

DUET GROUP

INTERIM FINANCIAL REPORT FOR THE HALF YEAR
ENDED 31 DECEMBER 2010



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

Interim Financial Report

for half year ended 31 December 2010

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). MBL provides a limited \$2.5 million guarantee 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 do not otherwise guarantee or provide assurance in respect of the obligations of RE1 or RE2 or any other entity noted in this document.

Neither RE1, RE2, members of MGL nor members of AMP guarantee the performance of the DUET Group or repayment of capital or income.

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.

Interim Financial Report

for half year ended 31 December 2010

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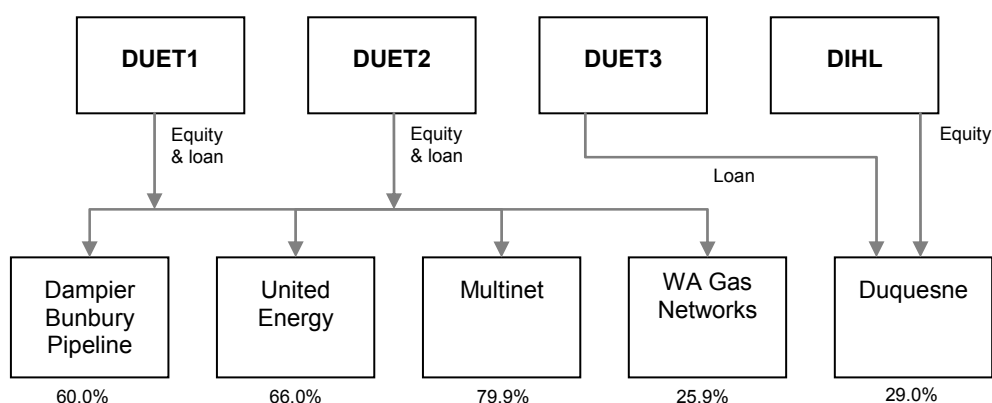
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Explanation of the Interim Financial Report for half year ended 31 December 2010

Explanation of the Financial Report

At 31 December 2010, 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 or Company) 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 31 December 2010 is illustrated below.



DUET 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 interim financial report. DUET 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 interim financial report. This means DUET Group's share of profits and losses of WAGN and DQE are recognised on 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 for the half year ended 31 December 2010, include all entities forming DUET.

Interim financial statements for DUET2, DUET3 and DIHL for the half year ended 31 December 2010 have also been presented in this report jointly, as permitted by ASIC class order 05/642 and 06/441.

The interim financial report for DUET Group, presented in the first column in the attached interim 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 interim financial report provide the individual entity interim financial reports of DUET2, DUET3 and DIHL.

As the securities held by investors are stapled securities in DUET Group, the interim 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.

Directors' Report

for half year ended 31 December 2010

Directors' Reports – DUET1, DUET2, DUET3 and DIHL

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 (MCGL), a wholly owned subsidiary of Macquarie Group Limited (MGL).

The directors of RE1 submit the following report for DUET1 for the half year ended 31 December 2010.

The directors of RE2 submit the following report for DUET2 and DUET3 for the half year ended 31 December 2010.

The directors of DIHL submit the following report for DIHL for the half year ended 31 December 2010.

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

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

- Philip Garling (Chairman)
- John Roberts
- 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)

Directors' Report

for half year ended 31 December 2010

Directors' names

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

- Philip Garling (Chairman)
- John Roberts
- 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 half year and up to the date of this report:

- Philip Garling (Chairman)
- John Roberts
- 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

An interim distribution for the half year ended 31 December 2010 of 10.000 cents per stapled security was announced on 14 December 2010 (2009: 10.000 cents per stapled security). This consisted of 3.206 cents per unit from DUET1 (2009: 3.600 cents per unit), 4.549 cents per unit from DUET2 (2009: 4.850 cents per unit) and 2.245 cents per unit from DUET3 (2009: 1.550 cents per unit).

Directors' Report

for half year ended 31 December 2010

Review and Results of Operations

The performance of the DUET Group and entities comprising DUET for the half year ended 31 December 2010 were as follows:

	DUET Group 1 Jul 10 - 31 Dec 10 \$'000	DUET2 1 Jul 10 - 31 Dec 10 \$'000	DUET3 1 Jul 10 - 31 Dec 10 \$'000	DIHL 1 Jul 10 - 31 Dec 10 \$'000
Revenue and other income	586,514	44,188	27,364	3,023
Profit/(loss) for the half year	60,596	42,751	(25,583)	4,335
Profit/(loss) attributable to security holders	39,736	42,751	(25,583)	4,335
Earnings used in calculation of basic and diluted earnings per stapled security/unit/share	18,233	42,751	(25,583)	4,335
Basic earnings/(loss) per stapled security/unit/share	2.06c	4.84c	(2.90)c	0.49c
Diluted earnings/(loss) per stapled security/unit/share	2.06c	4.84c	(2.90)c	0.49c

	DUET Group 1 Jul 09 - 31 Dec 09 \$'000	DUET2 1 Jul 09 - 31 Dec 09 \$'000	DUET3 1 Jul 09 - 31 Dec 09 \$'000	DIHL 1 Jul 09 - 31 Dec 09 \$'000
Revenue and other income	580,951	43,216	29,145	14,138
Profit for the half year	94,464	33,082	961	11,536
Profit attributable to security holders	80,733	33,082	961	11,536
Earnings used in calculation of basic and diluted earnings per stapled security/unit/share	35,154	33,082	961	11,536
Basic earnings per stapled security/unit/share	4.11c	3.86c	0.11c	1.35c
Diluted earnings per stapled security/unit/share	4.11c	3.86c	0.11c	1.35c

The DUET Group profit for the half year to 31 December 2010 of \$60.6m (2009: \$94.5m) includes non cash changes in the fair value of derivatives and actuarial losses during the period. Net mark to market gains of \$17.4m (2009: \$15.0m) have been consolidated or equity accounted into the DUET Group result.

Significant movements from 30 June 2010 include the following:

- a) Consolidated: Unrealised non-cash mark to market gains/(losses) on derivatives at:
 - DUET corporate-level of \$7.6m (2009: \$41.1m)
 - Multinet of \$7.3m (2009: \$2.0m)
 - United Energy \$(28.7)m (2009: \$2.1m)
 - DBP \$10.2m (2009: \$(6.8)m)
- b) Equity accounted share of Duquesne's unrealised:
 - non-cash mark to market gains net of tax of \$4.4m (2009: \$7.5m) on energy hedging derivatives;
 - actuarial gain/(loss) on the defined benefit plan net of tax of \$14.1m (2009: \$(5.3)m); and
 - amortisation of FV asset on acquisition net of tax \$(1.8)m (2009: \$(2.3)m)
- c) DUET Group unrealised foreign exchange losses of \$(44.9)m (2009: \$(23.4)m) mostly related to the conversion into AUD of the USD-denominated DQE promissory note.
- d) United Energy unrealised foreign exchange gains on US denominated debt \$49.2m (2009: \$0).

Directors' Report

for half year ended 31 December 2010

Dampier Bunbury Pipeline

During the 6 months to 31 December 2010, DBP transmitted 162 PJ (2009: 161 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 110 terajoules per day. Construction commenced in early 2009 and predominately 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 6 months to 31 December 2010, United Energy distributed 4,110 GWh (2009: 4,062 GWh) of electricity.

United Energy continues to progress the smart meter project in Victoria. As at 31 December 2010, approximately 89,000 meters had been installed in the UED service area.

Multinet

During the 6 months to 31 December 2010, Multinet distributed 34.8 PJ (2009: 31.9 PJ) of gas.

WA Gas Networks

During the 6 months to 31 December 2010, WAGN distributed 15.1 TJ (2009: 15.1 TJ) of gas.

Duquesne

During the 6 months to 31 December 2010, Duquesne distributed 7,306 GWh (2009: 6,672 GWh) of electricity.

Directors' Report

for half year ended 31 December 2010

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 Pte Ltd (GIC) for US\$360 million. The sale is subject to the consent of US regulatory bodies. Subject to the remaining regulatory approvals, DUET expects to achieve financial close of the sale by the end of FY 2011.

DBP Refinancing

During the period, DBP finalised the refinancing of all term debt due to mature in the 2011 calendar year, including:

- the issuing of \$550 million of 5 year Medium Term Notes in September 2010. A further \$25 million of 5 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 3 year and \$300 million 7 year bank facility.

United Energy raised US\$435 million in US Private Placement

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

Events Occurring After Balance Sheet Date

Interim distribution paid

An interim distribution of 10.000 cents per stapled security was paid by DUET on 15 February 2011 (2009: 10.000 cents). This consisted of a distribution of 3.206 cents per unit from DUET1 (2009: 3.600 cents), 4.549 cents per unit from DUET2 (2009: 4.850 cents) and 2.245 cents per unit from DUET3 (2009: 1.550 cents).

