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DUET Investment Holdings Limited
ABN 22 120 456 573
DUET Finance Limited
ABN 15 108 014 062
AFS Licence No. 269287

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ASX RELEASE

8 March 2017

COURT APPROVES DESPATCH OF SCHEME BOOKLET

The Boards of DUET Group (DUET) are pleased to announce that ASIC has registered the Scheme Booklet in relation to the proposed acquisition of DUET by one or more members of a Consortium comprising Cheung Kong Infrastructure Holdings Limited, Cheung Kong Property Holdings Limited and Power Assets Holdings Limited. This follows the making of orders approving despatch of the Scheme Booklet and ordering that the Scheme Meetings be convened and the provision of judicial advice by the Supreme Court of New South Wales.

A copy of the Scheme Booklet, including the Independent Expert's Report and notices of the Scheme Meetings, is attached to this announcement and will be mailed to DUET securityholders on or about 13 March 2017. DUET securityholders who have previously nominated an electronic means of notification will receive or be able to access the materials electronically.

If the Schemes are approved and implemented on or before 30 June 2017, DUET securityholders will receive total cash proceeds of $3.03 per DUET Stapled Security, comprising the following components (prior to any applicable withholding being made):

- the Scheme Consideration of up to $3.00 per DUET Stapled Security; and
- a Special Distribution from DUET of at least $0.03 per DUET Stapled Security[1].

According to the current timetable it is anticipated that the Schemes will be implemented on or around 15 May 2017, subject to all Conditions Precedent under the Scheme Implementation Agreement having been satisfied or waived (where applicable).

Vote in favour of the Scheme

Each of the DUET Boards unanimously recommends that DUET securityholders vote in favour of the Schemes, in the absence of a superior proposal.

The DUET Boards appointed KPMG Corporate Finance, a division of KPMG Financial Advisory Services (Australia) Pty Ltd, as Independent Expert to undertake an independent assessment of the Schemes. The Independent Expert has concluded that the Schemes

1 In order for the Schemes to be implemented, all Conditions Precedent under the Scheme Implementation Agreement must be satisfied or waived (where applicable), including FIRB approval. The Scheme Booklet includes further information on the conditions to the Schemes and the consequences if the Schemes become Effective on or before 30 June 2017 but are implemented after 30 June 2017. Whilst the total cash proceeds received by DUET securityholders will not change, the components received by securityholders are subject to adjustment in accordance with the terms of the Scheme Implementation Agreement. For instance, in the event that the Special Distribution exceeds $0.03 per stapled security, the Scheme Consideration will reduce by the excess amount.

are fair and reasonable and in the best interests of DUET securityholders, in the absence of a superior proposal. The Independent Expert's conclusion should be read in context with the full Independent Expert's Report set out in Annexure A of the Scheme Booklet.

Scheme Meetings

The Scheme Meetings are currently scheduled to be held at 11.00am on Friday, 21 April 2017 at The Mint, 10 Macquarie Street, Sydney. All DUET securityholders are encouraged to vote by completing and lodging the Proxy Form that will accompany the Scheme Booklet or alternatively by attending the Scheme Meetings.

DUET Group Securityholder Information Line

For further information in relation to the Schemes, DUET Securityholders can contact the DUET Group Securityholders Information Line on 1300 731 105 (local call cost within Australia) or +61 3 9946 4476 (outside Australia), Monday to Friday between 9.00am and 5.00pm (Melbourne time).

For further information, please contact:

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DUET Company Limited
(ACN 163 100 061)
DUET Finance Limited
(ACN 108 014 062)
DUET Finance Trust
(ARSN 109 363 135)
DUET Investment Holdings Limited
(ACN 120 456 573)

DUET GROUP

SCHEME BOOKLET

In relation to the proposed acquisition of the DUET Group by CK William Australia Bidco Pty Ltd.

VOTE IN FAVOUR

Your Directors UNANIMOUSLY recommend that DUET Securityholders vote in FAVOUR of the Scheme Resolutions, in the absence of a superior competing proposal, and subject to the Independent Expert continuing to conclude that the Schemes are fair and reasonable and in the best interests of DUET Securityholders.

The Independent Expert has concluded that the Schemes are fair and reasonable and IN THE BEST INTERESTS of DUET Securityholders in the absence of a Superior Proposal.

Time and date of meetings:
Time: 11.00am
Date: Friday, 21 April 2017
Place: The Mint, 10 Macquarie Street, Sydney

This Scheme Booklet is important and requires your immediate attention. You should read it in full, and consider its contents carefully, before deciding how to vote on the Scheme Resolutions. If you are in any doubt about what you should do, you should seek advice from your financial, legal and tax advisers.

If you have any questions in relation to this Scheme Booklet or the Schemes, please contact the DUET Group Securityholder Information Line on 1300 731 105 (local call cost within Australia) or +61 3 9946 4476 (outside Australia), Monday to Friday between 9.00am and 5.00pm (Sydney time).

If you have recently sold all of your DUET stapled securities, please disregard this document.

Important notices

General

This Scheme Booklet is important and requires your immediate attention. If you have sold all of your DUET Securities, please ignore this Scheme Booklet. If you are a DUET Securityholder you should read this Scheme Booklet and its Annexures in full, and consider its contents carefully, before deciding how to vote on the Scheme Resolutions.

In particular, it is important that you consider the reasons to vote in favour of the Schemes which are set out in Section 1.1 (*Why you should vote in favour of the Schemes*), the reasons why you may not want to vote in favour of the Schemes which are set out in Section 1.2 (*Why you may wish to vote against the Schemes*), the risks associated with the Schemes which are set out in Section 7 (*Risks*) and the views of the Independent Expert which are set out in the Independent Expert's Report in Annexure A (*Independent Expert's Report*).

Capitalised terms used in this Scheme Booklet are defined in the Glossary in Section 10 (*Glossary and interpretation*). Section 10 (*Glossary and interpretation*) also sets out rules of interpretation which apply to this Scheme Booklet.

If you are in doubt as to what you should do, you should consult an independent and appropriately-licensed professional adviser without delay.

Purpose of this Scheme Booklet

This Scheme Booklet is the explanatory memorandum issued by the DUET Group to DUET Securityholders in connection with the Scheme Meetings to be held on 21 April 2017 in relation to the proposed acquisition by CK William Australia Bidco Pty Ltd (**Bidco**) of all of the DUET Scheme Securities under the Schemes (the **Proposal**).

The purposes of this Scheme Booklet are to:

- provide DUET Securityholders with information about the Proposal;
- explain the terms and effect of the Schemes;
- explain the manner in which the Schemes will be considered and, if approved, implemented;
- provide you with certain information required by law and all other information known to the DUET Directors which is material to your decision to vote in favour of, or against, the Scheme Resolutions detailed in the Notices of Meeting included as Annexure E (*Notices of Scheme Meetings*); and
- include the explanatory statement required by Part 5.1 of the Corporations Act in relation to the Company Schemes and a comparable explanatory statement in respect of the Trust Scheme having regard to the Takeovers Panel Guidance Note 15: Trust Scheme Mergers.

If you have any questions, please contact the DUET Group Securityholder Information Line on 1300 731 105 (within Australia) or +61 3 9946 4476 (outside Australia), Monday to Friday between 9.00am and 5.00pm (Sydney time).

The Schemes are subject to a number of conditions, including DUET Securityholder approval of the Scheme Resolutions (see Section 3.3.1 (*DUET Securityholder approval*)) and subsequent approval by the Court. If the Schemes are approved by the Court, they will be binding on every DUET Securityholder (whether or not a DUET Securityholder voted, and whether or not a DUET Securityholder voted in favour of or against the Schemes).

Responsibility for this Scheme Booklet

The DUET Group and their respective directors, officers and advisers, assume no responsibility for the accuracy or completeness of the Taxation Report, the Bidco Provided Information or the Independent Expert's Report (except in relation to information given by them to the Independent Expert for the purposes of preparing the Independent Expert's Report). The information contained in this Scheme Booklet other than the Bidco Provided Information, the Taxation Report, and the Independent Expert's Report has been prepared by the DUET Group and is its responsibility alone.

KPMG Financial Advisory Services (Australia) Pty Ltd has prepared and is responsible for the Independent Expert's Report in relation to the Proposal included as Annexure A (*Independent Expert's Report*). Neither KPMG Financial Advisory Services (Australia) Pty Ltd nor any of its subsidiaries, directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of any other part of this Scheme Booklet.

PricewaterhouseCoopers Securities Ltd (**PwC**) has prepared and is responsible for the Taxation Report (as set out in Section 8 (*Tax Implications of the Schemes*)). Neither PwC nor any of its subsidiaries, directors, officers, employees or advisers assumes any responsibility for any part of this Scheme Booklet, other than the Taxation Report.

Bidco has provided, and is solely responsible for, the Bidco Provided Information. Neither Bidco nor any of its subsidiaries, directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than the Bidco Provided Information.

ASIC and ASX Involvement

A copy of this Scheme Booklet was provided to ASIC for examination in accordance with section 411(2) of the Corporations Act and has been lodged with, and registered by, ASIC under section 412(6) of the Corporations Act. DUET has asked ASIC to provide statements, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Company Schemes. If ASIC provides those statements, they will be produced to the Court on the Second Court Date. A copy of this Scheme Booklet has also been lodged with ASX. None of ASIC or ASX, or any of their officers takes any responsibility for the contents of this Scheme Booklet.

Court Involvement

The fact that the Court has given judicial advice that DFT RE would be justified in convening the Trust Scheme Meeting and the fact that, in respect of the Company Schemes, under subsection 411(1) of the Corporations Act the Court has ordered that the DFL Scheme Meeting, the DIHL Scheme Meeting and the DUECo Scheme Meeting be convened and has approved this Scheme Booklet, does not mean that the Court:

- has approved or will approve the terms of the Schemes;
- has formed any view about the merits of the proposed Schemes or about how DUET Securityholders should vote (on this matter DUET Securityholders must reach their own decision); or
- has prepared, or is responsible for the content of, this Scheme Booklet.

Notice of Second Court Date

On the Second Court Date, following the votes at the Scheme Meetings, the Court will consider whether to give the Second Judicial Advice and make the Second Court Orders. Any DUET Securityholder may appear at the Court hearing of DUET's application for the Second Court Orders and Second Judicial Advice, expected to be held on Friday, 28 April 2017 at the Supreme Court of New South Wales, 184 Phillip Street, Sydney.

Any DUET Securityholder who wishes to oppose DUET's application for the Second Court Orders, to be sought at the Second Court Hearing, may do so by filing with the Court and serving on DUET an interlocutory process in the prescribed form, together with any affidavit on which you wish to rely at the hearing. A DUET Securityholder may also oppose the Second Court Orders by appearing at the Second Court Hearing and applying to raise any objections they may have at the hearing.

Not financial product or investment advice

This Scheme Booklet does not take into account your individual investment objectives, financial and taxation situation or particular needs. You must make your own decisions in this regard. The information and recommendations contained in this Scheme Booklet do not constitute, and should not be taken as, financial product advice. This Scheme Booklet (including the Taxation

Report in Section 8 (*Tax Implications of the Schemes*)) does not constitute tax advice. You will need to consult your own tax adviser regarding the consequences of the Proposal in light of your particular circumstances. The DUET Boards encourage you to consult an independent and appropriately-licensed professional adviser before making any investment decision as to whether or not to vote in favour of the Schemes.

Forward-looking statements

Certain statements in this Scheme Booklet relate to the future. The forward-looking statements in this Scheme Booklet are not based on historical facts, but rather reflect the current expectations of DUET concerning future results and events. These statements generally may be identified by the use of forward-looking words or phrases such as 'believe', 'aim', 'expect', 'anticipated', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential' or other similar words and phrases. Similarly, statements that describe the DUET Group's objectives, plans, goals or expectations are or may be forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of the DUET Group to be materially different from future results, performance or achievements expressed or implied by such statements. Such forward-looking statements are based on numerous assumptions regarding present and future operating strategies, and the environment in which the DUET Group will operate in the future.

The risks set out in the Scheme Booklet could affect future results of the DUET Group, causing these results to differ materially from those expressed, implied or projected in any forward-looking statements. These factors are not all of the important factors that could cause actual results to differ materially from those expressed in any forward-looking statement. Other unknown factors could also have a material adverse effect on future results of the DUET Group. Forward-looking statements should, therefore, be construed in light of such risks and undue reliance should not be placed on forward looking statements.

DUET Securityholders should note that the historical financial performance of the DUET Group is no assurance or indicator of future financial performance of the DUET Group (whether or not the Proposal proceeds). DUET does not guarantee any particular rate of return or the performance of nor does it guarantee the repayment of capital or any particular tax treatment in respect of any investment in the DUET Group.

All subsequent written and oral forward-looking statements attributable to DUET or any person acting on their behalf are qualified by this cautionary statement. Other than as required by law, neither DUET nor any of the DUET Directors gives any representation, assurance, warranty (whether express or implied) or guarantee that the accuracy, likelihood or occurrence of the events or results expressed or implied in any forward-looking statements in this Scheme Booklet will actually occur.

The forward-looking statements in this Scheme Booklet reflect views held only at the date of this Scheme Booklet. Subject to any continuing obligations under the Listing Rules or the Corporations Act, DUET and the DUET Directors disclaim any obligation or undertaking to distribute after the date of this Scheme Booklet any updates or revisions to any forward-looking statements to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

Notice to persons outside Australia

This Scheme Booklet and the Schemes are subject to Australian disclosure requirements, which may be different from the requirements applicable in other jurisdictions. The financial information included in this document is based on financial statements that have been prepared in accordance with Australian equivalents to International Financial Reporting Standards, which may differ from generally accepted accounting principles in other jurisdictions.

Privacy and personal information

DUET, Bidco and their respective share registries may need to collect personal information to implement the Schemes. The personal information collected may include your name, contact details and details of holdings, together with contact details of individuals appointed as proxies, attorneys or corporate representatives for the Scheme Meetings. The collection of some of this information is required or authorised by the Corporations Act. The primary purpose of the collection of personal information is to assist DUET to conduct the Scheme Meetings and to assist DUET and Bidco to implement the Schemes.

If you are an individual, you, and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected. If you wish to exercise these rights, you may contact the DUET Group Securityholder Information Line on 1300 731 105 (local call cost within Australia) or +61 3 9946 4476 (outside Australia), Monday to Friday between 9.00am and 5.00pm (Sydney time).

The personal information collected may be disclosed to DUET, Bidco and their respective Related Bodies Corporate and advisers, print and mail service providers, share registries, share brokers and any other service provider to the extent necessary to implement the Schemes. If the personal information outlined above is not collected, DUET may be hindered in, or prevented from, conducting the Scheme Meetings or implementing the Schemes. If you appoint an individual as your proxy, attorney or corporate representative to vote at the Scheme Meetings, you should inform that individual of the matters outlined above.

Diagrams, charts, maps, graphs and tables

Any diagrams, charts, maps, graphs and tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale.

Effect of Rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet.

Currency

Unless stated otherwise, all references to dollars, $, cents or ¢ in this Scheme Booklet are to Australian currency.

Timetable and dates

All references to times in this Scheme Booklet are references to the time in Sydney, Australia, unless otherwise stated.

All dates and times after the date of the Scheme Meetings are indicative only and are subject to change. Any changes to the timetable will be announced through ASX and published on DUET's website at www.duet.net.au.

Supplementary Information

Please refer to Section 9.10 (*Supplementary information*) for information about the steps that DUET will take if information about the Schemes needs to be updated.

Date of this Scheme Booklet

This Scheme Booklet is dated 8 March 2017.

Contents

Meeting location

The Scheme Meetings will be held at:

Location: The Mint, 10 Macquarie Street, Sydney

Date: Friday, 21 April 2017

Time: 11:00am

What should I do next?

Step 1 Carefully read this Scheme Booklet and its Annexures.

You should read this Scheme Booklet and its Annexures in full before deciding how to vote. The frequently asked questions in Section 2 (*Frequently Asked Questions*) may help answer some of your questions. If you are in any doubt about what you should do, you should seek advice from independent and appropriately-licensed financial, legal and taxation advisers before making any decision regarding the Schemes.

Step 2 Vote on the Scheme Resolutions

YOUR VOTE IS IMPORTANT

If you are a DUET Securityholder on the Voting Record Date you are entitled to vote on the Scheme Resolutions at the Scheme Meetings.

The Scheme Resolutions in relation to each Scheme are conditional upon the Scheme Resolutions in relation to the other Schemes being approved and all Scheme Resolutions must be passed by the requisite majorities of DUET Securityholders for the Schemes to proceed. For that reason, DUET has determined that the Trust Scheme Meeting, the DFL Scheme Meeting, the DIHL Scheme Meeting and the DUECo Scheme Meeting will be run concurrently in all respects. As a practical matter from an administrative and attendee point of view, as far as possible the conduct of the Scheme Meetings will be as if there was one single meeting.

You can vote:

– by proxy, by completing and returning a Proxy Form; or
– in person, by attending the Scheme Meetings to be held at The Mint, 10 Macquarie Street, Sydney, commencing at 11.00am on Friday, 21 April 2017.

To ensure your Proxy Form is valid, you should return it so that it is received by 11.00am on Wednesday, 19 April 2017. Instructions for completing and returning your Proxy Form are in Section 4 (*Scheme Meetings Details, DUET Securityholder Approvals and How to Vote*).

Letter from the Chairmen of DUET Group

8 March 2017

Dear DUET Securityholders,

On behalf of the DUET Boards, we are pleased to provide you with this Scheme Booklet, which contains information for your consideration in relation to the proposed acquisition of DUET Group by CK William Australia Bidco Pty Ltd (**Bidco**).

On 16 January 2017, the DUET Group announced that it had entered into a Scheme Implementation Agreement in relation to a proposal for Bidco to acquire all of the Securities in DUET. The proposed acquisition will be effected by way of schemes of arrangement in respect of DUECo, DIHL and DFL and by way of a trust scheme in respect of the units in DFT, pursuant to which Bidco proposes to acquire 100% of the DUET Securities. Schemes of arrangement and trust schemes are a commonly used legal procedure to enable one company to acquire another company or trust, subject to regulatory, securityholder and court approval, and certain other conditions.

If the Schemes are approved and implemented on or before 30 June 2017[1], DUET Securityholders will receive total cash proceeds of $3.03 per DUET Security, comprising the following components:

- the Scheme Consideration payable by Bidco of up to $3.00 per DUET Security; and
- a Special Distribution from DUET of at least $0.03 per DUET Security (prior to any withholding being made).

Whilst the total cash proceeds received by DUET Securityholders will not change, the components received by DUET Securityholders are subject to adjustment in accordance with the terms of the Scheme Implementation Agreement. For example, if the Special Distribution exceeds (prior to any withholding being made) $0.03 per DUET Security, the Scheme Consideration will reduce by the excess amount. The total Scheme Consideration payable by Bidco under the Schemes will be approximately $7.4 billion. This assumes that the Special Distribution will be no more than $0.03 per DUET Security.

The Scheme Consideration is in addition to DUET's FY17 interim distribution of 9.25 cents per DUET Security, which was paid on 16 February 2017.

The total cash proceeds of $3.03 per DUET Security is attractive to DUET Securityholders based on the following transaction metrics:

- a 28.9% premium to DUET's closing security price prior to the initial announcement by DUET of the Bidco Group's indicative, non-binding offer (based on the DUET Security price of $2.35 as at market close on 2 December 2016);
- a 27.5% premium to the 3 month volume weighted average price (VWAP) of DUET Securities (based on volume weighted average prices as at market close on 2 December 2016);
- a 31.8% premium to the 1 month VWAP of DUET Securities (based on volume weighted average prices as at market close on 2 December 2016); and
- a 13.1x EV/EBITDA multiple (based on DUET's consolidated FY16 results).

DUET Directors' recommendation

Your DUET Directors unanimously recommend that you vote in favour of the Schemes in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Schemes are fair and reasonable and in the best interests of DUET Securityholders. Subject to those same qualifications, each of your DUET Directors intends to vote all the DUET Securities held or controlled by them in favour of the Schemes.

Your DUET Directors consider that the Proposal is compelling for DUET Securityholders, representing an opportunity for you to realise an attractive value for your DUET Securities.

Your DUET Directors have formed the view that the Schemes are in the best interests of DUET Securityholders for the following reasons:

- the Independent Expert has concluded that the Schemes are fair and reasonable and in the best interests of DUET Securityholders in the absence of a Superior Proposal;
- the Scheme Consideration and the Special Distribution fully recognise the value and future growth platform that the DUET management team has created; and
- since receipt of the Proposal, DUET and its advisers have been unable to secure a superior proposal.

In forming their view that the Schemes are in the best interests of DUET Securityholders, your DUET Directors considered the disadvantages of the Schemes proceeding. In particular:

- DUET Securityholders will no longer be able to participate in the future financial performance of the DUET Group business;
- DUET Securityholders may find it difficult to find an investment with a similar investment and yield profile to that of the DUET Group; and
- the tax consequences of the Schemes may not suit certain DUET Securityholders.

Independent Expert

Your DUET Directors appointed KPMG Financial Advisory Services (Australia) Pty Ltd as the independent expert to assess the merits of the Schemes. The Independent Expert has concluded that the Schemes are fair and reasonable and in the best interests of DUET Securityholders, in the absence of a Superior Proposal. The Independent Expert has assessed the full underlying value of the DUET Group at between $2.32 and $2.77 per DUET Security. The total cash payments of $3.03 per DUET Security are above this range. The Independent Expert's valuation considered the acquisition synergies and benefits that would generally be available to a pool of potential purchasers of DUET. The Independent Expert considers that Bidco is likely to have access to operating and financing synergies that would not be available to a pool of potential purchasers, as members of the Consortium hold interests in operations which are similar to, and in some cases adjacent

1. *In order for the Schemes to be implemented, all Conditions Precedent under the Scheme Implementation Agreement must be satisfied or waived (where applicable), including FIRB approval. Section 9.3.1 (Conditions Precedent) contains further information on the conditions to the Schemes. For information on the consequences if the Schemes become Effective on or before 30 June 2017 but are implemented after 30 June 2017 see the Frequently Asked Question 'What happens if the Schemes are implemented after 30 June 2017' below.*

and complementary to, DUET's operations and its members have a higher credit rating than DUET's operating companies.

A complete copy of the Independent Expert's Report is included as Annexure A (*Independent Expert's Report*).

How to vote

Your vote is important and we encourage you to vote by completing the Proxy Form accompanying this Scheme Booklet or alternatively by attending the Scheme Meetings to be held at 11.00am at The Mint, 10 Macquarie Street, Sydney on Friday, 21 April 2017.

If you wish the Schemes to proceed, it is important that you vote in favour of the Schemes and approve the Schemes.

Further information

This Scheme Booklet sets out important information regarding the Schemes, including the reasons for your DUET Directors' recommendation and the Independent Expert's Report. It also sets out some of the reasons why you may wish to vote against the Schemes.

Please read this document carefully and in its entirety as it will assist you in making an informed decision on how to vote. We would also encourage you to seek independent financial, legal and taxation advice before making any investment decision in relation to your DUET Securities.

If you require any further information, please call the DUET Group Securityholders Information Line on 1300 731 105 (local call cost within Australia) or +61 3 9946 4476 (outside Australia), Monday to Friday between 9.00am and 5.00pm (Sydney time).

Yours sincerely

Eric Goodwin
Chairman
DUET Finance Limited

Doug Halley
Chairman
DUET Company Limited and
DUET Investment Holdings Limited

"Your DUET Directors consider that the Proposal is compelling for DUET Securityholders, representing an opportunity for you to realise an attractive value for your DUET Securities."

"If the Schemes are approved and implemented on or before 30 June 2017, DUET Securityholders will receive total cash proceeds of $3.03 per DUET Security."

Key dates

Last date and time to lodge Proxy Forms	**11.00am Wednesday, 19 April 2017**
Voting Record Date – the date and time to determine your eligibility to vote at the Scheme Meetings	**7.00pm Wednesday, 19 April 2017**
Meeting Date to approve the Schemes	**11.00am Friday, 21 April 2017**
ASX announcement of results of Scheme Meetings	**Friday, 21 April 2017**
IF DUET SECURITYHOLDERS APPROVE THE SCHEMES AT THE SCHEME MEETINGS	
Second Court Date	**Friday, 28 April 2017**
Effective Date of the Schemes	**Monday, 1 May 2017**
Last day of trading in DUET Securities	**Monday, 1 May 2017**
Scheme Record Date – the date and time which determines the entitlements of DUET Securityholders for implementation of the Schemes	**7.00pm Friday, 5 May 2017**
Special Distribution Record Date	**7.00pm Friday, 5 May 2017**
Implementation Date	**Monday, 15 May 2017**
Payment of Scheme Consideration and Special Distribution	**Monday, 15 May 2017**

All dates and times after the date of the Scheme Meetings are indicative only. Any changes to the timetable (which may include an earlier or later date for the Second Court Date) will be announced through ASX and published on DUET's website at www.duet.net.au.

What you should do next

Step 1 – Read this Scheme Booklet

This Scheme Booklet provides DUET Securityholders with information about the proposed acquisition of the DUET Group by Bidco.

You should read this document carefully and in its entirety before making a decision as to how to vote on the Scheme Resolutions. If you have sold all of your DUET Securities, please ignore this Scheme Booklet.

If you have any questions about the Schemes or you would like additional copies of this Scheme Booklet, please contact the DUET Group Securityholders Information Line on 1300 731 105 (local call cost within Australia) or +61 3 9946 4476 (outside Australia), Monday to Friday between 9.00am and 5.00pm (Sydney time).

For information about your individual financial or taxation circumstances please consult your financial, legal, taxation or other professional adviser.

Step 2 – Vote on the Scheme Resolutions

The Scheme Meetings will be held at 11.00am on Friday, 21 April 2017 at The Mint, 10 Macquarie Street, Sydney. The notices of the Scheme Meeting are in Annexure E (*Notices of Scheme Meetings*).

All DUET Securityholders are entitled to attend and vote at the Scheme Meetings, you may vote by:

- appointing a proxy to attend on your behalf;
- appointing an attorney to vote on your behalf;
- attending the Scheme Meetings in person; or
- in the case of a corporation which is a DUET Securityholder, appointing an authorised corporate representative to attend on its behalf.

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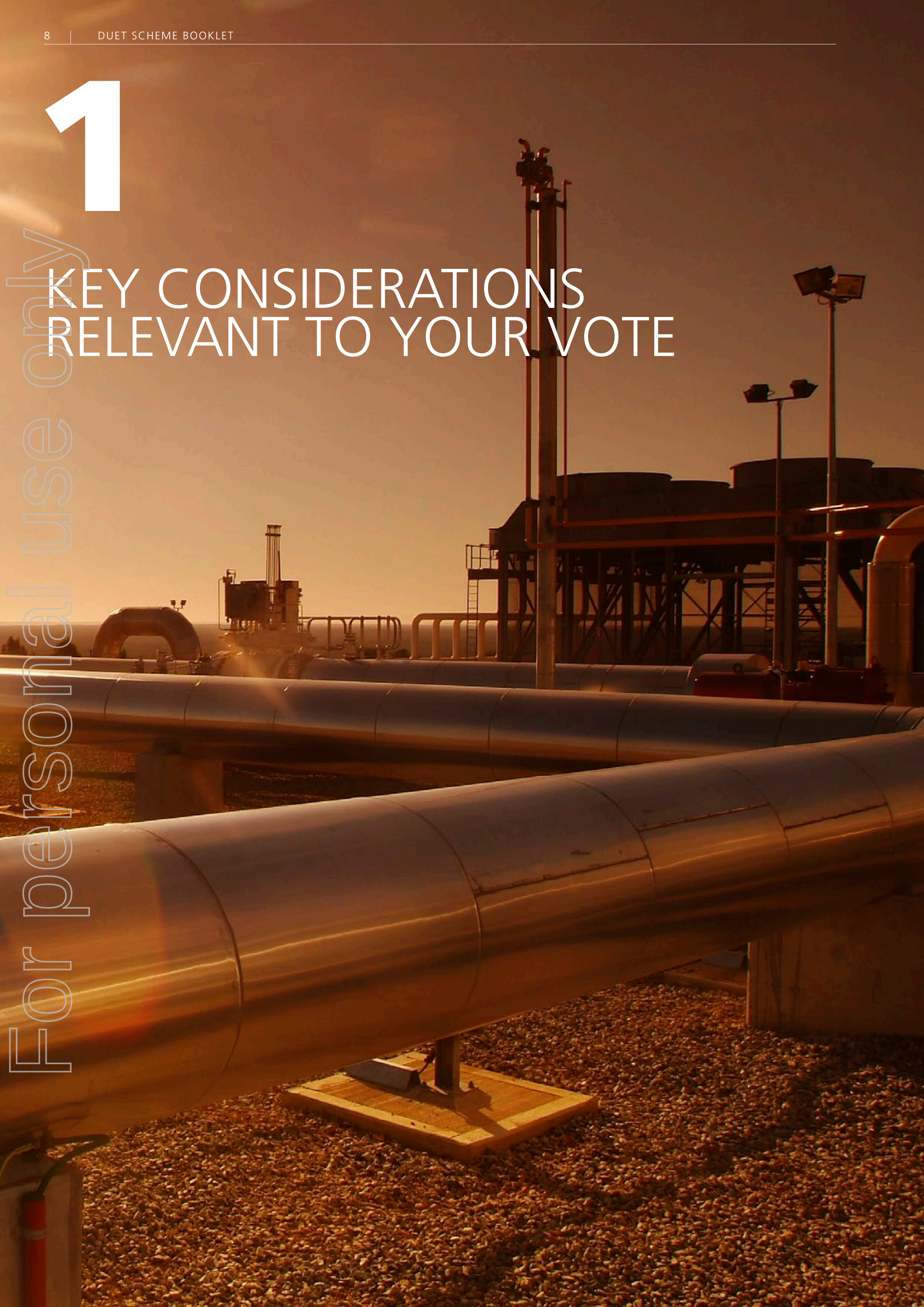
KEY CONSIDERATIONS RELEVANT TO YOUR VOTE



The Schemes have a number of advantages and disadvantages, which may affect DUET Securityholders in different ways depending on their individual circumstances. DUET Securityholders should seek professional advice on their particular circumstances, as appropriate.

Section 1.1 (*Why you should vote in favour of the Schemes*) provides a summary of some of the reasons why the DUET Board unanimously recommends DUET Securityholders vote in favour of the Schemes. This section should be read in conjunction with Section 1.2 (*Why you may wish to vote against the Schemes*), which sets out reasons why DUET Securityholders may wish to vote against the Schemes.

You should read this Scheme Booklet in full, including the Independent Expert's Report, before deciding how to vote at the Scheme Meetings. While the DUET Directors acknowledge the reasons to vote against the Schemes, they believe the advantages of the Schemes significantly outweigh the disadvantages.

1.1 Why you should vote in favour of the Schemes

- Your DUET Directors unanimously recommend that, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude the Schemes are fair and reasonable and in the best interests of DUET Securityholders, you vote in favour of the Schemes at the Scheme Meetings.

  In reaching their recommendation, your DUET Directors have assessed the Schemes having regard to the reasons to vote in favour of, or against, the Schemes, as set out in this Scheme Booklet. The DUET Directors consider that the Scheme Consideration and the Special Distribution fully recognise the value and future growth platform that the DUET management team has created.

  In the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude the Schemes to be fair and reasonable and in the best interests of DUET Securityholders in the absence of a Superior Proposal, each of your DUET Directors intends to vote all DUET Securities held or controlled by them in favour of the Schemes. The interests of DUET Directors are set out in Section 9 (*Additional Information*).
- The Independent Expert has concluded that the Schemes are fair and reasonable and in the best interests of DUET Securityholders in the absence of a Superior Proposal:
  - Your DUET Directors appointed KPMG Financial Advisory Services (Australia) Pty Ltd to prepare an Independent Expert's Report, including an opinion as to whether the Schemes are fair and reasonable and in the best interests of DUET Securityholders.
  - The Independent Expert has concluded that the Schemes are fair and reasonable and in the best interests of DUET Securityholders, in the absence of a Superior Proposal.
  - The basis for this conclusion is that the total cash proceeds per DUET Security are above the valuation range (as assessed by the Independent Expert) of $2.32 and $2.77 per DUET Security.
  - A complete copy of the Independent Expert's Report is included as Annexure A (*Independent Expert's Report*) and your DUET Directors encourage you to read this report in full.
- You will receive certain value for your investment in DUET:
  - The Scheme Consideration and the Special Distribution per DUET Security provides you with certainty of value for your DUET Securities (subject to the Schemes becoming Effective).
  - The certainty of these cash payments should be compared with the risks and the uncertainties of remaining a DUET Securityholder, which include, but are not limited to, the risks set out in Section 7 (*Risks*).
- No Superior Proposal has emerged:
  - Following receipt of the initial approach on behalf of the Bidco Group and prior to the announcement of the Schemes, the DUET Boards approached a number of potentially interested parties to discuss alternative proposals. No alternative proposal has emerged from those discussions.
  - Following the execution of the Scheme Implementation Agreement on 16 January 2017, and acting in accordance with that agreement, DUET ceased discussions with, and has not made any further approaches to, potentially interested parties. Up to the date of this Scheme Booklet, no Superior Proposal has emerged and your DUET Directors are not aware, as at the date of this Scheme Booklet, of any Superior Proposal that is likely to emerge.
- You will not incur any brokerage charges on the transfer of your DUET Securities if the Schemes proceed:
  - If you sell your DUET Securities on ASX (rather than disposing of them via the Schemes), you may incur brokerage charges (and, potentially, GST on those charges).

1 Key considerations relevant to your vote continued

- The price of DUET Securities may fall if the Schemes are not implemented:
  - If the Schemes are not implemented, DUET Securities will continue to remain quoted on ASX and will continue to be subject to market volatility, including general stock market movements, the impact of general economic conditions and the demand for listed securities. As such, if the Schemes are not implemented, the price at which DUET Securities trade may fall, including to a price that is well below the Scheme Consideration per DUET Security.
- If the Schemes do not become Effective, you will continue to be subject to the risks and uncertainties associated with DUET's business and general market risks:
  - Your DUET Directors consider that DUET has good growth opportunities as an independent listed entity on ASX. Nevertheless, these initiatives will take time to fully implement, may require additional capital investment, and carry execution risks, some of which are outside the control of DUET.
  - If the Schemes do not become Effective, DUET Securityholders will continue to be subject to these risks, as well as other specific risks inherent in DUET's business, including those summarised in more detail in Section 7 (*Risks*).
  - The Schemes remove these risks and uncertainties for DUET Securityholders and allow DUET Securityholders to exit their investment in DUET at a price that your DUET Directors consider to be attractive. If the Schemes are approved and implemented, these risks and uncertainties will be assumed by Bidco, as the sole holder of DUET Securities following implementation of the Schemes.

1.2 Why you may wish to vote against the Schemes

Although the DUET Directors unanimously recommend that you vote in favour of the Scheme Resolutions in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Schemes to be fair and reasonable and in the best interests of DUET Securityholders, factors which may lead DUET Securityholders to vote against the Schemes include:

- You may disagree with the DUET Boards and the opinion of the Independent Expert and consider that the Schemes are not in your best interests:
  - Despite the recommendation of the DUET Boards and the opinion of the Independent Expert that the Schemes are fair and reasonable and in the best interests of DUET Securityholders in the absence of a Superior Proposal, you may believe that the Schemes are not in your best interests or that of other DUET Securityholders.
- You may prefer to have the opportunity to participate in any potential future value creation that may result from being a DUET Securityholder:
  - If the Schemes are implemented you will no longer be a DUET Securityholder. This will mean that you will not participate in any potential upside that may result, including any appreciation in the value of the DUET Group and the right to any potential future distributions in respect of DUET Securities.
  - You will also cease to have the right to influence the future direction of the DUET Group as you will no longer hold DUET Securities and will therefore lose all voting rights.
- You may believe it is in your best interests to maintain your current investment and risk profile:
  - You may wish to keep your DUET Securities as you may want to preserve your investment in a publicly listed group with the specific characteristics of the DUET Group. In particular, you may consider that, despite the risk factors relevant to the DUET Group's potential future operations (including those set out in Section 7 (*Risks*)), the DUET Group may be able to return greater value from its assets by remaining independent, or seeking alternative commercialisation strategies.
- The tax consequences of the Schemes being implemented may not suit your current financial position:
  - Implementation of the Schemes may result in financial consequences which are not favourable for you. For example, it may trigger a liability for capital gains tax to the extent the Scheme Consideration received by you exceeds the tax cost base of your DUET Securities, or the timing of the disposal may not result in an optimal capital gains tax holding period outcome for you, depending on when you acquired your DUET Securities, or, if you are a 'relevant foreign resident' and you are unable to provide an appropriate Relevant Foreign Resident Declaration Form on or before 5.00pm (Sydney time) on Monday, 1 May 2017, Bidco may need to remit to the Commissioner of Taxation 10% of the Scheme Consideration otherwise payable to you for capital gains tax purposes. DUET Securityholders should read the general taxation considerations outlined in Section 8 (*Tax Implications of the Schemes*) and seek professional taxation advice with respect to their individual tax situation.
- You may believe that there is potential for a Superior Proposal to be made in the foreseeable future:
  - You may believe that there is a potential for a Superior Proposal to be made in the foreseeable future. Since the execution of the Scheme Implementation Agreement on 14 January 2017 and as at the date of this Scheme Booklet, no Superior Proposal has been received by the DUET Directors.

