarie Group.

DISCLAIMER

DUET Group comprises Diversified Utility and Energy Trust No.1 ARSN 109 363 037 (DUET1), Diversified Utility and Energy Trust No.2 ARSN 109 363 135 (DUET2), Diversified Utility and Energy Trust No.3 ARSN 124 997 986 (DUET3) and DUET Investment Holdings Limited (DIHL). AMPCI Macquarie Infrastructure Management No.1 Limited ABN 99 108 013 672, AFSL 269286 (RE1) is the responsible entity of DUET1 and AMPCI Macquarie Infrastructure Management No.2 Limited ABN 15 108 014 062, AFSL 269287 (RE2) is the responsible entity for DUET2 and DUET3. RE1 is the manager of DIHL. RE1 and RE2 are jointly owned by AMP Capital Holdings Limited ABN 69 078 651 966 (AMPCH), a wholly owned subsidiary of AMP Limited, and Macquarie Capital Group Limited ABN 54 096 705 109 (Macquarie Capital).

Stapling

In accordance with its requirements in respect of stapled securities, the ASX reserves the right (but without limiting its absolute discretion) to remove DUET1, DUET2, DUET3 and DIHL, or all four, from the official list of the ASX if, while the stapling arrangements apply, the securities in DUET1, DUET2, DUET3 or DIHL cease to be stapled together or one equity securities are issued by DUET1, DUET2, DUET3 or DIHL to equivalent securities in the other entities, other than the A, B and C Special Shares or redeemable preference shares (as those terms are defined in the DIHL constitution).

Performance disclaimer

None of the entities noted in this document is an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia) and their obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL) or AMP Bank Limited ABN 15 081 596 009 (AMP Bank). AMP Capital Holdings Limited (ABN 69 078 651 966) has arranged for an external bank limited \$2.5 million guarantee which together with an MBL limited \$2.5 million guarantee are provided to the Australian Securities and Investments Commission in respect of Corporations Act obligations of each of AMPCI Macquarie Infrastructure Management No. 1 Limited and AMPCI Macquarie Infrastructure Management No. 2 Limited as responsible entities of managed investment schemes. MBL and AMP Bank and their related corporations do not otherwise guarantee or provide assurance in respect of the obligations of AMPCI Macquarie Infrastructure Management No. 1 Limited or AMPCI Macquarie Infrastructure Management No. 2 Limited or any other entity noted in this document.

Advice warning

The information in this annual report is given in good faith and derived from sources believed to be accurate at this date but no warranty of accuracy or reliability is given and no responsibility arising in any other way including by reason of negligence for errors or omissions is accepted by RE1, RE2, DIHL or their respective officers.

This report is not an offer or invitation for subscription or purchase of or a recommendation of securities. This report is general advice and does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in DUET, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

US Restrictions

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

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

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

Financial report

The DUET consolidated financial report has been prepared to enable RE1 and RE2 as responsible entities, and DIHL, to comply with their obligations under the Corporations Act and to ensure compliance with the ASX Listing Rules and satisfy the requirements of the Australian accounting standards in relation to stapled structures. The responsibility for preparation of the concise financial report and any financial information contained in this annual report rests solely with the directors of RE1, RE2 and DIHL.

Complaints handling

A formal complaint handling procedure is in place for DUET. RE1 and RE2 are members of the Financial Ombudsman Service. Complaints should in the first instance be directed to RE1 and RE2. If you have any enquiries or complaints, please contact:

Investor Relations Manager, DUET
Level 11
No. 1 Martin Place
Sydney NSW 2000

or

PO Box 4294
Sydney NSW 1164

Telephone
Within Australia: 1800 005 049
Outside Australia: (612) 8232 4491
Facsimile: (612) 8232 4713

DUET's ongoing commitment to your privacy

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

DUET has adopted a privacy policy. For further information, visit the DUET website at www.duet.net.au or contact DUET Investor Relations on 1800 005 049 or from outside Australia on (612) 8232 4491.

CORPORATE DIRECTORY

Directors

The RE1 board of directors is comprised as follows:

Name and position	Executive/Independent
John Roberts Chairman	Executive Macquarie
Philip Garling Director	Executive AMPCH
The Hon. Michael Lee Director	Independent
Doug Halley Director	Independent
Emma Stein Director	Independent

The RE2 board of directors is comprised as follows:

Name and position	Executive/Independent
John Roberts Chairman	Executive Macquarie
Philip Garling Director	Executive AMPCH
Ron Finlay Director	Independent
Eric Goodwin Director	Independent
Duncan Sutherland Director	Independent

The DIHL board of directors is comprised as follows:

Name and position	Executive/Independent
John Roberts Chairman	Executive Macquarie
Philip Garling Director	Executive AMPCH
Doug Halley Director	Independent
Emma Stein Director	Independent
Ron Finlay Director	Independent

Secretaries of RE1, RE2 and DIHL

Christine Williams

Leanne Pickering

Responsible Entities

AMPCI Macquarie Infrastructure Management No.1 Limited (ABN 99 108 013 672) (AFSL 269286) (RE1) as responsible entity of Diversified Utility and Energy Trust No.1 (DUET1)

and

AMPCI Macquarie Infrastructure Management No.2 Limited (ABN 15 108 014 062) (AFSL 269287) (RE2) as responsible entity of Diversified Utility and Energy Trust No.2 (DUET2) and as responsible entity of Diversified Utility and Energy Trust No.3 (DUET3)

and

DUET Investment Holdings Limited (ABN 22 120 456 573) (DIHL)

Level 11
No. 1 Martin Place
Sydney NSW 2000

or

PO Box 4294
Sydney NSW 1164

Telephone:
(612) 8232 4491 or
1800 005 049

Facsimile: (612) 8232 4713

Website: www.duet.net.au

Registry

Computershare Investor Services Pty Limited
GPO Box 7115
Sydney NSW 2001

or

Level 3
60 Carrington Street
Sydney NSW 2000

Telephone:
(612) 9415 4189 or
1800 009 874

Facsimile: (612) 8235 8220