DUET Group securities issued under DRP

Security holders participating in DUET's Distribution and Dividend Reinvestment Plan (DRP) reinvested \$36,492,661 of the distribution paid on 15 February 2011 in 22,388,301 DUET Group securities at a price of \$1.629988.

UEDH SOLA repayment

Subsequent to 31 December 2010, the UEDH Directors resolved to repay to DUET approximately \$184 million of subordinated debt ("SOLA") prior to 30 July 2011.

Sale of Duquesne – FERC Approval

As announced on 21 January 2011, DUET Group received approval from the United States Federal Energy Regulatory Commission (FERC) for the sale of DUET Group's 29% ownership interest in Duquesne to the Government of Singapore Investment Corporation Pte Ltd.

The remaining United States regulatory approvals required to complete the sale are progressing.

Directors' Report

for half year ended 31 December 2010

UED signs new contract for operations delivery

On 4 February 2011, United Energy announced it has signed a new agreement for the provision of network operations, construction and maintenance services in its electricity distribution area.

No other circumstances have arisen since the end of the half year that has significantly affected, or may significantly affect, the operations of DUET Group, the results of those operations in future financial years, or the state of affairs of DUET Group in years subsequent to the half year ended 31 December 2010.

Likely Developments and Expected Results of Operations

In July 2008, the Carbon Pollution Reduction Scheme Green Paper was released. The paper proposed the introduction of a cap and trade emissions trading scheme with the objective of meeting Australia's emissions reduction targets in the most flexible and cost effective way. The Carbon Pollution Reduction Scheme bill was most recently reintroduced to parliament in February 2010 and it was once more rejected. The Government has since announced that the CPRS legislation would be delayed until after 2012.

Further information on likely developments relating to the operations of DUET1, DUET2, DUET3 (together, the Trusts) and DIHL (Company) in future years and the expected results of those operations has not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Trusts and Company of DUET Group.

Indemnification and Insurance of Officers and Auditors

During the half 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.

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 report is 6,546,946 (31 December 2009: 4,221,850).

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 holds stapled securities in DUET Group at the date of this report (31 December 2009: Nil).

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 9.

Application of Class Orders

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 interim financial report. Amounts in the directors' report and interim 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.

The interim financial reports for DUET Group, DUET2, DUET3 and DIHL are jointly presented in one interim report, as permitted by ASIC Class Order 05/642 and 06/441.

Directors' Report for half year ended 31 December 2010

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



Philip Garling

Director
AMPCI Macquarie Infrastructure Management
No.1 Limited
Sydney
17 February 2011

John Roberts

Director
AMPCI Macquarie Infrastructure Management
No.1 Limited
Sydney
17 February 2011

Signed in accordance with a resolution of directors of AMPCI Macquarie Infrastructure Management No.2 Limited.



Philip Garling

Director
AMPCI Macquarie Infrastructure Management
No.2 Limited
Sydney
17 February 2011

John Roberts

Director
AMPCI Macquarie Infrastructure Management
No.2 Limited
Sydney
17 February 2011

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



Philip Garling

Director
DUET Investment Holdings Limited
Sydney
17 February 2011

John Roberts

Director
DUET Investment Holdings Limited
Sydney
17 February 2011

Auditor's Independence Declaration to the Directors of Diversified Utility and Energy Trust No.1, Diversified Utility and Energy Trust No.2, Diversified Utility and Energy Trust No.3 and the Directors of DUET Investment Holdings Limited

In relation to our review of the financial report of 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 for the half year ended 31 December 2010, 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.

A stylized, handwritten signature of the Ernst & Young firm, written in black ink.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Kester C Brown'.

Kester C Brown
Partner
17 February 2011

Interim Financial Report

for half year ended 31 December 2010

Income Statements

	Note	DUET Group 1 Jul 10 - 31 Dec 10 \$'000	DUET2 1 Jul 10 - 31 Dec 10 \$'000	DUET3 1 Jul 10 - 31 Dec 10 \$'000	DIHL 1 Jul 10 - 31 Dec 10 \$'000	DUET Group 1 Jul 09 - 31 Dec 09 \$'000	DUET2 1 Jul 09 - 31 Dec 09 \$'000	DUET3 1 Jul 09 - 31 Dec 09 \$'000	DIHL 1 Jul 09 - 31 Dec 09 \$'000
Revenue	2	582,179	44,188	20,904	1,900	542,448	43,216	23,120	4,738
Other Income	2	4,335	-	6,460	1,123	38,503	-	6,025	9,400
Total Revenue and other income		586,514	44,188	27,364	3,023	580,951	43,216	29,145	14,138
Share of net profit of associates accounted for using the equity method		10,422	14,422	-	8,544	7,947	8,825	-	4,047
Operating expenses	2	(165,587)	-	-	-	(163,894)	-	-	-
Depreciation and amortisation expense	2	(105,617)	-	-	-	(86,430)	-	-	-
Finance costs	2	(242,807)	(10,608)	(7,256)	(3,589)	(208,267)	(11,314)	(6,890)	(3,421)
Other expenses	2	(18,665)	(5,251)	(45,333)	(3,643)	(37,035)	(7,645)	(20,822)	(3,228)
Total expenses		(532,676)	(15,859)	(52,589)	(7,232)	(495,626)	(18,959)	(27,712)	(6,649)
Profit/(loss) before income tax expense		64,260	42,751	(25,225)	4,335	93,272	33,082	1,433	11,536
Income tax (expense)/benefit		(3,664)	-	(358)	-	1,192	-	(472)	-
Profit/(loss) for the half year		60,596	42,751	(25,583)	4,335	94,464	33,082	961	11,536
Profit/(loss) is attributable to:									
DUET1 unitholders		18,233	-	-	-	35,154	-	-	-
DUET2 and DUET3 unitholders and DIHL shareholders as non-controlling interests		21,503	42,751	(25,583)	4,335	45,579	33,082	961	11,536
Stapled Securityholders		39,736	42,751	(25,583)	4,335	80,733	33,082	961	11,536
Other non-controlling interests		20,860	-	-	-	13,731	-	-	-
Basic earnings/(loss) per stapled security/share/unit		2.06c	4.84c	(2.90)	0.49	4.11c	3.86c	0.11c	1.35c
Diluted earnings/(loss) per stapled security/share/unit		2.06c	4.84c	(2.90)	0.49	4.11c	3.86c	0.11c	1.35c

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

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Statements of Comprehensive Income

	DUET Group 1 Jul 10 - 31 Dec 10 \$'000	DUET2 1 Jul 10 - 31 Dec 10 \$'000	DUET3 1 Jul 10 - 31 Dec 10 \$'000	DIHL 1 Jul 10 - 31 Dec 10 \$'000	DUET Group 1 Jul 09 - 31 Dec 09 \$'000	DUET2 1 Jul 09 - 31 Dec 09 \$'000	DUET3 1 Jul 09 - 31 Dec 09 \$'000	DIHL 1 Jul 09 - 31 Dec 09 \$'000
Profit/(loss) after income tax expense for the half year	60,596	42,751	(25,583)	4,335	94,464	33,082	961	11,536
Other comprehensive income/(expense):								
Changes in fair value of cashflow hedges, net of tax	45,547	-	-	-	50,265	-	-	-
Changes in share of associates other reserves, net of tax	(297)	5,246	-	(38)	(583)	9,537	-	(1,315)
Changes in available for sale financial asset, net of tax	-	(7,962)	-	-	-	(1,173)	-	-
Changes in share of associates foreign currency translation reserve	(18,796)	-	-	(18,796)	(787)	-	-	(787)
Total comprehensive income/(expense) for the half year	87,050	40,035	(25,583)	(14,499)	143,359	41,446	961	9,434
Total comprehensive income/(expense) for the half year is attributable to:								
DUET1 unitholders	50,013	-	-	-	60,638	-	-	-
DUET2 and DUET3 unitholders and DIHL shareholders as non-controlling interests	(47)	40,035	(25,583)	(14,499)	51,841	41,446	961	9,434
Stapled Securityholders	49,966	40,035	(25,583)	(14,499)	112,479	41,446	961	9,434
Other non-controlling interests	37,084	-	-	-	30,880	-	-	-
Total comprehensive income/(expense) for the half year	87,050	40,035	(25,583)	(14,499)	143,359	41,446	961	9,434