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FREQUENTLY ASKED QUESTIONS

Frequently asked questions continued

Question	Answer	More information
Why have I received this Scheme Booklet?	– This Scheme Booklet has been sent to you because you are a DUET Securityholder. – This Scheme Booklet is intended to help you to decide how to vote on the Scheme Resolutions which will need to be passed at the Scheme Meetings at 11.00am on Friday, 21 April 2017 at The Mint, 10 Macquarie Street, Sydney to approve the Schemes. You should read this Scheme Booklet carefully and, if necessary, consult your legal, tax, financial or other independent professional adviser before voting on the Scheme Resolutions.	Section 3 (*Overview of the Schemes*) contains an overview of the Schemes, including a summary of the Scheme Resolutions and requisite majorities.

What are the Schemes?	– The Schemes are the Trust Scheme, the DFL Scheme, the DIHL Scheme and the DUECo Scheme which, if approved, will result in the acquisition by Bidco of 100% of the DUET Securities.
	– On 16 January 2017, DUET Group and Bidco announced the Schemes to ASX. If the Schemes are approved and implemented on or before 30 June 2017[1], Schemes Participants at the relevant record dates will receive:
	  – the Scheme Consideration of up to $3.00 per DUET Scheme Security, reduced by the amount (if any) by which the Special Distribution exceeds per DUET Security $0.03 (prior to any withholding being made); and
	  – the Special Distribution, currently expected to be $0.03 per DUET Security (prior to any withholding being made)[2]
		Section 3 (*Overview of the Schemes*) contains an overview of the Schemes and a copy of the Company Schemes is contained in Annexure B (*Schemes of Arrangement*) and a copy of the DFT Constitution Amendments is in Annexure D (*DFT Constitution Amendments*).

What do your DUET Directors recommend and how do they intend to vote?	– The DUET Directors unanimously recommend that you vote in favour of the Scheme Resolutions to approve the Schemes, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are fair and reasonable and in the best interests of DUET Securityholders. – Each of the DUET Directors intends to vote in favour of the Schemes in respect of all the DUET Securities they control, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are fair and reasonable and in the best interests of DUET Securityholders.	Section 1.1 (*Why you should vote in favour of the Schemes*) provides a summary of some of the reasons why the DUET Boards consider that DUET Securityholders should vote in favour of the Schemes.
Why might I wish to vote against the Schemes?	Although the DUET Directors unanimously recommend that you vote in favour of the Scheme Resolutions in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are fair and reasonable and in the best interests of DUET Securityholders, factors which may lead DUET Securityholders to vote against the Schemes include: – you may disagree with the DUET Boards and the opinion of the Independent Expert and consider that the Schemes are not in your best interests; – you may prefer to have the opportunity to participate in any potential future value creation that may result from being a DUET Securityholder; and – you may believe that there is potential for a Superior Proposal to be made in the foreseeable future.	Section 1.2 (*Why you may wish to vote against the Schemes*).

1. *For information on the consequences if the Schemes become Effective on or before 30 June 2017 but are implemented after 30 June 2017 see the Frequently Asked Question 'What happens if the Schemes are implemented after 30 June 2017' below.*
2. *Whilst the total cash proceeds received by DUET Securityholders will not change, the components received by DUET Securityholders are subject to adjustment in accordance with the terms of the Scheme Implementation Agreement. For instance, if the Special Distribution exceeds $0.03 per DUET Scheme Security, the Scheme Consideration will reduce by the excess amount.*

Question	Answer	More information
What is the opinion of the Independent Expert?	– The Independent Expert has concluded that the Schemes are fair and reasonable and in the best interests of DUET Securityholders in the absence of a Superior Proposal. – The Independent Expert has estimated the full underlying value of the DUET Group to be in the range of $2.32 and $2.77 per DUET Security. – The Independent Expert's Report is included as Annexure A (*Independent Expert's Report*). – The DUET Directors recommend that you read the Independent Expert's Report carefully and in its entirety.	A copy of the Independent Expert's Report is contained in Annexure A *(Independent Expert's Report*).
Who is Bidco?	Bidco is a proprietary company incorporated on 15 July 2016 in the state of Victoria which has been incorporated for the purpose of acquiring 100% of the DUET Securities via the Schemes. As at the date of this Scheme Booklet, Bidco is indirectly wholly-owned by CKP, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of HKEx (Stock Code: 1113). Subject to receipt of the Guarantor Shareholders Approvals, it is intended that the remaining Guarantors (CKI and PAH) will acquire an indirect interest in Bidco prior to the Implementation Date. CKI is a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of HKEx (Stock Code: 1038). PAH is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of HKEx (Stock code: 6).	Section 6 (*Information about Bidco and the Bidco Group*) contains further details about Bidco and its group of companies.
Will I receive any further Distributions from DUET?	– Yes, DUET Securityholders on the Register on the Special Distribution Record Date will be paid the Special Distribution of (assuming the Schemes are implemented on or before 30 June 2017[3]) at least $0.03 per DUET Security (prior to any withholding being made). In the event that the Special Distribution exceeds $0.03 per DUET Security, the Scheme Consideration will reduce by the excess amount. The Special Distribution will be paid on or before the Implementation Date and before the DUET Scheme Securities are transferred to Bidco under the Schemes.	Sections 3.2 (*Scheme Consideration and Special Distribution*), 3.3.6 (*Special Distribution Record Date*) and 3.3.7 (*Implementation and payment of the Special Distribution*).

What is the Special Distribution?	– The Special Distribution is an amount of (assuming the Schemes are implemented on or before 30 June 2017[4]) at least $0.03 per DUET Security (prior to any withholding being made), and will comprise the following:
	  – the DFT Distribution; and
	  – if the DFT Distribution is or will be less than $0.03 per DUET Scheme Security (prior to any withholding being made), an unfranked dividend or dividends paid by DUECo and/or DIHL to make up the balance to $0.03 per DUET Security.
	– Payment of the Special Distribution is conditional on the approval of the Scheme Resolutions by the requisite majorities.
	– The Special Distribution Record Date is currently expected to be 7.00pm on Friday, 5 May 2017.
		Sections 3.2 (*Scheme Consideration and Special Distribution*), 3.3.6 (*Special Distribution Record Date*) and 3.3.7 (*Implementation and payment of the Special Distribution*).

3. *For information on the consequences if the Schemes become Effective on or before 30 June 2017 but are implemented after 30 June 2017 see the Frequently Asked Question 'What happens if the Schemes are implemented after 30 June 2017' below.*
4. *For information on the consequences if the Schemes become Effective on or before 30 June 2017 but are implemented after 30 June 2017 see the Frequently Asked Question 'What happens if the Schemes are implemented after 30 June 2017' below.*

Frequently asked questions continued

Question	Answer	More information
What is the Special Distribution? *continued*	– To the extent that a Special Distribution exceeds $0.03 per DUET Security (prior to any withholding being made), the Scheme Consideration will be reduced by the amount by which the Special Distribution exceeds $0.03 per DUET Security (prior to any withholding being made).	Sections 3.2 (*Scheme Consideration and Special Distribution*), 3.3.6 (*Special Distribution Record Date*) and 3.3.7 (*Implementation and payment of the Special Distribution*).
Are there any conditions to be satisfied?	– In order for the Schemes to be implemented, all Conditions Precedent under the Scheme Implementation Agreement must be satisfied or waived (where applicable), including that the Scheme Resolutions must be approved by DUET Securityholders at the Scheme Meetings and the Schemes must be approved by the Court. Any delay in the satisfaction or waiver (where applicable) of a Condition Precedent under the Scheme Implementation Agreement may result in the indicative timetable for implementation of the Schemes being delayed. – Details of the Scheme Resolutions and the majorities required to approve the Scheme Resolution are set out in Section 3.3 (*Steps for Schemes to become Effective*).	Section 9.3.1 (*Conditions Precedent*) contains further information on the conditions to the Schemes. Section 3.3 (*Steps for Schemes to become Effective*) contains further information on the Scheme Resolutions and the status of the regulatory conditions to the Schemes. The section (*Key Dates*) on page 6 contains an indicative timeline for implementation of the Schemes.

What happens if the Schemes are implemented after 30 June 2017?	– If the Schemes become Effective on or before 30 June 2017 and shortly before 1 July, then it is possible for the Schemes to be implemented after 30 June 2017 (albeit by only a few days). If the Schemes do not become Effective on or before 30 June 2017 then Bidco or DUET may terminate the Scheme Implementation Agreement.
	– If the Schemes are implemented after 30 June 2017 then, under the terms of the Scheme Implementation Agreement, DFL must determine to distribute to DUET Securityholders on the Register as at 7.00pm on 30 June 2017 the Permitted DUET Distribution (being an amount equal to DFT's Net Income for the period from 1 July 2016 to 30 June 2017 to the extent that the Net Income has not been distributed as part of any distribution for the 6 months ending 31 December 2016).
	– Importantly, in these circumstances:
	  – if the Special Distribution together with the Permitted DUET Distribution exceeds $0.03 per DUET Security (prior to any withholding being made), the Scheme Consideration of $3.00 will be reduced by the excess amount;
	  – the Special Distribution may be less than $0.03 (although the Permitted Duet Distribution plus the Special Distribution will together be at least $0.03 per DUET Security); and	

Question	Answer	More information
What happens if the Schemes are implemented after 30 June 2017? *continued*	– if a DUET Securityholder comes onto the Register after 30 June 2017 (being the record date for the Permitted DUET Distribution) but before the Schemes have been implemented, the total cash consideration they receive will be less than $3.03 per DUET Scheme Security because they will not receive the Permitted DUET Distribution. For example, if the Special Distribution is $0.01 per DUET Security, and the Permitted DUET Distribution is $0.02 per DUET Security, then the total cash consideration received by that DUET Securityholder will be $3.01 per DUET Scheme Security (being $3.00 plus $0.01 (ie, the Special Distribution).	Section 3.2 (*Scheme Consideration and Special Distribution*) sets out further details on the Scheme Consideration.
Can I sell my DUET Securities now?	You can sell your DUET Securities on-market at any time before the close of trading on ASX on the Effective Date. However, if you do so you will receive the prevailing on-market price set at the time of sale which may not be the same price as the Scheme Consideration, you will not receive the Special Distribution, and you may also be required to pay brokerage.	N/A

What vote is required to approve the Schemes?	For the Schemes to proceed, the Scheme Resolutions must be passed by the following majorities:
	– Scheme Resolution to amend the DFT Constitution: at least 75% of the votes cast on that Scheme Resolution at the Scheme Meetings by DUET Securityholders entitled to vote on that Scheme Resolution;
	– Scheme Resolution to approve the acquisition by Bidco of 100% of the DFT Units as part of the Trust Scheme: more than 50% of the votes cast on that Scheme Resolution at the Scheme Meetings by DUET Securityholders entitled to vote on that Scheme Resolution;
	– Scheme Resolution to approve the acquisition by Bidco of 100% of the shares of each of DFL, DIHL and DUECo are part of their respective Company Schemes:
	  – more than 50% of the total number of DUET Securityholders present and voting (either in person or by proxy); and
	  – at least 75% of the votes cast,
	  on the relevant Scheme Resolution by DUET Securityholders entitled to vote on that Scheme Resolution must be in favour of the acquisition of all of the relevant shares by Bidco as part of the relevant Company Scheme, provided that the Court has the power to waive the first requirement.
		Sections 3.3.1 (*DUET Securityholder approval*) and 4.5 (*Scheme Resolutions and voting majorities required*).

What should I do if I oppose the Schemes?	Although the DUET Directors unanimously recommend that you vote in favour of the Scheme Resolutions in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are fair and reasonable and in the best interests of DUET Securityholders, if you wish to oppose the Schemes you can: – raise any questions about the Schemes or this Scheme Booklet by contacting the DUET Group Securityholder Information Line on 1300 731 105 (within Australia) or +61 3 9946 4476 (outside Australia), Monday to Friday between 9.00am and 5.00pm (Sydney time); – attend the Scheme Meetings and vote against one or more of the Scheme Resolutions in person, by attorney, by proxy or, in the case of a corporation, by corporate representative; and/or	Sections 3.3.1 (*DUET Securityholder approval*) and 4.5 (*Scheme Resolutions and voting majorities required*).

Frequently asked questions continued

Question	Answer	More information
What should I do if I oppose the Schemes? *continued*	– oppose DUET's application for the Second Court Orders to be sought at the Second Court Hearing, by: – filing with the Court and serving on DUET an interlocutory process in the prescribed form, together with any affidavit on which you wish to rely at the hearing; or – appearing at the Second Court Hearing and applying to raise any objections at the hearing.	Sections 3.3.1 (*DUET Securityholder approval*) and 4.5 (*Scheme Resolutions and voting majorities required*).
Can I vote differently on each Resolution?	Yes, you may vote differently on each Resolution. However, the Scheme Resolutions are interconditional, which means that they all must be passed for the Schemes to proceed.	Section 3.3.1 (*DUET Securityholder approval*).
What happens if some of the Scheme Resolutions are approved but others are not?	Each of the Scheme Resolutions in relation to the Schemes is interconditional and the Schemes will only proceed if all the Scheme Resolutions are passed at the Scheme Meetings by the requisite majorities.	Section 3.3.1 (*DUET Securityholder approval*).
Am I entitled to vote?	If you are registered as a DUET Securityholder on the Register at 7.00pm on Wednesday, 19 April 2017 then you will be entitled to attend and vote at the Scheme Meetings.	The Notice of Meeting contained in Annexure E (*Notices of Scheme Meetings*) sets out further details on your entitlement to vote.
How do I vote?	– Voting at the Scheme Meetings may be in person, by attorney, by proxy or, in the case of a corporation, by corporate representative. If you wish to vote in person, you must attend the Scheme Meetings. – If you cannot attend the Scheme Meetings, you may complete the enclosed personalised Proxy Form in accordance with the instructions or lodge your Proxy Form electronically at www.investorvote.com.au (as detailed on the Proxy Form). The deadline for lodging your Proxy Form for the Scheme Meetings is 11.00am on Wednesday, 19 April 2017.	Section 4 (*Scheme Meetings Details, DUET Securityholder Approvals and How to Vote*) sets out further details on the Scheme Meetings and how to vote.
Where and when do I send my Proxy Form?	– To vote by proxy, you need to complete and return the Proxy Form accompanying this Scheme Booklet. You must ensure that your Proxy Form (and a certified copy of the relevant authority under which it is signed) is received by the Registry on behalf of DUET by no later than 11.00am on Wednesday, 19 April 2017: – by mail at Computershare Investor Services Pty Limited's postal address at GPO Box 242, Melbourne VIC 3001; – by fax at Computershare Investor Services Pty Limited's fax number 03 9473 2555 (within Australia) or +61 3 9473 2555 (outside Australia); or – electronically at www.investorvote.com.au (as detailed on the Proxy Form). – Intermediaries (custodians) with access to Intermediary Online through Computershare Investor Services Pty Limited may lodge their Proxy Form electronically through www.intermediaryonline.com.	Section 4.9 (*Voting by proxy*).

<table>
<tr><th>Question</th><th>Answer</th><th>More information</th></tr>
<tr><td>When and where will the Scheme Meetings be held?</td><td>The Scheme Meetings will be held at 11.00am on Friday, 21 April 2017 at The Mint, 10 Macquarie Street, Sydney.</td><td>The Notices of Meeting contained in Annexure E (Notices of Scheme Meetings) set out the Scheme Resolutions. Section 4 (Scheme Meetings Details, DUET Securityholder Approvals and How to Vote) sets out further details on the Scheme Meetings, your entitlement to vote and how to vote.</td></tr>
<tr><td>When will the result of the Scheme Meetings be known?</td><td>The results of the Scheme Meetings will be available shortly after the conclusion of the Scheme Meetings and will be announced to ASX once available. Even if the Scheme Resolutions are all passed at the Scheme Meetings by the requisite majorities, the Schemes will only proceed if Court approval is obtained and all of the other Conditions Precedent are satisfied or waived (if capable of being waived).</td><td>N/A</td></tr>
<tr><td>What happens to my DUET Securities if I do not vote, or if I vote against the Schemes, and the Schemes become effective?</td><td>– If you do not vote, or vote against the Schemes, the Schemes may not be approved at the Scheme Meetings by the requisite majorities of DUET Securityholders. If this occurs then the Schemes will not proceed, you will not receive the Scheme Consideration or the Special Distribution and you will remain a DUET Securityholder.
– However, if the Schemes are approved by the requisite majorities of DUET Securityholders and the Schemes are implemented, your DUET Scheme Securities will be transferred to Bidco under the Schemes and you will receive the Scheme Consideration and Special Distribution for each DUET Security you hold on the Scheme Record Date, whether or not you voted in favour of the Schemes.</td><td>N/A</td></tr>
<tr><td>Why do the Schemes need to go to Court?</td><td>– Company schemes of arrangement need to be brought before the Court to obtain certain orders. Trust schemes are typically brought before the Court to obtain certain advice.
– DUET has already had the First Court Hearing and obtained:
  – orders under section 411(1) of the Corporations Act to convene the DFL Scheme Meeting, DIHL Scheme Meeting and DUECo Scheme Meeting; and
  – advice from the Court under section 63 of the Trustee Act 1925 (NSW) that DFT RE would be justified in convening the relevant DFT Scheme Meeting and proceeding on the basis that amending the DFT Constitution as contemplated by the DFT Constitution Supplemental Deed would be within the powers conferred by the DFT Constitution and section 601GC of the Corporations Act.</td><td>Section 3.3.3 (Second Court Hearing).</td></tr>
<tr><td>Why are the Second Court Hearing and the Second Judicial Advice needed?</td><td>The Second Court Hearing is needed to obtain:
– orders pursuant to section 411(4)(b) of the Corporations Act approving the Company Schemes; and
– advice from the Court under section 63 of the Trustee Act 1925 (NSW) that DFT RE would be justified in implementing the relevant Resolution, giving effect to amendments to the DFT Constitution as contemplated by the DFT Constitution Supplemental Deed, and doing all things and taking all necessary steps to put the Trust Scheme into effect.</td><td>Section 3.3.3 (Second Court Hearing).</td></tr>
</table>

Frequently asked questions continued

Question	Answer	More information
When will I be paid?	Provided the Schemes are approved and implemented: – DUET Securityholders on the Register on the Scheme Record Date are expected to be sent the Scheme Consideration on the Implementation Date, currently expected to be Monday, 15 May 2017; and – DUET Securityholders on the Register on the Special Distribution Record Date will be paid the Special Distribution on the Implementation Date, currently expected to be Monday, 15 May 2017, in each case before the DUET Scheme Securities are transferred to Bidco under the Schemes.	Section 3.2 (*Scheme Consideration and Special Distribution*) sets out further details on the Scheme Consideration.
How will I be paid?	– All payments will be made by direct deposit into your nominated bank account, as advised to the Registry as at the Scheme Record Date. – If you have not nominated a bank account, payment will be made by Australian dollar cheque sent by post to your registered address as shown on the Register.	Section 3.2 (*Scheme Consideration and Special Distribution*) sets out further details on the Scheme Consideration.
When will I be sent my distribution and tax statements?	On Implementation you will receive a distribution statement for the Special Distribution. Annual Tax Statements are scheduled to be issued to securityholders by Computershare by August 2017.	

What happens if Bidco considers, or reasonably believes, that I am a 'relevant foreign resident' for the purposes of Australian foreign resident capital gains tax withholding rules?	– Under Australian foreign resident capital gains tax withholding rules, Bidco is required to assess whether a registered DUET Securityholder (being the legal owner) is a 'relevant foreign resident' as at the Scheme Record Date. If Bidco considers, or reasonably believes, that a registered DUET Securityholder as at the Scheme Record Date is a 'relevant foreign resident', then unless that DUET Securityholder provides an appropriate declaration regarding its residency or interest, Bidco is required to remit to the Commissioner of Taxation 10% of the Scheme Consideration otherwise payable to them for capital gains tax purposes.
	– Bidco will look at a number of factors in determining whether it considers, or reasonably believes, that a DUET Securityholder will be a 'relevant foreign resident' for the purpose of the Australian foreign resident capital gains withholding tax rules including circumstances in which the DUET Securityholder:
	  – is classified as a non-resident in the Register or has a non-Australian domicile per the Register;
	  – has a foreign registered address;
	  – is not incorporated in Australia; or
	  – is a corporate securityholder and otherwise has a registered name that leads Bidco to reasonably believe that the corporate DUET Securityholder is not an Australian incorporated corporate entity.
		Section 8 (*Tax Implications of the Scheme*) sets out further details on the Australian foreign resident capital gains tax rules and their application to Scheme Participants.

Question	Answer	More information
What happens if Bidco considers, or reasonably believes, that I am a 'relevant foreign resident' for the purposes of Australian foreign resident capital gains tax withholding rules? *continued*	– If Bidco considers, or reasonably believes, that you are a 'relevant foreign resident' you should have been provided (or will be provided) with a Relevant Foreign Resident Declaration Form either together with this Scheme Booklet or separately. If you are provided with a Relevant Foreign Resident Declaration Form you should ensure that you read it in full and follow the instructions provided on the form. If you are in doubt as to what you should do, you should consult an independent and appropriately-licensed professional adviser without delay. You must return your signed Relevant Foreign Resident Declaration Form by 5.00pm (Sydney time) on Monday, 1 May 2017 in order to ensure your status is correctly reflected and to prevent withholding tax being deducted from the Scheme Consideration otherwise payable to you for capital gains tax purposes. – Note: Bidco will need to remit 10% of the Scheme Consideration otherwise payable to a registered holder who it considers, or reasonably believes, is a "relevant foreign resident". Accordingly if, for whatever reason, you think that you are a foreign resident but do not receive a Relevant Foreign Resident Declaration Form, you should contact DUET's registry on 1300 731 105 or +61 3 9946 4476 to request a declaration form.	Section 8 (*Tax Implications of the Scheme*) sets out further details on the Australian foreign resident capital gains tax rules and their application to Scheme Participants.
What happens if the Schemes do not become Effective?	If the Conditions Precedent are not satisfied or the Scheme Implementation Agreement is terminated then the Schemes will not be implemented and, as set out in Section 3.4 (*What if the Schemes do not become Effective?*): – you will retain your DUET Securities and they will not be acquired by Bidco; – you will not receive the proposed Scheme Consideration per DUET Scheme Security; – you will not receive the Special Distribution; – the DUET Group will continue to operate as a stand-alone entity listed on ASX; – if the Schemes do not become Effective, and no comparable proposal or Superior Proposal emerges, then the DUET Security price may fall or trade at a price below the Scheme Consideration of $3.00 per DUET Security; and – there are existing risks relating to DUET Group's business and an investment in DUET Group which will continue to be relevant to DUET Securityholders if the Schemes do not become Effective. In addition, in certain circumstances, DUET may be required to pay the DUET Reimbursement Fee to Bidco.	Section 3.4 (*What if the Schemes do not become Effective?*) Section 9.3.2.2 (*DUET Reimbursement Fee*) Section 7 (*Risks*) includes a summary of the key risks relating to DUET Group's business and an investment in DUET Group.
Where can I get further information?	If you have any questions about the Schemes or this Scheme Booklet, or you would like additional copies of this Scheme Booklet, please contact the DUET Group Securityholder Information Line on 1300 731 105 (within Australia) or +61 3 9946 4476 (outside Australia), Monday to Friday between 9.00am and 5.00pm (Sydney time).	N/A

3

OVERVIEW OF THE SCHEMES

3.1 What is the Proposal?

The Proposal is for Bidco to acquire 100% of the DUET Securities by way of the Schemes. The Schemes are a trust scheme in relation to DFT and company schemes in relation to each of DFL, DIHL and DUECo.

The Schemes will only become effective and be implemented if:

- the Scheme Resolutions are passed by the requisite majorities of DUET Securityholders at the Scheme Meetings to be held on Friday, 21 April 2017; and
- approved by the Court at the Second Court Hearing.

The Proposal is also subject to approval by the FIRB, judicial advice from the Court and certain other conditions as set out in section 3.3 (*Steps for the Schemes to become Effective*).

The DUET Directors unanimously recommend that you vote in favour of the Scheme Resolutions to approve the Schemes, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are fair and reasonable and in the best interests of DUET Securityholders.

The Independent Expert has concluded that the Schemes are fair and reasonable and in the best interests of DUET Securityholders in the absence of a Superior Proposal. The Independent Expert has estimated the full underlying value of DUET Group to be in the range of $2.32 and $2.77 per DUET Security. The Independent Expert's Report is included as Annexure A (*Independent Expert's Report*). The DUET Directors recommend that you read the Independent Expert's Report carefully and in its entirety.

3.2 Scheme Consideration and Special Distribution

If the Schemes are approved and implemented on or before 30 June 2017[1], DUET Securityholders will receive:

- the Scheme Consideration in cash per DUET Security; and
- a Special Distribution of at least $0.03 per DUET Scheme Security (prior to any withholding being made).[2]

Payments will be made by direct deposit into your nominated bank account, as advised to the Registry (Computershare) as at the relevant date. If you have not nominated a bank account, payment will be made by Australian dollar cheque. If you are not resident in Australia or New Zealand, payment will be made by Australian dollar cheque.

If a DUET Securityholder does not have a registered address, or DUET considers the DUET Securityholder is not known at its registered address and no bank account has been nominated, payments due to that DUET Securityholder will be held by DUET until claimed or applied under the relevant laws dealing with unclaimed money, including the *Unclaimed Money Act 1995* (NSW).

In accordance with the Scheme Implementation Agreement, DFT RE must, on the Effective Date, determine to pay the DFT Distribution of DFT's Estimated Net Income to all Schemes Participants. DFT RE must also determine that the 'Distributable Income' of DFT under the DFT Constitution for the period from the commencement of the financial year in which the Implementation Date occurs to the Implementation Date is the Net Income for that period.

If the DFT Distribution is or will be less than $0.03 per DUET Scheme Security (prior to any withholding being made Security), then DUECo and/or DIHL must, on the Effective Date, determine to pay an unfranked dividend or dividends which, together with the DFT Distribution (together, these amounts being the Special Distribution), will be equal to $0.03 (prior to any withholding being made) per DUET Scheme Security.

If the Special Distribution is or will be more than $0.03 per DUET Scheme Security (prior to any withholding being made), then the Scheme Consideration of $3.00 per DUET Scheme Security will be reduced by the amount above $0.03 per DUET Scheme Security.

The Special Distribution will be paid on the Implementation Date before the DUET Scheme Securities are transferred to Bidco under the Schemes. Payment of the Scheme Consideration will also be made on the Implementation Date before the DUET Scheme Securities are transferred to Bidco under the Schemes. The Implementation Date is currently expected to be Monday, 15 May 2017.

1. *The consequences if the Schemes become Effective on or before 30 June 2017 but are implemented after 30 June 2017 are set out in this section 3.2 below, and in the Frequently Asked Question 'What happens if the Schemes are implemented after 30 June 2017'.*
2. *Whilst the total cash proceeds received by DUET Securityholders will not change, the components received by DUET Securityholders are subject to adjustment in accordance with the terms of the scheme implementation agreement. For instance, if the Special Distribution exceeds $0.03 per DUET Scheme Security, the Scheme Consideration will reduce by the excess amount.*

3 Overview of the Schemes continued

If the Schemes become Effective on or before 30 June 2017 and shortly before 1 July, then it is possible for the Schemes to be implemented after 30 June 2017 (albeit by only a few days). If the Schemes do not become Effective on or before 30 June 2017 then Bidco or DUET may terminate the Scheme Implementation Agreement. If the Schemes are implemented after 30 June 2017 then, under the terms of the Scheme Implementation Agreement, DFL must determine to distribute the Permitted DUET Distribution to DUET Securityholders on the Register as at 7.00pm on 30 June 2017 (being an amount equal to DFT's Net Income for the period from 1 July 2016 to 30 June 2017 to the extent that the Net Income has not been distributed as part of any distribution for the 6 months ending 31 December 2016). Importantly, in these circumstances:

- if the Special Distribution together with any Permitted DUET Distribution exceeds $0.03 per DUET Security (prior to any withholding being made), the Scheme Consideration of $3.00 will be reduced by the excess amount;
- the Special Distribution may be less than $0.03 (although the Permitted DUET Distribution plus the Special Distribution will together be at least $0.03 per DUET Security); and
- if a DUET Securityholder comes onto the Register after 30 June 2017 (being the record date for the Permitted DUET Distribution) but before the Schemes have been implemented, the total cash consideration they receive will be less than $3.03 per DUET Scheme Security because they will not receive the Permitted DUET Distribution. For example, if the Special Distribution is $0.01 per DUET Security, and the Permitted DUET Distribution is $0.02 per DUET Security, then the total cash consideration received by that DUET Securityholder will be $3.01 per DUET Scheme Security (being $3.00 plus $0.01 (ie, the Special Distribution)).

3.3 Steps for Schemes to become Effective

3.3.1 DUET Securityholder approval

3.3.1.1 Trust Scheme

DUET Securityholders must approve:

- an amendment to the DFT Constitution to authorise all actions necessary or desirable for the implementation of the Trust Scheme and the transfer of DFT Units to Bidco. The amendments are set out in Annexure D (*DFT Constitution Amendments*). The amendments must be approved by a special resolution, which requires approval by at least 75% of the votes cast on the Scheme Resolution at the Scheme Meetings by DUET Securityholders entitled to vote on that Scheme Resolution; and
- the acquisition by Bidco of 100% of the DFT Units as part of the Trust Scheme. The acquisition by Bidco of 100% of the DFT Units must be approved by an ordinary resolution of DFT Unitholders for the purposes of Item 7 of section 611 of the Corporations Act, which requires approval by more than 50% of the votes cast on the Scheme Resolution at the Scheme Meetings by DUET Securityholders entitled to vote on that Scheme Resolution.

3.3.1.2 Company Schemes

DUET Securityholders must approve the acquisition by Bidco of 100% of the DFL Shares, DIHL Shares and DUECo Shares as part of the Company Schemes. The acquisition by Bidco of 100% of the DFL Shares, DIHL Shares and DUECo Shares must be approved by:

- more than 50% of the total number of DUET Securityholders present and voting (either in person or by proxy); and
- at least 75% of the votes cast,

on the Company Resolutions, provided that the Court has the power to waive the first requirement.

3.3.2 Regulatory approvals

FIRB

The Schemes are subject to receipt of a no objections notification under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) in respect of the Proposal. An application for this notification was made by the Guarantors in November 2016 and, as at the date of this Scheme Booklet, a notification has not yet been received. As a Condition Precedent and in accordance with the Scheme Implementation Agreement, any no objection notification must be received before 8.00am on the Second Court Date.

ACCC

Bidco has received written notice from the ACCC to the effect that the ACCC does not intend to conduct a public review of the proposed acquisition pursuant to section 50 of the Competition Act.

3.3.3 Second Court Hearing

If:

- the Scheme Resolutions are approved by the requisite majorities of DUET Securityholders at the Scheme Meetings; and
- all other Conditions Precedent (except Court approval of the Schemes) have been satisfied or waived (where capable of waiver),

DUET will apply to the Court for the Second Court Orders and the Second Judicial Advice.

Each DUET Securityholder has the right to appear at the Second Court Hearing.

If you wish to oppose the Second Court Orders, to be sought at the Second Court Hearing, you may do so by filing with the Court and serving on DUET an interlocutory process in the prescribed form, together with any affidavit on which you wish to rely at the hearing. You may also oppose the Second Court Orders by appearing at the Second Court Hearing and applying to raise any objections you may have at the hearing. You should notify DUET in advance of any intention to object. The date for the Second Court Hearing is currently scheduled to be Friday, 28 April 2017, although this date is subject to change.

3.3.4 Effective date

If the Court approves the Company Schemes and gives the Second Judicial Advice, and all other conditions precedent have been satisfied or waived, where capable of waiver:

- the Company Schemes will become Effective on the date when a copy of the Court order approving the Company Schemes is lodged with ASIC; and
- the Trust Scheme will become Effective on the date when DFT RE executes the DFT Constitution Supplemental Deed (a copy of which is included at Annexure D (*DFT Constitution Amendments*)) and lodges it with ASIC. Under the proposed amendments to the DFT Constitution:
  - DFT RE will have the power to do all things that it considers necessary or desirable to give effect to the Trust Scheme and the Scheme Implementation Agreement; and
  - the DFT Unitholders will appoint the DFT RE as their attorney with the power to do all things on their behalf which it considers necessary or desirable to give full effect to the terms of the Trust Scheme and the transactions contemplated by it.

DUET will, on the Schemes becoming Effective, give notice of that event to ASX.

DUET Group intends to apply to ASX for DUET Securities to be suspended from official quotation on ASX from close of trading on the date the Company Schemes becomes effective.

3.3.5 Scheme Record Date

Those DUET Securityholders on the Register on the Scheme Record Date (currently expected to be 7.00pm Friday, 5 May 2017) will be entitled to receive the Scheme Consideration in respect of the DUET Securities they hold as at the Scheme Record Date.

Dealings on or before the Scheme Record Date

For the purpose of determining which DUET Securityholders are eligible to participate in the Scheme, dealings in DUET Securities will be recognised only if:

- in the case of dealings of the type to be effected using CHESS (Clearing House Electronic Subregister System), the transferee is registered on the Register as the holder of the relevant DUET Securities as at 7.00pm (AEST) on the Scheme Record Date (currently expected to be Friday, 5 May 2017); and
- in all other cases, registrable transmission applications or transfers in respect of those dealings are received by the Registry on or before the Scheme Record Date by 5.00pm (AEST) (and the transferee remains registered as at the Scheme Record Date).

For the purposes of determining entitlements under the Schemes, DUET will not accept for registration or recognise any transfer or transmission applications in respect of DUET Securities received after the Scheme Record Date.

Dealings after the Scheme Record Date

For the purpose of determining entitlements to the Scheme Consideration, DUET must maintain the Register in its form as at the Scheme Record Date (currently expected to be Friday, 5 May 2017) until the Scheme Consideration has been paid to the Schemes Participants. The Register in this form and the terms of the Schemes will solely determine entitlements to the Scheme Consideration.

After the Scheme Record Date:

- all statements of holding and certificates for DUET Securities will cease to have effect as documents relating to title in respect of such DUET Securities; and
- each entry on the Register will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the DUET Securities relating to that entry.

3 Overview of the Schemes continued

3.3.6 Special Distribution Record Date

If the requisite majorities (as outlined in Section 3.3.1 (*DUET Securityholder approval*)) approve the Scheme Resolutions, DUET will confirm the record date to determine those DUET Securityholders who are eligible to receive the Special Distribution. The Special Distribution Record Date is currently expected to be 7.00pm on Friday, 5 May 2017.

DUET Group will pay the Special Distribution to DUET Securityholders (that are DUET Securityholders on the Special Distribution Record Date) on the Implementation Date.

3.3.7 Implementation and payment of the Special Distribution

The Implementation Date is the sixth Business Day after the Scheme Record Date or such other date as DUET and Bidco agree in writing.

By the Business Day before the Implementation Date, Bidco must pay into a trust account operated by the DUET Group the aggregate Scheme Consideration payable to the Schemes Participants.

On the Implementation Date, which is currently expected to be Monday, 15 May 2017, DUET Group will pay the Scheme Consideration received from Bidco to the Schemes Participants, and will pay the Special Distribution to DUET Securityholders.