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

Interim Financial Report

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Balance Sheets

	DUET Group	DUET2	DUET3	DIHL	DUET Group	DUET2	DUET3	DIHL
Note	31 Dec 10	31 Dec 10	31 Dec 10	31 Dec 10	30 Jun 10	30 Jun 10	30 Jun 10	30 Jun 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets								
Cash and cash equivalents	460,546	78,778	28,148	20,209	464,682	98,450	30,601	26,290
Receivables	85,594	18,483	239,511	47,189	41,736	6,406	236,655	47,207
Inventories	13,259	-	-	-	12,498	-	-	-
Other assets	6 705,572	-	-	34	80,910	-	-	122
Derivative financial instruments	9,873	-	4,927	-	5,669	-	638	693
Total current assets	1,274,844	97,261	272,586	67,432	605,495	104,856	267,894	74,312
Non-current assets								
Receivables	276,596	781,216	196,772	-	319,056	774,238	239,232	-
Other financial assets – investments in unlisted securities	-	54,764	-	-	-	60,025	-	-
Investment in associated entities	149,626	100,910	-	121,306	142,847	72,987	-	116,146
Property, plant and equipment	5,282,672	-	-	-	5,209,179	-	-	-
Deferred tax assets	12,992	-	-	-	18,365	-	-	-
Intangible assets	2,032,864	-	-	-	2,033,011	-	-	-
Derivative financial instruments	31,348	-	2,816	-	66,846	-	644	-
Total non-current assets	7,786,098	936,890	199,588	121,306	7,789,304	907,250	239,876	116,146
Total assets	9,060,942	1,034,151	472,174	188,738	8,394,799	1,012,106	507,770	190,458
Current liabilities								
Distribution payable	88,730	40,363	19,920	-	87,056	41,509	17,512	-
Payables	201,057	9,142	5,756	2,841	176,970	8,609	2,588	1,511
Interest bearing liabilities	1,167,984	237,808	210,652	106,744	1,414,508	226,664	210,474	98,698
Provisions	8,000	-	-	-	9,187	-	-	-
Derivative financial instruments	132,773	-	-	-	105,108	-	-	-
Other liabilities	41,279	-	-	-	33,887	-	-	-
Total current liabilities	1,639,823	287,313	236,328	109,585	1,826,716	276,782	230,574	100,209

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Balance Sheets (continued)

	Note	DUET Group 31 Dec 10 \$'000	DUET2 31 Dec 10 \$'000	DUET3 31 Dec 10 \$'000	DIHL 31 Dec 10 \$'000	DUET Group 30 Jun 10 \$'000	DUET2 30 Jun 10 \$'000	DUET3 30 Jun 10 \$'000	DIHL 30 Jun 10 \$'000
Non-current liabilities									
Interest bearing liabilities		4,984,966	-	1,289	-	4,237,512	-	1,289	-
Deferred tax liabilities		565,272	-	-	-	547,820	-	-	-
Derivative financial instruments		255,615	-	-	-	217,279	-	-	-
Provisions		18,568	-	-	-	26,884	-	-	-
Other liabilities		44,966	-	-	-	23,153	-	-	-
Total non-current liabilities		5,869,387	-	1,289	-	5,052,648	-	1,289	-
Total liabilities		7,509,210	287,313	237,617	109,585	6,879,364	276,782	231,863	100,209
Net assets		1,551,732	746,838	234,557	79,153	1,515,435	735,324	275,907	90,249
Equity									
Equity attributable to DUET1 unitholders									
Contributed equity	4	540,733	-	-	-	532,697	-	-	-
Reserves		(118,272)	-	-	-	(150,045)	-	-	-
Accumulated (losses)	5	(226,752)	-	-	-	(216,537)	-	-	-
Unitholders interest		195,709	-	-	-	166,115	-	-	-
Equity attributable to DUET2, DUET3 and DIHL Securityholders (as non-controlling interest)									
Contributed equity	4	1,354,999	843,748	301,692	209,559	1,335,963	831,906	297,901	206,156
Reserves		(204,070)	(99,298)	(67,135)	(37,637)	(141,930)	(96,582)	(26,545)	(18,803)
Retained profits/ accumulated (losses)	5	(90,381)	2,388	-	(92,769)	(92,553)	-	4,551	(97,104)
DUET2, DUET3 and DIHL securityholders interest		1,060,548	746,838	234,557	79,153	1,101,480	735,324	275,907	90,249
Other non-controlling interest		295,475	-	-	-	247,840	-	-	-
Total equity		1,551,732	746,838	234,557	79,153	1,515,435	735,324	275,907	90,249

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

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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	Foreign currency translation reserve \$'000	Capital reserve \$'000	Other reserve \$'000	Retained profits/ (accumulated losses) \$'000	Total \$'000			
Total equity at 1 July 2010	532,697	(40,678)	-	(90,324)	(19,043)	(216,537)	166,115	1,101,480	247,840	1,515,435
Profit for the half year	-	-	-	-	-	18,233	18,233	21,503	20,860	60,596
Other comprehensive income/(expense) for the half year	-	50,576	(18,796)	-	-	-	31,780	(21,550)	16,224	26,454
Total comprehensive income/(expense) for the half year	-	50,576	(18,796)	-	-	18,233	50,013	(47)	37,084	87,050
Transactions with equity holders in their capacity as equity holders:										
Contributions of equity	8,029	-	-	-	-	-	8,029	19,036	-	27,065
Distribution paid and provided for to DUET equity holders	-	-	-	-	-	(28,448)	(28,448)	(59,921)	-	(88,369)
Dividends and distributions provided for or paid to non-controlling interests	-	-	-	-	-	-	-	-	(2,926)	(2,926)
Contributions of equity by non-controlling interests	-	-	-	-	-	-	-	-	13,477	13,477
Total equity at 31 December 2010	540,726	9,898	(18,796)	(90,324)	(19,043)	(226,752)	195,709	1,060,548	295,475	1,551,732
Total equity at 1 July 2009	519,121	(48,309)	-	(90,324)	(13,539)	(199,613)	167,336	1,069,183	203,970	1,440,489
Profit for the half year	-	-	-	-	-	35,154	35,154	45,579	13,731	94,464
Other comprehensive income/(expense) for the half year	-	26,260	(787)	-	-	-	25,473	6,262	17,160	48,895
Total comprehensive income for the half year	-	26,260	(787)	-	-	35,154	60,627	51,841	30,891	143,359
Transactions with equity holders in their capacity as equity holders:										
Contributions of equity	6,000	-	-	-	-	-	6,000	12,956	-	18,956
Distribution paid and provided for to DUET equity holders	-	-	-	-	-	(30,931)	(30,931)	(54,515)	-	(85,446)
Dividends and distributions provided for or paid to non-controlling interests	-	-	-	-	-	-	-	-	(26,809)	(26,809)
Contributions of equity by non-controlling interests	-	-	-	-	-	-	-	-	30,506	30,506
Total equity at 31 December 2009	525,121	(22,049)	(787)	(90,324)	(13,539)	(195,390)	203,032	1,079,465	238,558	1,521,055

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Statements of Changes in Equity (continued)

DUET2	Contributed equity \$'000	Hedging reserve \$'000	Capital reserve \$'000	Other reserve \$'000	Retained profits/ (accumulated losses) \$'000	Total \$'000
Total equity at 1 July 2010	831,906	(13,571)	(119,366)	36,355	-	735,324
Profit for the half year	-	-	-	-	42,751	42,751
Other comprehensive income/(expense) for the half year	-	5,246	-	(7,962)	-	(2,716)
Total comprehensive income for the half year	-	5,246	-	(7,962)	42,751	40,035
Transactions with equity holders in their capacity as equity holders:						
Contributions of equity, net of transaction costs	11,842	-	-	-	-	11,842
Distribution paid and provided for to DUET2 equity holders	-	-	-	-	(40,363)	(40,363)
Total equity at 31 December 2010	843,748	(8,325)	(119,366)	28,393	2,388	746,838
Total equity at 1 July 2009	812,887	(23,439)	(113,752)	30,851	-	706,547
Profit for the half year	-	-	-	-	33,082	33,082
Other comprehensive income/(expense) for the half year	-	9,537	(8,587)	(1,173)	8,587	8,364
Total comprehensive income for the half year	-	9,537	(8,587)	(1,173)	41,669	41,446
Transactions with equity holders in their capacity as equity holders:						
Contributions of equity, net of transaction costs	8,634	-	-	-	-	8,634
Distribution paid and provided for to DUET2 equity holders	-	-	-	-	(41,669)	(41,669)
Total equity at 31 December 2009	821,521	(13,902)	(122,339)	29,678	-	714,958

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Statements of Changes in Equity (continued)