Immediately after the Scheme Consideration and Special Distribution is sent to the Schemes Participants, the DUET Scheme Securities will be transferred to Bidco without the Schemes Participants needing to take any further action.

3.3.8 Deed Poll

On 1 March 2017, Bidco, CKP, CKI and PAH executed a deed poll pursuant to which each agreed to do certain things to give effect to the Schemes, including:

- in the case of Bidco, to provide the Scheme Consideration; and
- in the case of each Guarantor, to procure that Bidco observes and performs all obligations contemplated of it under and in accordance with each Scheme, including the relevant obligations relating to the provision of the Scheme Consideration.

The liability of each Guarantor is several and is equal to the proportion of that Guarantor's (direct or indirect) percentage shareholding in Bidco at any given time, except that if neither CKI nor PAH (directly or indirectly) holds shares in Bidco then CKP is solely liable as Guarantor. A Guarantor is taken to have discharged its guarantee obligations if it uses reasonable endeavours to procure that Bidco performs its obligations and provides its funding proportion to Bidco, provided that the Guarantor must continue to take all necessary steps to ensure that Bidco retains the provided consideration until such a time as it has discharged in full its obligations in relation to the provision of the Scheme Consideration.

A copy of the Deed Poll is included in Annexure C (*Deed Poll*). Each of CKP, CKI and PAH has validly executed the Deed Poll under the law of the place of its incorporation and the Deed Poll is enforceable against it by the Scheme Participants in accordance with its terms.

3.4 What if the Schemes do not become Effective?

If the Conditions Precedent are not satisfied or (if capable of being waived) waived, or if the Scheme Implementation Agreement is terminated then the Schemes will not be implemented and:

- you will retain your DUET Securities and they will not be acquired by BidCo;
- you will not receive the Scheme Consideration; and
- you will not receive the Special Distribution.

The DUET Group will continue to operate as a stand-alone stapled group listed on ASX; and if the Schemes do not become Effective, and no comparable proposal or Superior Proposal emerges, then the DUET Security price may fall or trade at a price below the Scheme Consideration.

In addition, in certain circumstances, DUET may be required to pay the DUET Reimbursement Fee to Bidco. Further information in relation to the DUET Reimbursement Fee is set out in Section 9.3.2.2 (*DUET Reimbursement Fee*).

3.5 Warranty by Schemes Participants

Under clause 31.29 of the DFT Constitution as amended by the DFT Constitution Supplemental Deed, all holders of DFT Scheme Units, including those who vote against the Trust Scheme Resolutions and those who do not vote, will be deemed to have warranted to Bidco that all their DFT Scheme Units, including any rights and entitlements attaching to those DFT Scheme Units, which are transferred to Bidco are fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that the holders of DFT Scheme Units have full power and capacity to sell and to transfer their DFT Scheme Units (together with any rights and entitlements attaching to those DFT Scheme Units) to Bidco pursuant to the Trust Scheme.

Under clause 8.4 of each of the Company Schemes, DUET Securityholders, including those who vote against the relevant Scheme Resolutions and those who do not vote, are deemed to warrant to Bidco that their DUET Securities are fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that the DUET Securityholders have full power and capacity to sell and to transfer their DUET Scheme Securities (together with any rights and entitlements attaching to those DUET Scheme Securities) to Bidco pursuant to the relevant Scheme.

3.6 Taxation

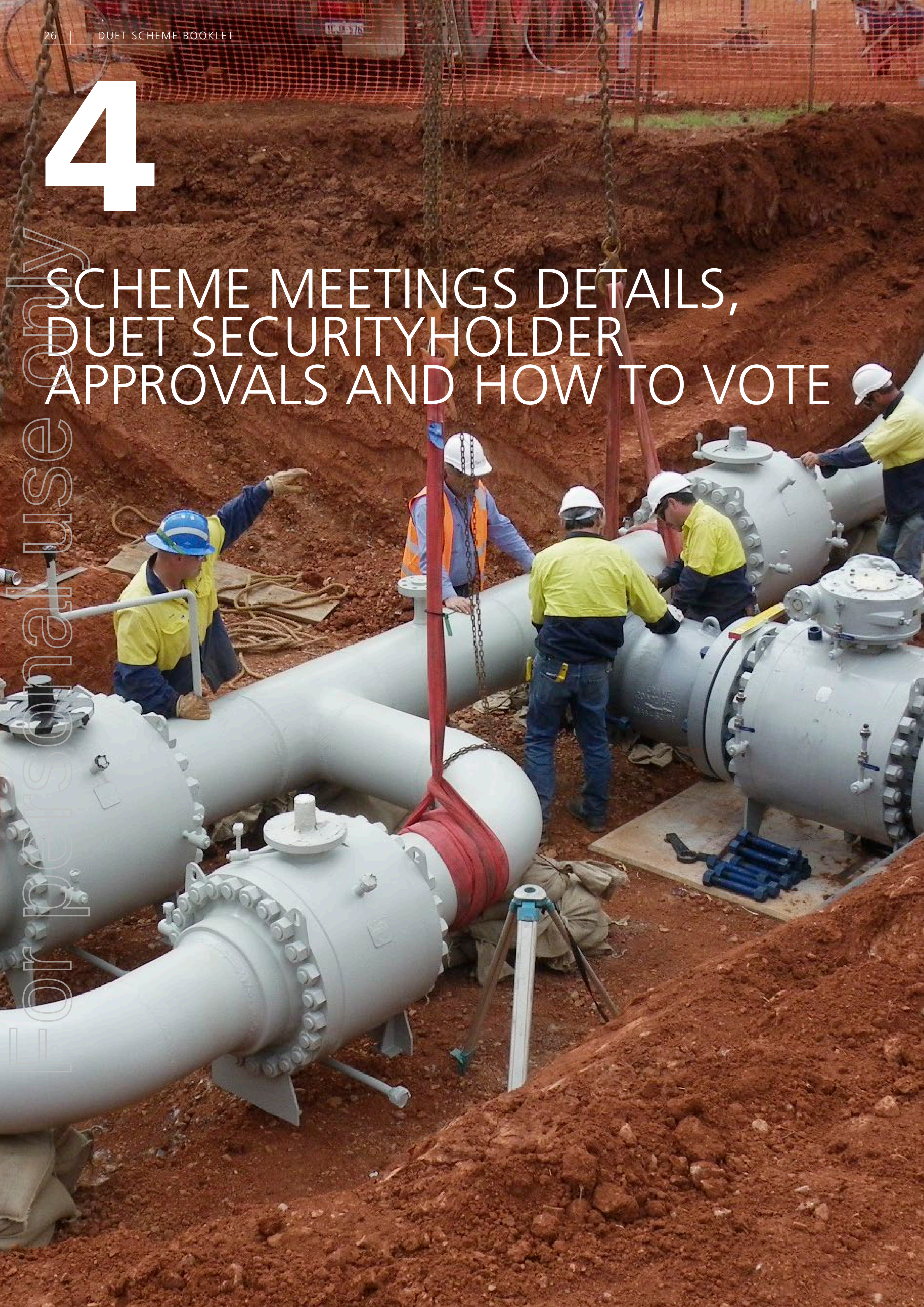
The tax consequences of the Proposal for the Schemes Participants will depend on their personal tax and financial circumstances. General Australian tax implications of the Scheme are set out in Section 8 (*Tax Implications of the Schemes*). Schemes Participants should consult their own independent professional tax adviser about the tax consequences for them if the Schemes are implemented.

Further information

If you require any further information, please call the DUET Group Securityholders Information Line on 1300 731 105 (local call cost within Australia) or +61 3 9946 4476 (outside Australia), Monday to Friday between 9.00am and 5.00pm (Sydney time).

4

SCHEME MEETINGS DETAILS, DUET SECURITYHOLDER APPROVALS AND HOW TO VOTE



4.1 Date and time of the Scheme Meetings

The Scheme Meetings will be held at 11.00am on Friday, 21 April 2017 at The Mint, 10 Macquarie Street, Sydney.

The business of the Scheme Meetings is to consider and, if thought fit, approve the Schemes.

The DUET Securityholders will be asked to vote on the Scheme Resolutions at the Scheme Meetings.

4.2 Entitlement to vote

All DUET Securityholders appearing on the Register at the Voting Record Date are entitled to attend and vote at the Scheme Meetings. Transfers of DUET Securities after this time will be disregarded in determining entitlements to vote at the Scheme Meetings.

4.3 Voting at the Scheme Meetings

You can ensure your vote is cast in one of four ways:

- attending the Scheme Meetings in person or, if you are a corporate member, by corporate representative voting for you;
- appointing a proxy to attend and vote for you, using the enclosed Proxy Form;
- lodging your Proxy Form by fax with Computershare Investor Services Pty Limited (the **Registry**) on 03 9473 2555 (within Australia) or +61 3 9473 2555 (outside Australia); or
- lodging your Proxy Form electronically at www.investorvote.com.au (as detailed on the Proxy Form). Intermediaries (custodians) with access to Intermediary Online through Computershare Investor Services Pty Limited may lodge their Proxy Form electronically through www.intermediaryonline.com.

The vote on each Scheme Resolution will be conducted by way of a poll. Part 2G.4 Division 6 of the Corporations Act sets out the voting calculations to apply for the general meeting of a trust. On a poll, each DFT Unitholder has one vote for each dollar of the value of the total interests they have in DFT. Part 2G.2 Division 7 of the Corporations Act sets out the voting calculations to apply for the general meetings of DFL, DIHL and DUECo. On a poll, each shareholder of DFL, DIHL and DUECo has one vote for each share they hold in that member of DUET, subject to any rights or restrictions attached to any class of shares.

4.4 Jointly held Securities

If DUET Securities are jointly held, either one of the joint DUET Securityholders is entitled to vote on the Scheme Resolutions at the Scheme Meetings. If more than one joint DUET Securityholder votes in respect of jointly held DUET Securities, only the vote of the DUET Securityholder whose name appears first in the Register at the Voting Record Date will be counted.

4.5 Scheme Resolutions and voting majorities required

For the Proposal to proceed, the following Resolutions must be approved:

4.5.1 Trust Scheme Resolutions

- **Trust Scheme Resolution 1 (amendment to the DFT Constitution)**: at least 75% of the total votes cast by (or on behalf of) DUET Securityholders must be voted in favour of the amendments; and
- **Trust Scheme Resolution 2 (to approve the Trust Scheme)**: more than 50% of the total votes cast by (or on behalf of) DUET Securityholders must be voted in favour of the acquisition of all the DFT Units by Bidco as part of the Trust Scheme.

4.5.2 DFL Scheme Resolution

DFL Scheme Resolution (to approve the DFL Scheme):

- more than 50% of the total number of DUET Securityholders present and voting (either in person or by proxy) (unless the Court orders otherwise); and
- at least 75% of the votes cast,

on the DFL Scheme Resolution must be in favour of the acquisition of all the DFL Shares by Bidco as part of the DFL Scheme.

4 Scheme Meetings Details, DUET Securityholder Approvals and How to Vote continued

4.5.3 DIHL Scheme Resolution

DIHL Scheme Resolution (to approve the DIHL Scheme):

- more than 50% of the total number of DUET Securityholders present and voting (either in person or by proxy) (unless the Court orders otherwise); and
- at least 75% of the votes cast,

on the DIHL Scheme Resolution must be in favour of the acquisition of all the DIHL Shares by Bidco as part of the DIHL Scheme.

4.5.4 DUECo Scheme Resolution

DUECo Scheme Resolution (to approve the DUECo Scheme):

- more than 50% of the total number of DUET Securityholders present and voting (either in person or by proxy) (unless the Court orders otherwise); and
- at least 75% of the votes cast,

on the DUECo Scheme Resolution must be in favour of the acquisition of all the DUECo Shares by Bidco as part of the DUECo Scheme.

4.6 Voting in person

If you plan to attend the Scheme Meetings, we ask that you arrive at the meeting venue at least 30 minutes before the time designated for the Scheme Meetings so that we may check your DUET Security holding against the Register and note your attendance. The Scheme Meetings will be held at 11.00am on Friday, 21 April 2017 at The Mint, 10 Macquarie Street, Sydney.

4.7 Voting by corporate representative

A body corporate may appoint an authorised corporate representative to represent it at the Scheme Meetings and to exercise any of the powers the body corporate may exercise at the Scheme Meetings. The authorised corporate representative will be admitted to the Scheme Meetings and given a voting card upon providing, at the point of entry to the Scheme Meetings, written evidence of their appointment, of their name and address and the identity of their appointer.

4.8 Voting by attorney

Powers of attorney must be received by the Registry by no later than 11.00am on Wednesday, 19 April 2017. Persons attending the Scheme Meetings as an attorney should bring the original or a certified copy of the power of attorney under which they have been authorised to attend the Scheme Meetings and vote on the Scheme Resolutions.

4.9 Voting by proxy

4.9.1 Appointment of proxy

If you do not intend to attend the Scheme Meetings and are entitled to vote on the Scheme Resolutions, you may select a representative or the Chairman of the Scheme Meetings to act as your proxy to attend and vote for you. A proxy can be any person or corporation you choose and need not be a DUET Securityholder. Your proxy can be appointed in respect of some or all of your votes.

If you are entitled to cast two or more votes at the Scheme Meetings, you may appoint two proxies each to exercise a specified proportion of your voting rights. Where a proportion is not specified, each may exercise half of your voting rights.

If you do not name a proxy, or your named proxy does not attend the Scheme Meetings, the Chairman of the Scheme Meetings will be your proxy and vote on your behalf. Your proxy has the same rights as you to speak at the Scheme Meetings and to vote. The appointment of a proxy will not preclude you from attending in person and voting at the Scheme Meetings. If you are present at the Scheme Meetings, your proxy's authority to speak and vote for you at the Scheme Meetings is suspended.

4.9.2 Appointment of proxy electronically

You can appoint your proxy electronically through the Registry's website at www.investorvote.com.au (in which case your appointment will need to be authenticated in the manner set out on that website).

Intermediaries with access to Intermediary Online through the Registry may appoint their proxy electronically through www.intermediaryonline.com.

If a DUET Securityholder appoints a proxy electronically prior to the Scheme Meetings, they will be taken to have revoked the authority of any previously appointed proxy. Any proxy appointment made electronically will be cancelled if the DUET Securityholder attends the Scheme Meetings. The DUET Securityholder will then be entitled to vote in person at the Scheme Meetings.

4.9.3 How is the proxy to vote?

Unless the proxy is required by law to vote, the proxy may decide whether or not to vote on any particular item of business. If the appointment of a proxy directs the proxy to vote on an item of business in a particular way, the proxy may only vote on that item as directed. Any undirected proxies on a given Scheme Resolution may be voted by the appointed proxy as they choose.

4.9.4 Chairman's intention

The chairman of the Scheme Meetings intends to vote all valid undirected proxies received in favour of each Scheme Resolution.

4.9.5 Entitlement to vote

DUET has determined that for the purpose of voting at the Scheme Meetings, DUET Securityholders will be taken to be held by those persons recorded on the Register as at 7.00pm Wednesday, 19 April 2017. This means that if you are not the registered holder of a DUET Security at that time, you will not be entitled to vote in respect of that DUET Security.

4.9.6 Timing and lodgement

For the appointment of a proxy, or lodgment of the proxy vote, to be effective, you must ensure that your Proxy Form (and a certified copy of the relevant authority under which it is signed) is received by the Registry, on behalf of DUET, by no later than 11.00am on Wednesday, 19 April 2017:

- by mail at Computershare Investor Services Pty Limited's postal address at GPO Box 242, Melbourne VIC 3001;
- by fax at Computershare Investor Services Pty Limited's fax number 03 9473 2555 (within Australia) or +61 3 9473 2555 (outside Australia); or
- electronically at www.investorvote.com.au (as detailed on the Proxy Form).

A Proxy Form delivered by fax or electronically is invalid unless the original Proxy Form and the original or certified copy of the power of attorney (in the form signed by an attorney) are received by DUET before the start of the Scheme Meetings. DUET is not obligated to enquire whether a proxy has been validly given.

4.10 More information

If you have any questions please read Section 2 (*Frequently asked questions*) and, if your question is not answered there, contact DUET Securityholder Information Line on 1300 731 105 (local call cost within Australia) or +61 3 9946 4476 (outside Australia), Monday to Friday between 9.00am and 5.00pm (Sydney time).

5

INFORMATION ABOUT DUET GROUP

5.1 Corporate information

The DUET Group is an owner of energy utility and infrastructure assets predominantly in Australia, consisting of DFT and three Australian public companies: DFL, DUECo and DIHL. DFL is the responsible entity of DFT.

The units and shares in these four named entities are stapled together and trade on the Australian Securities Exchange, under ASX ticker code DUE. As at 7 March 2017, the DUET Group had a market capitalisation of approximately $6,868,740,213 (based on a closing price of $2.78 per DUET Security).

5.2 Principal activities and operations

The DUET Group is an ASX-listed owner of the following operating companies which hold energy infrastructure assets in Australia, the United States, the United Kingdom and Greece.

5.2.1 Dampier to Bunbury Natural Gas Pipeline (100% aggregate interest)

The Dampier to Bunbury Natural Gas Pipeline (DBNGP) is Western Australia's (WA) principal gas transmission pipeline. The group of entities that own and operate the DBNGP (referred to as DBP) are 100% owned (in aggregate) by the DUET Group, which acquired the 20% owned by a subsidiary of Alcoa of Australia Limited in April 2016.

The DBNGP is essential infrastructure for WA and is the only pipeline connecting the significant gas reserves of the Carnarvon Basin on WA's North West Shelf with mining, industrial, commercial and residential customers in the south west of WA (which includes Perth and surrounding regions). The pipeline runs a distance of 1,539 kilometres from the Burrup Peninsula, near Dampier in the north of WA, to Bunbury in the south west of WA.

The DBNGP was constructed by the State Energy Commission of WA and privatised in 1998. A consortium led by DUET acquired the DBNGP in 2004. Since its construction, its capacity has increased from an initial capacity of 200 terajoules per day to the current firm full haul capacity of the pipeline of 845 terajoules per day.

DBP's customers are end users or resellers of gas located in the south west of WA and the Pilbara and who buy gas from producers in the Carnarvon Basin and pay DBP to ship it to them via the DBNGP.

5.2.2 DBP Development Group (100% interest)

The DUET Group established DBP Development Group (DDG) in late 2011 as a separate business to develop, own, maintain and operate gas transmission related infrastructure.

Since September 2013, DDG has deployed the world class development and operating expertise of the DBP management team to complete a number of projects, including: the Wheatstone Ashburton West Pipeline for Chevron, and the Fortescue River Gas Pipeline, providing natural gas for power generation to remote mines in the Pilbara. DDG owns 100% of the Wheatstone Ashburton West Pipeline gas pipeline and 57% of the Fortescue River Gas Pipeline in joint venture with a member of the TransAlta Corporation corporate group which owns the remaining 43%. Securities in TransAlta Corporation trade publicly on both the Toronto Stock Exchange (ticker code: TA) and the New York Stock Exchange (ticker code: TAC).

In addition, in June 2016, DDG completed the construction of its third pipeline, the Ashburton Onslow Gas Pipeline.

In addition, DDG also maintains third party asset infrastructure for Chevron and Horizon Power, including the Gorgon DomGas Onshore Pipeline and Metering Station under a nine year contract commencing from June 2014. Together, these two additional projects offer long-term revenue streams and have a flow-on effect of increasing utilisation of capacity on the DBNGP.

DDG is currently developing the Tubridgi natural gas storage facility near Onslow in Western Australia. When complete, the facility is expected to be the largest natural gas storage facility in Western Australia. The facility is expected to be operational by June 2017.

5.2.3 Multinet Gas (100% interest)

Multinet Gas is the largest distributor of natural gas in Victoria, by number of customers, distributing gas to approximately 692,000 customers. Multinet Gas' distribution network serves Melbourne's densely populated inner and outer east, the Yarra Ranges and South Gippsland. It includes approximately 10,200 kilometres of transmission and distribution pressure pipelines over an area of approximately 1,860 square kilometres. The network transports gas from high-pressure transmission networks operated by APA GasNet and Bass Gas to residential, commercial and industrial customers.

The DUET Group owns 100% of Multinet Gas.

5 Information about DUET Group continued

5.2.4 United Energy (66% interest)

United Energy is a regulated electricity distribution business located in Victoria. United Energy's electricity distribution network covers 1,472 square kilometres and serves approximately 665,000 customers throughout east and south-east Melbourne and the Mornington Peninsula. United Energy owns and operates the distribution network that transports electricity from Victoria's high voltage transmission network to the premises of residential, commercial and industrial electricity users. United Energy's distribution area is largely urban, and although geographically small (about 1% of Victoria's land area), it accounts for around one quarter of Victoria's population.

United Energy is 66% owned by the DUET Group, with the remaining 34% owned by a joint venture between State Grid Corporation of China and Singapore Power Limited.

5.2.5 EDL (100% Interest)

EDL is a Brisbane-based, owner and operator of remote and clean energy power generation projects located in Australia, the United Kingdom, Europe and the United States.

EDL's operations comprise four regional business units: Australian Remote Energy, Australian Clean Energy, United Kingdom/European Clean Energy and US Clean Energy.

Within the Australian Remote Energy business unit, EDL provides electricity to remote towns, communities and mines that are not connected to power grid infrastructure, via power plants that are predominately fuelled by natural gas with some diesel generation. For its Remote Energy projects, revenues are earned under long-term capacity-charge based contracts with blue chip/investment grade counterparties.

Within its Clean Energy business, EDL generates power from methane gas extracted from underground metallurgical coal mines (referred to as waste coal mine gas or WCMG) and methane gas extracted from landfills (referred to as landfill gas or LFG). For its Clean Energy projects, generation is sold on the grid or to retailers under Power Purchase Agreements (PPAs) or Contracts for Difference (CFD). EDL does not own any coal mines or landfills, and enters into gas supply and tenure agreements on commercial terms with the relevant counterparties.

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

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

5.3 DUET Boards and Senior Management

Name	Position
DUECo & DIHL Board	
Doug Halley	Independent Chairman
Shirley In't Veld	Independent Director
Simon Perrott	Independent Director
Emma Stein	Independent Director
Stewart Butel	Independent Director
Jack Hamilton	Independent Director
DFL Board:	
Eric Goodwin	Independent Chairman
Jane Harvey	Independent Director
Terri Benson	Independent Director

Name	Position
Management Team:	
David Bartholomew	Chief Executive Officer (CEO)
Jason Conroy	Chief Financial Officer (CFO)
James Baulderstone	Chief Operating Officer (COO)
Leanne Pickering	Company Secretary, General Manager Legal and Compliance
Nicholas Kuys	General Manager Operations and Investor Relations
Alex Pritchard	General Manager Corporate Finance

5.4 Corporate Structure

DUET consists of:

- a registered managed investment scheme: DUET Finance Trust; and
- three Australian public companies: DUET Finance Limited, DUET Company Limited and DUET Investment Holdings Limited.

These four entities are stapled together and trade on the Australian Securities Exchange (ASX) as one DUET Security under the ticker code DUE.

DFL is the responsible entity of the Trust.

5.5 Capital Structure

As at the date of this Scheme Booklet, DUET Group had 2,470,769,861 DUET Securities on issue.

Substantial DUET Securityholders	Number of DUET Securities	Percentage
UniSuper	390,200,401	16.04%
Lazard Asset Management Pacific Co	254,551,777	10.46%
The Vanguard Group	123,278,653	5.07%

5.6 Financial Information

The following section contains financial information about DUET Group for the years ended 30 June 2015 and 30 June 2016 and the half year ended 31 December 2016. The financial information in this section is a summary only and is prepared for the purpose of this Scheme Booklet. The information has been extracted from the audited financial reports of DUET Group for the years ended 30 June 2015 and 30 June 2016 and the reviewed interim financial report for the half year ending 31 December 2016.

Further detail on DUET Group's financial performance can be found within the Appendix 4E and financial statements for the year ended 30 June 2016 as announced to ASX on 17 August 2016 and which can be found in the Investor Relations section of the DUET Group website at www.duet.net.au.

5 Information about DUET Group continued

5.6.1 Consolidated Statement of Comprehensive Income

$'000	DUET Group 1 Jul 16 – 31 Dec 16	DUET Group 1 Jul 15 – 30 Jun 16	DUET Group 1 Jul 14 – 30 Jun 15
Revenue	836,966	1,604,353	1,261,946
Other income	16,050	33,853	7,369
Total revenue and other income	**853,016**	**1,638,206**	**1,269,315**
Share of net profit of joint ventures accounted for using the equity method	957	1,744	–
Acquisition related expenses	(26,004)	(44,551)	(3,182)
Operating expenses	(216,289)	(396,167)	(241,829)
Other operating expenses	(127,453)	(185,282)	(215,111)
Depreciation expense	(183,994)	(306,215)	(207,854)
Amortisation expense	(52,445)	(87,738)	(68,655)
Finance costs	(2,061)	(27,378)	(20,238)
Interest expense	(155,193)	(353,798)	(401,318)
Fair value loss on derivative contracts	–	–	(28,400)
Other expenses	(6,422)	(25,628)	(17,796)
Total expenses	**(769,861)**	**(1,426,757)**	**(1,204,383)**
Profit before income tax expense	84,112	213,193	64,932
Income tax benefit/(expense)	(12,558)	3,985	(19,004)
Profit for the period	**71,554**	**217,178**	**45,928**
Profit/(loss) is attributable to:			
DUECo Securityholders	(47,516)	(77,168)	(55,956)
DFT Unitholders and DIHL/DFL Securityholders as non-controlling interests	113,106	272,998	104,057
Stapled Securityholders	65,590	195,830	48,101
Other non-controlling interests	5,964	21,348	(2,173)
Profit after income tax expense for the year	71,554	217,178	45,928
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of cashflow hedges, net of tax			
Gain/(Loss) taken to equity	58,286	(129,958)	(138,600)
Transferred to income statement	20,383	40,865	149,565
Foreign currency translation differences	(839)	(16,049)	–
Items that will never be reclassified to profit or loss:			
Movement in defined benefit reserve	–	(1,395)	3,532
Total comprehensive income for the period	149,384	110,641	60,425
Total comprehensive income/(expense) for the period is attributable to:			
DUECo Securityholders	(1,228)	(142,925)	(51,430)
DFT Unitholders and DIHL/DFL Securityholders as non-controlling interests	128,095	248,985	102,760
Stapled Securityholders	126,867	106,060	51,330
Other non-controlling interests	22,517	4,581	9,095
Total comprehensive income for the period	**149,384**	**110,641**	**60,425**
Basic earnings per stapled Security – cents	2.70	8.64	3.39

5.6.2 Consolidated Statement of Financial Position

$'000	DUET Group 31 Dec 16	DUET Group 30 Jun 16	DUET Group 30 Jun 15
Current assets			
Cash and cash equivalents	437,100	505,185	320,657
Term deposits	2,886	2,851	55,520
Accrued revenue	138,410	132,873	89,591
Receivables	53,900	69,207	63,516
Inventories	53,495	49,310	23,764
Green credits	75,805	43,874	–
Derivative financial instruments	139,795	23,295	24,309
Prepaid expenses and other assets	27,485	21,182	20,346
Total current assets	**928,876**	**847,777**	**597,703**
Non-current assets			
Property, plant and equipment	7,155,564	7,066,196	6,002,956
Intangible assets	2,941,793	2,962,657	2,033,899
Deferred tax assets	16,772	25,107	298,316
Derivative financial instruments	53,045	152,622	112,896
Investments in joint ventures	22,179	21,783	–
Other receivables	22,727	22,577	20,053
Other assets	5,854	6,357	–
Total non-current assets	**10,217,934**	**10,257,299**	**8,468,120**
Total assets	**11,146,810**	**11,105,076**	**9,065,823**
Current liabilities			
Distribution payable	225,057	218,975	130,697
Interest bearing liabilities	1,536,815	798,255	1,090,303
Payables	254,319	228,909	186,951
Derivative financial instruments	89,173	73,719	96,321
Provisions	44,113	45,066	30,729
Unearned revenue	39,501	38,346	45,321
Other liabilities	347	5,003	2,269
Total current liabilities	**2,189,325**	**1,408,273**	**1,582,591**
Non-current liabilities			
Interest bearing liabilities	4,862,559	5,465,095	4,640,484
Deferred tax liabilities	495,762	445,224	666,787
Derivative financial instruments	194,383	282,985	126,638
Provisions	38,611	51,383	32,845
Unearned revenue	27,182	23,194	20,640
Payables	14,800	15,098	–
Retirement benefit obligations	2,741	2,501	253
Total non-current liabilities	**5,636,038**	**6,285,480**	**5,487,647**
Total liabilities	**7,825,363**	**7,693,753**	**7,070,238**
Net assets	**3,321,447**	**3,411,323**	**1,995,585**
Equity			
Equity attributable to DUECo Securityholders			
Contributed equity	1,541,479	1,541,479	929,532
Reserves	(324,177)	(370,465)	(294,870)
Retained profits/(accumulated losses)	(895,122)	(739,931)	(440,892)
	322,180	**431,083**	**193,770**
DUECo Securityholders interest			
Equity attributable to DFT Unitholders and DIHL/DFL Securityholders as non-controlling interests			
Contributed equity	3,398,772	3,398,988	2,131,944
Reserves	(380,970)	(385,828)	(336,968)
Retained profits/(accumulated losses)	(116,854)	(122,709)	(159,972)
DFT Unitholders and DIHL/DFL Securityholders interests	**2,900,948**	**2,890,451**	**1,635,004**
Other non-controlling interests	98,319	89,789	166,811
Total equity	**3,321,447**	**3,411,323**	**1,995,585**

5 Information about DUET Group continued

5.6.3 Consolidated Statement of Cash Flow

$'000	DUET Group 1 Jul 16 – 31 Dec 16	DUET Group 1 Jul 15 – 30 Jun 16	DUET Group 1 Jul 14 – 30 Jun 15
Cash flows (used in)/from operating activities			
Receipts from customers (including GST)	976,893	1,763,706	1,337,834
Payments to suppliers and employees (including GST)	(503,104)	(782,143)	(574,528)
Payments relating to head office projects (includes acquisition costs)	(2,258)	(72,736)	(3,249)
Income tax paid	(1,437)	(787)	(1,777)
Other interest received	2,806	16,805	11,055
Indirect tax paid	(10,737)	(16,599)	(14,628)
Net cash flows from operating activities	**462,163**	**908,246**	**754,707**
Cash flows (used in)/from investing activities			
Payments for purchase of property, plant and equipment	(229,910)	(356,102)	(465,864)
Payments for purchase of intangibles	(12,287)	(35,541)	(35,171)
Proceeds from/(payments for) term deposits (> 90 days)	118	53,669	28,480
Acquisition of subsidiaries, net of cash acquired	(81,942)	(1,531,571)	–
Proceeds from sale of property, plant and equipment, net of costs	499	1,277	1,811
Net cash flows used in investing activities	**(323,522)**	**(1,868,268)**	**(470,744)**
Cash flows (used in)/from financing activities			
Proceeds from issue of stapled securities, net of transaction costs	–	1,880,457	409,562
Proceeds from securities issued to non-controlling interest	–	95,007	18,929
Proceeds from borrowing from external parties	901,651	2,159,848	1,355,718
Repayment of borrowings from external parties	(710,138)	(2,238,230)	(1,498,465)
Finance costs paid	(164,902)	(371,442)	(391,556)
Dividends paid to non-controlling interest	(13,987)	(40,061)	(38,276)
Distributions paid to DUET Securityholders	(218,974)	(339,609)	(242,710)
Net cash flow from/(used in) financing activities	**(206,350)**	**1,145,970**	**(386,798)**
Net increase/(decrease) in cash and cash equivalents held	(67,709)	185,948	(102,835)
Cash and cash equivalents at the beginning of the period	505,185	320,657	423,434
Effects of exchange rate changes on cash and cash equivalents	(376)	(1,420)	58
Cash and cash equivalents at the end of the period	**437,100**	**505,185**	**320,657**

5.6.4 Material Changes To The Financial Position Of DUET Group Since 30 June 2016

Within the knowledge of the DUET Directors and other than as disclosed in this Scheme Booklet or announced to ASX (including the Appendix 4D and Interim Financial Report for the half year ended 31 December 2016 as announced to ASX on 17 February 2016), the financial position of DUET Group has not materially changed since 30 June 2016.

5.6.5 DUET Directors' Intentions for the business

If the Schemes become Effective, the existing DUET Boards will resign and the DUET Boards will be reconstituted in accordance with the instructions of Bidco after the Implementation Date. Accordingly, it is not possible for the DUET Directors to provide a statement of their intentions regarding:

- the continuation of the business of DUET or how DUET's existing business will be conducted;
- any major changes to be made to the business of DUET, including any redeployment of the fixed assets of DUET; or
- the future employment of the present employees of DUET,

in each case, after the Schemes are implemented.

If the Schemes are implemented, Bidco will own and control all of the DUET Securities. The DUET Directors have been advised that the intentions of Bidco with respect to these matters are as set out in section 6.2 (*Intentions of Bidco if the Schemes are implemented*).

If the Schemes are not implemented, the DUET Directors intend to continue to operate in the ordinary course of the business.

5.6.6 Risks relating to DUET's business

There are existing risks relating to DUET Group's business and an investment in DUET Group which will continue to be relevant to DUET Securityholders if the Schemes do not become Effective. A summary of the key risks relating to DUET Group's business and an investment in DUET Group is set out in Section 7 (*Risks*).

5.6.7 Recent DUET Security price performance

There has been extensive trading in DUET Securities since DUET first responded to media speculation regarding a potential offer from the Bidco Group on Monday, 5 December 2016.

The table below summarises trading from close of business on Friday, 2 December 2016 to 28 February 2017:

Month	Closing Price High	Closing Price Low	Average Daily Volume
December 2016	$2.86	$2.35	14.7m
January 2017	$2.93	$2.74	26.0m
February 2017	$2.84	$2.67	11.6m

5.6.8 Publicly Available Information

DUET is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, DUET is subject to ASX Listing Rules which require (subject to some exceptions) continuous disclosure of any information DUET has that a reasonable person would expect to have a material effect on the price or value of DUET Securities.

ASX maintains files containing publicly disclosed information about all companies listed on ASX. Information disclosed to ASX by DUET is available on ASX's website at www.asx.com.au.

In addition, DUET is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by DUET may be obtained from an ASIC office.

6

INFORMATION ABOUT BIDCO AND THE BIDCO GROUP

6.1 Information on Bidco and the Guarantors

The information in this section of the Scheme Booklet has been prepared by Bidco. The information concerning Bidco, the Guarantors and the intentions, views and opinions contained in this section are the responsibility of Bidco.

The DUET Group and its directors and officers do not assume any responsibility for the accuracy or completeness of this information.

6.1.1 Purpose of incorporation of Bidco

Bidco is a proprietary company incorporated on 15 July 2016 in the state of Victoria, whose main business activity is to acquire 100% of the DUET Securities via the Schemes. It is wholly-owned by CK William Australia Holdings Pty Limited, which is wholly-owned by CK William UK Holdings Limited (a UK entity). Bidco has not undertaken any other business activity since its incorporation.

6.1.2 Consortium Arrangements

On 14 January 2017, the Guarantors entered into the Consortium Formation Agreement, which, subject to obtaining the necessary Guarantors Shareholders' Approvals, governs the funding and operation of Bidco by the Guarantors.

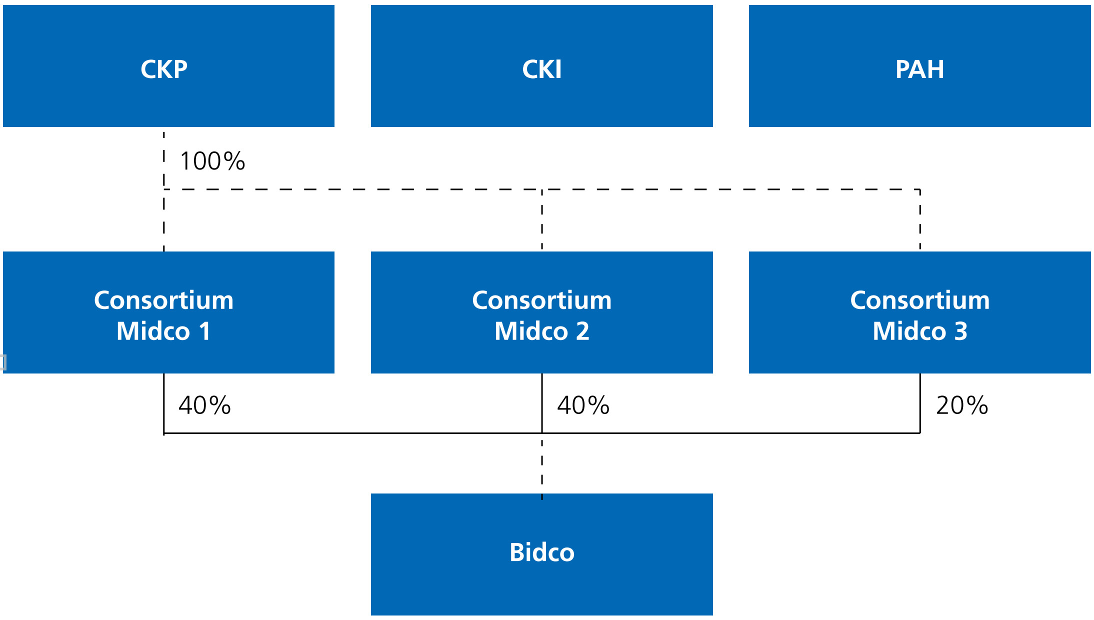
As at the date of this Scheme Booklet, Bidco is indirectly wholly-owned in the following proportions:

- 40% by Consortium Midco 1;
- 40% by Consortium Midco 2; and
- 20% by Consortium Midco 3,

(each a Consortium Midco, and together the Consortium Midcos).

In turn, each Consortium Midco is indirectly wholly-owned by CKP (a Cayman Islands entity). This structure is shown in the following diagram:

CURRENT STRUCTURE DIAGRAM:



6 Information about Bidco and the Bidco Group continued

Participation by CKI (a Bermuda entity) and PAH (a Hong Kong entity) is subject to receipt of the relevant Guarantors Shareholders' Approvals. Participation by CKI in the arrangement described below constitutes a "connected transaction" of each of CKI and CKP under the HKEx Listing Rules, which is required to be approved by independent shareholders of each of CKI and CKP. Participation by PAH in the arrangement described below constitutes a "connected transaction" of PAH under the HK Listing Rules (but not a connected transaction of CKP), which is required to be approved by independent shareholders of PAH (but independent shareholders' approval of CKP is not required).

It is currently anticipated that meetings to consider the Guarantor Shareholders' Approvals will be held on 14 March 2017.

In the event that, prior to the Implementation Date, all Guarantor Shareholders' Approvals are obtained Bidco will be indirectly owned in the following proportions:

- 40% by CKP;
- 40% by CKI; and
- 20% by PAH.

In the event that, prior to the Implementation Date:

- the necessary Guarantor Shareholders' Approvals of both CKP and CKI are obtained, CKI (through an intermediate holding vehicle) will contribute nominal funding to Consortium Midco 2 and Consortium Midco 2 will utilise such funding contribution to redeem, cancel or buy-back any existing shares indirectly held in it by CKP, such that Consortium Midco 2 will become an indirect wholly-owned subsidiary of CKI; and/or
- the Guarantor Shareholders' Approval of PAH is obtained, irrespective of whether or not the Guarantor Shareholders' Approval of CKP and/or CKI in respect of CKI's participation is/are obtained, PAH (through an intermediate holding vehicle) will contribute nominal funding to Consortium Midco 3 and Consortium Midco 3 will utilise such funding contribution to redeem, cancel or buy-back any existing shares indirectly held in it by CKP, such that Consortium Midco 3 will become an indirect wholly-owned subsidiary of PAH.

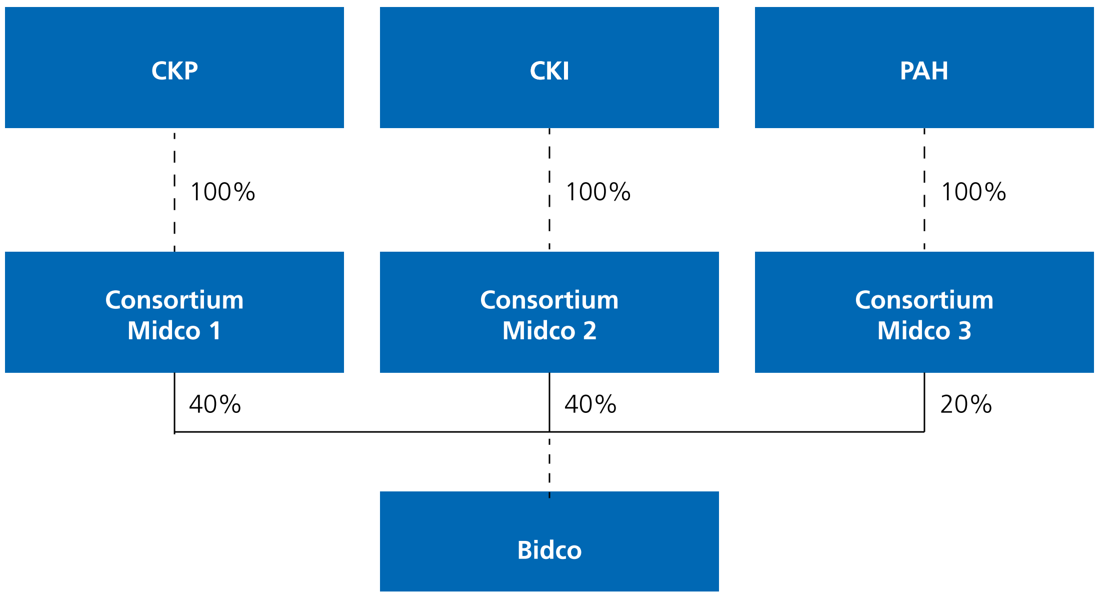
Notwithstanding the outcome of the Guarantor Shareholders' Approvals, the obligations of Bidco under the Scheme Implementation Agreement will be unaffected and, subject to the Schemes becoming Effective, the Transactions will proceed with the Consortium Midcos providing their respective proportion of funding required by Bidco to satisfy the Scheme Consideration and the transaction costs by subscribing for additional shares in, and/or providing shareholder loans to, Bidco. The Consortium Midcos will receive their funding from the relevant Guarantor that holds an interest in the Consortium Midco at the relevant time.

If the necessary Guarantor Shareholders' Approvals in respect of both CKI's participation and PAH's participation are not sought or obtained prior to the Implementation Date, CKP will retain indirect ownership of all of the Consortium Midcos and will therefore fund 100% of the Scheme Consideration and transaction costs. In such case, CKP would not be subject to the independent shareholders' approval requirement under the HKEx Listing Rules.

However, if the necessary Guarantor Shareholders' Approvals are obtained in respect of one or both of CKI's and PAH's participation prior to the Implementation Date, CKP and CKI and/or PAH will fund their respective proportion of the Scheme Consideration and transaction costs via their indirect ownership of the relevant Consortium Midco.

A structure diagram assuming that all parties obtain the necessary Guarantor Shareholder Approvals and the Scheme is implemented, is set out below:

STRUCTURE POST IMPLEMENTATION:



Having regard to the above, the following is a table that illustrates the potential participation of the Guarantors in the Schemes (if they become Effective):

Guarantor Shareholder Approvals	All parties obtain approval	CKP and CKI obtain approval but PAH does not obtain approval	CKP and PAH obtains approval but CKI does not obtain approval	CKP does not obtain approval but PAH does obtain approval irrespective of whether CKI obtains approval	CKI and PAH do not obtain approval irrespective of whether CKP obtains approval	CKI obtains approval but CKP and PAH do not obtain approval
CKP indirect ownership in Bidco	40%	60%	80%	80%	100%	100%
CKI indirect ownership in Bidco	40%	40%	0%	0%	0%	0%
PAH indirect ownership in Bidco	20%	0%	20%	20%	0%	0%

6 Information about Bidco and the Bidco Group continued

6.1.3 Rationale for Bidco's proposed acquisition of the DUET Group

The Guarantors believe that the DUET Group's energy utility assets in Australia, the United States, the United Kingdom and Europe represent an attractive opportunity for each Guarantor's investors with the potential for growth opportunities. Among the Guarantors, CKP is the only bidding party with the size and immediate resources to make an offer conditional only upon the Scheme conditions set out in the Scheme Implementation Agreement.

CKP is currently highly liquid and in a net cash position. However, in the current cyclical stage of the Hong Kong property market, high property prices have presented risks rendering it challenging to identity property investments with reasonable returns. The CKP group has therefore given serious and prudent consideration to and participated in quality global investments that meet the investment criteria set out in its Annual Report 2015, with a view to extending its reach to new business areas to enhance its revenue streams and supplement the cyclical impact on cash flow associated with property development. In circumstances where CKP is extending its reach into new business areas, it considers that it should, where appropriate, collaborate with parties that have a proven track record and expertise in the relevant area, in particular, as a reputable manager in extrapolating potential value in invested assets thus enhancing the asset value and liquidity over time. CKP can collaborate most effectively with parties with which its management team has a history of working together successfully. The formation of the consortium would allow the Guarantors to share their management and strategic expertise in the management and operation of DUET and would be beneficial to CKP's business and consistent with its strategy since CKI and PAH have a strong track record in infrastructure investments of the kind that meet CKP's investment criteria and also have historical ties with CKP.

As mentioned above, if the necessary Guarantor Shareholders' Approvals in respect of both CKI's participation and PAH's participation cannot be obtained (such that the consortium does not proceed), subject to the Schemes becoming Effective, the Transactions will proceed regardless and Bidco (which will remain an indirect wholly-owned subsidiary of CKP) will acquire 100% of the DUET Securities. In such a circumstance, CKP would expect to leverage off the expertise of DUET's existing management, such as through service agreements with the joint ventures and associates of CKI and/or PAH and/or other professionals, to support the management of DUET's business.

CKI and PAH have worked together on joint venture projects in the past and their previous experience of working together successfully makes them suitable consortium members.

For CKI, the Transactions are consistent with its strategies of investing in energy infrastructure opportunities around the world including the expansion of its international gas platform and embracing new growth opportunities through diversification.

For PAH, the investment in DUET allows the PAH group to expand on its existing energy platforms, and is consistent with its strategy of investing in power infrastructure opportunities globally.

6.1.4 Information on the Guarantors

CKP

CKP is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of HKEx (Stock Code: 1113).

CKP has diverse capabilities with principal activities encompassing property development and investment, hotel and serviced suite operation and property and project management and is in serious and prudent search of quality global investments to enhance its revenue streams and supplement the cyclical impact on cash flow associated with property development.

CKI

CKI is a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of HKEx (Stock Code: 1038).

CKI has diversified global infrastructures in energy infrastructure, transportation infrastructure, water infrastructure, waste management, waste-to-energy, and infrastructure related businesses. It has a strong presence in the global infrastructure arena; operating in Hong Kong, mainland China, the United Kingdom, the Netherlands, Portugal, Australia, New Zealand and Canada.

PAH

PAH is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of HKEx (Stock Code: 6).

PAH operates globally as an investment holding company in power and utility relates businesses. The PAH group has a global portfolio of investments in countries including Hong Kong, China, the United Kingdom, Australia, New Zealand, Thailand, Canada, the Netherlands and Portugal. Investment areas include electricity generation, transmission and distribution, renewable energy, gas distribution and energy-from-waste. Together, with CKI, PAH holds majority interest stakes in energy network investments in Australia and globally.

6.1.5 Directors

The following persons are directors of Bidco as at the date of this Scheme Booklet:

- Hing Lam Kam (Hong Kong);
- Edmond Tak Chuen Ip (Hong Kong);
- Andrew John Hunter (Hong Kong); and
- Ben Wilson (Australia).

6.2 Intentions of Bidco if the Schemes are implemented

This section sets out Bidco's present intentions in relation to the continuation of the business of the DUET Group, corporate structure and employees. The Guarantors have the same intentions as Bidco in relation to these matters.

The statements set out in this section are statements of present intention only. Bidco intends to conduct a review of DUET's business and Bidco's final decision on these matters will only be reached in light of all material facts and circumstances at the relevant time and after having had the opportunity to complete the review. In addition, Bidco will only make a final decision on these matters following receipt of appropriate legal, taxation and financial advice. Accordingly, statements set out in this section may change as new information becomes available or as circumstances change, and the statements in this section should be read in that context.

6.2.1 Continuation of the DUET Group business

It is intended that DUET will continue to conduct its current core business in substantially the same manner as it currently operates it and Bidco and the Guarantors will use their expertise to improve and further develop the DUET Group and to drive further performance and sustainable growth. Bidco does not currently intend to make any major changes to the business or the deployment of fixed assets of the DUET Group business.

After the Implementation Date, Bidco may conduct a review of the DUET Group in order to:

- evaluate DUET Group's performance and prospects;
- identify areas where Bidco can add value to DUET Group through its technical expertise and financial resources and its experience in infrastructure assets; and
- review DUET Group's asset companies to determine the optimal allocation of infrastructure assets.

6.2.2 Corporate Matters

If the Schemes are implemented, Bidco will become the holder of all DUET Securities and each of DIHL, DUECo, DFL and DFT will become wholly-owned subsidiaries of Bidco.

On or following the Implementation Date:

- DUET Securities will be removed from the official list of the ASX; and
- Bidco intends to appoint its nominees to the boards of each of DIHL, DUECo and DFL.

6.2.3 Employees

Bidco also intends to conduct a detailed review of the head office and other functions in order to optimise those functions. This review will include a review of human resource requirements.

At this stage Bidco is unable to formulate a firm view in relation to the employees of the DUET Group. Bidco will work with the management and employees of DUET to conduct its review and implement any changes to the business. Please also refer to clause 15(a)(iii) of the Scheme Implementation Agreement, under which Bidco has given certain undertakings regarding the entitlements of current employees.

6.3 Funding

6.3.1 Introduction

The Scheme Consideration will be provided wholly in cash. The Scheme Consideration payable by Bidco under the Schemes will be approximately A$7,412,309,583. This assumes that the Special Distribution will be no more than $0.03 per DUET Scheme Security.

6 Information about Bidco and the Bidco Group continued

6.3.2 Funding sources for aggregate Scheme Consideration

Bidco will obtain the funds to pay the estimated aggregate Scheme Consideration through either or both of loans or equity subscription from the Guarantors or their wholly-owned subsidiaries.

Further information about the funding sources is set out below in Section 6.3.3 (*Funding Sources for Bidco and Guarantor*).

The Schemes are not conditional on any of the Guarantors or Bidco obtaining debt funding to fund the payment of the Scheme Consideration. Accordingly, the description of Bidco and the Guarantor's funding sources in Section 6.3.3 (*Funding Sources for loan from Bidco Group to Bidco*) is provided for information purposes only, to describe the arrangements which the Guarantors and Bidco have in place to fund the payment of the Scheme Consideration if the Schemes become Effective.

6.3.3 Funding sources for loan from Bidco Group to Bidco

As stated above, Bidco will obtain either or both of loans or equity subscriptions from relevant Bidco Group members which will be used by Bidco to fund the total aggregate Scheme Consideration.

CKP and, if the relevant approvals are obtained, CKI and/or PAH will provide, or procure the provision of, funds to allow Bidco to satisfy its obligations to pay the Scheme Consideration.

Depending on whether or not the Guarantor Shareholders' Approvals necessary for the relevant Guarantors' participation in the Schemes are obtained, the maximum financial commitment of each of CKP, CKI and PAH in respect of the Scheme Consideration, is as follows:

- The maximum financial contribution of CKP to Bidco is 100% of the Scheme Consideration, being **A$7,412,309,583**.
- The maximum financial contribution of CKI to Bidco is 40% of the Scheme Consideration, being **A$2,964,923,833.20**.
- The maximum financial contribution of PAH to Bidco is 20% of the Scheme Consideration, being **A$1,482,461,916.60**.

In order to satisfy these obligations:

- CKP will utilise existing cash. It may also utilise a new financing facility (although it does not currently need to do so). As at 30 June 2016 (being the date of CKP's most recent published accounts), CKP had available bank balances and deposits of approximately HK$48,899,000,000 (being A$8,228,137,777 at the AUD/HKD exchange rate of 5.9429 as at 1 March 2017). CKP has confirmed that it has and will maintain necessary funds from internal resources, to meet its maximum financial commitment unless it enters into a new financing facility. CKP will ensure that any new financing facility is only subject to customary conditions that are either within CKP's control or otherwise that CKP considers will be satisfied so as to enable CKP to draw down necessary funding under such facility to meet the maximum financial commitment.
- CKI will utilise a combination of existing cash and three new corporate facilities. As at 30 June 2016 (being the date of CKI's most recent published accounts), CKI had cash and bank deposits of approximately HK$11,258,000,000 (being A$1,894,361,338 at the AUD/HKD exchange rate of 5.9429 as at 1 March 2017). CKI has entered into facility agreements to fund A$1,550,000,000 of its maximum financial commitment as follows:
  - a bilateral facility with Bank of China (Hong Kong) Limited for approximately A$500,000,000;
  - a club facility with Sumitomo Mitsui Banking Corporation, The Hongkong and Shanghai Banking Corporation Limited, The Bank of Tokyo-Mitsubishi UFJ, Ltd, Mizuho Bank, Ltd and The Canadian Imperial Bank of Commerce in relation to a facility for approximately A$750,000,000; and
  - a club facility with Hang Seng Bank, Limited and The Bank of Tokyo-Mitsubishi UFJ, Ltd in relation to a facility for approximately A$300,000,000.

  The above facilities are subject to customary conditions that are either consistent with the conditions of the Schemes or that are within CKI's control. In addition, for a defined "certain funds period" (which can run up to 31 August 2017) the financiers under the facilities are only permitted to stop a duly requested drawdown should certain "*certain funds defaults*" occur. Only very limited "*major defaults*", "*major representations*" and illegality events are outside of CKI's control (either wholly or partly). They include insolvency of CKI or a bona fide step is taken for the dissolution of CKI (that is not withdrawn or stayed within 60 days). CKI is satisfied that the risk of any major default outside of its control occurring in the certain funds period is very low and so is satisfied that it will have the funding available to meet its maximum financial commitment. CKI has confirmed that it has and will maintain necessary funds from internal resources to meet its maximum financial commitment, when added to the amount available to be drawn-down under its new facilities.
- PAH will utilise existing cash. It may also utilise a new financing facility (although it does not need to do so). As at 30 June 2016 (being the date of PAH's most recent published accounts), PAH had bank deposits and cash of HK$65,946,000,000 (being A$11,096,602,668 at the AUD/HKD exchange rate of 5.9429 as at 1 March 2017). PAH has confirmed that it will maintain necessary funds from internal resources to meet its maximum financial commitment.

6.3.4 Certainty of funding

Based on the above, Bidco is of the opinion that it has a reasonable basis for forming the view, and it holds the view, that it will be able to satisfy its payment obligations under the Schemes.

6.4 Relevant interests and voting power in DUET

As at the date of this Scheme Booklet, no Guarantor or any of its Associates has any Relevant Interests in any DUET Security or any 'voting power' (as defined in the Corporations Act) in DUET.

6.5 Dealing in DUET Securities in previous four months

During the period of 4 months before the date of this Scheme Booklet, no Guarantor or any of their Associates has provided or agreed to provide consideration for any DUET Securities under a purchase or agreement.

6.6 Benefits to holders of DUET Securities

During the period of 4 months before the date of this Scheme Booklet, no Guarantor has given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an Associate of that person to:

- vote in favour of the Scheme; or
- dispose of DUET Securities,

and the benefit was not offered to all other DUET Shareholders.

6.7 No other material information

Except as disclosed elsewhere in this Scheme Booklet, there is no other information that is material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any director of Bidco, at the date of this Scheme Booklet, which has not previously been disclosed to DUET Shareholders.

7 RISKS

7.1 Introduction

The DUET Board considers that it is appropriate for DUET Securityholders, in considering the Schemes, to be aware that there are a number of risk factors which could materially adversely affect the future operating and financial performance of the DUET Group, as well as the value of the DUET Group and its distributions.

This section outlines:

- general investment risks; and
- risks associated with your current investment in DUET Securities.

This Section 7 is a summary only and does not purport to list every risk that may be associated with an investment in DUET Group now or in the future.

If the Schemes are implemented you will receive the Scheme Consideration and the Special Distribution, and you will cease to be a DUET Securityholder and will also no longer be exposed to the risks set out below (and other risks to which DUET is exposed). If the Schemes do not become Effective, you will continue to hold your DUET Securities and continue to be exposed to risks associated with that investment.

In making your decision to vote on the Scheme Resolutions, you should read this Scheme Booklet carefully. You should carefully consider the risk factors outlined below and your individual circumstances. This Section 7 is general in nature only and does not take into account your individual objectives, financial situation, taxation position or particular needs.

7.2 General investment risks

The market price of DUET Securities and future distributions made to DUET Securityholders are influenced by a number of factors in each of the countries and regions in which DUET Group operates, including the following:

- changes in investor sentiment and overall performance of the Australian and international stock markets;
- changes in general business, industry cycles and economic conditions including inflation, interest rates, exchange rates, commodity prices, employment levels and consumer demand;
- changes in government fiscal, monetary and regulatory policies, including foreign investment;
- government or political intervention in export and import markets (including sanction controls and import duties) and the disruptions this causes to supply and demand dynamics;
- loss of key personnel;
- interruptions at the DUET Group's workplaces arising from industrial disputes, work stoppages and accidents, which may result in business operations delays;
- natural disasters and catastrophes, whether on a global, regional or local scale; and
- accounting standards which affect the financial performance and position reported by the DUET Group.

7.3 Risks associated with your current investment in DUET Securities

7.3.1 Regulatory Risk

The DUET Group operates in regulated industries and carries out its business activities under various permits, licences, approvals and authorities from regulatory bodies. Regulatory bodies are responsible for setting tariffs, which directly impact a significant proportion of the DUET Group's revenue and therefore any adverse change to regulatory tariffs would impact the DUET Group's profitability. In addition, if any permits, licences, approvals or authorities are revoked, or if the DUET Group breaches its permitted operating conditions, this would adversely impact the DUET Group's operations and profitability. The DUET Group's operating businesses must satisfy a prudency test for certain expenditure to be recovered through the regulatory revenue mechanism. There is a risk that despite expenditure being incurred, the recovery of this expenditure is disallowed by the relevant regulatory body. The regulatory compliance and network performance risks of the DUET Group are actively managed by drawing on the DUET Group's highly experienced in-house regulatory staff and engineers. Regulatory risk is also mitigated by the use of industry experts when the DUET Group prepares for regulatory price reviews. Other measures employed include the use of KPI monitoring of network performance, equipment condition monitoring and the implementation of annual asset management plans.

7.3.2 Interest Rate Risk

The DUET Group has a structured and proactive approach to managing base interest rate risk. DUET's regulated network businesses maintain high levels of base interest rate hedging for the medium term, matching the regulatory and / or contractual revenue sources for these businesses. The EDL Group generally hedges a lower level of debt than DUET's regulated network businesses, implemented via a rolling portfolio of short to medium term base interest rate hedges.

7 Risks continued

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

7.3.3 Tax Risk

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

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

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

7.3.4 Workplace Health and Safety

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

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

7.3.5 Climate and Demand Risks

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

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

7.3.6 General Economic Conditions

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

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

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

7.3.7 Financing Risks

The DUET Group utilises debt facilities to help fund its operations. These debt facilities have various financial and non-financial covenants which could limit its future financial flexibility. If operating results deteriorate, then the DUET Group may be unable to meet the covenants governing its indebtedness, which may require the DUET Group to seek amendments, waivers of covenant compliance, alternative borrowing arrangements or to reduce debt or to raise additional equity. If a breach of covenant were to occur, there is no assurance that the DUET Group's financiers would consent to an amendment or waiver, or that its financiers would not exercise their enforcement rights, including requiring immediate repayment. Additionally, the DUET Group may not be able to refinance all or some of its borrowings on terms as favourable as its current terms or at all. Such events could materially and adversely affect the DUET Group's financial performance and value.

8

TAX IMPLICATIONS OF THE SCHEMES

8 Tax Implications of the Schemes

Private & Confidential

The Directors
DUET Company Limited
DUET Investment Holdings Limited
DUET Finance Limited (in its personal capacity and
as responsible entity of the DUET Finance Trust)
Level 14, 20 Martin Place
SYDNEY NSW 2000

5 March 2017

Subject - Tax implications for DUET Securityholders

Dear Directors

1 Introduction

We have been engaged by DUET Company Limited, DUET Investment Holdings Limited, DUET Finance Limited (in its personal capacity and as responsible entity of the DUET Finance Trust) (collectively referred as the **DUET Group**) to provide a summary of the principal Australian income tax consequences applicable to a Schemes Participant who disposes of DUET Scheme Securities under the Schemes.

This Taxation Report is based on the current provisions of the *Income Tax Assessment Act 1936* (Cth), the *Income Tax Assessment Act 1997* (Cth), applicable case law and published Australian Tax Office (**ATO**) rulings, determinations and statements of administrative practice at the date of this Taxation Report. The tax consequences discussed in this Taxation Report may alter if there is a change to the legislation, or a change of interpretation of the legislation by the courts or the ATO, after the date of this Taxation Report. This Taxation Report does not otherwise take into account or anticipate changes in the law, whether by way of judicial decision or legislative action, nor does it take into account tax legislation of countries apart from Australia. Tax laws are complex and subject to change periodically as is their interpretation by the courts and the ATO. We have not sought to have our opinion ruled upon by the ATO and therefore there is a risk that the ATO may not agree with our opinion or aspects of it.

This Taxation Report is not exhaustive of all possible Australian income tax considerations that could apply to Schemes Participants. In particular, the Taxation Report is only relevant to those Schemes Participants who hold their DUET Scheme Securities on capital account. It does not address any Goods and Services or stamp duty implications for Schemes Participants. It does not address all tax considerations applicable to Schemes Participants who:

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- are exempt from Australian income tax;
- are subject to the Taxation of Financial Arrangements provisions contained in Division 230 of the *Income Tax Assessment Act 1997*;
- hold the DUET Scheme Securities on behalf of another person;
- acquired their DUET Scheme Securities as part of an employee share scheme; or
- hold their DUET Scheme Securities on revenue account or as trading stock.

For Schemes Participants who are non-residents of Australia for tax purposes, it is assumed that the DUET Scheme Securities are not held and have never been held, as an asset of a permanent establishment of that Schemes Participant in Australia.

The taxation summary contained in this Taxation Report regarding the Australian tax considerations for DUET Securityholders does not purport to be a complete analysis of the potential tax consequences of the Schemes and is intended as a general guide to the Australian tax implications only. It should not be a substitute for advice from an appropriate professional adviser having regard to your individual circumstances and all DUET Securityholders are strongly advised to obtain their own professional advice on the tax implications based on their own specific circumstances.

Any recipient should, before acting on this material, also consider the appropriateness of this material having regard to their objectives, financial situation and needs, and should consider obtaining independent financial advice.

2 Taxation on the disposal of DUET Scheme Securities

Should the Schemes be approved and implemented as outlined in this Scheme Booklet, you will be treated as having disposed of your DUET Scheme Securities for Australian income tax purposes.

3 Australian Resident Schemes Participants

3.1 Disposal of DUET Scheme Securities

For Australian income tax purposes, each DUET Scheme Security will comprise four separate capital gains tax (**CGT**) assets, which includes a share in each of DUECo, DFL and DIHL and a unit in DFT.

Under the Schemes, DUET Securityholders will dispose of each of their shares in DUECo, DFL and DIHL and each of their units in DFT. This will constitute a CGT event for Australian tax purposes. The CGT implications of each disposal will need to be determined separately.

The time of the CGT event for the DUET Securityholders should be the date the DUET Scheme Securities are disposed of, which will occur on the Implementation Date.

You will realise a capital gain in connection with the disposal of each share in DUECo, DIHL and DFL, and each unit in DFT to the extent that the capital proceeds you receive, or will receive, in respect of the disposal of each share or unit exceeds the tax cost base of that particular share or unit. The capital gain may be reduced in certain circumstances, discussed further below.

8 Tax Implications of the Schemes continued

You will realise a capital loss to the extent that the capital proceeds you receive, or will receive, in respect of the disposal of each share in DUECo, DIHL and DFL or each unit in DFT is less than the reduced cost base of that particular share or unit. Capital losses can be offset against capital gains you realise in the same income year or in later income years subject to satisfying the relevant loss recoupment rules.

Capital proceeds

If the Schemes are approved and implemented, you will receive the Scheme Consideration payable by Bidco of up to $3.00 per DUET Scheme Security and a Special Distribution (plus any Permitted DUET Distribution determined if the Implementation Date is after 30 June 2017) of at least $0.03 per DUET Scheme Security (prior to any withholding being made). In the event that the DFT Distribution (plus any Permitted DUET Distribution determined if the Implementation Date is after 30 June 2017) is less than $0.03 per DUET Scheme Security, DUECo and/or DIHL must pay an unfranked dividend such that any such DUECo and/or DIHL dividends together with the DFT Distribution (those amounts, together being the Special Distribution) plus any Permitted DUET Distribution determined if the Implementation Date is after 30 June 2017 will be equal to $0.03 per DUET Scheme Security. The Scheme Consideration is a cash amount of $3 less the amount by which the Special Distribution plus any Permitted DUET Distribution determined if the Implementation Date is after 30 June 2017 exceeds $0.03 per DUET Scheme Security.

In certain cases, a dividend or distribution paid by a company or trust that is subject to a change of ownership by way of a takeover or scheme of arrangement will form part of the capital proceeds for a vendor from the disposal of their shares or units. Broadly, this may be the case if the dividend or distribution does not occur independently of the contract or scheme of arrangement in respect of the disposal of the shares or units. The ATO's views as to when a dividend will form part of the capital proceeds from the disposal of shares are set out in Taxation Ruling TR 2010/4, and may be applicable by analogy to the disposal of units in a trust.

Taxation Ruling TR 2010/4 suggests that a distribution will generally be treated as part of the capital proceeds from the disposal of the shares where shareholders acceptance of the transaction is conditional on:

(i) the distribution being declared by company directors;
(ii) the purchaser or a third party financing or facilitating the payment of the distribution; or
(iii) the purchaser or a third party being obliged to bring about the result that the distribution will be received by the shareholders.

Applying the principles set out in TR 2010/4, your capital proceeds for CGT purposes should be $3.03 per Security, being inclusive of the Special Distribution and any Permitted DUET Distribution determined if the Implementation Date is after 30 June 2017. The capital proceeds received upon disposal of DUET Scheme Securities would need to be allocated on a reasonable basis between each share in DUECo, DIHL and DFL, and each unit in DFT. DUET expects to provide further information as to the components of the capital proceeds subsequent to Implementation Date.

We note there is an argument (the **alternative position**) that the DFT Distribution (plus any Permitted DUET Distribution determined if the Implementation Date is after 30 June 2017) should not be included in capital proceeds for CGT purposes. This is based on an argument that, to the extent the DFT Distribution (plus any Permitted DUET Distribution determined if the Implementation Date is after 30 pwc

June 2017) is paid as a trust distribution of current year income by DFT, it should not necessarily be seen as having been paid solely as a term of the Schemes themselves, as the income would have otherwise been distributed to the DUET Securityholders at year end in the ordinary course pursuant to the current terms of the DFT Constitution. Further, it may be argued that none of the other factors referred to in TR 2010/4 (detailed above) are present in this case.

If this alternative position is adopted then the DFT Distribution (plus any Permitted DUET Distribution determined if the Implementation Date is after 30 June 2017) should not be included in your capital proceeds from the disposal of DUET Scheme Securities. However, it is possible the ATO would reach a different view and you should seek your own independent tax advice on this matter. Schemes Participants may consider approaching the ATO before adopting the alternative position in their tax returns.

The tax implications of the DFT Distribution (plus any Permitted DUET Distribution determined if the Implementation Date is after 30 June 2017) being, or not being, included in capital proceeds for CGT purposes is set out further below.

For completeness, we note that any dividend received by you from DUECo and/or DIHL should be included in your capital proceeds.

CGT cost base/reduced cost base

As a general proposition, the cost base of a DUET Scheme Security should be the total amount you paid for that DUET Scheme Security plus any acquisition costs or other costs relating to the holding and disposal of that DUET Scheme Security, to the extent to which you have not claimed an income tax deduction for such costs. The amount you paid for the DUET Scheme Security should be allocated to each share in DUECo, DIHL, and DFL and each unit in DFT on a reasonable basis at the time the payment was made. The reduced cost base of a DUET Scheme Security is usually determined in a similar, but not identical, manner.

Cost base adjustments may be required for the units in DFT where you have previously received a distribution representing a return of DFT's capital by DFT RE or where a non-assessable distribution (e.g. a tax deferred distribution) was made by DFT RE to you. We recommend that you consult your tax advisor to confirm the cost base or reduced cost base of your DUET Scheme Securities.

CGT implications

If you adopt a position whereby your capital proceeds are $3.03 per DUET Scheme Security, then:

- Any capital gain you realise on the disposal of your DUET Scheme Security should be reduced by the Special Distribution (plus any Permitted DUET Distribution determined if the Implementation Date is after 30 June 2017) to the extent that they are included in your assessable income or non-assessable non-exempt income.

- Any capital loss you realise on the disposal of your DUET Scheme Security should not be increased by the amount of the Special Distribution (plus any Permitted DUET Distribution determined if the

8 Tax Implications of the Schemes continued

Implementation Date is after 30 June 2017) included in your assessable income or non-assessable non-exempt income.

If you adopt the alternative position, whereby the DFT Distribution (plus any Permitted DUET Distribution determined if the Implementation Date is after 30 June 2017) is not included in your capital proceeds, then:

- Any capital gain you realise on the disposal of your DUET Scheme Security should only be reduced by any dividends you receive from DUECo and/or DIHL to the extent that they are included in your assessable income or non-assessable non-exempt income.
- Any capital loss you realise on the disposal of your DUET Scheme Security should be calculated based on those reduced capital proceeds (i.e. excluding the DFT Distribution and any Permitted DUET Distribution determined if the Implementation Date is after 30 June 2017 which is a trust distribution paid by DFT from current year income) but should not be increased by any dividends you receive from DUECo and/or DIHL.

Any net capital gain you realise on the disposal of your DUET Scheme Securities should be included in your assessable income for the relevant income year. Broadly, your net capital gain in respect of an income year will be calculated by aggregating all of your capital gains realised in that income year and reducing that amount by your capital losses realised in that income year and any available net capital losses from prior years.

Schemes Participants which are individuals, trusts (acting through their trustees) or complying superannuation funds (acting through their trustees) may be eligible for discount capital gains treatment in respect of a DUET Scheme Security if they have held that DUET Scheme Security for at least 12 months prior to the Implementation Date. The Capital Gains Tax discount factor is 50% for individuals and trusts, and $33^{1/3}$%for complying superannuation funds. When working out the net capital gain or loss, the capital gain should initially be reduced by any other capital losses of the relevant Schemes Participant. If a capital gain remains after utilising any available capital losses, it may be reduced by the discount factor. Companies are not eligible for discount capital gains treatment.

These comments will not apply to you if you buy and sell securities in the ordinary course of business, or if you acquired the relevant DUET Scheme Securities for resale at a profit. In those cases, any gain is generally taxed as ordinary income.

3.2 DFT Distribution and Permitted DUET Distribution

You will receive the DFT Distribution (representing some or all of the Special Distribution) and may receive a Permitted DUET Distribution determined if the Implementation Date is after 30 June 2017 if the Schemes are approved and implemented. The DFT Distribution and Permitted DUET Distribution determined if the Implementation Date is after 30 June 2017 may include interest, dividends or other income components which should be included in your assessable income for the income year in which the distribution is paid.

If the Schemes are implemented on or before 30 June 2017, Annual tax statements are expected to be sent to DUET Securityholders by August 2017 which will outline the income components of the DFT Distribution.

If the Schemes are implemented after 30 June 2017, Annual tax statements are expected to be sent to DUET Securityholders by August 2017 which will outline the income components of the Permitted DUET Distribution. Distribution statements are expected to be sent to DUET Securityholder within 3 months after the Implementation Date which will outline the income components of the DFT Distribution.