DUET3	Contributed equity \$'000	Capital reserve \$'000	Retained profits/ (accumulated losses) \$'000	Total \$'000
Total equity at 1 July 2010	297,901	(26,545)	4,551	275,907
Loss for the half year	-	-	(25,583)	(25,583)
Other comprehensive income/(expense) for the half year	-	(40,590)	40,590	-
Total comprehensive expense for the half year	-	(40,590)	15,007	(25,583)
Transactions with equity holders in their capacity as equity holders:				
Contributions of equity, net of transaction costs	3,791	-	-	3,791
Distribution paid and provided for to DUET3 equity holders	-	-	(19,558)	(19,558)
Total equity at 31 December 2010	301,692	(67,135)	-	234,557
Total equity at 1 July 2009	292,679	(26,545)	6,135	272,269
Profit for the half year	-	-	961	961
Other comprehensive income/(expense) for the half year	-	(5,750)	5,750	-
Total comprehensive income for the half year	-	(5,750)	6,711	961
Transactions with equity holders in their capacity as equity holders:				
Contributions of equity, net of transaction costs	2,572	-	-	2,572
Distribution paid and provided for to DUET3 equity holders	-	-	(12,846)	(12,846)
Total equity at 31 December 2009	295,251	(32,295)	-	262,956

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Statements of Changes in Equity (continued)

DIHL	Contributed equity \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Other reserve \$'000	Retained profits/ (accumulated losses) \$'000	Total \$'000
Total equity at 1 July 2010	206,156	(23,564)	6,723	(1,962)	(97,104)	90,249
Profit for the half year	-	-	-	-	4,335	4,335
Other comprehensive income/(expense) for the half year	-	-	(18,796)	(38)	-	(18,834)
Total comprehensive income for the half year	-	-	(18,796)	(38)	4,335	(14,499)
Transactions with equity holders in their capacity as equity holders:						
Contributions of equity, net of transaction costs	3,403	-	-	-	-	3,403
Distribution paid and provided for to DIHL equity holders	-	-	-	-	-	-
Total equity at 31 December 2010	209,559	(23,564)	(12,073)	(2,000)	(92,769)	79,153
Total equity at 1 July 2009	201,980	(23,564)	1,858	(706)	(89,201)	90,367
Profit for the half year	-	-	-	-	11,536	11,536
Other comprehensive income/(expense) for the half year	-	-	(787)	(1,315)	-	(2,102)
Total comprehensive income for the half year	-	-	(787)	(1,315)	11,536	9,434
Transactions with equity holders in their capacity as equity holders:						
Contributions of equity, net of transaction costs	1,750	-	-	-	-	1,750
Distribution paid and provided for to DIHL equity holders	-	-	-	-	-	-
Total equity at 31 December 2009	203,730	(23,564)	1,071	(2,021)	(77,665)	101,551

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

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Statements of Cash Flows

	DUET Group	DUET2	DUET3	DIHL	DUET Group	DUET2	DUET3	DIHL
	1 Jul 10	1 Jul 10	1 Jul 10	1 Jul 10	1 Jul 09	1 Jul 09	1 Jul 09	1 Jul 09
	- 31 Dec 10	- 31 Dec 10	- 31 Dec 10	- 31 Dec 10	- 31 Dec 09	- 31 Dec 09	- 31 Dec 09	- 31 Dec 09
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities								
Receipts from customers (including GST)	631,385	8	-	-	524,929	69	3	41
Payments to suppliers and employees (including GST)	(219,035)	(694)	(945)	(964)	(174,494)	(743)	(717)	(535)
Income tax (paid)/received	(358)	-	(358)	-	611	-	(472)	-
Interest received from associates	17,610	18,637	14,558	-	32,746	17,672	30,284	-
Interest received from related parties	-	6,538	6,777	1,619	-	14,713	6,286	3,166
Dividends received	5,402	11,761	-	-	5,162	11,675	-	-
Other interest received	11,916	1,788	416	723	13,302	4,680	1,200	1,201
Management and responsible entity fee paid	(10,078)	(4,416)	(1,435)	(1,236)	(9,047)	(4,083)	(1,287)	(853)
Indirect tax net (paid) /received	(11,771)	325	145	127	(5,832)	295	133	81
Net cash flows from operating activities	425,071	33,947	19,158	269	387,377	44,278	35,430	3,101
Cash flows (used in)/from investing activities								
Payments for purchase of property, plant and equipment	(149,552)	-	-	-	(326,003)	-	-	-
Payments for investments in term deposits	(682,500)	-	-	-	-	-	-	-
Payments for purchase of software	-	-	-	-	(34,004)	-	-	-
Payments for purchase of investments	(22,684)	(23,725)	-	(17,282)	(86,611)	(26,954)	-	(85,677)
Proceeds from sale of non-current assets	118	-	-	-	315	-	-	-
Net cash flows (used in)/from investing activities	(854,618)	(23,725)	-	(17,282)	(446,303)	(26,954)	-	(85,677)

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Statements of Cash Flows (continued)

	DUET Group	DUET2	DUET3	DIHL	DUET Group	DUET2	DUET3	DIHL
	1 Jul 10	1 Jul 10	1 Jul 10	1 Jul 10	1 Jul 09	1 Jul 09	1 Jul 09	1 Jul 09
	- 31 Dec 10	- 31 Dec 10	- 31 Dec 10	- 31 Dec 10	- 31 Dec 09	- 31 Dec 09	- 31 Dec 09	- 31 Dec 09
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash flows from financing activities								
Payments for capital raising costs	-	-	-	-	(120)	(52)	(17)	(17)
Proceeds from securities issued to non-controlling interests	13,458	-	-	-	30,503	-	-	-
Proceeds from borrowings from external parties	2,330,455	-	-	-	489,645	-	-	-
Repayment of borrowings from external parties	(1,619,580)	-	-	-	(273,000)	-	-	-
Loans to related parties	-	-	(3,000)	(200)	-	(7,425)	(34,994)	34,753
Loans from related parties	-	8,791	-	7,766	-	(5,981)	(6,698)	(3,349)
Finance costs paid	(237,013)	(9,018)	(4,070)	(1,852)	(193,332)	(9,289)	(1)	(2)
Dividends paid to non-controlling interest	(2,912)	-	-	-	(26,797)	-	-	-
Distributions paid to DUET securityholders	(59,626)	(29,667)	(13,363)	3,403	(65,301)	(32,938)	(13,364)	1,746
Net cash flow from/(used in) financing activities	424,782	(29,894)	(20,433)	9,117	(38,402)	(55,685)	(55,074)	33,131
Net increase/(decrease) in cash and cash equivalents held	(4,765)	(19,672)	(1,275)	(7,896)	(97,328)	(38,361)	(19,644)	(49,445)
Cash and cash equivalents at the beginning of the half year	464,682	98,450	30,601	26,290	588,687	167,510	44,797	78,070
Effects of exchange rate changes on cash and cash equivalents	629	-	(1,178)	1,815	(122)	-	(87)	(37)
Cash and cash equivalents at the end of the half year	460,546	78,778	28,148	20,209	491,237	129,149	25,066	28,588

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

Interim Financial Report

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Notes to the Financial Statements

1 Summary of Significant Accounting Policies

This general purpose interim financial report for the half year reporting period ended 31 December 2010 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of DUET1, DUET2, DUET3, DIHL and the DUET Group for the year ended 30 June 2010 and any public announcements made by DUET during the interim reporting period in accordance with the continuous disclosure requirements of the *ASX Listing Rules*.

(a) Basis of preparation of interim financial report

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

The accounting policies and methods of computation are the same as those adopted in the most recent full year financial report. The impact of adopting amendments to standards at 1 July 2010 was not material.

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 interim 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 order 06/441, this interim financial report consists of the consolidated financial statements of DUET1 and its controlled entities (collectively referred to as "DUET" or "DUET Group"), and the interim 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 new standards 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, total comprehensive income has been apportioned to reflect the amount attributable to the owners of the parent and to the non-controlling interests.

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1 Summary of Significant Accounting Policies (continued)

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the entities controlled by DUET1, DUET2, DUET3 and DIHL at 31 December 2010, including those deemed to be controlled by DUET1 by identifying it as the parent of DUET and in relation to subsequent staplings, 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.

(d) Revenue recognition

Revenue is recognised for the major business activities as follows:

Distribution electricity revenue

Distribution electricity revenue earned from the use of the distribution network is recognised when electricity and related services are provided. Accrued distribution electricity revenue is determined having regard to the period since a customer's last billing date and the customer's previous consumption patterns. Distribution electricity revenue includes the cost of transmission services charged by the transmission companies, which is passed onto the customers.

Distribution gas revenue

Distribution gas revenue earned from the use of the distribution network is recognised when gas and related services are provided. Accrued distribution gas revenue is determined having regard to the period since a customer's last billing date and the customer's previous consumption patterns.

Gas transmission revenue

Gas transmission revenue is brought to account when gas is transported for a shipper in accordance with the terms and conditions of the haulage contract.

Interest revenue

Interest revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Interest income is brought to account on an accruals basis using the effective interest method.

Dividend and distribution revenue

Dividend and trust distributions from entities that are not associates are recognised as income on the date the right to receive the payment is established.

Other revenue

Other operating revenue is brought to account as it is earned and is recognised when the goods and services are provided.