3.3 DUECo and/or DIHL dividends

In the event that the DFT Distribution (plus any Permitted DUET Distribution determined if the Implementation Date is after 30 June 2017) is less than $0.03 per DUET Scheme Security, DUECo and/or DIHL must pay an unfranked dividend (**unfranked dividend**) such that any such DUECo and/or DIHL dividends together with the DFT Distribution (plus any Permitted DUET Distribution determined if the Implementation Date is after 30 June 2017) will be equal to $0.03 per DUET Scheme Security. The unfranked dividend you receive should be included in your Australian assessable income for the income year in which the unfranked dividend is paid. No franking credits will be attached to the unfranked dividend.

4 Non-resident Schemes Participants

4.1 Disposal of DUET Scheme Securities

If you are not a resident for Australian income tax purposes, you will generally not have to pay Australian income tax on any capital gain on the disposal of your DUET Scheme Securities, unless your DUET Scheme Securities constitute an “indirect Australian real property interest”. Your DUET Scheme Securities will constitute an indirect Australian real property interest where both of the following requirements are satisfied:

(a) you hold a “non-portfolio interest” in DUET; and

(b) the DUET Scheme Securities pass the “principal asset test”.

If you do not hold a non-portfolio interest in DUET or the DUET Scheme Securities do not pass the principal asset test, any capital gain or loss realised on the disposal of your DUET Scheme Securities should be disregarded for Australian income tax purposes.

You will hold a “non-portfolio interest” in DUET if you, together with your associates, own, or owned, throughout a 12 month period during the two years preceding the Implementation Date, 10% or more of all of the securities in DUET.

Broadly, the DUET Scheme Securities would pass the “principal asset test” if the market value of DUET’s direct and indirect interests in Australian land, including leases and mining rights, is more than the market value of its other assets at the time the Schemes are implemented (i.e. on the Implementation Date). Given each DUET Scheme Security will comprise four separate CGT assets (i.e. a share in each of

8 Tax Implications of the Schemes continued

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DUECo, DFL and DIHL and a unit in DFT), the "principal asset test" would need to be applied to each individual CGT asset. A detailed analysis is necessary to determine the results of the "principal asset test".

If you hold a "non-portfolio interest" in DUET, you should contact your tax advisor to determine if the DUET Scheme Securities would pass the "principal asset test". Where the DUET Scheme Securities pass the "principal asset test", you would need to calculate your capital gain or loss arising from the disposal.

If you buy and sell securities in the ordinary course of business, or acquired the relevant DUET Scheme Securities for resale at a profit, any gain could be taxed in Australia as ordinary income and not as a capital gain (subject to any relief available under a double tax treaty that Australia has concluded with your country of residence). Again, you should seek your own tax advice.

You should also seek advice from your tax advisor as to the taxation implications of the Schemes being implemented in your country of residence.

We note that withholding tax with respect to your disposal may apply in certain circumstances (see Section 5 for further information).

4.2 Managed Investment Trust Status

As a consequence of the ownership structure of Bidco, if the Schemes are implemented in the 30 June 2017 income year, DFT will not satisfy the requirements to be a Managed Investment Trust (**MIT**) in respect of the income tax year ending 30 June 2017.

Consequently, distributions made by DFT in relation to the income year ending 30 June 2017 (including the DFT Distribution) will be subject to non-resident withholding tax and not MIT withholding tax. Broadly, this means that the DFT distribution which relates to Australian sourced income other than interest, dividends, or royalties (**other income**) should be subject to Australian withholding tax at the tax rate applicable to non-resident DUET Securityholders.

If the Schemes are implemented in the 30 June 2018 income year, DFT will not satisfy the requirements to be a MIT in respect of the income tax year ending 30 June 2018.

Consequently, distributions made by DFT in relation to the income year ending 30 June 2018 (including the DFT Distribution) will be subject to non-resident withholding tax and not MIT withholding tax. Broadly, this means that the DFT distribution which relates to other income should be subject to Australian withholding tax at the tax rate applicable to non-resident DUET Securityholders.

A 30% non-resident withholding tax rate would apply to distributions of Australian sourced other income to non-resident companies and progressive rates (up to 49%) apply to distributions of these amounts to non-resident individuals. Further, this withholding tax is not a final tax. A non-resident DUET Securityholder may lodge an Australian income tax return and may be entitled to claim a credit for this withholding tax against its Australian tax liability on its total Australian sourced taxable income, depending on its own circumstances.

4.3 DFT Distribution

If the Schemes are approved and implemented, you will receive the DFT Distribution (comprising some or all of the Special Distribution) as part of the cash proceeds per DUET Scheme Security. The DFT Distribution for each DUET Scheme Security you hold may include interest, dividends, royalties or other income components.

The interest, dividend or royalty components would be subject to non-resident withholding tax, which is a final tax in Australia.

The other income component should be subject to non-resident withholding tax and not MIT withholding tax. This withholding tax is not a final tax. The tax rate depends on the legal identity of the beneficiary as a company or an individual (refer Section 4.2).

Annual tax statements are expected to be sent to DUET Securityholders by August 2017 which will outline the income components of the DFT Distribution and any associated withholding tax should the Schemes be approved and implemented. You should seek advice from your tax advisor as to the taxation implications of the DFT Distribution.

4.4 Permitted DUET Distribution

If the Schemes are implemented after 30 June 2017 and you are on the Register as at 7:00pm on 30 June 2017, you will be entitled to receive the Permitted DUET Distribution as part of the cash proceeds per DUET Scheme Security. Your share of the net income of DFT for the year ended 30 June 2017 (which includes the net income from which the Permitted DUET Distribution will be sourced) will be subject to the same tax treatment as distributions with respect to DFT Scheme Units if the Schemes were not implemented.

4.5 DUECo and/or DIHL dividends

Any unfranked dividend paid by DUECo and/or DIHL to you (as part of the Special Distribution) will be subject to Australian dividend withholding tax at 30% (or the tax rate applicable to the non-resident DUET Securityholder under the relevant double tax treaty). The dividend withholding tax is a final tax in Australia.

5 Foreign resident capital gains withholding tax

The foreign resident capital gains withholding tax applies from 1 July 2016 to any transaction involving the acquisition of the legal ownership of an asset that is taxable Australian real property (**TARP**), an indirect Australian real property interest (such as a membership interest in a 'land-rich' company or trust) or an option or right to acquire such property or such an interest from a "relevant foreign resident".

For the purposes of these rules, a relevant foreign resident is any entity that, at the time the transaction is entered into:

- is known by the purchaser to be a foreign resident;

8 Tax Implications of the Schemes continued

- is reasonably believed by the purchaser to be a foreign resident;
- is not reasonably believed by the purchaser to be an Australian resident, and either has an address outside Australia or the purchaser is authorised to provide a financial benefit relating to the transaction to a place outside Australia; or
- has a connection outside Australia of a kind specified in the regulations.

If Bidco, as purchaser, considers or reasonably believes that the registered holder (being the legal owner) of your DUET Scheme Securities is a relevant foreign resident, the registered holder should receive a Relevant Foreign Resident Declaration Form (either together with this Scheme Booklet or separately). If for whatever reason, you think that you are a relevant foreign resident but do not receive a Relevant Foreign Resident Declaration Form, you should contact DUET's registry on 1300 731 105 or +61 3 9946 4476 to request a declaration form. In this declaration form, the registered holder of your DUET Scheme Securities may provide Bidco with a declaration that:

1. the registered holder of your DUET Scheme Securities is an Australian tax resident (**residency declaration**); or
2. the DUET Scheme Securities held by the registered holder are not indirect Australian real property interests (**interest declaration**). Please refer to section 4.1 above for the definition of indirect Australian real property interest.

Unless a signed declaration form regarding your residency or interest is provided to Bidco, Bidco intends to withhold and remit 10% of the Scheme Consideration payable to you, to the Commissioner of Taxation (**the Commissioner**) on settlement of the transaction. The amount to be paid to the Commissioner will be withheld from the Scheme Consideration payable by Bidco in respect of your DUET Scheme Securities, and you should generally be entitled to a credit for that amount paid upon lodging an Australian income tax return. If you are unsure about whether a credit for the withholding tax may be claimed, we recommend you seek your own tax advice in this regard.

If a signed residency declaration or an interest declaration form is received by Bidco by the required time, Bidco does not intend to withhold any amount from the Scheme Consideration payable to you. If you are unsure about whether the registered holder (being the legal owner) of your DUET Scheme Securities is able to make a residency declaration or an interest declaration, we recommend you seek your own tax advice in this regard.

Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this Tax Report in the Scheme Booklet. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Scheme Booklet.

Disclaimer

It should be noted that although PricewaterhouseCoopers Securities Ltd has given its consent to the inclusion of this report into the Scheme Booklet, PricewaterhouseCoopers Securities Ltd gives no assurance or guarantee in respect of the successful implementation of the Schemes.

This material has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any recipient. Accordingly, any recipient should, before acting on this material, consider taking advice from a person who is licensed to provide financial product advice under the Corporations Act. Any recipient should, before acting on this material, also consider the appropriateness of this material having regard to their objectives, financial situation and needs, and consider obtaining independent financial advice.

Yours faithfully

Mark Edmonds
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

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ADDITIONAL INFORMATION

9.1 Interests of the DUET Directors in DUET

The aggregate number of DUET Securities held directly, indirectly or beneficially by the DUET Directors as at the date of this Scheme Booklet are:

Name	DUECo Director	DIHL Director	DFL Director	DUET Securities as at the date of this Scheme Booklet
Doug Halley	✓	✓	×	200,442
Eric Goodwin	×	×	✓	142,196
Jack Hamilton	✓	✓	×	76,828
Simon Perrott	✓	✓	×	71,880
Emma Stein	✓	✓	×	58,371
Shirley In't Veld	✓	✓	×	50,000
Jane Harvey	×	×	✓	23,000
Terri Benson	×	×	✓	6,685
Stewart Butel	✓	✓	×	Nil

No DUET Director has acquired or disposed of a relevant interest in any DUET Securities in the four month period ending on the date immediately before the date of this Scheme Booklet.

9.2 Interests of the DUET Directors in Bidco

No DUET Director has a Relevant Interest in any marketable securities in Bidco or the Guarantors.

No DUET Director has acquired or disposed of a Relevant Interest in any marketable securities in Bidco or the Guarantors in the four month period ending on the date immediately before the date of this Scheme Booklet.

9.3 Summary of the Scheme Implementation Agreement

On 14 January 2017, DUET, Cheung Kong Property Holdings Limited, Power Asset Holdings Limited, Cheung Kong Infrastructure Holdings Limited and Bidco entered into a Scheme Implementation Agreement under which DUET agreed to propose the Schemes. This Section 9.3 contains a summary of the important elements of the Scheme Implementation Agreement.

A copy of the Scheme Implementation Agreement is available at the following address: http://www.duet.net.au/getattachment/ASX-releases/2017/DUET-Boards-Recommend-CKI-Consortium-Acquisition-P/asx-2017-01-16-DUET-Boards-Recommend-CKI-Consortiu/asx-2017-01-16-DUET-Boards-Recommend-CKI-Consortium.pdf.aspx.

9.3.1 Conditions Precedent

Implementation of the Schemes is subject to the following conditions which must be satisfied or waived (where capable of waiver) before the Schemes can be implemented:

- **FIRB approval**: before 8.00am on the Second Court Date, either:
  - notice is received by or on behalf of the Federal Treasurer advising Bidco that that there are no objections under the Foreign Acquisitions and Takeovers Act 1975 (Cth) (**FATA**) to the implementation of the Schemes, and that notice is not subject to any condition or is subject only to:
    - certain tax-related conditions; and
    - any conditions that Bidco reasonably considers to be acceptable; or
  - the Federal Treasurer becomes precluded by passage of time from making any order or decision under Division 2 of Part 3 of the FATA in respect of the implementation of the Schemes;
- **ASIC**: ASIC has granted all of the following Corporations Act modifications and relief:
  - a modification of item 7 of section 611 of the Corporations Act, allowing DFT Unitholders (other than those excluded from voting because they are Associates of Bidco) to vote in favour of the Trust Scheme Resolution approving the Trust Scheme for the purpose of item 7 of section 611 of the Corporations Act;

9 Additional information continued

– relief from Division 5A of Part 7.9 of the Corporations Act in relation to any unsolicited offer by Bidco to acquire the DFT Units under the Trust Scheme;
– relief from the requirement for DFL to provide a financial services guide in respect of any financial services provided in this Scheme Booklet; and
– relief from the requirement for DIHL and DUECo to hold an Australian Financial Services Licence in relation to any financial product advice provided in this Scheme Booklet,

and none of those modifications or relief has been withdrawn, revoked or adversely amended before 8.00am on the Second Court Date;

- **ASX**: ASX has notified DUET that it approves or does not object to the proposed modifications to the DFT Constitution as set out in the DFT Constitution Supplemental Deed under ASX Listing Rule 15.1;
- **Independent Expert's Report**: the Independent Expert provides the Independent Expert's Report to DUET, stating that in its opinion the Schemes are fair and reasonable and in the best interests of DUET Securityholders, and the Independent Expert does not change that opinion or withdraw the Independent Expert's Report by notice in writing to DUET prior to 8.00am on the Second Court Date;
- **DUET Securityholders approval**: the Scheme Resolutions are passed by the requisite majorities and the DUET Securityholders approve the Schemes;
- **Court orders issued before the Scheme Booklet**: the Court grants the First Judicial Advice and makes the First Court Orders;
- **Court approval**: the Company Schemes are approved by the Court in accordance with section 411(4)(b) of the Corporations Act and the Court provides the Second Judicial Advice in relation to the Trust Scheme;
- **no restraints**: no judgment, order, decree, statute, law, ordinance, rule or regulation, or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition, entered, enacted, promulgated, enforced or issued by any court or other Government Agency of competent jurisdiction, remains in effect as at 8.00am on the Second Court Date that prohibits, materially restricts, makes illegal or restrains the implementation of the Schemes;
- **no DUET Regulated Events**: no DUET Regulated Event occurs or becomes known to Bidco before 8.00am on the Second Court Date; and
- **no DUET Material Adverse Change**: no DUET Material Adverse Change occurs, or is discovered, announced or disclosed or otherwise becomes known to Bidco before 8.00am on the Second Court Date.

Full details of the conditions and the ability of DUET and Bidco to rely on the various conditions and the provisions relating to satisfaction or waiver of these conditions are set out in clause 3 of the Scheme Implementation Agreement. As at the date of this Scheme Booklet, DUET is not aware of any reason why the conditions will not be satisfied.

9.3.2 Exclusivity and costs reimbursement

9.3.2.1 Exclusivity

The Scheme Implementation Agreement contains certain exclusivity arrangements in favour of Bidco, which apply during the Exclusivity Period. These arrangements are in line with market practice in this regard and may be summarised as follows:

- **No shop**: DUET must not, and must ensure that each of its Representatives does not, except with the prior written consent of Bidco, solicit any enquiries, discussions or proposals that may encourage or lead to a Competing Proposal.
- **No talk**: DUET must not, and must ensure that each of its Representatives does not, except with the prior written consent of Bidco, participate in discussions or provide information to any Third Party that may encourage or lead to a Competing Proposal.
- **No due diligence**: DUET must not, and must ensure that each of its Representatives does not, except with the prior written consent of Bidco, permit any Third Party to undertake due diligence investigations on DUET.
- **Notification**: if DUET is approached in relation to a Competing Proposal, or a proposed or potential Competing Proposal, DUET must promptly notify Bidco of any such approach.
- **Matching right:** DUET is prohibited from entering into an agreement to undertake a Competing Proposal and must use its best endeavours to ensure that none of the DUET Directors recommend a Competing Proposal unless DUET has given Bidco at least five clear Business Days to provide a matching or Superior Proposal to the terms of the Competing Proposal.

However, DUET is not required to comply with its obligations under the 'no talk' and 'no due diligence' provisions in the Scheme Implementation Agreement if the DUET Board determines that complying with those provisions would be likely to constitute a breach of the fiduciary or statutory duties owed by the DUET Board.

These exclusivity arrangements are set out in full in the Scheme Implementation Agreement.

9.3.2.2 DUET Reimbursement Fee

DUET has agreed to pay the DUET Reimbursement Fee of $72.991 million to Bidco if:

- any DUET Director fails to state that they consider the Schemes to be in the best interests of DUET Securityholders or fails to recommend that DUET Securityholders approve the Schemes other than:
  - in any case where the Independent Expert's Report (including any update) concludes that the Schemes are not fair and reasonable or are not in the best interests of DUET Securityholders and provided that the reasons for the Independent Expert's conclusions do not include the existence of a Competing Proposal;
  - where DUET terminates the Scheme Implementation Agreement due to a material breach by Bidco or one of the Guarantors; or
  - as a result of a failure of a Condition Precedent other than as a result of a breach by DUET of its best endeavours duty in respect of the satisfaction of certain Conditions Precedent under clause 3.3 of the Scheme Implementation Agreement;
- a Competing Proposal is announced or made prior to the Second Court Date and is completed within 12 months of the Scheme Implementation Agreement; or
- BidCo terminates the Scheme Implementation Agreement following a material breach by DUET.

DUET will not have to pay the DUET Reimbursement Fee to Bidco if:

- as at the earlier of the date of termination of the Scheme Implementation Agreement and the End Date, DUET was entitled to terminate the Scheme Implementation Agreement for Bidco's or a Guarantor's material breach; or
- the Schemes become Effective following the occurrence of any of the occurrences above which trigger the payment of the DUET Reimbursement Fee to Bidco,

and if the DUET Reimbursement Fee or any part of it has already been paid by DUET to Bidco it must be refunded by Bidco to DUET.

The DUET Reimbursement Fee will not be payable to Bidco merely by reason that any Scheme Resolution is not approved by DUET Securityholders at the Scheme Meetings.

9.3.2.3 Bidco Reimbursement Fee

Bidco has agreed to pay the Bidco Reimbursement Fee of $5 million to DUET if DUET terminates the Scheme Implementation Agreement because, at any time before 8.00am on the Second Court Date:

- Bidco or a Guarantor is in breach of any clause of the Scheme Implementation Agreement (including a breach of a representation or warranty given under clause 10 or 16.2 of the Scheme Implementation Agreement); and
- that breach is material in the context of the Transactions as a whole,

and DUET has given notice to Bidco and each Guarantor setting out the relevant circumstances and stating an intention to terminate the Scheme Implementation Agreement.

9.3.3 The Guarantors

Under the terms of the Scheme Implementation Agreement:

- each Guarantor:
  - unconditionally and irrevocably guarantees to DUET the due and punctual performance and observance by Bidco of all obligations contained in, or implied under, the Scheme Implementation Agreement that must be performed and observed by Bidco (the **Guaranteed Obligations**); and
  - as a separate and additional liability, indemnifies DUET against all losses, liabilities, damages, actions, proceedings and judgements of any nature that DUET may now or in the future suffer or incur consequent on or arising from any default or delay in the due and punctual performance, or non-performance, by Bidco of a Guaranteed Obligation;
- the liability of each Guarantor is several and is equal to:
  - in the case of CKP: 100% of the Guaranteed Obligations less the percentage notified to DUET by CKI and PAH; and
  - in the case of each of CKI and PAH: the percentage of the Guaranteed Obligations notified to DUET by CKI and PAH respectively; and
- a Guarantor is taken to have discharged its guarantee obligations if it uses reasonable endeavours to procure that Bidco performs its obligations and provides its funding proportion to Bidco, except that each Guarantor must continue to take all necessary steps to ensure that Bidco applies the funding provided by the Guarantors to pay the Scheme Consideration.

9 Additional information continued

9.3.4 Termination

Bidco or DUET can terminate the Scheme Implementation Agreement:

- in certain circumstances where an event occurs which would, or does, prevent a Condition Precedent being satisfied;
- at any time before 8.00am on the Second Court Date if:
  - another party (which cannot be a DUET Group entity if another DUET Group entity is the terminating party, and which cannot be a Guarantor if Bidco is the terminating party) is in breach of the Scheme Implementation Agreement;
  - that breach is material in the context of the Schemes as a whole;
  - the terminating party has given notice to the other parties setting out the relevant circumstances and stating an intention to terminate the Scheme Implementation Agreement; and
  - the relevant circumstances have continued to exist for 5 Business Days (or any shorter period ending at 5.00pm on the last Business Day before the Second Court Date) from the time such notice is given;
- the Schemes have not become Effective by the End Date; or
- if agreed to in writing by Bidco and DUET.

Bidco may terminate the Scheme Implementation Agreement if:

- any DUET Director publicly changes (including by attaching qualifications to) or withdraws his or her statement that he or she considers the Schemes to be in the best interests of DUET Securityholders or his or her recommendation that DUET Securityholders approve the Scheme Resolutions, or publicly recommends, promotes or otherwise endorses a Competing Proposal;
- a person (other than Bidco and its Associates) has a Relevant Interest in more than 20% of DUET Securities;
- DUET enters into an agreement with a Third Party to effect a Competing Proposal; or
- there is a DUET Material Adverse Change.

DUET may terminate the Scheme Implementation Agreement at any time before 8.00am on the Second Court Date by notice in writing to Bidco if at least a majority of the DUET Directors publicly changes (including by attaching qualifications to) or withdraws their statements that they consider the Schemes to be in the best interests of DUET Securityholders or their recommendation that DUET Securityholders approve the Schemes and Trust Scheme Resolutions, in either case in accordance with the Scheme Implementation Agreement, or publicly recommends, promotes or otherwise endorses a Superior Proposal.

9.4 Deemed consent for other incidental actions

Under clause 31.24 of the DFT Constitution (as amended by the DFT Constitution Supplemental Deed), each DFT Unitholder will be deemed to have irrevocably appointed DFT RE to do all things necessary or desirable to give full effect to the DFT Scheme and the transactions contemplated by the DFT Scheme, and to enforce the Deed Poll.

Under clause 8.3 of each of the Company Schemes, each DUET Securityholder will be deemed to have irrevocably appointed and consented to DUECo (in relation to the DUECo Scheme), DIHL (in relation to the DIHL Scheme) and DFL (in relation to the DFL Scheme) to do all things necessary or desirable to give full effect to the relevant Scheme and the transactions contemplated by that Scheme, and to enforce the Deed Poll.

9.5 DUET executive incentive arrangements

As detailed in DUET's annual report for the year ended 30 June 2016, DUET operates both long-term incentive (**LTI**) and short-term incentive (**STI**) plans for its executives. These plans provide cash-based 'notional equity' incentive awards, with performance hurdles and vesting periods, rather than equity-based incentive awards.

Any LTI allocation and deferred STI award (from FY2015) is awarded as "notional securities". The value of the notional security award will increase or decrease in value in line with the DUET Security price and distributions paid over the vesting period (but ultimately will be paid in cash subject to the relevant performance measures being achieved).

The DUET Boards have determined that all unvested LTI allocation and deferred STI award will vest with immediate effect on the Effective Date, resulting in total cash payments to DUET's senior management of approximately $6.4 million (based on the balance of notional securities as at 31 December 2016 of 2,128,142 and up to $3.03 per notional security, being the Scheme Consideration together with the Special Distribution). These payments are also set out in section 6.8 of the Independent Expert's Report in Annexure A (Independent Expert's Report).

9.6 Benefits and agreements

a. Agreements or arrangements relating to the Schemes

There are no agreements or arrangements made between any DUET Director and any other person in connection with, or conditional on, the outcome of the Schemes.

Bidco has agreed to indemnify and keep indemnified each DUET Director from any loss a DUET Director may suffer or incur arising out of any breach of any of the representations and warranties given by Bidco in clause 10.1 of the Scheme Implementation Agreement.

b. Interests held by the DUET Directors in contracts with Bidco

None of the DUET Directors has any interest in any contract entered into by Bidco.

c. Benefits under the Scheme or from Bidco

None of the DUET Directors has agreed to receive, or is entitled to receive, any benefit from Bidco which is conditional on, or is related to, the Schemes, other than as set out in Section 9.6(a) (*Agreements or arrangements relating to the Schemes*).

9.7 Status of Regulatory Approvals (excluding ASIC relief and ASX confirmations)

a. Required Approval

i. **FIRB Approval**

As outlined in Section 3.3.2 (*Regulatory approvals*), the Schemes are subject to receipt of a no objections notification under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) in respect of the Proposal. An application for this notification was made by the Guarantors in November 2016 and, as at the date of this Scheme Booklet, a notification has not yet been received. As a Condition Precedent and in accordance with the Scheme Implementation Agreement, any no objection notification must be received before 8.00am on the Second Court Date.

ii. **Other Approvals**

The Schemes are not subject to the following approvals. However we include the information below by way of completeness:

ACCC Approval

Bidco has received written notice from the ACCC to the effect that the ACCC does not intend to conduct a public review of the proposed acquisition pursuant to section 50 of the Competition Act.

CFIUS Approval

The Schemes are not subject to US foreign investment approval. However, DUET is obliged under the Scheme Implementation Agreement to assist Bidco with making regulatory filings and complying with any other regulatory requirements, including taking actions which Bidco considers necessary or desirable to ensure compliance on or immediately following the Implementation Date. This may include assisting Bidco with any CFIUS filing it decides to make.

9.8 ASIC relief and ASX confirmations

a. ASIC relief

i. ASIC has granted DUET the following relief:

A. (Division 2 of Part 7.7 of the Corporations Act – financial services guide) relief from the requirement to provide a financial services guide in respect of any financial services provided in relation to this Scheme Booklet.

B. (Section 911A of the Corporations Act – AFSL) relief from the requirement for DIHL and DUECo to hold an AFSL in relation to any financial product advice provided in this Scheme Booklet.

ii. ASIC has granted Bidco the following relief:

A. (Section 611 Item 7 of the Corporations Act – voting exclusion) modifications to allow DFT Unitholders to consider and, if they so wish, vote in favour of the Scheme Resolutions necessary for the Trust Scheme to proceed.

B. (Division 5A of Part 7.9 of the Corporations Act – unsolicited offer) relief in relation to any unsolicited offer to acquire the DFT Scheme Units under the Trust Scheme.

Copies of the relevant ASIC instruments of relief will be provided to any DUET Securityholder free of charge upon request until the Implementation Date. DUET Securityholders can contact the DUET Group Securityholder Information Line on 1300 731 105 (local call cost within Australia) or +61 3 9946 4476 (outside Australia), Monday to Friday between 9.00am and 5.00pm (Sydney time).

9 Additional information continued

b. ASX confirmations

ASX has notified DUET that it:

i. approves or does not object to the proposed modifications to the DFT Constitution as set out in the DFT Constitution Supplemental Deed under ASX Listing Rule 15.1.1; and

ii. approves or does not object to the timetable for implementation of the Schemes.

A copy of the relevant ASX instrument will be provided to any DUET Securityholder free of charge upon request until the Implementation Date. DUET Securityholders can contact the DUET Group Securityholder Information Line on 1300 731 105 (local call cost within Australia) or +61 3 9946 4476 (outside Australia), Monday to Friday between 9.00am and 5.00pm (Sydney time).

9.9 Consents and disclosures

a. Consents

This Scheme Booklet contains statements made by, or statements said to be based on statements made by:

i. CKP, PAH, CKI and Bidco, in respect of the Bidco Provided Information only;

ii. PwC, in respect of the Taxation Report only; and

iii. KPMG Financial Advisory Services (Australia) Pty Ltd, as the Independent Expert.

Each of those persons named above has consented to the inclusion of each statement it has made in the form and context in which the statements appear and has not withdrawn that consent as at the date of this Scheme Booklet.

The following parties have given and have not, before the time of registration of this Scheme Booklet with ASIC, withdrawn their consent to be named in the Scheme Booklet in the form and context which they are named:

i. Macquarie as financial adviser to DUET;

ii. Gresham as financial adviser to DUET;

iii. Ernst & Young as DUET's auditor;

iv. PwC as tax adviser to DUET;

v. Allens as legal adviser to DUET;

vi. Ashurst as stamp duty adviser to DUET; and

vii. Computershare as DUET's share registry.

b. Disclosures and responsibility

Further, each person named in Section 9.9(a) (*Consents*):

i. has not authorised or caused the issue of this Scheme Booklet; and

ii. does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than:

   A. Bidco, in respect of the Bidco Provided Information only;

   B. PwC, in respect of the Taxation Report only; and

   C. KPMG Financial Advisory Services (Australia) Pty Ltd, in respect of its Independent Expert's Report,

to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party specified in this Section 9.9(b) (*Disclosures and responsibility*).

9.10 Supplementary information

To the extent required by the ASX Listing Rules, the Corporations Act or any other applicable law, DUET will issue a supplementary document if it becomes aware of any of the following between the date of this Scheme Booklet and the Effective Date:

- a material statement in this Scheme Booklet is or becomes false or misleading;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter included in this Scheme Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of this Scheme Booklet.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, DUET may circulate and publish any supplementary document by:

– placing an advertisement in a prominently published newspaper that is circulated generally throughout Australia (eg, The Australian Financial Review);
– posting the supplementary document on DUET's website, www.duet.net.au;
– making an announcement to ASX; or
– issuing a supplementary document.

9.11 DUET Directors' statements

The issue of this Scheme Booklet has been authorised by the DUET Directors.

The DUET Directors have given (and have not withdrawn) their consent to the lodgement of this Scheme Booklet with ASIC.

9.12 No other information material to the making of a decision in relation to the Schemes

Except as set out in this Scheme Booklet, there is no other information material to the making of a decision in relation to the Schemes, being information that is within the knowledge of any of the Directors at the time of lodging this Scheme Booklet with ASIC for registration, which has not been previously disclosed to DUET Securityholders.

9.13 No unacceptable circumstances

The DUET Directors believe that the Schemes do not involve any circumstances in relation to the affairs of any member of the DUET Group that could reasonably be characterised as constituting "unacceptable circumstances" for the purposes of section 657A of the Corporations Act.

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GLOSSARY AND INTERPRETATION

Terms	Definitions
ACCC	the Australian Competition and Consumer Commission.
Adviser	in relation to an entity, a financier, financial adviser, corporate adviser, legal adviser, or technical or other expert adviser or consultant who provides advisory services in a professional capacity to the market in general and who has been engaged by that entity.
AEST	Australian Eastern Standard Time
AFSL	an Australian Financial Services Licence.
Annexure	an annexure to this Scheme Booklet.
ARSN	Australian Registered Scheme Number.
ASIC	Australian Securities and Investments Commission.
Asset Level Entity	any of the following entities: a. UED; b. DUET EDL Pty Limited; c. MGH Pty Limited; d. DUET Dampier Bunbury Pty Limited; and/or e. any Subsidiary of the above entities.
Associate	has the meaning given in section 12(2) of the Corporations Act, where DUECo, DIHL and DFL are each a 'designated body', and has the meaning given in section 12(3) of the Corporations Act, where DFT is the 'designated body'.
ASX	ASX Limited ACN 008 624 691 or, as the context requires, the financial market known as 'ASX' operated by ASX Limited.
ASX Listing Rules	the official listing rules of ASX.
ATO	the Australian Taxation Office.
Bidco	CK William Australia Bidco Pty Ltd, a proprietary company incorporated under the laws of Australia (ACN 613 693 182).
Bidco Group	Bidco, the Guarantors and their respective Related Bodies Corporate.
Bidco Provided Information	all information regarding the Bidco Group that is provided by or on behalf of Bidco to DUET for inclusion in this Scheme Booklet and is set out in: a. section 2 (Frequently Asked Questions) in response to the questions 'Who is Bidco?' 'What happens if Bidco determines that I am 'relevant foreign resident' for the purposes of Australian foreign resident capital gains tax rules?'; b. section 3.3.2 (Regulatory approvals); c. section 3.3.8 (Deed Poll); d. section 6 (Information about Bidco and the Bidco Group) and in section 6.1.1 (Purpose of Incorporation of Bidco); e. section 9.7(a), the summary of ACCC approval in section 9.7(b) and the first sentence of the summary of CFIUS approval in section 9.7(b); and f. the following definitions in this Section 10: i. CKI; ii. CKP; iii. PAH; iv. Consortium Formation Agreement; v. Consortium Midco; vi. Consortium Midco 1; vii. Consortium Midco 2; and viii. Consortium Midco 3.

10 Glossary and interpretation continued

Terms	Definitions
Bidco Reimbursement Fee	a costs reimbursement of $5 million, payable by Bidco to DUET in certain circumstances in accordance with the Scheme Implementation Agreement.
Business Day	any day that is each of the following: a. a Business Day within the meaning given in the ASX Listing Rules; and b. a day that banks are open for business in Sydney, Australia.
CFIUS	The Committee on Foreign Investment in the United States.
CHESS	the Clearing House Electronic Subregister System, which provides for electronic share transfers in Australia.
CKI	Cheung Kong Infrastructure Holdings Limited of 12/F, Cheung Kong Center, 2 Queen's Road, Central, Hong Kong (incorporated in Bermuda).
CKP	Cheung Kong Property Holdings Limited of 7/F, Cheung Kong Center, 2 Queen's Road, Central, Hong Kong (incorporated in the Cayman Islands).
Claim	in relation to a party, a demand, claim, action or proceeding made or brought against the party, however arising and whether present unascertained, immediate, future or contingent.
Company Schemes	the DFL Scheme, the DIHL Scheme and the DUECo Scheme.
Competing Proposal	any expression of interest, proposal, offer, transaction or arrangement by or with any person pursuant to which, if the expression of interest, proposal, offer, transaction or arrangement is entered into or completed substantially in accordance with its terms a Third Party (other than as custodian, nominee or bare trustee): a. directly or indirectly acquires a Relevant Interest in, or has a right to acquire a legal, beneficial or economic interest in, or control of, 20% or more of the DUET Securities; b. directly or indirectly acquires or becomes the holder of, or otherwise acquires or has a right to acquire a legal, beneficial or economic interest in, or control of, all or a substantial part of the assets or business of any member of DUET; c. otherwise acquires control (within the meaning of section 50AA of the Corporations Act) of DUET or any member of DUET; d. otherwise directly or indirectly acquires, merges or amalgamates with, or acquires a significant shareholding or economic interest in, or is stapled with, DUET or any material Subsidiary of DUET; and/or e. requires DUET to abandon, or otherwise fail to proceed with, the Schemes, whether by way of takeover offer, scheme of arrangement, trust scheme of arrangement, shareholder approved acquisition, capital reduction, share buy-back or repurchase, sale or purchase of shares, other securities or assets, assignment of assets or liabilities, incorporated or unincorporated joint venture, reverse takeover, dual-listed company structure, deed of company arrangement, recapitalisation, establishment of a new holding company for DUET, any debt for equity arrangement or other synthetic merger or any other transaction or arrangement.
Company Resolutions	the DFL Scheme Resolution, the DIHL Scheme Resolution and the DUECo Scheme Resolution.
Competition Act	the *Competition and Consumer Act 2010* (Cth).
Computershare	Computershare Investor Services Pty Limited ACN 078 279 277.
Conditions Precedent	the conditions precedent set out in clause 3.1 of the Scheme Implementation Agreement.

Terms	Definitions
Consortium Formation Agreement	the agreement between the Guarantors dated 14 January 2017 summarised in section 6.1.2 (Consortium Arrangements).
Consortium Midco	any of Consortium Midco 1, Consortium Midco 2 and Consortium Midco 3 or each of them as the context may require (together, the **Consortium Midcos**).
Consortium Midco 1	CK William Midco 1 Limited, a private limited company incorporated in England.
Consortium Midco 2	CK William Midco 2 Limited, a private limited company incorporated in England.
Consortium Midco 3	CK William Midco 3 Limited, a private limited company incorporated in England.
Corporations Act	the *Corporations Act 2001* (Cth).
Court	means the Supreme Court of New South Wales or such other court of competent jurisdiction as Bidco and DUET may agree in writing.
DBNGP	Dampier Bunbury Natural Gas Pipeline, a natural gas pipeline running from the Burrup Peninsula, near Dampier in the north-west of Western Australia, to Bunbury, near Perth, in the south-west of Western Australia.
Deed Poll	a deed poll to be executed by Bidco, CKP, CKI and PAH in favour of the Schemes Participants, a copy of which is set out in Annexure C (*Deed Poll*).
DFL	DUET Finance Limited ACN 108 014 672.
DFL Scheme	a scheme of arrangement under Part 5.1 of the Corporations Act between DFL and holders of DFL Scheme Shares the terms of which are contained in Annexure B (*Schemes of Arrangement*), together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act, or otherwise desirable or necessary to comply with applicable law.
DFL Scheme Meeting	the meeting of DFL Shareholders to be ordered by the Court to be convened under section 411(1) of the Corporations Act in relation to the DFL Scheme, and includes any adjournment of that meeting.
DFL Scheme Resolution	a resolution for the purposes of section 411(4)(a)(ii) of the Corporations Act to approve the acquisition of all the DFL Shares by Bidco as part of the DFL Scheme.
DFL Scheme Shares	the DFL Shares on issue as at the Scheme Record Date other than DFL Shares which form part of the Excluded Securities.
DFL Share	a fully paid ordinary share issued in the capital of DFL.
DFL Shareholder	a person who is registered in the Register as a holder of one or more DFL Shares.
DFT	DUET Finance Trust (ARSN 109 363 135).
DFT Constitution	the constitution establishing DFT dated 26 June 2003.
DFT Constitution Supplemental Deed	a deed poll under which DFT RE will amend the DFT Constitution, substantially in the form of Annexure D (*DFT Constitution Amendments*).

10 Glossary and interpretation continued

Terms	Definitions
DFT Distribution	a. if the Schemes are implemented on or before 30 June 2017, a distribution of DFT's Estimated Net Income to be paid to all Schemes Participants out of DFT's distributable income for the period commencing on 1 July 2016 (that has not otherwise been distributed) and ending on the Implementation Date, if the Scheme Resolutions are approved by the requisite majorities. If the Schemes are implemented on or before 30 June 2017, the DFT Distribution is expected to be approximately $0.03 per DUET Security (prior to any withholding being made); or b. if the Schemes become Effective on or before 30 June 2017 but are implemented after 30 June 2017[1], a distribution of DFT's Estimated Net Income to be paid to all Schemes Participants out of DFT's distributable income for the period commencing on 1 July 2017 (that has not otherwise been distributed) and ending on the Implementation Date, if the Scheme Resolutions are approved by the requisite majorities. If the Schemes become Effective on or before 30 June 2017 but are implemented after 30 June 2017, the DFT Distribution may be less than $0.03, but the DFT Distribution together with any Permitted DUET Distribution will be at least $0.03 per DUET Security (prior to any withholding being made).
DFT RE	DFL in its capacity as responsible entity of DFT.
DFT Scheme Units	the DFL Units on issue as at the Scheme Record Date other than DFT Units which form part of the Excluded Securities.
DFT Unit	one fully paid ordinary unit in DFT.
DFT Unitholder	a person who is registered in the Register as a holder of one or more DFT Units.
DIHL	DUET Investment Holdings Limited ACN 120 456 573.
DIHL Scheme	a scheme of arrangement under Part 5.1 of the Corporations Act between DIHL and holders of DIHL Scheme Shares the terms of which are contained in Annexure B (*Schemes of Arrangement*), together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act, or otherwise desirable or necessary to comply with applicable law.
DIHL Scheme Meeting	the meeting of DIHL Shareholders to be ordered by the Court to be convened under section 411(1) of the Corporations Act in relation to the DIHL Scheme, and includes any adjournment of that meeting.
DIHL Scheme Resolution	a resolution for the purposes of section 411(4)(a)(ii) of the Corporations Act to approve the acquisition of all the DIHL Shares by Bidco as part of the DIHL Scheme.
DIHL Scheme Shares	the DIHL Shares on issue as at the Scheme Record Date other than DIHL Shares which form part of the Excluded Securities.
DIHL Share	a fully paid ordinary share issued in the capital of DIHL.
DIHL Shareholder	a person who is registered in the Register as a holder of one or more DIHL Shares.
DUECo	DUET Company Limited ACN 163 100 061.
DUECo Scheme	a scheme of arrangement under Part 5.1 of the Corporations Act between DUECo and holders of DUECo Scheme Shares the terms of which are contained in Annexure B (*Schemes of Arrangement)*, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act, or otherwise desirable or necessary to comply with applicable law.
DUECo Scheme Meeting	the meeting of DUECo Shareholders to be ordered by the Court to be convened under section 411(1) of the Corporations Act in relation to the DUECo Scheme, and includes any adjournment of that meeting.
DUECo Scheme Resolution	a resolution for the purposes of section 411(4)(a)(ii) of the Corporations Act to approve the acquisition of all the DUECo Shares by Bidco as part of the DUECo Scheme.
DUECo Scheme Shares	the DUECo Shares on issue as at the Scheme Record Date other than DUECo Shares which form part of the Excluded Securities.
DUECo Share	a fully paid ordinary share issued in the capital of DUECo.

1. *If the Schemes become Effective on or before 30 June 2017 and shortly before 1 July, then it is possible for the Schemes to be implemented after 30 June 2017 (albeit by only a few days). If the Schemes do not become Effective on or before 30 June 2017 then Bidco or DUET may terminate the Scheme Implementation Agreement.*

Terms	Definitions
DUECo Shareholder	a person who is registered in the Register as a holder of one or more DUECo Shares.
DUET	DIHL, DUECo, DFL and DFT, or any one or more of them as the context requires.
DUET Boards	the boards of directors of DFL, DIHL and DUECo (each as constituted from time to time), and includes any authorised committee of directors of those boards.
DUET Director	a director of DUET.
DUET Disclosed Information	a. all information disclosed to ASX by DUET on or prior to the date of the Scheme Implementation Agreement; b. the letter identified as 'Disclosure Letter' provided by DUET to Bidco and the Guarantors, and countersigned by Bidco and the Guarantors, in each case on or prior to the date of the Scheme Implementation Agreement, and any document identified in that letter as having been disclosed to Bidco and the Guarantors; and c. the documents and information (including written responses from DUET and its Representatives to requests for further information made by Bidco, the Guarantors and certain of their respective Representatives) contained in the data room made available by DUET to Bidco, the Guarantors and certain of their respective Representatives at 11.59pm on 12 January 2017, the index of which has been initialled by, or on behalf of, DUET and Bidco for identification.
DUET Group	DUET and each Subsidiary of DUET, and **DUET Group** entity means any of them.
DUET Material Adverse Change	any event, occurrence or matter (whether individually or when aggregated with all such events, occurrences or matters of a like kind) has had or is reasonably likely to have: a. the effect of a diminution in the value of the consolidated net assets (but not including any diminution in intangible assets) of the DUET Group, taken as a whole, by at least $170,000,000 against what it would reasonably be expected to have been but for that event, occurrence or matter; or b. the effect of a diminution in the consolidated earnings before interest, tax, depreciation and amortisation of: i. the DUET Group, taken as a whole, by at least $100,000,000 per financial year in recurring financial years of DUET against what it would reasonably be expected to have been but for that event, occurrence or matter; or ii. EDL Group, taken as a whole as if consolidated accounts had been prepared in respect of the EDL Group, by at least $35,000,000 per financial year in recurring financial years of the EDL Group against what it would reasonably be expected to have been but for that event, occurrence or matter, in each case, other than each event, occurrence or matter: c. required to be undertaken or procured by the EDL Group or the DUET Group (as applicable) pursuant to a Transaction Document; d. fairly disclosed to Bidco, a Guarantor or any of their respective Representatives in the DUET Disclosed Information; e. agreed to in writing by Bidco; or f. which arises from: i. changes in commodity prices, exchange rates or interest rates; ii. general economic, political or business conditions, including material adverse changes or major disruptions to, or fluctuations in, domestic or international financial markets, and acts of terrorism, war (whether or not declared), natural disaster or the like; or iii. changes to accounting standards, laws or policies of a Government Agency in Australia, but excluding any event, occurrence or matter which has a disproportionate effect on the EDL Group or the DUET Group (as applicable), taken as a whole, as compared to other participants in the industries in which the EDL Group or the DUET Group (as applicable) operates.

10 Glossary and interpretation continued

Terms	Definitions
DUET Regulated Event	the occurrence of any of the following:

a. any DUET Group entity converts all or any of its securities into a larger or smaller number of securities or a resolution is passed to do so;

b. any DUET Group entity reduces, or resolves to reduce, its capital in any way or reclassifies, combines, splits, or redeems or repurchases directly or indirectly any of its security or financial products;

c. any DUET Group entity:

   i. enters into a buy-back agreement; or

   ii. resolves to approve the terms of a buy-back agreement under the Corporations Act;

d. any DUET Group entity issues securities, or grants an option over or to subscribe for its securities, issues any other instruments convertible into shares or units, or agrees to make such an issue or grant such an option, other than:

   i. to an entity all the issued shares or units of which are owned by one or more DUET Group entities;

   ii. by DUET pursuant to DUET's distribution and dividend reinvestment plan (including pursuant to any underwriting of such plan) in relation to the dividend and distribution for the six month period ended 31 December 2016, provided that the terms of that plan are not amended on or after the date of the Scheme Implementation Agreement without the prior written consent of Bidco (not to be unreasonably withheld or delayed); or

   iii. where the DUET Group entity is UED, an issuance by UED to its shareholders on a pro-rata basis or any agreement to make such an issuance;

e. any DUET Group entity issues, or agrees to issue, convertible notes or any other security or instrument convertible into shares, other than:

   i. by any DUET Group entity to an entity all the issued shares or units of which are owned by one or more DUET Group entities; or

   ii. where the DUET Group entity is UED, an issuance by UED to its shareholders on a pro rata basis or any agreement to make such an issuance;

f. DUET agrees to pay, declares, pays or makes, or incurs a liability to pay or make, a dividend or any other form of distribution of profits or capital (whether by way of trust distribution, dividend, capital reduction or otherwise and whether in cash or specie), other than the declaration and payment by DUET of the dividend and distribution for the six month period ending 31 December 2016, the Special Distribution or the Permitted DUET Distribution (if any;;

g. any DUET Group entity issues any other form of instrument other than shares or units, or there is an agreement for any DUET Group entity to issue such instruments, other than:

   i. by any DUET Group entity to an entity all the issued shares or units of which are owned by one or more DUET Group entities; or

   ii. where the DUET Group entity is UED, an issuance by UED to its shareholders on a pro rata basis or any agreement to make such an issuance;

h. DIHL, DUECo or DFL adopts a new constitution, makes any material change to, or repeals, their respective constitutions or the DFT Constitution or a provision of it (other than pursuant to the amendments required for the implementation of the Trust Scheme);

Terms	Definitions
DUET Regulated Event *continued*	i. any DUET Group entity creates, or agrees to create, any mortgage charge, lien or other encumbrance over the whole, or a substantial part, of its business or assets other than in the ordinary course of its business; j. any DUET Group entity resolves that it be wound up or an application or order is made for the winding up or dissolution of any DUET Group entity, other than a solvent winding up or where the application or order (as the case may be) is set aside within 14 days; k. a liquidator or provisional liquidator of any DUET Group entity is appointed; l. a court makes an order for the winding up of any DUET Group entity; m. an administrator of any DUET Group entity is appointed under the Corporations Act; n. DUET or any of its material Subsidiaries ceases, or threatens to cease, to carry on business; o. any DUET Group entity executes a deed of company arrangement; p. a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of DUET or any of its Subsidiaries; q. DUET or any material Subsidiary of DUET is deregistered as a company or registered managed investment scheme, or is otherwise dissolved; r. any DUET Group entity: i. acquires or leases; ii. agrees to acquire or lease; or iii. offers, proposes or announces a bid or tenders for, any entity, business or assets: iv. that are, or in the case of an entity or business, that involve assets that are, located in the United States of America, Canada or any member state of the European Union; or v. any entity, business or assets (other than a lease or licence in the ordinary and usual course of business, or to or from DUET or an entity all the issued shares or units of which are owned by one or more DUET Group entities), where the value of such entity, business or assets, or the amount involved in the relevant transaction, exceeds $20,000,000 (either individually or, in the case of related businesses or classes of assets or a series of related transactions, collectively); s. any DUET Group entity: i. disposes of, or agrees to dispose of, any entity, business or assets (other than, subject to sub-paragraph (ii), to or from DUET or an entity all the issued shares or units of which are owned by one or more DUET Group entities), where the value of such entity, business or assets, or the amount involved in the relevant transaction, exceeds $20,000,000 (either individually or, in the case of related businesses or classes of assets or a series of related transactions, collectively); or ii. disposes of, or agrees to dispose of, any securities or other instruments they hold in any DUET Group entity in favour of another DUET Group entity; t. any DUET Group entity enters into any transaction or agreement that continues beyond the Implementation Date on terms that are not arm's length commercial terms; u. the following occurs: i. any DUET Group entity enters into any new commitments for capital expenditure the value of which exceeds $50,000,000 (when aggregated with new commitments for capital expenditure entered into by all DUET Group entities); or ii. any DUET Group Member that is an Asset Level Entity described in paragraphs (a) to (d) of the definition of Asset Level Entity or a Subsidiary of such an Asset Level Entity enters into any new commitment for capital expenditure (but excluding any capital expenditure that has been pre-funded by customers) the value of which (when aggregated with new commitments for capital expenditure entered into by the relevant Asset Level Entity or any of its Subsidiaries) exceeds $10,000,000;

10 Glossary and interpretation continued

Terms	Definitions

DUET Regulated Event *continued*

v. any DUET Group entity materially varies or terminates any contract that generates, or is expected to generate, annual revenue or gross annual expenditure for the DUET Group in excess of:
   i. $15,000,000 individually;
   ii. where the DUET Group entity is an Asset Level Entity described in paragraphs (a) to (d) of the definition of Asset Level Entity or a Subsidiary of such an Asset Level Entity, $15,000,000 when aggregated with all other contracts entered into by the relevant Asset Level Entity or any of its Subsidiaries and to which this clause applies; or
   iii. $30,000,000 when aggregated with all other contracts to which this clause applies;

w. any DUET Group entity enters into any contract that generates, or is expected to generate, annual revenue or gross annual expenditure for the DUET Group in excess of:
   i. $15,000,000 individually;
   ii. where the DUET Group entity is an Asset Level Entity described in paragraphs (a) to (d) of the definition of Asset Level Entity or a Subsidiary of such an Asset Level Entity, $15,000,000 when aggregated with all other contracts entered into by the relevant Asset Level Entity or any of its Subsidiaries and to which this clause applies; or
   iii. $30,000,000 when aggregated with all other contracts to which this clause applies;

x. any DUET Group entity takes any action that is intended to result in the termination, surrender, suspension or variation in a material respect of an Authorisation;

y. any DUET Group entity commences, settles or agrees to settle any dispute with SGSP (Australia) Assets Pty Ltd (ACN 126 327 624) relating to the terms of the UEDH Shareholders' Agreement;

z. a Claim is brought against DUET or any DUET Group entity (other than a frivolous or vexatious Claim), which will or is likely to have an adverse effect on DUET in excess of $30,000,000 or if DUET becomes the subject of regulatory investigation or prosecution that will or is likely to have an adverse effect on DUET in excess of $30,000,000 (either individually or in the case of related Claims or a series of related Claims, collectively);

aa. any of the following occurs:
   i. DFL retires or is removed or replaced, or a resolution is passed in accordance with section 601FM of the Corporations Act for the removal or replacement of DFL, as trustee or responsible entity of DFT;
   ii. an order is made by any court for the appointment of a temporary responsible entity of DFT in accordance with the Corporations Act;
   iii. DUET effects or facilitates a termination of DFT; or
   iv. DUET effects or facilitates the resettlement of the Trust Property;

bb. any member of the DUET Group makes or agrees to make, any loan or advance, or enters into any financing arrangement, agreement or instrument with a person other than a DUET Group member, or amends in any material manner the terms of any existing financing arrangement, agreement or instrument with a person other than:
   i. to a member of the DUET Group;
   ii. with respect to any facility that is between an Asset Level Entity and any other person, to increase the total facility limit under an existing debt facility by an amount which (when aggregated with all other increases by other Asset Level Entities that have occurred on or after the date of the Scheme Implementation Agreement) is not more than $100 million; or
   iii. the entry into new facilities or amendment of existing facilities to refinance any facility that is maturing in 2017, provided that the facility is at market rates and does not increase the facility limit from that in the facility to be refinanced and that there is no material change in the covenants from those in the facility to be refinanced;

Terms	Definitions
DUET Regulated Event *continued*	cc. in respect of any financing arrangement, agreement or instrument a member of the DUET Group has with a person other than a DUET Group member, a DUET Group entity: i. breaches any covenant that is not waived or is not remedied in accordance with the relevant cure rights, under the arrangement, agreement or instrument; ii. allows an event of default, or potential event of default, to occur that is not remedied in accordance with the relevant cure rights under the arrangement, agreement or instrument; iii. allows an obligation to pay an amount to be accelerated other than to prevent an event referred to in paragraphs (i) or (ii) above from occurring; iv. takes any action (including incurring any new indebtedness or drawing down moneys) which leads to the credit rating of any DUET Group entity being downgraded or placed on negative watch; or v. other than pursuant to (bb)(iii) or in the ordinary course and consistent with past practice (including to pay down revolving facilities), permanently prepays amounts owing under the relevant arrangement, agreement or instrument and then cancels the facility limit; dd. none of DFL (both personally and in its capacity as responsible entity of DFT), DIHL or DUECo materially amends any loan arrangement with any other DUET Group entity that is not a Subsidiary (provided that they may agree to increase the amount of existing loan arrangements), or enters into any new material loan arrangements with another DUET Group entity that is not a Subsidiary, or materially reduces the balance of existing loan arrangements with another DUET Group entity that is not a Subsidiary (provided that they may reduce the balance of existing loan arrangements in connection with the Special Distribution, the dividend and distribution for the six month period ending 31 December 2016, the distribution and dividend reinvestment plan in relation to the dividend and distribution for the six month period ending 31 December 2016) and the Permitted DUET Distribution (if any); ee. any DUET Group entity enters into an agreement, arrangement or transaction with respect to derivative instruments (including swaps, futures contracts, forward commitments, commodity derivatives or options) or similar instruments, except hedges made in the ordinary course of business; ff. any DUET Group entity makes any material change to its accounting policy, other than to the extent required by law or applicable accounting standards; gg. DFL RE approves or takes any action or makes any investment that could reasonably result in DFT commencing to carry on a trading business within the meaning of Division 6C of the Tax Act or controlling or having the ability to control, directly or indirectly the affairs or operations of another person in respect of the carrying on by that person of a trading business within the meaning of that Division); or hh. DUET Securities are delisted or are subject to suspension from quotation for 5 or more Trading Days, other than due to, or as a result of, an action taken by Bidco or a Related Body Corporate of Bidco, but does not include any matter: ii. required to be undertaken or procured by the DUET Group pursuant to a Transaction Document; jj. fairly disclosed to Bidco, a Guarantor or any of their respective Representatives in the DUET Disclosed Information prior to the date of the Scheme Implementation Agreement and the event, when it occurs, is materially the same as had been disclosed; or kk. agreed to in writing by Bidco (in its sole and absolute discretion).
DUET Reimbursement Fee	a costs reimbursement of $72.991 million, payable by DUET to Bidco in certain circumstances in accordance with the Scheme Implementation Agreement.
DUET Scheme Security	a DFL Scheme Share, DIHL Scheme Share, DUECo Scheme Share and DFT Scheme Unit.
DUET Security	a stapled security in DUET, which comprises one DFL Share, one DIHL Share, one DUECo Share and one DFT Unit.
DUET Securityholder	a person who is registered in the Register as the holder of one or more DUET Securities.
EBITDA	earnings before interest, tax, depreciation and amortisation.
EDL	Energy Developments Pty Limited ACN 053 410 263.

10 Glossary and interpretation continued

Terms	Definitions
EDL Group	EDL and each of its Subsidiaries.
Effective	when used in relation to the Schemes, all of the following events having taken place: a. the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act in relation to each Company Scheme; and b. the DFT Constitution Supplemental Deed taking effect pursuant to section 601GC(2) of the Corporations Act.
Effective Date	the date on which all of the Schemes have become Effective.
End Date	30 June 2017, or such later date as Bidco and DUET may agree in writing.
Estimated Net Income	DFT RE's estimate of DFT's Net Income for the period from: a. if the Implementation Date occurs prior to 30 June 2017, all Net Income that has not otherwise been distributed to DUET Securityholders for the period from 1 July 2016 to the Implementation Date (and assuming that that period was a financial year); and b. if the Implementation Date occurs after 30 June 2017, all Net Income that has not otherwise been distributed to DUET Securityholders for the period from 1 July 2017 to the Implementation Date (and assuming that that period was a financial year).
Excluded Security	means a DUET Security held by any person on behalf of, or for the benefit of, Bidco, a Guarantor or any of their respective Related Bodies Corporate.
Exclusivity Period	the period commencing on the date of the Scheme Implementation Agreement and ending on the earlier of: a. the termination of the Scheme Implementation Agreement in accordance with its terms; b. the Implementation Date; and c. the End Date.
FATA	*Foreign Acquisitions and Takeovers Act 1975* (Cth).
FIRB	the Foreign Investment Review Board.
First Court Orders	orders pursuant to section 411(1) of the Corporations Act convening the DFL Scheme Meeting, DIHL Scheme Meeting and DUECo Scheme Meeting.
First Judicial Advice	advice from the Court under section 63 of the *Trustee Act 1925* (NSW) that: a. DFT RE would be justified in convening a meeting of DFT Unitholders to consider and, if thought fit, approve the Trust Scheme Resolutions; and b. subject to DFT Unitholders passing the Trust Scheme Resolutions, DFT RE would be justified in proceeding on the basis that amending the DFT Constitution as set out in the DFT Constitution Supplemental Deed would be within the powers of alteration conferred by the DFT Constitution and section 601GC of the Corporations Act.
Government Agency	any foreign or Australian government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity and includes any minister (including the Commonwealth Treasurer), ASIC, the ACCC, the ATO, ASX, CFIUS, HKEx and any regulatory organisation established under statute or any stock exchange.
Gresham	Gresham Advisory Partners Limited ACN 093 611 413
GST	goods and services tax or similar value added tax levied or imposed under the GST Law.
GST Law	has the meaning given to it in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Terms	Definitions
Guarantor	each of CKP, CKI and PAH and collectively the **Guarantors**.
Guarantor Shareholders' Approval	means: a. with respect to CKP, all resolutions that are required to be approved by the shareholders of CKP under the laws of its place of incorporation and under the Rules Governing the Listing of Securities on the HKEx in relation to the Consortium Arrangements; b. with respect to CKI, all resolutions that are required to be approved by the shareholders of CKI under the laws of its place of incorporation and under the Rules Governing the Listing of Securities on the HKEx in relation to the Consortium Arrangements; and c. with respect to PAH, all resolutions that are required to be approved by the shareholders of PAH under the laws of its place of incorporation and under the Rules Governing the Listing of Securities on the HKEx in relation to the Consortium Arrangements.
HKEx	The Stock Exchange of Hong Kong Limited and any market operated by it.
HKEx Listing Rules	means the Rules Governing the Listing of Securities on the HKEx
Implementation Date	Monday, 15 May 2017, or such other date as DUET and Bidco may agree in writing.
Independent Expert	KPMG Financial Advisory Services (Australia) Pty Ltd ACN 007 363 215.
Independent Expert's Report	the report from the Independent Expert commissioned by DUET for inclusion in this Scheme Booklet, a copy of which is set out in Annexure A (*Independent Expert's Report*).
Key Dates	the section entitled Key Dates on page 6 of this Scheme Booklet.
Macquarie	Macquarie Capital (Australia) Limited (ACN 123 199 548).
Multinet Gas	Multinet Group Holdings Pty Limited ACN 104 036 937, a gas distribution company transporting gas from the high pressure transmission network to residential, commercial and industrial gas users in the eastern and south-eastern suburbs of Melbourne, Victoria.
Net Income	the 'net income' of DFT under section 95(1) of the *Income Tax Assessment Act 1936* (Cth) for the relevant period.
Notice of DFL Scheme Meeting	the notice convening the DFL Scheme Meeting, together with the proxy form for the DFL Scheme Meeting, a copy of which is set out in Annexure E (*Notices of Scheme Meetings*).
Notice of DIHL Scheme Meeting	the notice convening the DIHL Scheme Meeting, together with the proxy form for the DIHL Scheme Meeting, a copy of which is set out in Annexure E (*Notices of Scheme Meetings*).
Notice of DUECo Scheme Meeting	the notice convening the DUECo Scheme Meeting, together with the proxy form for the DUECo Scheme Meeting, a copy of which is set out in Annexure E (*Notices of Scheme Meetings*).
Notices of Meeting	the Notice of DFL Scheme Meeting, Notice of DIHL Scheme Meeting, Notice of DUECo Scheme Meeting and Notice of Trust Scheme Meeting.
Notice of Trust Scheme Meeting	the notice convening the Trust Scheme Meeting, together with the proxy form for the Trust Scheme Meeting, a copy of which is set out in Annexure E (*Notices of Scheme Meetings*).
Officer	in relation to an entity, any of its directors and other officers.
PAH	Power Assets Holdings Limited of 19/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong (incorporated in Hong Kong).

10 Glossary and interpretation continued

Terms	Definitions
Permitted DUET Distributions	a distribution to be determined by DFT RE under clause 6.3 of the Scheme Implementation Agreement if the Schemes become Effective on or before 30 June 2017 and the Implementation Date is after 30 June 2017, equal to DFT's Net Income for the period from 1 July 2016 to 30 June 2017 to the extent that the Net Income has not been distributed for the 6 months ending 31 December 2016. This distribution will only be payable to holders of DUET Securities on the Register at 7.00pm on 30 June 2017. If the Permitted DUET Distribution (if any) plus the Special Distribution exceeds $0.03 per DUET Security then the Scheme Consideration per DUET Scheme Security will be reduced by the excess amount.
PPA	a power purchase agreement.
Proxy Form	the form accompanying this Scheme Booklet which provides for DUET Securityholders to give voting instructions and appoint proxies for the Scheme Meetings.
Register	the register of holders of DUET Securities kept by DUET pursuant to the Corporations Act.
Registry	Computershare as DUET's share registry.
Regulatory Approvals	any approval, consent, clearance, notice of no objection, waiver, confirmation, exemption, declaration, modification, relief, notice of intention not to object or intervene, authorisation or anything similar set out in clauses 3.1(a), (b) and (c) of the Scheme Implementation Agreement.
Related Body Corporate	has the meaning given in the Corporations Act, except that references to 'subsidiary' have the meaning given to 'Subsidiary' in this Scheme Booklet.
Relevant Foreign Resident Declaration Form	the form to be sent with this Scheme Booklet to each DUET Securityholder which Bidco has determined is a 'relevant foreign resident'.
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.
Representative	in relation to a person: a. a Related Body Corporate of the person; b. an Officer of the person or any of the person's Related Bodies Corporate; or c. an Adviser to the person or any of the person's Related Bodies Corporate.
Scheme Booklet	this scheme booklet including each Annexure.
Scheme Consideration	in respect of each DUET Scheme Security, up to $3.00 payable by Bidco in cash and reduced by the amount (if any) by which the Special Distribution exceeds $0.03 per DUET Security (prior to any withholding being made).
Scheme Implementation Agreement	the scheme implementation agreement between DUET, Bidco, CKP, CKI and PAH dated 14 January 2017, a full copy of which was released on ASX on 16 January 2017.
Scheme Meetings	the DFL Scheme Meeting, DIHL Scheme Meeting, DUECo Scheme Meeting and Trust Scheme Meeting.
Scheme Record Date	7.00pm on Friday, 5 May 2017 or such other date as may be agreed in writing between Bidco and DUET.
Scheme Resolutions	the resolutions to be considered and (if thought fit) approved by the DUET Securityholders at the Scheme Meetings, being DFL Scheme Resolution, the DIHL Scheme Resolution, the DUECo Scheme Resolution and the Trust Scheme Resolutions.
Schemes	the Company Schemes and the Trust Scheme.
Schemes Participant	a person registered in the Register as the holder of one or more DUET Scheme Securities.
Second Court Date	the first day of hearing of an application made to the Court by DUET for the Second Court Orders and the Second Judicial Advice or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Terms	Definitions
Second Court Orders	orders pursuant to section 411(4)(b) of the Corporations Act, approving each Company Scheme.
Second Judicial Advice	advice from the Court under section 63 of the *Trustee Act 1925* (NSW) that, DFT Unitholders having approved the Trust Scheme Resolutions by the requisite majorities, DFT RE would be justified in implementing the Trust Scheme Resolutions, giving effect to the provisions of the DFT Constitution (as amended by the DFT Constitution Supplemental Deed) and in doing all things and taking all necessary steps to put the Trust Scheme into effect.
Special Distribution	the DFT Distribution plus any unfranked dividend determined to be paid by DIHL and/or DUECo on the Effective Date if the DFT Distribution (plus any Permitted DUET Distribution determined if Schemes become Effective on or before 30 June 2017 and the Implementation Date is after 30 June 2017) is less than \$0.03 per DUET Security (prior to any withholding being made).
Special Distribution Record Date	7.00pm on Friday, 5 May 2017, or such other date as may be agreed in writing between Bidco and DUET.
Subsidiary	has the meaning given in the Corporations Act, provided that an entity will also be taken to be a Subsidiary of another entity if it is controlled by that entity (as 'control' is defined in section 50AA of the Corporations Act) and, without limitation: a. a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share; and b. an entity may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a corporation.
Superior Proposal	a bona fide Competing Proposal received by DUET (and not received as a result of a material breach by DUET of its obligations under the exclusivity provisions at clause 12 of the Scheme Implementation Agreement) that the DUET Boards determine, acting in good faith and in order to satisfy what the DUET Boards consider to be their fiduciary or statutory duties (and after having obtained advice from DUET's external legal and, if appropriate, financial advisers): a. is reasonably capable of being valued and completed, taking into account all aspects of the Competing Proposal, including any timing considerations, any conditions precedent or other matters affecting the probability of the Competing Proposal being completed, and the identity of the proponent; and b. would, if completed substantially in accordance with its terms, be more favourable to the DUET Securityholders than the Transactions, taking into account all the terms and conditions of the Competing Proposal. For the avoidance of doubt, a breach by DUET of the exclusivity provisions at clause 12 of the Scheme Implementation Agreement is not material merely by virtue of the fact that a Competing Proposal is received by DUET as a result of the breach.
Third Party	any of the following: a. a person other than any Bidco Group entity; or b. a consortium, partnership, limited partnership, syndicate or other group in which no Bidco Group entity has agreed in writing to be a participant.
Trading Day	has the meaning given in the ASX Listing Rules.
Transactions	the acquisition by Bidco of all of the DUET Scheme Securities under the Schemes.
Trust Scheme	the arrangement under which Bidco acquires all of the DFT Scheme Units from their holders, facilitated by amendments to the DFT Constitution as set out in the DFT Constitution Supplemental Deed.
Trust Scheme Meeting	the meeting of DFT Unitholders that is convened by the Notice of Trust Scheme Meeting to consider the Trust Scheme Resolutions, and includes any adjournment of that meeting.

10 Glossary and interpretation continued

Terms	Definitions
Trust Scheme Resolutions	the DFT Unitholders' resolutions to approve the Trust Scheme, being: a. a resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to the DFT Constitution as set out in the DFT Constitution Supplemental Deed; and b. a resolution for the purposes of item 7 of section 611 of the Corporations Act to approve the acquisition of all the DFT Units by Bidco as part of the Trust Scheme.
UED	United Energy Distribution Holdings Pty Limited ACN 104 381 660, an electricity distribution network transporting electricity from the high voltage transmission network to residential, commercial and industrial electricity users in parts of south-east Melbourne and the Mornington Peninsula in Victoria.
VWAP	volume weighted average price.
Voting Record Date	7.00pm on Wednesday, 19 April 2017, the date and time when the holdings of DUET Securityholders are ascertained for the purposes of attendance and voting at the Meetings.

Interpretation

In this Scheme Booklet, headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

a. Mentioning anything after includes, including, for example, or similar expressions, does not limit what else might be included.

b. The singular includes the plural, and the converse also applies.

    i. A gender includes all genders.

    ii. If a word or phrase is defined, its other grammatical forms have a corresponding meaning.

    iii. A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity and includes a person's successors, substitutes and assigns (and, where applicable, the person's legal personal representatives).

    iv. A reference to an agreement or document is to the agreement or document as amended, supplemented, novated or replaced, and includes the recitals, schedules and annexures to that agreement or document.

    v. A reference to a clause, schedule or annexure is a reference to a clause of, or schedule or annexure to, the relevant document.

    vi. A reference to a party to an agreement or document

    vii. A reference to legislation or to a provision of legislation includes a modification or re enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.

    viii. A reference to conduct includes an omission, statement or undertaking, whether or not in writing.

    ix. A reference to an *agreement* includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a *document* includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.

    x. Unless stated otherwise, all references to dollars, $, cents or ¢ are to Australian currency.

    xi. A reference to time is to Australian Eastern Daylight Time, being the time in Sydney, Australia.

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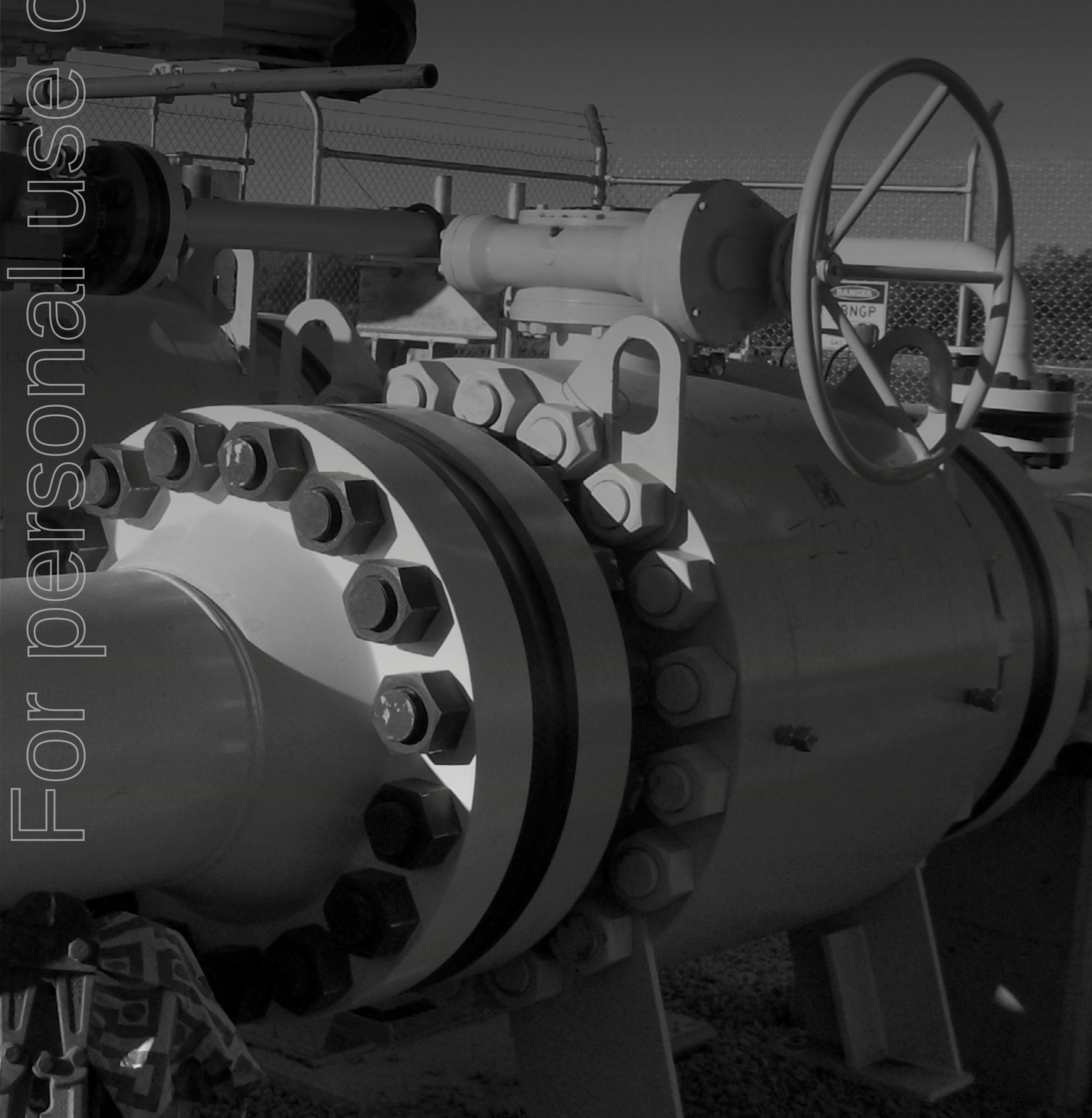
ANNEXURE A – INDEPENDENT EXPERT'S REPORT



A Annexure A – Independent Expert's Report continued

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The Directors
DUET Company Limited, DUET Finance Limited
and DUET Investment Holdings Limited
Level 14
20 Martin Place
Sydney NSW 2000

7 March 2017

Dear Directors

Independent Expert's Report and Financial Services Guide

PART ONE – INDEPENDENT EXPERT'S REPORT

1 Introduction

On 16 January 2017, DUET Group (DUET) announced that it had entered into a binding Scheme Implementation Agreement dated 14 January 2017 (SIA) with CK William Australia BidCo Pty Limited (BidCo) and a consortium comprising Cheung Kong Infrastructure Holdings Limited (CKI), Cheung Kong Property Holdings Limited (CKP) and Power Asset Holdings Limited (PAH) (the Consortium) to acquire 100% of DUET's outstanding stapled securities (DUET Securities or Securities) (the Proposed Acquisition) by way of three schemes of arrangement and a trust scheme (the Schemes).