Customer contributions

Non-refundable contributions and in-kind assets received from customers towards the cost of extending or modifying the electricity or gas distribution networks, whether on existing or new assets, are recognised as revenue and an asset respectively once control is gained of the contribution, or asset.

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1 Summary of Significant Accounting Policies (continued)

(e) Net current asset deficiency

At 31 December 2010 the DUET Group has a net current liability position of \$364.9 million which is due to the following interest bearing borrowings having become current:

Company	Maturity date	Borrowings outstanding \$ million
UEDH	April 2011	\$363.1
UEDH	June 2011	\$345.5
DUET corporate debt	Aug 2011	\$304.6

DUET2 and DIHL have net current asset deficiencies of \$190.0 million and \$42.2 million respectively.

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

The net current liability 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 measuring cross-currency and interest rate swaps at fair value.

The net current liability at the 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, DUET2 and DIHL will have sufficient cash available to meet their liabilities as they fall due:

- As announced on 15 December 2010, United Energy reached financial close on a US\$435 million private placement bond issue. The proceeds are to be used to refinance existing debt including \$363 million of bonds maturing in April 2011;
- Advisors are to be appointed to facilitate the refinancing of the DUET Corporate debt facility;
- As announced by DUET Group on 29 September 2010, proceeds from the sale of the investment in Duquesne will be used to pay down, on a pro-rata basis DUET's Tranche A and Tranche B corporate debt facility;
- The DUET2 and DIHL related party loans are not expected to be called upon in the next twelve months; and
- Any material call for repayment of the DUET2 and DIHL related party loans would be met by calling the funds on-lent to the Australian majority controlled asset companies or through the realisation of investments.

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1 Summary of Significant Accounting Policies (continued)

(f) Income tax

The income tax expense or benefit for the period is the tax payable or receivable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities and associates where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Income tax has not been brought to account in respect of DUET1, DUET2 and DUET3 as, pursuant to the Income Tax Assessment Act, the Trusts are not liable for income tax provided that their taxable income (including any assessable realised capital gains) is fully distributed to their unitholders each year.

Certain DUET3 unitholders bear US withholding tax on US sourced interest income.

Some subsidiaries of the Group have implemented the tax consolidation legislation. DUET Group is not a tax consolidated group.

(g) Derivative financial instruments

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

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, accounting for any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps and cross currency swaps is the estimated amount that DUET Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest and foreign exchange rates and the current credit worthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

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1 Summary of Significant Accounting Policies (continued)

Derivative financial instruments (continued)

(i) Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such assets, liability or firm commitment), any gain or loss on the hedging instrument is recognised in the income statement. The hedged item also is remeasured at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement. The ineffective portion of the hedge is within other income or other expense. The effective portion is within the same category of the fair value of the hedged item.

(ii) Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expense.

When the forecast transaction subsequently results in the recognition of a non financial asset or non financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when interest income or expense is recognised).

For cash flow hedges, other than those covered above, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

(iii) Net investment hedge

Where a derivative or financial instrument is designated as hedging a net investment in a foreign operation, the gain or loss on the derivative or financial instrument associated with the effective portion of the hedge is initially recognised in the foreign currency translation reserve and subsequently released to the income statement when the foreign operation is disposed. The ineffective portion is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

(h) Foreign currency translation

Functional and presentation currency

The interim financial statements are presented in Australian dollars, which is DUET Group's presentation currency. The interim financial statements of the individual entities are also in Australian dollars which is the individual entity's functional and presentation currency.

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1 Summary of Significant Accounting Policies (continued)

Foreign currency translation (continued)

One associated entity of DUET Group (DQE Holdings LLC) has a functional currency in US dollars. The financial information of the associate is translated into Australian dollars in order to equity account this investment for this interim financial report.

Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date, amounts payable and receivable in foreign currencies are translated to Australian dollars at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit or loss for the half year.

Translation

The results and financial position of DUET Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at exchange rates at the dates of transactions or at an average rate as appropriate; and
- all resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising from the translation of any net investment in foreign entities are taken to security holders' equity or non-controlling equity. When a foreign operation is sold or borrowings that form part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(i) Investments in associates

The Group's investment in its associates is accounted for using the equity method in the consolidated interim financial statements of DUET Group, and the financial statements of DUET2 and DIHL. Under the equity method, the entity's share of the post-acquisition profits and losses of associates is recognised in the Income Statement, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements in retained earnings and reserves are adjusted against the cost of the investment. Dividends receivable from associates reduce the carrying amount of the investment. When the share of losses in an associate equals or exceeds an entity's interest in the associate, further losses are not recognised unless the entity has incurred obligations or made payments on behalf of an associate.

Associates are those entities over which the entity exercises significant influence, but not control.

(j) Interest bearing liabilities

Bank loans, guaranteed notes and redeemable preference shares are recognised at cost, being fair value of the consideration received net of transaction costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount premium on settlement. DUET Group enters into derivatives on interest bearing liabilities. The accounting policies are as described in note 1(g).

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any new cash assets transferred or liabilities assumed, is recognised in the income statement as other income or other expenses.

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1 Summary of Significant Accounting Policies (continued)

(k) 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 half year ended 31 December 2010 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.

(l) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Non-financial assets, other than goodwill that may have suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.

(m) Comparative figures

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

(n) 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 interim 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.

(o) Significant judgements and estimates

(i) Investment in Duquesne

On 29 September 2010 DUET announced the sale of its 29% investment in Duquesne to the Government of Singapore Investment Corporation Pte Ltd. This sale is subject to the approval of various US regulatory bodies. The investment continues to be equity accounted under AASB 128 Investments in Associates as the sale is not deemed highly probable until all required approvals have been received.

(ii) Estimated impairment of goodwill and indefinite life intangibles

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(l). The recoverable amounts of cash generating units have been determined based on value-in-use and fair value less costs to sell calculations. These calculations require the use of assumptions.

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2 Profit for the half year

	DUET Group 1 Jul 10 - 31 Dec 10 \$'000	DUET2 1 Jul 10 - 31 Dec 10 \$'000	DUET3 1 Jul 10 - 31 Dec 10 \$'000	DIHL 1 Jul 10 - 31 Dec 10 \$'000	DUET Group 1 Jul 09 - 31 Dec 09 \$'000	DUET2 1 Jul 09 - 31 Dec 09 \$'000	DUET3 1 Jul 09 - 31 Dec 09 \$'000	DIHL 1 Jul 09 - 31 Dec 09 \$'000
(i) Revenue								
Sales revenue								
Distribution revenue	293,891	-	-	-	288,693	-	-	-
Metering revenue	28,073	-	-	-	14,442	-	-	-
Transportation revenue	204,456	-	-	-	186,098	-	-	-
New connections revenue	1,054	-	-	-	764	-	-	-
Other sales revenue	9,187	-	-	-	7,666	-	-	-
	536,661	-	-	-	497,663	-	-	-
Revenue from investments								
Interest revenue	17,092	35,150	14,036	-	17,790	32,655	15,218	-
Distribution and dividend revenue	-	2,701	-	-	-	2,581	-	-
	17,092	37,851	14,036	-	17,790	35,236	15,218	-
Other revenue								
Interest revenue	13,709	6,277	6,868	1,869	10,886	7,920	7,902	4,697
Customer contributions	10,662	-	-	-	13,208	-	-	-
Miscellaneous revenue	4,055	60	-	31	2,901	60	-	41
	28,426	6,337	6,868	1,900	26,995	7,980	7,902	4,738
Total revenue	582,179	44,188	20,904	1,900	542,448	43,216	23,120	4,738
(ii) Other income								
Net Fair value gain on Derivative Contracts	-	-	6,460	1,123	38,503	-	6,025	-
Net Foreign exchange gains	4,335	-	-	-	-	-	-	9,400
Total other income	4,335	-	6,460	1,123	38,503	-	6,025	9,400
Total revenue and other income	586,514	44,188	27,364	3,023	580,951	43,216	29,145	14,138

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2 Profit for the half year (continued)

	DUET Group 1 Jul 10 - 31 Dec 10 \$'000	DUET2 1 Jul 10 - 31 Dec 10 \$'000	DUET3 1 Jul 10 - 31 Dec 10 \$'000	DIHL 1 Jul 10 - 31 Dec 10 \$'000	DUET Group 1 Jul 09 - 31 Dec 09 \$'000	DUET2 1 Jul 09 - 31 Dec 09 \$'000	DUET3 1 Jul 09 - 31 Dec 09 \$'000	DIHL 1 Jul 09 - 31 Dec 09 \$'000
(iii) Expenses								
Operating expenses								
Operating fees	111,913	-	-	-	120,107	-	-	-
Other operating expenses	53,674	-	-	-	43,787	-	-	-
	165,587	-	-	-	163,894	-	-	-
Depreciation and amortisation expense								
Depreciation of property, plant and equipment	94,727	-	-	-	80,911	-	-	-
Amortisation of intangible assets	10,890	-	-	-	5,519	-	-	-
	105,617	-	-	-	86,430	-	-	-
Finance costs								
Amortisation of borrowing costs	11,747	1,200	-	-	9,715	1,200	-	-
Financing costs	7,205	-	-	-	2,424	-	-	-
Interest expense								
- Related parties	-	9,408	7,256	3,589	-	10,114	6,890	3,421
- Other parties	223,855	-	-	-	196,128	-	-	-
	242,807	10,608	7,256	3,589	208,267	11,314	6,890	3,421
Other expenses								
Net loss on write off / abandonment	1,896	-	-	-	2,170	-	-	-
Management fees	10,547	4,877	1,319	885	9,826	4,375	1,377	1,075
Net foreign exchange losses	-	-	43,117	1,832	23,374	-	15,381	-
Net fair value loss on derivative contracts	3,615	-	-	-	-	2,924	-	-
Other	2,607	374	897	926	1,665	346	4,064	2,153
	18,665	5,251	45,333	3,643	37,035	7,645	20,822	3,228
Total expenses	532,676	15,859	52,589	7,232	495,626	18,959	27,712	6,649

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3 Distributions Paid and Proposed

	DUET Group 1 Jul 10 - 31 Dec 10 \$'000	DUET2 1 Jul 10 - 31 Dec 10 \$'000	DUET3 1 Jul 10 - 31 Dec 10 \$'000	DIHL 1 Jul 10 - 31 Dec 10 \$'000	DUET Group 1 Jul 09 - 31 Dec 09 \$'000	DUET2 1 Jul 09 - 31 Dec 09 \$'000	DUET3 1 Jul 09 - 31 Dec 09 \$'000	DIHL 1 Jul 09 - 31 Dec 09 \$'000
Final distribution paid for the year ended 30 June 2010	87,056	41,509	17,512	-	84,709	41,564	16,405	-
Interim distribution proposed and subsequently paid for the half year ended 31 December 2010	88,730	40,363	19,920	-	85,916	41,669	13,317	-
	175,786	81,872	37,432	-	170,625	83,233	29,722	-
	Cents per stapled security	Cents per unit	Cents per unit	Cents per share	Cents per stapled security	Cents per unit	Cents per unit	Cents per share
Final distribution paid for the year ended 30 June 2010	10.000	4.768	2.012	-	10.000	4.907	1.936	-
Interim distribution proposed and subsequently paid for the half year ended 31 December 2010	10.000	4.549	2.245	-	10.000	4.850	1.550	-

4 Contributed Equity

(a) Ordinary Equity

	DUET Group 1 Jul 10 - 31 Dec 10 \$'000	DUET2 1 Jul 10 - 31 Dec 10 \$'000	DUET3 1 Jul 10 - 31 Dec 10 \$'000	DIHL 1 Jul 10 - 31 Dec 10 \$'000	DUET Group 1 Jul 09 - 31 Dec 09 \$'000	DUET2 1 Jul 09 - 31 Dec 09 \$'000	DUET3 1 Jul 09 - 31 Dec 09 \$'000	DIHL 1 Jul 09 - 31 Dec 09 \$'000
On issue at the beginning of the half year	1,868,660	831,906	297,901	206,156	1,826,667	812,887	292,679	201,980
Capital raising costs	-	-	-	-	20	8	3	4
DRP on 14 August 2009	-	-	-	-	18,936	8,626	2,569	1,746
DRP on 13 August 2010	27,072	11,842	3,791	3,403	-	-	-	-
On issue at the end of the half year	1,895,732	843,748	301,692	209,559	1,845,623	821,521	295,251	203,730

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4 Contributed Equity (continued)

(a) Ordinary Equity (continued)

	DUET Group	DUET2	DUET3	DIHL	DUET Group	DUET2	DUET3	DIHL
	1 Jul 10	1 Jul 10	1 Jul 10	1 Jul 10	1 Jul 09	1 Jul 09	1 Jul 09	1 Jul 09
	- 31 Dec 10	- 31 Dec 10	- 31 Dec 10	- 31 Dec 10	- 31 Dec 09	- 31 Dec 09	- 31 Dec 09	- 31 Dec 09
	Number of	Number of	Number of	Number of	Number of	Number of	Number of	Number of
	stapled	stapled	stapled	stapled	stapled	stapled	stapled	stapled
	securities	securities	securities	securities	securities	securities	securities	securities
	'000	'000	'000	'000	'000	'000	'000	'000
On issue at the beginning of the half year	870,560	870,560	870,560	870,560	847,086	847,086	847,086	847,086
DRP on 14 August 2009	-	-	-	-	12,078	12,078	12,078	12,078
DRP on 13 August 2010	16,745	16,745	16,745	16,745	-	-	-	-
On issue at the end of the half year	887,305	887,305	887,305	887,305	859,164	859,164	859,164	859,164

(b) Ordinary units in DUET1, DUET2, DUET3 and ordinary shares in DIHL

Each fully paid stapled security confers the right to vote at meetings of security holders, subject to any voting restrictions imposed on a security holder under the Corporations Act 2001 and the Listing Rules. On a show of hands, every security holder present in person or by proxy has one vote. On a poll, every security holder who is present in person or by proxy has one vote for each dollar of the value of the total interest they have in DUET1, DUET2, DUET3, and one vote for each share in respect of DIHL.

(c) 'A' Special Share

RE1 in its personal capacity holds 1 A Special Share in DIHL. The Share carries the right to appoint directors constituting up to 40% of the DIHL Board including the managing director. Any person appointed Director by the A Special Shareholder may at any time be removed by the A Special Shareholder only. The A Special Shareholder may not vote at meetings except in relation to a proposal to appoint a Director or vary the rights attached to the A Special Share. The holder of an A Special Share is not entitled to receive any dividends.

(d) 'B' Special Share

RE2 as responsible entity of DUET2 holds 1 B Special Share in DIHL. The Share carries the right to appoint directors constituting up to 40% of the DIHL Board. Any person appointed Director by the B Special Shareholder may at any time be removed by the B Special Shareholder only. The B Special Shareholder may not vote at meetings except in relation to a proposal to appoint a Director or vary the rights attached to the B Special Share. The holder of a B Special Share is not entitled to receive any dividends.

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4 Contributed Equity (continued)

(e) 'C' Special Share

RE1 and RE2 each hold 1 C Special Share issued in DIHL in their capacity as responsible entity for DUET1 and DUET2 respectively. The shares carry the right to jointly appoint up to 20% of the directors of the DIHL Board. Any person appointed Director by the C Special Shareholders may at any time be removed by the C Special Shareholders only. The C Special Shareholders may not vote at meetings except in relation to a proposal to appoint a Director or vary the rights attached to the C Special Shares. The holders of C Special Shares are not entitled to receive any dividends.

5 Retained Profits / (Accumulated Losses)

	DUET Group 1 Jul 10 - 31 Dec 10 \$'000	DUET2 1 Jul 10 - 31 Dec 10 \$'000	DUET3 1 Jul 10 - 31 Dec 10 \$'000	DIHL 1 Jul 10 - 31 Dec 10 \$'000	DUET Group 1 Jul 09 - 31 Dec 09 \$'000	DUET2 1 Jul 09 - 31 Dec 09 \$'000	DUET3 1 Jul 09 - 31 Dec 09 \$'000	DIHL 1 Jul 09 - 31 Dec 09 \$'000
Balance at the beginning of the half year	(216,537)	-	4,551	(97,104)	(199,613)	-	6,135	(89,201)
Profit attributable to security holders	18,233	42,751	(25,583)	4,335	35,154	33,082	961	11,536
Distribution provided for or paid	(28,448)	(40,363)	(19,558)	-	(30,931)	(41,669)	(12,846)	-
Transfer from Capital Reserve	-	-	40,590	-	-	8,587	5,750	-
Balance at the end of the half year	(226,752)	2,388	-	(92,769)	(195,390)	-	-	(77,665)

6 Other Assets

	DUET Group 31 Dec 10 \$'000	DUET2 31 Dec 10 \$'000	DUET3 31 Dec 10 \$'000	DIHL 31 Dec 10 \$'000	DUET Group 30 June 10 \$'000	DUET2 30 June 10 \$'000	DUET3 30 June 10 \$'000	DIHL 30 June 10 \$'000
Current								
Cash on deposit for greater than 90 days (1)	682,008	-	-	-	-	-	-	-
Other assets	23,564	-	-	34	80,910	-	-	122
	705,572	-	-	34	80,910	-	-	122

(1) The cash on deposit represents cash invested by United Energy and Multinet that was drawn under new refinancing facilities. The cash will be applied to repay current debt that is outstanding and due to mature in 2011.