DUET comprises the stapled entities of a registered managed investment scheme, DUET Finance Trust (DFT) and three Australian public companies, DUET Finance Limited (DFL), DUET Company Limited (DUECo) and DUET Investment Holdings Limited (DIHL). DUECo and DIHL comprise the corporate arm of DUET. DFL is the responsible entity of DFT and together these entities comprise the funding arm of DUET.

Under the terms of the Proposed Acquisition, for each Security held on the Record Date[1], DUET stapled securityholders (DUET Securityholders or Securityholders) will receive total cash proceeds of $3.03 comprising:

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[1] Record Date refers to 7.00pm (Sydney time) on the fifth business day after the date on which the Schemes become effective (Effective Date), or such other date as agreed between the parties, being the date and time which determines the entitlement of DUET Securityholders to the Scheme Consideration for implementation of the Schemes.

- the Proposed Acquisition consideration of up to $3.00 per Security (Scheme Consideration), plus
- a Special Distribution (unfranked) from DUET of at least 3 cents per Security.

DUET is an internally managed owner and operator of energy utility businesses in Australia and electricity generation businesses in Australia, the United States, the United Kingdom and Greece. The group comprises 100% interests in each of:

- the entities that own the Dampier to Bunbury Natural Gas Pipeline (DBNGP) (collectively, DBP)
- DBP Development Group (DDG)
- Multinet Group Holdings Pty Limited (Multinet Gas), and
- Energy Developments Pty Limited (EDL).

In addition, DUET holds a 66% interest in United Energy Distribution Holdings Pty Limited (United Energy).

DUET is listed on the Australian Securities Exchange (ASX) (ASX:DUE). As at 2 December 2016, the day immediately prior to media speculation of a potential offer from the Consortium, DUET had a market capitalisation of $5.7 billion.[2]

CKI, incorporated in Bermuda, is a global infrastructure company with diversified investments in energy infrastructure, transportation infrastructure, water infrastructure, waste management, waste-to-energy and infrastructure related businesses. CKI is listed on the Hong Kong Stock Exchange and had a market capitalisation of HK$169.5 billion as at 28 February 2017. It is owned 71.93% by CK Hutchison Holdings Limited (CK Hutchison), a Cayman Islands registered company listed on the Hong Kong Stock Exchange.

CKP, incorporated in the Cayman Islands, has diverse capabilities with principal activities encompassing property development and investment, hotel and serviced suite operation and property and project management. It is seeking quality global investments to enhance its revenue streams and supplement the cyclical impact on cash flow associated with property development. It is listed on the Hong Kong Stock Exchange and had a market capitalisation of HK$200.7 billion as at 28 February 2017. It is owned 38.9% by CK Hutchison.

PAH, incorporated in Hong Kong, operates globally as an investment holding company in power and utility related businesses. Investment areas include electricity generation, transmission and distribution, renewable energy, gas distribution and waste-to-energy. It is listed on the Hong Kong Stock Exchange and had a market capitalisation of HK$148.7 billion as at 28 February 2017. PAH is owned 38.87% by CKI.

CKI, CKP and PAH are all constituent stocks in the Hang Seng Index.

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[2] Based on a closing price of $2.35 on 2 December 2016 and 2,433,045,531 stapled securities outstanding.

A Annexure A – Independent Expert's Report continued

DUET Company Limited, DUET Finance Limited and
DUET Investment Holdings Limited
Independent Expert's Report and Financial Services Guide
7 March 2017

Together, CKI and PAH hold investments in a number of energy utilities in Australia, including:

- SA Power Networks (CKI, 23.07%, PAH, 27.93%), an electricity distributor in South Australia
- Powercor Australia Limited (Powercor) (CKI, 23.07%, PAH, 27.93%), an electricity distribution company in Victoria
- CitiPower I Pty Ltd (CitiPower) (CKI, 23.07%, PAH, 27.93%), an electricity distribution company in Victoria
- Transmission Operations (Australia) Pty Ltd (CKI, 50%, PAH, 50%), which operates a transmission link that transports renewable energy from Victorian based wind farms to Victoria's power grid, and
- Australian Gas Networks Limited (formerly Envestra Limited) (CKI, 45%, PAH, 27.5%), which owns gas distribution networks primarily in South Australia, Victoria and Queensland.

The Directors of DUET have engaged KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) to prepare an Independent Expert's Report (IER) for the Securityholders of DUET in relation to the Proposed Acquisition.

This report sets out the opinion of KPMG Corporate Finance as to the merits or otherwise of the Schemes.

Further information regarding KPMG Corporate Finance, as it pertains to the preparation of this report, is set out in Appendix 1.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

2 Scope of Report

The Proposed Acquisition will proceed by way of three inter-conditional schemes of arrangement and a trust scheme. Whilst an IER is not required to meet statutory obligations, the Directors of DUET have engaged KPMG Corporate Finance to prepare an IER advising whether, in our opinion, the Schemes are fair and reasonable (separate tests) to Securityholders[3] and in the best interests of Securityholders.[4]

In undertaking our work we have had regard to the guidance provided by the Australian Securities and Investments Commission (ASIC) in its Regulatory Guides and in particular Regulatory Guide 111 'Content of expert reports'(RG 111), which outlines the principles and

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[3] Type of opinion set out in both item 7 of Section 611 of the Corporations Act 2001 (Cth) (the Act) and Guidance Note 15 (issued by the Takeovers Panel in relation to Trust Schemes).

[4] Type of opinion set out in Section 411 of the Act.

matters which it expects a person preparing an IER to consider when providing an opinion. According to RG 111, the offer is fair if it is equal to or greater than the control value of a DUET Security. RG 111 also indicates that the offer will be reasonable if it is fair but may still be reasonable if not fair where the expert believes there are sufficient reasons for Securityholders to accept the offer in the absence of any higher bid.

RG 111 also states that the analysis required to determine if the Schemes are in the best interests of Securityholders is the same as that required to determine if the Schemes are fair and reasonable for Securityholders.

Further details of the relevant technical requirements and the basis of assessment in forming our opinion are set out in Section 5 of this report.

A Annexure A – Independent Expert's Report continued

3 Summary of opinion

In our opinion, the Schemes are:

- **fair and reasonable to DUET Securityholders, and**
- **in the best interests of DUET Securityholders**

in the absence of a superior proposal.

In arriving at this opinion, we have assessed whether the Schemes are:

- fair, by comparing the total cash proceeds to our assessed value of a DUET Security on a controlling interest basis. This approach is in accordance with the guidance set out in RG 111, and
- reasonable, by assessing the implications of the Schemes for DUET Securityholders, the alternatives to the Schemes which are available to DUET Securityholders and the consequences for DUET Securityholders of not approving the Schemes.

Our assessment has concluded that the Schemes are fair and reasonable. As such, we have in accordance with RG 111, concluded that the Schemes are in the best interests of DUET Securityholders.

In considering the merits of the Proposed Acquisition we note that the infrastructure industry, driven by stable revenues and reliable returns in a low interest rate environment, has seen a wave of investment, as large industry participants and pension funds have targeted quality assets. These transactions are discussed in Section 8 of this report.

In the context of assessing the fair value of DUET, we have recognised its attractiveness as a target, given its portfolio of stable businesses which deliver diverse recurring revenue streams. In addition we have recognised the opportunities within the portfolio which provide a pathway for future growth.

Assessment of fairness

In forming our view as to the value of DUET, we have considered a series of factors including DUET's earnings profile, market position and growth prospects. As required by RG 111 we have valued DUET on a controlling interest basis.

We have assessed the value of a DUET Security to be in the range $2.32 to $2.77.

Our range of assessed values for DUET has been undertaken on a sum-of-the-parts basis and incorporates head office cost savings that would generally be available to a pool of purchasers. It does not include other operational or financial benefits to the Consortium associated with control of DUET. With respect to the Proposed Acquisition, it is reasonable to expect there to be a premium as the Consortium has indicated that it could likely achieve operational efficiencies as its members hold interests in operations which are similar to, and in some cases adjacent to, DUET's operations.

Having regard to the premium of the total cash proceeds of $3.03 per DUET Security to our assessed value range for a DUET Security, we consider the Schemes to be fair.

Our analysis of the fairness of the Schemes is detailed further in Section 3.1 below.

Assessment of reasonableness

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Schemes to be fair, this means that the Schemes are reasonable. However, we have also considered a range of other factors that are relevant to assessing the reasonableness of the Schemes which, on balance, support a reasonableness conclusion.

These include:

- the total cash proceeds represent a substantial premium to the trading price of DUET Securities prior to media speculation of a potential offer from the Consortium. Therefore, the Schemes represent the best opportunity for Securityholders to realise a control value for their Securities in the absence of a superior proposal
- the Scheme Consideration is in cash and allows the DUET Securityholders to immediately realise the value from their investment. It provides certainty as to the pre-tax amount they will receive
- the Consortium is likely to be able to achieve synergies that are not available to a typical acquirer. Securityholders are receiving a value benefit as the Scheme Consideration exceeds our assessed value range
- no superior alternative proposal has emerged since the announcement of the Schemes. Accordingly, the Schemes represents a clear opportunity for DUET Securityholders to monetise their investment at a significant premium to the trading prices of DUET Securities prior to media speculation of a potential offer, and
- in the absence of the Schemes or a superior alternative proposal, the DUET security price is likely to fall to levels that do not include a control premium.

DUET Securityholders should also consider the general tax implications associated with the Schemes, the number of conditions which if not satisfied will result in the Schemes not being implemented and the transaction costs that will be incurred irrespective of whether the Schemes are implemented.

Our analysis of the reasonableness of the Schemes is detailed further in Section 3.2 below.

The decision of whether or not to approve the Schemes is a matter for individual Securityholders based on their views as to value, expectations about future market conditions and their particular circumstances including their investment strategy and portfolio, risk profile and tax position. If in doubt, DUET Securityholders should consult their own professional adviser regarding the action they should take in relation to the Schemes.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2 of the attached report. We note that we have not undertaken to update our report for

A Annexure A – Independent Expert's Report continued

events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information as set out in Section 5.3 of our report.

3.1 The Schemes are fair

We have assessed the value of DUET (inclusive of a control premium) to be in the range of $5,726 million to $6,835 million, which corresponds to a value of $2.32 to $2.77 per Security. As the total cash proceeds of $3.03 per DUET Security exceeds our assessed value range for a DUET Security, we consider the Schemes to be fair.

Our valuation is set out in Section 8 of this report and is summarised below.

Table 1: DUET valuation summary

$ millions (unless otherwise stated)	Section reference	Value range Low	Value range High
100% interest in DBP	8.4	1,257.0	1,557.0
100% interest in DDG	8.5	599.0	699.0
100% interest in Multinet Gas	8.6	541.8	741.8
66% interest in United Energy	8.7	862.5	1,171.9
100% interest in EDL	8.8	2,131.8	2,331.8
Equity value of DUET's interest in operating companies		**5,392.1**	**6,501.5**
Capitalised corporate overheads	8.9	-	-
Net cash at corporate level	8.10	162.5	162.5
Corporate other assets/(liabilities) (net)	8.11	-	-
Accumulated cash flow for distribution to mid-May 2017		171.4	171.4
Value of 100% of equity of DUET		**5,726.0**	**6,835.4**
Diluted number of DUET Securities outstanding (million)[1]		2,470.8	2,470.8
Value per DUET Security		**$2.32**	**$2.77**

Source: KPMG Corporate Finance analysis.
Notes:
1: Includes 37,724,330 new DUET Securities issued under the DRP Plan.
2: Table may not add due to rounding.

Our valuation reflects 100% ownership of DUET and, therefore, incorporates a control premium. As a result, we would expect the valuation to be in excess of the price at which DUET Securities would trade on the ASX in the absence of a takeover offer. In assessing an appropriate premium for control in accordance with RG 111, we have only considered those synergies and benefits that would be available to more than a very limited number of potential acquirers of DUET. In this case, direct synergies available to a number of strategic and financial acquirers of DUET likely include all (or most) head office corporate costs as each of DUET's operating companies has its own management team. Therefore, the valuation assumes that all head office corporate expenses are eliminated (see Section 8.9).

We have assessed the value of DUET using a sum-of-the-parts methodology, by aggregating:

- the estimated market value of DUET's interest in the equity of each of the operating companies. These valuations take into account the benefit of the tax shield arising from tax losses, net borrowings and non-operating assets/(liabilities) at an operating company level
- the capitalised value of head office corporate expenses
- corporate net cash/(borrowings), after taking into account the payment of the FY17 interim distribution (net of the impact of the DRP Plan)
- non-operating assets/(liabilities) at a corporate level, and
- the pro rata share of cash available for distribution over the four and one half months prior to implementation of the transaction (anticipated to be in mid-May 2017).

The values attributed to DUET's operating companies are based on a DCF methodology and have been cross-checked utilising a Capitalisation of Earnings methodology. We have also had regard to various rules of thumb commonly used in the energy infrastructure sector. The valuation of each of DUET's operating companies is set out in Sections 8.4 to 8.8 of this report.

The key factors considered in our assessment of the value of DUET are:

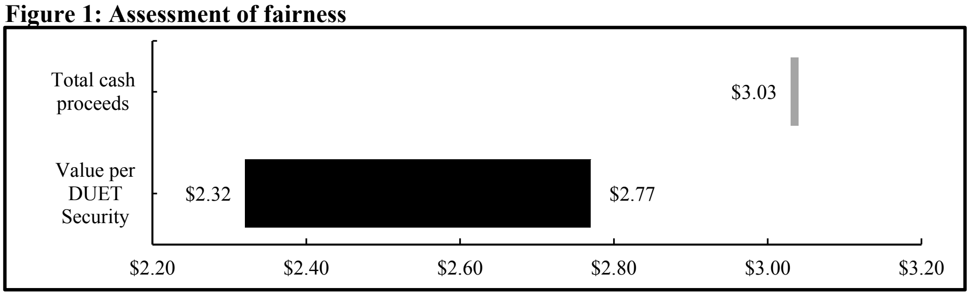
- ***earnings profile and growth prospects****:* the underlying characteristics of the operating companies provide a strong level of recurring revenue given the regulated returns and level of contracted revenue. This makes DUET's operations stable, predictable and reasonably transparent, however, there are challenges which may impact future earnings including the risks associated with regulatory tariff resets. The growth prospects for a majority of the companies are also modest (with DDG and EDL having the greatest opportunities)
- ***size and market position****:* DBP, Multinet Gas and United Energy hold natural monopolies in their operating regions. EDL is more geographically diverse and whilst it is the leader in the Australian market, it is only a small player in the other countries in which it operates
- ***gearing****:* DUET's regulated operating companies are highly leveraged and, therefore, there is limited opportunity to enhance returns by increasing borrowings
- ***regulatory****:* in relation to DBP, Multinet Gas and United Energy, their revenue is primarily derived from their regulated asset base (RAB). This limits the level of return that can be derived from the regulated parts of DUET's businesses
- ***industry outlook****:* DUET's operations are diverse and it is impacted by the outlook within each of the markets in which it operates, which can impact future earnings and capital expenditure requirements, and
- ***synergies****:* it is likely that an acquirer could save all (or the majority) of DUET's head office corporate costs, however, there is limited scope for the majority of acquirers to achieve any further synergies since:
  - DUET already operates with an efficient cost structure, whereby each of Multinet Gas and United Energy is a benchmark-efficient energy utility

A Annexure A – Independent Expert's Report continued

- any cost synergies achieved in regulated assets are likely to be short-term, as any benefit will be taken into account in subsequent regulatory decisions, and
- there are limited opportunities to achieve revenue synergies as most of DUET's businesses operate as monopolies in distinct regions.

A comparison of our assessed value per DUET Security on a control basis to the total cash proceeds is illustrated below.

Figure 1: Assessment of fairness



Source: KPMG Corporate Finance analysis.

As the total cash proceeds of $3.03 per DUET Security exceeds our assessed value range for a DUET Security of $2.32 to $2.77, we consider the Schemes to be fair.

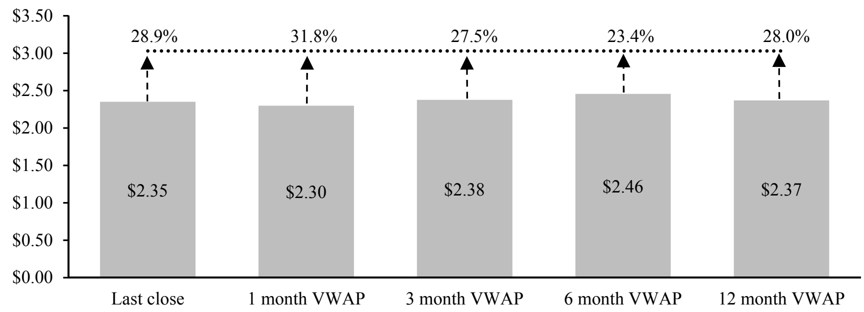
3.2 The Schemes are reasonable

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Schemes to be fair, this would imply that they are reasonable. However, irrespective of the statutory obligation to conclude the Schemes are reasonable, we have also considered a range of factors as set out below which, on balance, in our opinion support a reasonableness conclusion in isolation of our fairness opinion.

The total cash proceeds offered under the Proposed Acquisition represents a substantial premium to the trading price of DUET Securities prior to media speculation of a potential offer from the Consortium

The total cash proceeds of $3.03 represents a 28.9% premium to the last closing price of DUET Securities on 2 December 2016 (the last trading day prior to media speculation of a potential offer from the Consortium). The premium is broadly consistent when calculated over a one month, three month, six month and twelve month period prior to 2 December 2016 as set out below.

Figure 2: Premium of total cash proceeds over the DUET Security price



Source: IRESS, KPMG Corporate Finance analysis.
Note: The premiums illustrated above have been calculated based on the volume weighted average price (VWAP) of DUET Securities up to and including 2 December 2016, the last trading day prior to media speculation of a potential offer from the Consortium.

With regard to our assessment of the premium implied by the Scheme Consideration, we note:

- it is commonly accepted that acquirers of 100% of a business should pay a premium over the value implied by the trading price of a security to reflect their ability to obtain control over the target's strategy and operations, as well as extract synergies from integration. Observations from transaction evidence indicate that takeover premiums concentrate around a range between 20% and 35%[5] for completed takeovers, depending on the individual circumstances of the specific transaction. In transactions where it was estimated that significant synergies could be achieved, the takeover premium was frequently estimated to be at the high end of this range or greater. We note that in the case of the Proposed Acquisition, the observed premium is in the middle of this range, and
- the substantial premium offered by the Consortium over DUET's trading price likely reflects the opportunities for operational and financial savings available to the Consortium as its members hold interests in operations which are similar to, and in some cases adjacent to, DUET's operations and each has a higher credit rating[6] than DUET's operating companies.

The Consortium is likely to have synergies not available to a typical acquirer

Our valuation has had regard to the value resulting from estimated corporate cost savings that would generally be available to a majority of purchasers, both financial and trade. It does not

[5] KPMG Corporate Finance analysis based on Mergerstat data for Australian transactions completed between 2001 and 2016, comparing the closing price of the target company one day prior to the takeover announcement to the final offer price.

[6] Members of the Consortium (CKI, CKP and PAH) are rated A- by Standard & Poor's (S&P)

A Annexure A – Independent Expert's Report continued

include any operating or financial synergies that may be only available to a very limited number of buyers.

In this regard, the Consortium has indicated[7] that it could likely achieve operating efficiencies as its members hold interests in operations that are similar to, and in some cases adjacent to, DUET's operations:

- together, CKI and PAH hold 51% of Victoria Power Networks, the holding company of CitiPower and Powercor. The CitiPower network is adjacent to the United Energy network, and
- together, CKI and PAH hold 72.5% of Australian Gas Networks. The territory of Australian Gas Networks borders the Multinet Gas network.

The Consortium expects to be able to achieve operating efficiencies in areas of network operations, metering, customer services, marketing, billing and information technology through improved contract negotiations and more efficient utilisation of existing infrastructure and resources. It expects to be able to utilise expertise within Victoria Power Networks and Australian Gas Networks in a number of areas, including in its negotiations with its regulator, customer service, network management and performance, external contracting, treasury and financial reporting, health and safety practices and information technology.

There are limited other parties that could achieve a similar level of operating synergies within DUET's operating companies. The most likely of these is Singapore Power, given its investments in AusNet, which owns interests in various electricity transmission and distribution networks and gas distribution networks and SGSPAA, which comprises Jemena, which operates gas transmission pipelines and gas and electricity networks in New South Wales, Queensland, Victoria and the Australian Capital Territory.

Furthermore, DUET's operating companies are highly leveraged and, therefore, there is limited opportunity to enhance returns by increasing borrowings (while maintaining existing credit ratings). Although there is opportunity for an entity with a higher credit rating to achieve savings in interest expenses, the range of potential acquirers with a higher credit rating is limited.[8]

As our assessed value range is less than the total cash proceeds, DUET Securityholders arguably are receiving a value benefit as a consequence of the level of synergies that the Consortium believes it can achieve.

Following the announcement of the Proposed Acquisition, DUET Securities have traded at a level supported by the existence of the Proposed Acquisition. The discount of the traded price to the total cash proceeds reflects, in our view, the market's assessment of the risk that the

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[7] Source: CKI, PAH and CKP circulars and independent financial advisor reports in relation to the Proposed Acquisition

[8] Members of the Consortium (CKI, CKP and PAH) are rated A- by Standard & Poor's (S&P) and Singapore Power Ltd is rated AA by S&P, however, APA Group is rated BBB by S&P and Brookfield Investment Partners is rated BBB+ by S&P.

Australian Foreign Investment Review Board (FIRB) does not approve the Proposed Acquisition.

Certainty of value

The Proposed Acquisition offers DUET Securityholders an opportunity to exit their investment in DUET at a price that is certain and which incorporates a substantial value for control, as noted above. Whilst liquidity in the trading of DUET Securities is sufficient to give DUET Securityholders confidence that they would be able to exit their investment at a time of their choosing in the future, there is no certainty as to the price at which DUET Securityholders would realise their investment at that time.

In addition, any future on-market sale by DUET Securityholders would likely incur transaction costs, which would be avoided by approving the Schemes.

By exiting their investment in DUET, DUET Securityholders will not participate in the potential longer term benefits from any future development of the business

By exiting their investment in DUET, Securityholders will not participate in the potential longer term benefits from any future growth in the business, nor be exposed to any of DUET's future risks. In this regard, DUET's strategy is to continue to grow its business and it is well-positioned to capitalise on its existing footprint and the expected growth in DDG and EDL. However, there are a number of risks associated with an investment in DUET, including any adverse change to regulatory tariffs, increases in interest rates, climate and demand risks and general economic conditions. These risks are detailed in Section 7.3 of the Scheme Booklet.

No superior alternative proposal has been presented

The Consortium was granted a period of non-exclusive due diligence, effectively signalling to the market that the DUET Boards would consider alternative offers. During this time, there was ample opportunity for any interested party to make a superior offer. No superior alternative proposals were received during this time.

Under the SIA, DUET is restricted from either soliciting or entering into discussions with third parties in relation to alternative proposals (other than the director fiduciary duty carve out). DUET is also required to notify the Consortium should it become aware of any possible alternative proposal and the Consortium has a last right to match a competing proposal. Further, under certain circumstances DUET would be required to pay a reimbursement fee to the Consortium of $72.991 million.

Although the likelihood of a superior alternative proposal is impacted by these terms, it does not preclude an alternative proposal from being made. We note that the Directors of DUET would be required under their fiduciary duties to consider the merits of an alternative proposal should it arise.

There will continue to be opportunity for interested parties to put forward a superior proposal to the Proposed Acquisition until the Scheme Meetings. However, we are not aware of an alternative proposal as at the date of this report.

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DUET's Security price will likely fall in the absence of the Proposed Acquisition

It is likely that prior to media speculation of a potential offer from the Consortium, DUET was trading on the ASX at close to its full underlying value (on a minority basis) based on currently high bond yields. DUET pays around 100% of available cash flow as distributions and, as a result of its regulated or contracted revenues, its operations are stable, predictable and reasonably transparent.

The current DUET Security price reflects the terms of the Schemes and, therefore, includes a control element. As such, in the absence of the Schemes, an alternative proposal or speculation concerning an alternative proposal, the DUET Security price is likely to fall to levels consistent with trading prices prior to media speculation of a potential offer from the Consortium, with allowance for any company specific initiatives or financial achievements in the subsequent period which the market may assess as value enhancing, and the impact of trends in broader equity markets.

3.3 Other considerations

In forming our opinion, we have also considered a number of other factors, as detailed below. Although we do not consider these factors impact our assessment of the reasonableness of the Schemes, we consider it appropriate for DUET Securityholders to consider these factors in assessing the Schemes.

Transaction costs associated with the sale of securities are avoided

DUET management has estimated total one-off transaction costs in relation to the Schemes to be approximately $59 million[9] on a pre-tax basis, of which approximately $29 million will have been paid, or committed, prior to the Scheme Meetings.

One-off transaction costs associated with the Schemes primarily relate to adviser, legal and expert fees, as well as other costs associated with the Schemes.

The Schemes are subject to the satisfaction of a number of conditions

There are a number of conditions which, if not satisfied, will result in the Schemes not being implemented. In particular, approval of the Schemes is required from Australia's FIRB.

If the Schemes are not approved, DUET Securityholders will continue to hold their existing Securities.

Taxation implications for DUET Securityholders

Section 8 of the Scheme Booklet sets out a general description of the tax consequences for DUET Securityholders who hold their Securities on capital account. If the Schemes is implemented, those Securityholders will be deemed to have disposed of their DUET Securities and the disposal will constitute a capital gains tax event. DUET Securityholders will make a

[9] Costs are inclusive of non-recoverable GST.

capital gain or loss depending on the cost base of their Securities. DUET Securityholders who are not Australian residents and who hold portfolio interests are generally not subject to Australian capital gains tax, however, are subject to non-resident withholding tax on the Special Distribution of 3 cents.

We note that DUET Securityholders should consider their individual circumstances, review Section 8 of the Scheme Booklet for further information where it applies to their circumstances and should seek the advice of their own professional adviser.

DUET's largest Securityholder and Directors have indicated they will vote in favour of the Schemes

UniSuper, DUET's largest Securityholder with an interest of approximately 16.0% in DUET Securities, has indicated that it will vote to approve the Schemes, in the absence of a superior proposal. The Directors of DUET have also indicated that they will vote all their DUET Securities in favour of the Schemes, subject to our opinion and in the absence of a superior proposal (Section 5.6.5 of the Scheme Booklet).

3.4 Consequences if the Schemes do not proceed

In the event that the Schemes are not approved or any conditions precedent prevent the Schemes from being implemented, DUET will continue to operate in its current form and remain listed on the ASX. As a consequence:

- DUET will continue to operate as a standalone entity and execute on its strategy
- DUET Securityholders will not receive the Scheme Consideration and the implications of the Schemes, as summarised above, will not occur, other than with respect to the one-off transaction costs incurred, or committed to, prior to the Scheme Meeting. DUET would not be liable to pay a break fee
- DUET Securityholders will continue to be exposed to the benefits (including growth opportunities through DDG and EDL) and risks associated with an investment in DUET, and
- DUET's Security price will likely fall, for the reasons set out previously.

3.5 Other matters

In forming our opinion, we have considered the interests of DUET Securityholders as a whole. This advice, therefore, does not consider the financial situation, objectives or needs of individual DUET Securityholders. It is not practical or possible to assess the implications of the Schemes on individual Securityholders as their financial circumstances are not known. The decision of Securityholders as to whether or not to approve the Schemes is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual DUET Securityholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or

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her particular circumstances, we recommend that individual Securityholders including residents of foreign jurisdictions seek their own independent professional advice.

Our report has also been prepared in accordance with the relevant provisions of the Act and other applicable Australian regulatory requirements. This report has been prepared solely for the purpose of assisting DUET Securityholders in considering the Schemes. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

All currency amounts in this report are denominated in Australian dollars unless otherwise stated. References to an Australian financial year (i.e. the 12 months to 30 June) have been abbreviated to FY.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Explanatory Memorandum to be sent to DUET Securityholders in relation to the Schemes, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it appears in the Explanatory Memorandum.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information as set out in Section 5.3 of our report.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Ian Jedlin	Sean Collins
Partner	Partner

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4 The Schemes

4.1 Background and terms of the Schemes

On 5 December 2016, DUET announced it had received an unsolicited, indicative, incomplete, non-binding and conditional proposal from CKI to acquire 100% of DUET's outstanding Securities for cash consideration of $3.00 per Security.

Subsequently, following a period of non-exclusive due diligence, DUET announced on 16 January 2017 that it had entered into a SIA on 14 January 2017 with BidCo and the Consortium to acquire 100% of DUET's outstanding Securities for total cash proceeds of $3.03 per Security. If approved, the Proposed Acquisition will proceed by way of three inter-conditional schemes of arrangement under Section 411 of the Act in respect of DFL, DUECo and DIHL and a trust scheme in respect of DFT.

Under the terms of the Proposed Acquisition, DUET Securityholders will receive total cash proceeds of $3.03 for each Security held on the Record Date, comprising:

- the Scheme Consideration, being the Proposed Acquisition consideration of up to $3.00 per Security, plus
- a Special Distribution (unfranked) from DUET of at least 3 cents per Security.

DUET's Dividend and Distribution Reinvestment Plan (DRP Plan) was reactivated for the FY17 interim distribution and received a 45.4% participation rate. A total of 37,724,330 new Securities were allotted under the DRP Plan.[10] These Securities form part of DUET's total Securities on issue for the Proposed Acquisition and will also be entitled to receive the Scheme Consideration and Special Distribution on implementation of the Schemes.

In the absence of a superior competing proposal, and subject to the independent expert concluding that the Schemes are fair and reasonable and in the best interests of DUET Securityholders, the DUET Boards have indicated that they recommend that DUET Securityholders approve the Schemes and Directors will vote all Securities held by them in favour of the Schemes.

4.2 Conditions of the Schemes

The Schemes are subject to a number of conditions which are set out in Section 9.3.1 of the Scheme Booklet and Clause 3.1 of the SIA. The key conditions which must be satisfied or waived (where this is possible), are:

- FIRB approval

[10] The number of Securities allotted is based on a Security price of $2.7063, which represents a discount of 2% to the VWAP covering the 10 day trading period from 27 January 2017 to 9 February 2017 (inclusive).

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- ASIC granting requisite modifications and relief from certain provisions of the Act
- ASX confirming that it does not object to the amendments to DFT's constitution
- the Independent Expert stating in its IER that, in its opinion, the Schemes are fair and reasonable and in the best interests of Securityholders, and there is no change in that opinion prior to the Second Court Date
- no other orders or restraints being issued by any court or any regulatory authority preventing the implementation of the Schemes
- Court approval of the Schemes
- approval of the Schemes and amendments to DFT's constitution by the requisite majorities of DUET Securityholders, and
- other customary conditions, including no material adverse change or prescribed occurrence.

The SIA also contains certain exclusivity provisions that apply during the Exclusivity Period[11] including no shop, no talk and no due diligence restrictions, a notification obligation and a matching right, subject (in the case of the no talk and no due diligence restrictions) to the Directors' fiduciary obligations. A reimbursement fee of $72.991 million is payable to the Consortium by DUET in certain circumstances and a reverse cost reimbursement of $5 million is payable to DUET by the Consortium in certain circumstances. Further details of the exclusivity provisions and cost reimbursements are contained Section 9.3.2 of the Scheme Booklet and Clauses 12, 13 and 14 of the SIA.

DUET Securityholders should also be aware that the SIA may be terminated in certain circumstances if the Schemes do not become effective by 30 June 2017 or such later date as agreed in writing between the parties, as detailed in Section 9.3.4 of the Scheme Booklet and Clause 17 of the SIA.

If the SIA is terminated or the conditions are not satisfied or (if possible) waived, the Schemes will not proceed.

4.3 Cost of the Schemes

The total transaction and implementation costs in relation to the Schemes are estimated to be approximately $59 million.[12] In the event the Schemes do not proceed, DUET will incur estimated costs of approximately $29 million[13] excluding any break fee.

[11] The period commencing on 14 January 2017 and ending on the earlier of the date on which the SIA is terminated, the Schemes are implemented and 30 June 2017 (or such earlier date as DUET and BidCo may agree in writing).

[12] These costs are inclusive of non-recoverable GST.

[13] These costs are inclusive of non-recoverable GST.

5 Scope of the report

5.1 Purpose

The Proposed Acquisition is to be implemented by three inter-conditional schemes of arrangement under Section 411 of the Corporations Act 2001 (Cth) (the Act) in respect of DFL, DUECo and DIHL and a trust scheme in respect of DFT.

Whilst an IER is not required to meet statutory obligations, the Directors of DUET have engaged KPMG Corporate Finance to prepare an IER advising whether, in our opinion, the Schemes as are fair and reasonable (separate tests) to Securityholders[14] and in the best interests of Securityholders.[15]

In relation to a trust scheme there is no specific statutory framework for a scheme of arrangement between trusts and their members. As such, the Takeovers Panel has issued Guidance Note 15 outlining the recommended procedures for a trust scheme. This Guidance Note suggests that the notice of meeting and explanatory memorandum for a trust scheme should contain a report by an independent expert that states whether, in the expert's opinion, the terms of the trust scheme are fair and reasonable and therefore, consistent with determining whether it is in the best interests of the members.

We have also had regard to the guidance provided by ASIC in its Regulatory Guides and in particular RG 111, which outlines the principles and matters which it expects a person preparing an IER to consider when providing an opinion.

RG 111 states that the analysis required to determine if the Schemes are in the best interests of Securityholders is the same as that required to determine if the Schemes are fair and reasonable for Securityholders.

5.2 Basis of assessment

RG 111 outlines the principles and matters which it expects a person preparing an independent expert's report to consider. RG 111.18 states that where a scheme of arrangement is used as an alternative to a takeover bid, the form of analysis undertaken by the expert should be substantially the same as for a takeover bid. That form of analysis considers whether the transaction is 'fair and reasonable' and, as such, incorporates issues as to value. In particular:

- 'fair and reasonable' is not regarded as a compound phrase
- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer

[14] Type of opinion set out in both item 7 of Section 611 of the Act and Guidance Note 15 (issued by the Takeovers Panel in relation to Trust Schemes).
[15] Type of opinion set out in Section 411 of the Act.

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- the comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash
- the expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison, and
- an offer is 'reasonable' if it is 'fair'.

In addition to the points noted above, RG 111 notes that the weight of judicial authority is that an expert should not reflect 'special value' that might accrue to the acquirer.

RG 111.20 states that if an expert would conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the scheme is 'in the best interests' of the members of the company.

In the circumstance of a 'not fair but reasonable' outcome, RG 111.21 states that the expert can also conclude that the scheme is 'in the best interests' on the basis that it clearly states that the consideration is less than the value of the securities subject to the scheme but that there are sufficient reasons for members to vote in favour of the scheme in the absence of a higher offer.

Accordingly, when assessing the full underlying value of DUET we have only considered those synergies and benefits which would be available to more than one potential purchaser (or a pool of potential purchasers) of DUET. As such, we have not included the value of special benefits that may be unique to the bidder. Accordingly, our valuation of DUET has been determined without regard to the specific bidder.