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7 Segment Information

The directors of the Responsible Entities (RE1 and RE2) of DUET1, DUET2, DUET3 and 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, AMPCI Macquarie Infrastructure Management No.2 Limited 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 of 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. DQE is located in the United States.

The operating segments note discloses performance by individual core-portfolio assets in Australian dollars. The information is presented as DUET's proportionate share of the earnings before interest, tax, depreciation and amortisation ("EBITDA"). There is no intersegment revenue.

	DBP \$'000	UEDH \$'000	MGH \$'000	WAGN \$'000	DQE \$'000	Total \$'000
DUET Group for the 6 months to 31 December 2010						
Total segment revenues	127,400	122,249	83,993	19,976	185,408	539,026
Total segment expenses	(21,952)	(36,633)	(19,816)	(7,888)	(132,216)	(218,505)
Proportionate EBITDA ⁽¹⁾	105,448	85,616	64,177	12,088	53,192	320,521
DUET Group for the 6 months to 31 December 2009						
Total segment revenues	116,292	114,107	80,260	20,036	185,269	515,964
Total segment expenses	(26,878)	(33,128)	(18,051)	(5,893)	(127,092)	(211,042)
Proportionate EBITDA ⁽¹⁾	89,414	80,979	62,209	14,143	58,177	304,922
Total proportionate segment assets						
31 December 2010	2,360,472	1,939,884	1,228,065	245,401	1,214,448	6,988,271
30 June 2010	2,298,795	1,598,634	1,065,443	242,846	1,447,369	6,653,087

⁽¹⁾ Excludes changes in the fair value of derivatives, Fx gains/losses (net of tax) and actuarial losses on the Duquesne defined benefit pension plan.

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7 Segment Information (continued)

A reconciliation of DUET EBITDA to profit 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 6 months to 31 December 2010							
Proportionate EBITDA	105,448	85,616	64,177	12,088	53,192	-	320,521
Additional EBITDA from controlled assets ⁽¹⁾	70,321	43,235	14,952	-	-	-	128,508
Exclude non-controlled assets ⁽²⁾	-	-	-	(12,088)	(53,192)	-	(65,280)
Corporate income	-	-	-	-	-	151	151
Corporate expenses	-	-	-	-	-	(13,155)	(13,155)
Equity accounted profits ⁽²⁾	-	-	-	1,877	(9,884)	-	(8,007)
Consolidated EBITDA							362,738
Controlled Assets							
Interest income	2,577	1,865	4,191	-	-	-	8,633
Depreciation and amortisation	(38,013)	(52,204)	(15,400)	-	-	-	(105,617)
Finance costs	(109,028)	(67,303)	(44,281)	-	-	-	(220,612)
Changes in fair value of derivatives	10,274	20,505	7,307	-	-	-	38,086
Non-controlled Assets							
Change in fair value of derivatives	-	-	-	-	4,368	-	4,368
Change in defined benefit pension plan	-	-	-	-	14,060	-	14,060
Corporate							
Interest income	-	-	-	-	-	22,165	22,165
Finance costs	-	-	-	-	-	(22,195)	(22,195)
Net foreign exchange losses	-	-	-	-	-	(44,949)	(44,949)
Changes in fair value of derivatives	-	-	-	-	-	7,583	7,583
Profit before income tax expense							64,260

⁽¹⁾ To consolidate 100% of controlled asset EBITDA.

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

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7 Segment Information (continued)

	DBP \$'000	UEDH \$'000	MGH \$'000	WAGN \$'000	DQE \$'000	Corporate \$'000	Total \$'000
DUET Group for the 6 months to 31 December 2009							
Proportionate EBITDA	89,414	80,979	62,209	14,143	58,177	-	304,922
Additional EBITDA from controlled assets ⁽¹⁾	59,678	40,528	14,739	-	-	-	114,945
Exclude non-controlled assets ⁽²⁾	-	-	-	(14,143)	(58,177)	-	(72,320)
Corporate income	-	-	-	-	-	162	162
Corporate expenses	-	-	-	-	-	(11,491)	(11,491)
Equity accounted profits ⁽²⁾	-	-	-	3,900	4,278	-	8,178
Consolidated EBITDA							344,396
Controlled Assets							
Interest income	1,179	310	343	-	-	-	1,832
Depreciation and amortisation	(31,889)	(39,250)	(15,291)	-	-	-	(86,430)
Finance costs	(86,201)	(60,492)	(38,390)	-	-	-	(185,083)
Changes in fair value of derivatives	(5,343)	2,133	2,019	-	-	-	(1,191)
Non-controlled Assets							
Change in fair value of derivatives	-	-	-	-	7,473	-	7,473
Change in defined benefit pension plan	-	-	-	-	(5,254)	-	(5,254)
Amortisation of intangible asset	-	-	-	-	(2,451)	-	(2,451)
Corporate							
Interest income	-	-	-	-	-	26,844	26,844
Finance costs	-	-	-	-	-	(23,184)	(23,184)
Changes in fair value of derivatives	-	-	-	-	-	(23,374)	(23,374)
Net foreign exchange gains/(losses)	-	-	-	-	-	39,694	39,694
Profit before income tax expense							93,272

⁽¹⁾ To consolidate 100% of controlled asset EBITDA.

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

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7 Segment Information (continued)

DUET2

DUET2 co-owns investments in UEDH and MGH with DUET1. The Boards consider the business for these two segments on a combined proportionate EBITDA basis. Proportionate earnings for DBP, UEDH, MGH and WAGN are set out on page 32.

A reconciliation of DUET2 EBITDA to profit before income tax expense is provided as follows:

	DBP \$'000	UEDH \$'000	MGH \$'000	WAGN \$'000	DUET2 \$'000	Total \$'000
DUET2 for the 6 months to 31 December 2010						
Proportionate EBITDA	105,448	85,616	64,177	12,088	-	267,329
Exclude non-controlled assets ⁽¹⁾	(105,448)	(85,616)	(64,177)	(12,088)	-	(267,329)
Corporate income	-	-	-	-	2,761	2,761
Corporate expenses	-	-	-	-	(5,251)	(5,251)
Equity accounted profits ⁽¹⁾	-	1,959	10,699	-	-	14,422
Consolidated EBITDA						11,932
Interest income	-	-	-	-	41,427	41,427
Finance costs	-	-	-	-	(10,608)	(10,608)
Changes in fair value of derivatives	-	-	-	-	-	-
Profit before income tax expense						42,751

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

	DBP \$'000	UEDH \$'000	MGH \$'000	WAGN \$'000	DUET2 \$'000	Total \$'000
DUET2 for the 6 months to 31 December 2009						
Proportionate EBITDA	89,414	80,979	62,209	14,143	-	246,745
Exclude non-controlled assets ⁽¹⁾	(89,414)	(80,979)	(62,209)	(14,143)	-	(246,745)
Corporate income	-	-	-	-	2,641	2,641
Corporate expenses	-	-	-	-	(4,721)	(4,721)
Equity accounted profits ⁽¹⁾	-	372	8,453	-	-	8,825
Consolidated EBITDA						6,745
Interest income	-	-	-	-	40,575	40,575
Finance costs	-	-	-	-	(11,314)	(11,314)
Changes in fair value of derivatives	-	-	-	-	(2,924)	(2,924)
Profit before income tax expense						33,082

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

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7 Segment Information (continued)

DUET3

DUET3 has a promissory note with DQE. This is the only segment in which it operates. Proportionate earnings for DQE are set out on page 32.

A reconciliation of DUET3 EBITDA to profit before income tax expense is provided as follows:

	DQE \$'000	DUET3 \$'000	Total \$'000
DUET3 for the 6 months to 31 December 2010			
Proportionate EBITDA	51,021	-	51,021
Exclude non-controlled assets	(51,021)	-	(51,021)
Corporate expenses	-	(2,216)	(2,216)
Consolidated EBITDA			(2,216)
DQE Promissory note interest	-	14,036	14,036
Interest income	-	6,868	6,868
Finance costs	-	(7,256)	(7,256)
Foreign exchange losses	-	(43,117)	(43,117)
Changes in fair value of derivatives	-	6,460	6,460
Loss before income tax expense			(25,225)
DUET3 for the 6 months to 31 December 2009			
Proportionate EBITDA	58,177	-	58,177
Exclude non-controlled assets	(58,177)	-	(58,177)
Corporate expenses	-	(5,441)	(5,441)
Consolidated EBITDA			(5,441)
DQE Promissory note interest	-	15,218	15,218
Interest income	-	7,902	7,902
Finance costs	-	(6,890)	(6,890)
Foreign exchange gains	-	(15,381)	(15,381)
Changes in fair value of derivatives	-	6,025	6,025
Profit before income tax expense			1,433

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7 Segment Information (continued)

DIHL

DIHL has an investment in DQE. This is the only segment in which it operates. Proportionate earnings for DQE are set out on page 32.

	DQE \$'000	DIHL \$'000	Total \$'000
DIHL for the 6 months to 31 December 2010			
Proportionate EBITDA	51,021	-	51,021
Exclude non-controlled assets ⁽¹⁾	(51,021)	-	(51,021)
Corporate income	-	31	31
Corporate expenses	-	(1,859)	(1,859)
Equity accounted profits ⁽¹⁾	(9,884)	-	(9,834)
Consolidated EBITDA			(11,662)
Interest income	-	1,867	1,867
Finance costs	-	(3,589)	(3,589)
Foreign exchange losses	-	(1,832)	(1,832)
Changes in fair value of derivatives	-	1,123	1,123
Changes in fair value of derivatives – DQE ⁽²⁾	4,368	-	4,368
Changes in defined benefit pension plan – DQE ⁽²⁾	14,060	-	14,060
Profit before income tax expense			4,335

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

⁽²⁾ Equity accounted share of Duquesne's changes in fair value of derivatives and changes in defined benefit pension plan.

	DQE \$'000	DIHL \$'000	Total \$'000
DIHL for the 6 months to 31 December 2009			
Proportionate EBITDA	58,177	-	58,177
Exclude non-controlled assets ⁽¹⁾	(58,177)	-	(58,177)
Corporate income	-	41	41
Corporate expenses	-	(3,228)	(3,228)
Equity accounted profits ⁽¹⁾	1,828	-	1,828
Consolidated EBITDA			(1,359)
Interest income	-	4,697	4,697
Finance costs	-	(3,421)	(3,421)
Foreign exchange gains	-	9,400	9,400
Changes in fair value of derivatives – DQE ⁽²⁾	7,473	-	7,473
Changes in defined benefit pension plan – DQE ⁽²⁾	(5,254)	-	(5,254)
Profit before income tax expense			11,536

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

⁽²⁾ Equity accounted share of Duquesne's changes in fair value of derivatives and changes in defined benefit pension plan.

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8 Contingent liabilities

Multinet

Multinet is renegotiating the pricing of its services agreement with Jemena Asset Management (6) Pty Ltd and there may be a price adjustment to both capital expenditure and operating expenditure charges relating to the period from 1 July 2006 to 31 December 2010. Multinet's management is not able to quantify the impact of any price adjustment.

Duquesne

The Internal Revenue Service (IRS) completed its examination of the Duquesne federal tax returns from 2003 through 2005 and has issued a proposed adjustment that would disallow approximately US\$150.0 million in capital loss deductions following the sale of a business in 2003. The cash cost to Duquesne, if the IRS were to prevail, would be approximately US\$30.0 million. Discussions to resolve this issue between Duquesne and the IRS Appeals Office have been ongoing since October 2008, and in April 2010, Duquesne filed a Tax Court Petition. Duquesne believes that it will prevail on appeal because the IRS Regulations in effect at the time should allow the tax basis claimed and the resulting capital loss as calculated upon the sale.

9 Events Occurring After Balance Sheet Date

Interim distribution paid

An interim distribution of 10.000 cents per stapled security was paid by DUET on 15 February 2011 (2009: 10.000 cents). This consisted of a distribution of 3.206 cents per unit from DUET1 (2009: 3.600 cents), 4.549 cents per unit from DUET2 (2009: 4.850 cents) and 2.245 cents per unit from DUET3 (2009: 1.550 cents).

DUET Group securities issued under DRP

Security holders participating in DUET's Distribution and Dividend Reinvestment Plan (DRP) reinvested \$36,492,661 of the distribution paid on 15 February 2011 in 22,388,301 DUET Group securities at a price of \$1.629988.

UEDH SOLA repayment

Subsequent to 31 December 2010, the UEDH Directors resolved to repay to DUET approximately \$184 million of subordinated debt ("SOLA") prior to 30 July 2011.

Sale of Duquesne – FERC Approval

As announced on 21 January 2011, DUET Group received approval from the United States Federal Energy Regulatory Commission (FERC) for the sale of DUET Group's 29% ownership interest in Duquesne to the Government of Singapore Investment Corporation Pte Ltd.

The remaining United States regulatory approvals required to complete the sale are progressing.

UED signs new contract for operations delivery

On 4 February 2011, United Energy announced it has signed a new agreement for the provision of network operations, construction and maintenance services in its electricity distribution area.

No other circumstances have arisen since the end of the half year that has significantly affected, or may significantly affect, the operations of DUET Group, the results of those operations in future financial years, or the state of affairs of DUET Group in years subsequent to the half year ended 31 December 2010.

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Statement by the Directors of the Responsible Entity of DUET1

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 (DUET1), the consolidated interim financial report for DUET1 and its controlled entities (DUET Group) set out on pages 10 to 38 are in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of DUET Group's financial position as at 31 December 2010 and of the performance for the half year ended on that date; and
- complying with Accounting Standard AASB134 *Interim Financial Reporting*, and the *Corporations Regulations 2001*.

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

This declaration is made in accordance with a resolution of the directors of AMPCI Macquarie Infrastructure Management No.1 Limited (as Responsible Entity of DUET1).



Philip Garling
Director
Sydney
17 February 2011



John Roberts
Director
Sydney
17 February 2011

Interim Financial Report

for half year ended 31 December 2010

Statement by the Directors of the Responsible Entity of DUET2

In the opinion of the directors of AMPCI Macquarie Infrastructure Management No.2 Limited as the Responsible Entity for Diversified Utility and Energy Trust No.2 (DUET2), the interim financial report set out on pages 10 to 38 are in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Trust's financial position as at 31 December 2010 and of its performance for the half year ended on that date; and
- complying with Accounting Standard AASB134 *Interim Financial Reporting*, and the *Corporations Regulations 2001*.

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

This declaration is made in accordance with a resolution of the directors of AMPCI Macquarie Infrastructure Management No.2 Limited (as Responsible Entity of DUET2).



Philip Garling
Director
Sydney
17 February 2011



John Roberts
Director
Sydney
17 February 2011

Interim Financial Report

for half year ended 31 December 2010

Statement by the Directors of the Responsible Entity of DUET3

In the opinion of the directors of AMPCI Macquarie Infrastructure Management No.2 Limited as the Responsible Entity for Diversified Utility and Energy Trust No.3 (DUET3), the interim financial report set out on pages 10 to 38 are in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Trust's financial position as at 31 December 2010 and of its performance for the half year ended on that date; and
- complying with Accounting Standard AASB134 *Interim Financial Reporting*, and the *Corporations Regulations 2001*.

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

This declaration is made in accordance with a resolution of the directors of AMPCI Macquarie Infrastructure Management No.2 Limited (as Responsible Entity of DUET3).



Philip Garling
Director
Sydney
17 February 2011



John Roberts
Director
Sydney
17 February 2011

Interim Financial Report

for half year ended 31 December 2010

Statement by the Directors of DIHL

In the opinion of the directors of DUET Investment Holdings Limited (DIHL), the interim financial report set out on pages 10 to 38 are in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of DIHL's financial position as at 31 December 2010 and of its performance for the half year ended on that date; and
- complying with Accounting Standard AASB134 *Interim Financial Reporting*, and the *Corporations Regulations 2001*.

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

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



Philip Garling

Director

Sydney

17 February 2011



John Roberts

Director

Sydney

17 February 2011

To the unitholders of 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

Report on the Interim Financial Report

We have reviewed the accompanying interim 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 (together "the trusts") and DUET Investment Holdings Limited ("the company") and the entities they controlled during the half year, which comprises the balance sheet as at 31 December 2010, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the half year ended on that date, other selected explanatory notes and the directors' declarations of the DUET Group, the trusts, the company and the entities they controlled at the half year end or from time to time during the half year.

Directors' Responsibility for the Interim Financial Report

The directors of the responsible entities of the trusts, and the directors of the company, are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards, the *Corporations Act 2001*, and for the trusts, the Trust Deeds, and for such internal controls as the directors determine are necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001*, and for the trusts, the Trust Deeds, including: giving a true and fair view of the consolidated entity's, the trust's and the company's financial position as at 31 December 2010 and their performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DUET Group and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the responsible entities of the trusts, and the directors of the company, a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of the DUET Group, Diversified Utility and Energy Trust No.2, Diversified Utility and Energy Trust No.3 and DUET Investment Holdings Limited is not in accordance with the *Corporations Act 2001*, and for the trusts, the Trust Deeds, including:

- (i) giving a true and fair view of the consolidated entity's, trusts' and company's financial position as at 31 December 2010 and of their performance for the half year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

A stylized, handwritten signature of 'Ernst & Young' in black ink.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Kester C Brown'.

Kester C Brown
Partner

Melbourne
17 February 2011