Reasonableness involves an analysis of other factors that securityholders might consider prior to accepting an offer, such as:

- the bidder's pre-existing securityholding in the target
- other significant securityholdings in the target
- the liquidity of the market in the target's securities
- any special value of the target to the bidder
- the likely market price of the target's securities in the absence of the offer
- the likelihood of an alternative offer being made, and
- any other advantages, disadvantages and risks associated with accepting the offer.

In forming our opinion, we have considered the interests of DUET Securityholders as a whole. As an individual DUET Securityholder's decision to vote for or against the proposed resolutions may be influenced by their individual circumstances, we recommend they each consult their own financial advisors.

5.3 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of DUET for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with DUET's management, including management responsible for the individual operating companies, in relation to the nature of DUET's business operations, its specific risks and opportunities, its historical results and its prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

DUET has been responsible for ensuring that information provided by it or its representatives is not false, misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG Corporate Finance included the following forward-looking financial information:

- FY17 operating budgets for each of DUET's operating companies (FY17 Budgets)
- business plans and medium term forecasts for DBP and DDG (for FY17 to FY19) and business plans and long term forecasts for Multinet Gas and United Energy (for FY17 to FY21) (together, Strategic Plans), and
- cash flow models for DUET's operating companies for the period from 31 December 2016 including inputs from the Strategic Plans (Cash Flow Models).

KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report and DUET remains responsible for all aspects of this forward-looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information or tested the mathematical integrity of the models. However, we have made sufficient enquiries to satisfy ourselves that such

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information has been prepared on a reasonable basis. Where necessary, we have made adjustments to reflect our judgement.

KPMG Corporate Finance has undertaken various enquiries in relation to each Cash Flow Model, including holding discussions with management of each of the operating companies in regard to the commercial assumptions underlying the Cash Flow Models and their bases and the mechanics of the models. We have reviewed the key commercial assumptions in the context of current economic, financial and other conditions (e.g. regulatory, contractual). KPMG Corporate Finance is of the view that the forward-looking information has been prepared on a reasonable basis and, therefore, is suitable as a basis for our valuations. In making this assessment, we have taken into account the following:

- DUET has sophisticated management and reporting processes. The Cash Flow Models were prepared by the management of each operating company based on a "ground up" approach and include general economic assumptions provided by DUET's corporate team
- the Cash Flow Models are updated periodically based upon actual results and changes in outlook
- the Cash Flow Models are utilised for the day-to-day operations of the operating companies and form the basis of forecasts provided to banks for funding purposes
- the Budgets, Strategic Plans and Cash Flow Models are endorsed by the Boards of DIHL, DUECo and DFL
- the mechanics of the models are subject to peer review within each operating company and are reviewed periodically by external financial modelling practitioners, and
- each of DUET's operating companies has revenue streams that are regulated or contracted under long term arrangements and, therefore, are relatively stable and predictable.

Notwithstanding the above, KPMG Corporate Finance cannot provide any assurance that the forward-looking financial information will be representative of the results that will actually be achieved during the forecast period. Any variations in the forward-looking financial information may affect our valuation and opinion.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

5.4 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. DUET has requested KPMG Corporate Finance limit the disclosure of some commercially sensitive information relating to

DUET and its subsidiaries. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising DUET. As such the information in this report has been limited to the type of information that is regularly placed into the public domain by DUET.

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6 Profile of DUET

6.1 Background

DUET was established in 2003 as a vehicle to invest in Australian energy utility infrastructure assets and was listed on the ASX in 2004. Upon listing, DUET's assets included a 66% interest in United Energy, a 79.9% interest in Multinet Gas and a 25.9% interest in WA Gas Networks. In addition, DUET held, in aggregate, 100% of the subordinated debt in the three assets. DUET was at that time externally managed jointly by AMP Capital Holdings Limited and Macquarie Capital Group Limited and operational management of each of its assets was outsourced. As disclosed on listing, DUET's pro forma gearing was 76%.[16]

Since listing, DUET's management has completed a number of initiatives to position the group as an owner and operator of energy utility infrastructure assets, including:

- transforming the group by:
  - acquiring an aggregate 60% interest in DBP, the owner and operator of the DBNGP, in October 2004
  - simplifying the group in 2011 by divesting its minority interests in WA Gas Networks and Duquesne Light Holdings LLC (which was acquired in 2007) whilst increasing its ownership interest in DBP to 80% (in aggregate) and Multinet Gas to 100%
  - forming DDG in 2011 to build, own and operate gas transmission pipelines and associated infrastructure in Western Australia
  - acquiring 100% of EDL, an owner and operator of remote and clean energy power generation with a strong development pipeline, for cash consideration of $1.4 billion in October 2015, and
  - acquiring the remaining 20% interest in DBP from Alcoa of Australia Limited[17] (Alcoa) in April 2016 (bringing DUET's aggregate interest to 100%).
- deleveraging the group:
  - completing entitlement offers of $265 million in May 2009 and $277 million in August 2011, resetting DUET's distribution growth target (with effect from the FY11 final distribution) and repaying all corporate level debt, and
  - completing a $397 million entitlement offer in December 2014 to provide funding to grow the RAB of United Energy and Multinet Gas and recapitalise DBP.

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[16] Source: IPO Prospectus, as at 1 January 2004.

[17] Alcoa is owned by Alcoa Corporation (60%) and Alumina Limited (40%).

DUET's recent acquisitions (EDL and the remaining 20% of DBP) were funded through equity capital raisings.

- simplifying its organisational and management structure by:
  - internalising DUET's management arrangements in December 2012
  - simplifying the structure of DUET from a six-stapled to a four-stapled security and separating DUET into corporate and funding arms in August 2013, and
  - internalising the operational management of DBP and United Energy in 2011 and Multinet Gas in 2013.

  These simplification initiatives increase the appeal of DUET to both domestic and international investors.

Today, DUET is an internally managed owner and operator of energy utility infrastructure assets. The group comprises 100% interests in each of DBP (in aggregate), DDG, Multinet Gas and EDL and a 66% interest in United Energy. Each of DUET's operating companies have revenue streams that are regulated or contracted under long term arrangements. As at 31 December 2016, gearing was 64.0% and DUET had no corporate level debt. Prior to media speculation of a potential proposal from the Consortium, DUET had a market capitalisation of approximately $5.7 billion[18], with its substantial international investor base holding 30.4% of the Securities on issue.

6.2 *Operating Structure*

DUET consists of an Australian trust, DFT and three Australian public companies, DFL, DUECo and DIHL. The units and shares of these four entities are stapled together and trade on the ASX as one DUET Security (ASX:DUE). DUECo and DIHL comprise the corporate arm of DUET. These entities hold interests in and manage DUET's operating companies.

DFL is the responsible entity of DFT and together they comprise the funding arm of DUET. DFT holds a majority of the intra-group debt of DUET. DFT indirectly has a minority equity interest in DBP, which represents a passive investment.

The structure of DUET is illustrated on the following page.

[18] Based on a closing price of $2.35 on 2 December 2016 and 2,433,045,531 stapled securities outstanding.

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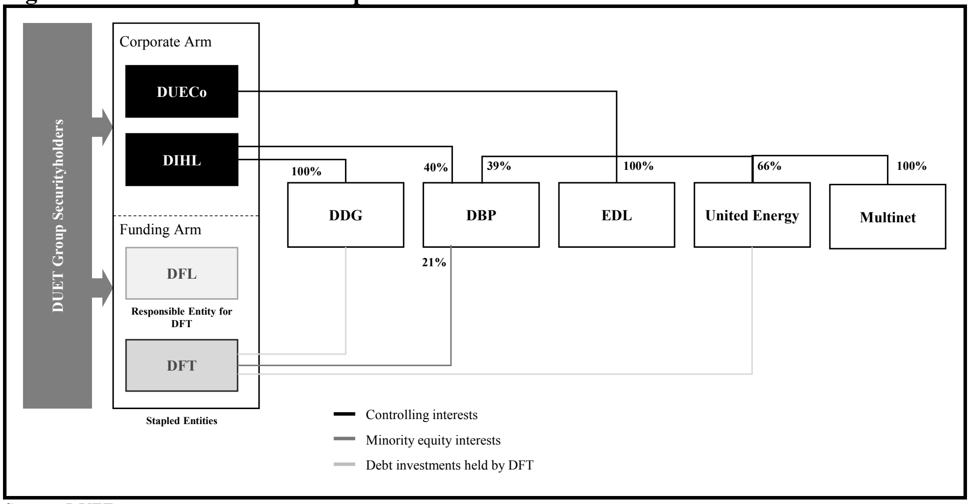
Figure 3: DUET summarised corporate structure



Source: DUET management.
Note: Structure is in summary form with interposed entities not shown.

The operating companies are described in detail in Section 7 of this report.

6.3 Boards of Directors and Senior Management

DUECo and DIHL, which comprise the corporate arm of DUET, have separate but identical boards of Directors and hold contemporaneous board meetings. DFL has its own board of Directors. All board members are appointed by DUET Securityholders.

DIHL is the employer of all head office staff, providing services for the stapled entities under a Resources Agreement. The Resources Agreement requires DIHL to provide resources (including staff, software, premises and equipment) to enable DFL to perform its necessary functions as responsible entity of DFT.

The current Directors of DUECo, DIHL and DFL and senior management of DUET are summarised in the table on the following page.

Table 2: DUET directors and senior management

Board members	Senior management
DUECo & DIHL board of directors (Corporate Arm)	
Doug Halley (Independent Chairman)	David Bartholomew (Chief Executive Officer)
Shirley In't Veld (Independent Director)	Jason Conroy (Chief Financial Officer)
Simon Perrott (Independent Director)	James Baulderstone (Chief Operating Officer)
Emma Stein (Independent Director)	Leanne Pickering (Company Secretary, GM Legal and Compliance)
Stewart Butel (Independent Director)	Nicholas Kuys (General Manager Operations and Investor Relations)
Jack Hamilton (Independent Director)	Alex Pritchard (General Manager Corporate Finance)
DFL board of directors (Funding Arm)	
Eric Goodwin (Independent Chairman)	
Jane Harvey (Independent Director)	
Terri Benson (Independent Director)	

Source: DUET

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6.4 *Financial performance*

The financial performance of DUET for the four financial years ended 30 June 2016 and six months ended 31 December 2016 is summarised below.

Table 3: Financial performance of DUET

Period	12 months to				6 months to
$ million unless otherwise stated	**30-Jun-13**	**30-Jun-14**	**30-Jun-15**	**30-Jun-16**	**31-Dec-16**
Proportionate Revenue	**879.5**	**849.5**	**854.7**	**1,361.1**	**692.0**
Proportionate EBITDA: [1]					
DBP	300.8	281.4	254.9	260.7	134.6
DDG	0.4	1.7	9.3	32.3	14.9
Multinet	129.1	123.3	122.2	131.2	80.4
United Energy	209.7	220.3	237.7	252.1	114.7
EDL	-	-	-	232.8	99.1
Corporate	(16.4)	(10.5)	(13.5)	(13.6)	(6.1)
Total proportionate EBITDA [1]	**623.7**	**616.3**	**610.6**	**895.5**	**437.7**
Additional EBITDA from controlled entities	175.8	186.0	178.2	170.2	59.1
EDL pre-acquisition EBITDA	-	-	-	(71.1)	-
Consolidated EBITDA [2]	**799.4**	**802.2**	**788.8**	**994.6**	**496.8**
Depreciation and amortisation	(253.9)	(265.5)	(276.5)	(394.0)	(236.4)
Consolidated EBIT	**545.5**	**536.7**	**512.3**	**600.6**	**260.4**
Net interest expense	(433.5)	(434.8)	(412.3)	(364.6)	(154.8)
Significant and other items	(62.1)	(0.3)	(35.1)	(22.8)	(21.4)
Profit before tax	**49.9**	**101.7**	**64.9**	**213.2**	**84.1**
Income tax expense/(benefit)	(30.3)	91.4	(19.0)	4.0	(12.6)
Profit after tax	**19.6**	**193.1**	**45.9**	**217.2**	**71.6**
Outside equity interests [3]	(13.8)	(2.6)	2.2	(21.4)	(6.0)
Profit after tax attributable to DUET Stapled Securityholders	**5.8**	**190.5**	**48.1**	**195.8**	**65.6**
Statistics					
Proportionate revenue growth	*na*	*(3.4%)*	*0.6%*	*59.3%*	*(4.5%)*
Proportionate EBITDA growth	*na*	*(1.2%)*	*(0.9%)*	*46.7%*	*(9.8%)*
Proportionate EBITDA margin	*70.9%*	*72.5%*	*71.4%*	*65.8%*	*63.2%*
Basic earnings/(loss) per stapled security	*(0.94)*	*4.86*	*3.39*	*8.64*	*2.70*

Source: DUET Annual Reports and Management Information Reports for FY13 to FY16 and Financial Report and Management Information Report for the half year to 31 December 2016; KPMG Corporate Finance analysis.
Notes:
1. *Proportionate EBITDA is DUET's proportionate interest (based on the relevant interests that DUET held during the year using the time weighted average beneficial ownership percentage basis) in the earnings of its energy utility businesses and head office costs before net interest, tax, depreciation and amortisation, unrealised foreign exchange gains or losses, fair value movements in derivatives and significant and non-recurring items. Proportionate EBITDA in FY16 assumes EDL was owned for the full 12 month period.*
2. *Consolidated EBITDA is consolidated earnings before net interest, tax, depreciation and amortisation, unrealised foreign exchange gains or losses, fair value movements in derivatives and significant and non-recurring items.*
3. *Outside equity interests include SGSP (Australia) Assets Pty Limited's (SGSPAA) 34% interest in United Energy and until 6 April 2016, Alcoa's interest in DBP.*

DUET's stable proportionate earnings from its operating companies reflects the long term contractual or regulated nature of their revenues. Performance in FY13 and FY14 benefitted from the internalisation of management (effective 4 December 2012) and structural simplification (implemented 1 August 2013).

From FY13 to FY15, proportionate EBITDA declined marginally as the reduction in corporate expenses and greater contributions from United Energy and DDG were more than offset by the decline in earnings from DBP (despite an increase in ownership of DBP over the period[19]). DBP's revenue declined as regulated and recontracted tariffs were reset based on lower prevailing risk free rates, however, at the proportionate earnings level, this was offset by lower interest expenses as DBP reset interest rate hedges.

Proportionate EBITDA in FY16 includes the full year impact of ownership of EDL (acquired on 22 October 2015). Earnings in the six months ended 31 December 2016 reflect the increase in ownership of DBP to 100% (from 6 April 2016).

Proportionate EBITDA in the six months ended 31 December 2016 reflects the seasonality of certain business (Multinet Gas generates more revenue in winter months resulting in higher first half earnings and EDL generates more revenue in the second half coinciding with the summer months and as a result of annual caps on renewable energy certificates). The decline in proportionate EBITDA in the six months ended 31 December 2016 (relative to the corresponding period in the prior year) reflects:

- an $18 million decline in EBITDA for United Energy as a result of lower consumption and lower regulated tariffs (as a result of the commencement of the 2016 to 2020 regulatory period), and
- a $9 million decline in EBITDA for EDL as a result of costs of approximately $5 million incurred in rectifying a temporary outage, reduced generation in the United Kingdom, lower renewable energy prices in the United States, appreciation of the Australian dollar and expiry of certain remote energy contracts, partially offset by contributions from new assets.

In FY16, DUET incurred corporate expenses of $13.6 million, which included staff costs, fees to external service providers (audit, tax, registry), Directors' fees and other costs (custodian fees, travel, insurance, office costs).

Net interest expense has declined materially since FY14 as borrowings were raised and/or refinanced (and base interest rate hedges were reset) at lower prevailing interest rates, largely offsetting lower revenues. Recent acquisitions (i.e. EDL and the remaining 20% interest in DBP) were funded through equity capital raisings.

DUET has identified the following significant and non-recurring items and other income/(expenses).

[19] DUET's time weighted ownership interest in DBP increased from 81.5% in FY13 to 85.5% in FY16.

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Table 4: Significant and non-recurring items and other income/(expense)

Period $ million unless otherwise stated	12 months to 30-Jun-13	30-Jun-14	30-Jun-15	30-Jun-16	6 months to 31-Dec-16
Internalisation and group structure simplification	(111.2)	(1.6)	-	-	-
Acquisition related costs	-	-	(5.4)	(44.6)	(26.0)
DDG project expenses	-	-	-	(3.2)	(0.6)
EDL project expenses					(3.2)
Net movements in derivatives	48.1	7.3	(21.2)	32.9	15.9
Foreign exchange gains/(losses)	1.0	(1.4)	0.1	0.4	(1.7)
Net loss on disposal of assets	-	(4.6)	(8.6)	(8.4)	(5.8)
Total significant and other items	**(62.1)**	**(0.3)**	**(35.1)**	**(22.8)**	**(21.4)**

Source: DUET Annual Reports FY13 to FY16 and Financial Statement for the half year to 31 December 2016; KPMG Corporate Finance analysis.

DUECo and DIHL are head entities of separate tax consolidated groups. DFT is not liable for income tax provided that its taxable income is fully distributed to its unitholders each financial year. Distributions to DUET Securityholders can be a combination of dividends from DUECo, DFL and DIHL (that may be franked) and trust distributions from DFT (which may include interest income, other income, capital gains and tax deferred amounts). At 30 June 2016, DFL had $0.6 million of accumulated franking credits, DFT and DIHL had no franking credits and DUECo had franking credits of $1 million.

All operating companies are notionally taxable at the statutory rate, although DUET does not expect to pay tax for a number of years with respect to certain operating companies as a result of available tax losses and deductible accelerated depreciation. At 30 June 2016, DUET had $222.8 million of deferred tax assets (associated with accumulated tax losses) recognised on its balance sheet, unrecognised Australian carried forward income tax losses of approximately $851.9 million (representing a tax benefit of $255.6 million at 30%) and unrecognised overseas tax losses of $32.9 million (representing a tax benefit of $11.1 million at 34%).

6.5 Distributions

Cash available for distributions for the four financial years ended 30 June 2016 and six months ended 31 December 2016 is summarised below.

Table 5: DUET cash available for distributions

Period	12 months to				6 months to
$ million unless otherwise stated	30-Jun-13	30-Jun-14	30-Jun-15	30-Jun-16	31-Dec-16
Proportionate EBITDA of operating companies	**640.1**	**626.7**	**624.1**	**909.1**	**443.8**
Customer contributions (net of margin)	(24.5)	(17.6)	(20.3)	(40.8)	(20.4)
Adjusted EBITDA of operating companies	**615.6**	**609.1**	**603.8**	**868.3**	**423.4**
Net interest expense	(317.0)	(319.0)	(283.4)	(287.0)	(135.7)
SIB capital expenditure[1]	(70.5)	(91.0)	(101.2)	(100.8)	(48.6)
Tax paid	-	-	-	(4.6)	(1.7)
Proportionate earnings of operating companies	**228.1**	**199.1**	**219.2**	**475.9**	**237.4**
Earnings retained by operating companies	(31.7)	46.6	39.6	(58.9)	(4.1)
Operating company distributions to DUET	**196.4**	**245.7**	**258.8**	**417.0**	**233.3**
Other corporate income	0.1	0.4	0.5	0.4	0.3
Corporate operating expenses	(19.4)	(13.1)	(9.8)	(14.4)	(8.3)
Tax paid at corporate level	-	-	(1.8)	(0.4)	0.2
Corporate interest income (net)	2.2	2.9	7.3	14.5	1.6
Cash available for distribution	**179.4**	**235.8**	**255.0**	**416.9**	**227.1**
Statistics					
Weighted average number of Securities (million)	*1,143.9*	*1,256.6*	*1,417.4*	*2,265.6*	*2,433.0*
Cash available for distribution per Security (cents)	*15.7*	*18.8*	*18.0*	*18.4*	*9.3*
Distributions per security (cents)	*16.5*	*17.0*	*17.5*	*18.0*	*9.3*
Cash coverage of distributions	*95%*	*111%*	*103%*	*102%*	*101%*

Source: DUET Annual Reports and Management Information Reports for FY13 to FY16 and Financial Statement for the half year to 31 December 2016; KPMG Corporate Finance analysis.
Note: 1. FY13 and FY16 Proportionate Earnings calculated using Stay-in-Business (SIB) Capital Expenditure, while FY14 and FY15 uses Net Regulatory Depreciation. This disclosure aligns with DUET's prior reporting.

Distributions to DUET from its operating companies are paid out of proportionate earnings. Operating company distributions increased in all periods presented above as a result of lower operating company level interest costs, while the proportion of cash retained has varied between years. Cash available for distributions and distribution coverage in FY13 were impacted by the timing of a distribution payment from Multinet Gas, which was received by DUET in the following financial year. Cash coverage of distributions has been greater than 100% in all subsequent periods.

Following a strategic review announced in July 2011, DUET reset its distribution guidance to an annual distribution growth of 3% over the medium term (i.e. a target of 16.5 cents in FY13 and 17 cents in FY14). Since then, distributions have increased by 0.5 cents (approximately 3%) each year.

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At its Annual General Meeting on 16 November 2016, DUET reaffirmed its FY17 guidance of 18.5 cents and a target distribution of 19 cents for FY18.

6.6 Financial Position

The consolidated financial position of DUET as at 30 June 2016 and 31 December 2016 is summarised below.

Table 6: Financial position of DUET

As at $ million unless otherwise stated	30-Jun-16	31-Dec-16
Receivables, accrued revenue and prepayments	223.3	219.8
Inventories	49.3	53.5
Green credits	43.9	75.8
Payables, provisions, unearned revenue and other current liabilities	(317.3)	(338.3)
Net working capital	**(0.9)**	**10.8**
Property, plant and equipment	7,066.2	7,155.6
Intangible assets	2,962.7	2,941.8
Deferred tax assets	25.1	16.8
Equity accounted investment	21.8	22.2
Distribution payable	(219.0)	(225.1)
Non-current provisions	(51.4)	(38.6)
Deferred tax liabilities	(445.2)	(495.8)
Derivative financial instruments (net)	(180.8)	(90.7)
Other assets/(liabilities) (net)	(11.9)	(16.1)
Total funds employed	**9,166.6**	**9,280.8**
Cash and term deposits	508.0	440.0
Interest bearing liabilities	(6,263.4)	(6,399.4)
Net cash / (borrowings)	**(5,755.3)**	**(5,959.4)**
Net assets	**3,411.3**	**3,321.4**
Non controlling interests	(89.8)	(98.3)
Net assets attributable to DUET stapled securitholders	**3,321.5**	**3,223.1**
Statistics		
Stapled securities on issue at period end (million)	*2,433.0*	*2,433.0*
Net assets per stapled security	*$1.40*	*$1.37*
NTA per stapled security	*$0.18*	*$0.16*
Gearing	*62.3%*	*64.0%*

Source: DUET Financial Report, Management Information Report, and Appendix 4E for FY16 and 4D for the half year to 31 December 2016; KPMG Corporate Finance analysis.

The financial position for each of DUET's operating companies is consolidated in the above accounts. Non-controlling interests relate to the 34% interest in United Energy held by SGSPAA.

Equity accounted investments relate to EDL's 50% interest in a Greek joint venture with Helector S.A., a renewable energy generation company.

As at 31 December 2016, DUET had a distribution payable of $225.1 million relating to its FY17 interim distribution.

Provisions as at 31 December 2016 include:

- a non-current provision of $27.5 million for the decommissioning of pipelines (including $26.4 million related to DBP and $1.1 million related to DDG). The provisions are based on an estimate of future costs at the end of the asset life, discounted back to present value utilising a risk free rate. The remaining lives assumed are: DBNGP (48 years), Wheatstone Ashburton West Pipeline (30 years) and Fortescue River Gas Pipeline (20 years)
- a $9.6 million current provision for unaccounted for gas[20] (Multinet Gas), and
- $8.7 million of current and non-current environmental provisions (various operating companies).

UE and Multinet Pty Ltd (UEM), an entity established as the employment vehicle for all United Energy and Multinet Gas employees, operates a defined benefit superannuation plan which is not material and is closed to new members.

The operating companies use a range of derivative financial instruments to hedge some of their exposure to foreign exchange rates, commodity prices and interest rates. Derivative financial instruments are recognised at fair value. The net derivative position at 31 December 2016 includes interest rate swaps (negative $166.8 million), cross currency swaps related to borrowings ($129.0 million), foreign exchange forwards ($6.3 million) and electricity Contracts for Difference (CFDs) (negative $59.2 million).

EDL utilises a combination of Power Purchase Agreements (PPAs) and electricity derivative contracts to fix the price for a high proportion of forecast electricity generation. Derivatives are typically one to three years in duration. All electricity derivatives were classified as effective hedges (that is, any movements in balances are reflected directly in equity and do not flow through the income statement).

[20] Unaccounted for gas (UAFG) represents the difference between metered gas injected at various supply points and the allocated gas at end-use customer delivery points.

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The derivative position for each operating company as at 31 December 2016 is presented below.

Table 7: Derivative financial instruments as at 31 December 2016

As at 31 December 2016 $ millions	DBP	DDG	Multinet Gas	United Energy	EDL	Total
Interest rate swaps (net)	(109.4)	(0.1)	(24.3)	(17.0)	(16.0)	(166.8)
Cross currency swaps (net)	-	-	22.5	117.4	(10.9)	129.0
FX forwards (net)	-	-	-	-	6.3	6.3
Electricity CFDs (net)	-	-	-	-	(59.2)	(59.2)
Total	**(109.4)**	**(0.1)**	**(1.8)**	**100.4**	**(79.8)**	**(90.7)**

Source: Statement of financial position for the half year to 31 December 2016; KPMG Corporate Finance analysis.

At 31 December 2016, DUET had total capital expenditure commitments of approximately $52.5 million due within one year. These commitments reflect the planned investments for construction projects in progress at EDL and DDG's Tubridgi gas storage project.

DUET has disclosed a contingent liability as at 31 December 2016 in relation to a legal claim filed by Monadelphous KT Pty Ltd (Monadelphous), the construction contractor for the Fortescue River Gas Pipeline, relating to works carried out on the pipeline for DDG.

Net borrowings

All external borrowings are held at the operating company level (there are no corporate borrowings at 31 December 2016 at the DUET level[21]) and comprise secured and unsecured bank loans, guaranteed notes, redeemable preference shares (United Energy) and finance lease liabilities (DBP).[22] We note that operating company debt is non-recourse and not is cross collateralised against other operating companies.

[21] DUET has since established (via DFT) a $150 million revolving corporate debt facility (as announced by DUET on 6 February 2017) to provide additional funding capacity for future growth projects and initiatives across the group. It was undrawn at the date of this report.

[22] Finance lease liabilities of $17.7 million related to DBP's lease of a portion of the Burrup Extension Pipeline from EPIC Energy.

The gross and net borrowings of DUET's operating companies is presented below.

Table 8: DUET borrowings as at 31 December 2016

As at 31 December 2016 $ million unless otherwise stated	DBP	DDG	Multinet Gas	United Energy	EDL	Total Operating Companies
Gross senior debt[1]	2,364.0	9.0	1,063.1	2,161.3	659.0	6,256.4
US$ debt / fair value adjustment	-	-			-	-
Finance lease liability & WA government loan	17.7	-	-	-	-	17.7
Operating company gross borrowings	**2,381.7**	**9.0**	**1,063.1**	**2,161.3**	**659.0**	**6,274.1**
Less: cash[2]	(48.1)	(8.1)	(6.7)	(36.6)	(46.2)	(145.7)
Operating company net borrowings	**2,333.6**	**0.9**	**1,056.4**	**2,124.7**	**612.9**	**6,128.5**
RAB	3,440.5		1,175.3	2,391.1		
Equity		77.9			836.5	3,321.4
Gearing[3]	*67.3%*	*1.1%*	*89.9%*	*88.9%*	*42.3%*	*64.8%*

Source: DUET Management Information Report for half year to 31 December 2016
Notes:
1. *Gross senior debt for EDL excludes joint venture partner's interest in debt of equity accounted investment and excludes $39 million facility used for contingent instruments. Foreign debt has been converted to Australian dollars at the prevailing exchange rates and does not include the offset of any derivatives used to manage this exposure.*
2. *Excludes $2.5 million of cash held at UEMG.*
3. *Gearing is calculated as (gross senior debt less cash) divided by RAB (DBP, Multinet Gas and United Energy) or (gross senior debt less cash) divided by (equity plus gross senior debt less cash) (DDG and EDL).*

A reconciliation of the operating company gross borrowings to consolidated interest bearing liabilities in the statement of financial position is presented below.

Table 9: DUET reconciliation of gross borrowings to statement of financial position

$ millions	As at 31 December 2016
Operating company gross borrowings	**6,274.1**
Add: EDL associate debt	2.2
Add: Multinet Gas and United Energy fair value adjustments	(45.0)
Add: United Energy minority share of Redeemable Preference Shares not eliminated on consolidation	201.2
Less: capitalised borrowing costs	(33.1)
Consolidated interest bearing liabilities per statement of financial position	**6,399.4**

Source: DUET Management Information Report for half year to 31 December 2016

As at 31 December 2016, DUET had $145.7 million of cash and term deposits held in its operating companies (not including $2.5 million of cash at UEMG) and $297.3 million of corporate cash (including $5.6 million of restricted cash). A reconciliation of cash at the operating company and corporate level to the statement of financial position is presented on the following page.

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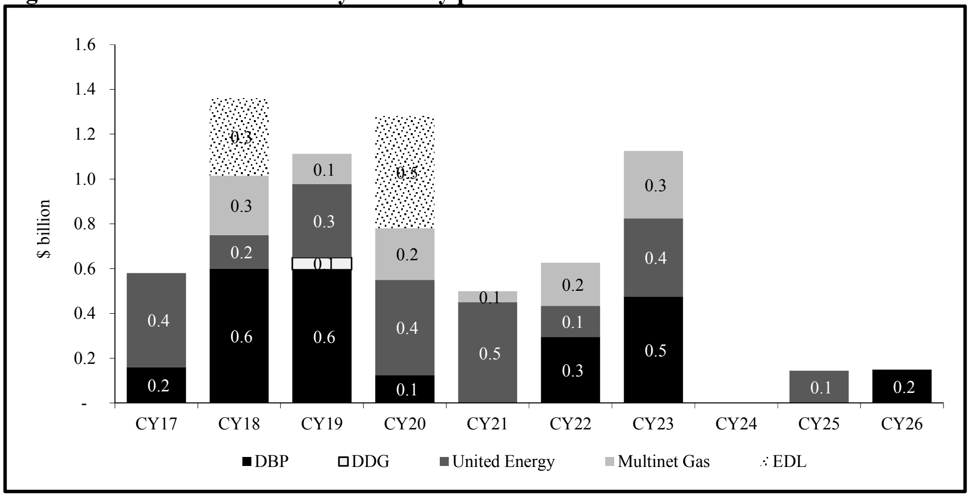
Table 10: DUET reconciliation of cash to statement of financial position

As at 31 December 2016 $ millions	
Operating company cash	145.7
Cash at corporate level	297.3
Total cash	**443.0**
Plus: cash at UEMG	2.5
Less: restricted cash	(5.5)
Cash per statement of financial postion	**440.0**

Source: DUET management.

As at 31 December 2016, the group's debt maturity profile was as follows:

Figure 4: Pro forma debt facility maturity profile as at 31 December 2016[1, 2]



Source: DUET management.
Notes:
1. *Removes facilities expiring in CY17 where additional facilities were specifically established and available as at 31 December 2016 to refinance those facilities.*
2. *Foreign currency denominated debt has been converted to A$ at the relevant spot rate as at 31 December 2016.*

DUET's debt maturities are staggered predominantly over the next seven years.

In the six months to 31 December 2016, EDL increased its multi-currency corporate debt facility limit by $200 million and its working capital facility limit by $20 million, while DBP refinanced $500 million of term debt, Multinet Gas refinanced $300 million of term debt and United Energy raised $350 million of bonds and established a $250 million term debt facility.

Table 11: DUET operating company credit ratings

Operating company	S&P	Moody's
DBP	BBB- Positive Watch	Baa3 Stable
DDG	Not rated	Not rated
United Energy	BBB Positive Watch	Baa2 Stable
Multinet Gas	BBB- Positive Watch	Baa3 Stable
EDL	BBB- Positive Watch	Not rated

Source: S&P and Moody's.

DBP and Multinet Gas both have a Standard & Poor's (S&P) rating of BBB- and a Moody's Investors Service, Inc. (Moody's) rating of Baa3, while United Energy has an S&P rating of BBB and a Moody's rating of Baa2. EDL has an S&P rating of BBB-, however, it is not rated by Moody's. DUET Group's stapled entities are not rated by either S&P or Moody's.

6.7 Cash Flow

DUET's consolidated cash flow statement for the four financial years ended 30 June 2016 and the six months ended 31 December 2016 is summarised below.

Table 12: DUET consolidated cash flow

Period	12 months to				6 months to
$ million unless otherwise stated	**30-Jun-13**	**30-Jun-14**	**30-Jun-15**	**30-Jun-16**	**31-Dec-16**
Cash flow from operations	**696.5**	**831.3**	**754.7**	**908.2**	**462.2**
Capital expenditure (net)	(391.4)	(374.9)	(499.2)	(390.4)	(241.7)
Payments for purchase of term deposits (net)	-	(85.0)	28.5	53.7	0.1
Acquisition of subsidiaries (net of cash acquired)	-	-	-	(1,531.6)	(81.9)
Net cash flows from investing	**(391.4)**	**(459.9)**	**(470.7)**	**(1,868.3)**	**(323.5)**
Proceeds from issue of stapled securities	-	238.7	409.6	1,880.5	-
Distributions paid to DUET Securityholders (net of DRP)	(147.2)	(139.7)	(242.7)	(339.6)	(219.0)
Net minority interest cash flow	(0.5)	(27.9)	(19.3)	54.9	(14.0)
Proceeds of borrowings (net)	448.7	16.1	(142.7)	(78.4)	191.5
Finance costs paid	(447.5)	(437.3)	(391.6)	(371.4)	(164.9)
Net cash flow from financing	**(146.5)**	**(350.1)**	**(386.8)**	**1,146.0**	**(206.4)**
Net increase/(decrease) in cash	**158.7**	**21.3**	**(102.8)**	**185.9**	**(67.7)**
Opening cash	*243.6*	*402.2*	*423.4*	*320.7*	*505.2*
Other [1]	*(0.1)*	*(0.1)*	*0.1*	*(1.4)*	*(0.4)*
Closing cash	*402.2*	*423.4*	*320.7*	*505.2*	*437.1*

Source: DUET Annual Reports and Management Information Reports for FY13 to FY16 and Financial Report for the half year to 31 December 2016; KPMG Corporate Finance analysis.
Note 1: Includes effect of exchange rates on cash and cash equivalents and restricted cash.

DUET has generated substantial operating cash flows, other than in FY15 when EBITDA declined and current payables decreased $54.6 million. Higher capital expenditure in FY15 included $144.4 million related to two pipeline projects undertaken by DDG.

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Acquisitions over the period above have been funded by equity capital raisings. In FY16, DUET raised $1.67 billion through a placement and non-renounceable pro-rata entitlement offer, the proceeds of which were used to fund the acquisition of EDL ($1.4 billion), reduce EDL's gearing ($150 million) and cover anticipated transaction costs ($95 million) and working capital ($20 million). DUET also raised $200 million in April 2016 through a fully underwritten placement, which was used to fund the acquisition of the remaining 20% interest in DBP. A further $45.6 million was raised through a Share Purchase Plan (completed in May 2016). The proceeds were used to fund a portion of the acquisition of the remaining 20% interest in DBP and associated transaction costs and to increase DUET's corporate level working capital.

Dividends and distributions in FY13 and FY14 reflect the net impact of dividends and distributions declared and distributions reinvested in new DUET Securities under the DRP Plan. Dividends and distributions paid increased substantially in FY15, as the DRP Plan (which had been in operation since 2005) was suspended from the FY15 interim distribution, and increased further in FY16 as a result of the additional 939,366,616 Securities issued under the entitlement offer and placement. Growth in dividends and distributions paid reflects the targeted 3% annual growth in dividends and distributions per Security.

6.8 Capital structure

As at 28 February 2017, DUET had 2,470,769,861 Securities on issue and 18,896 registered Securityholders. The top 20 registered Securityholders accounted for approximately 86% of Securities on issue and were principally institutional nominees, custodian companies or listed operating companies. DUET has a substantial international investor base (33.1% of Securities on issue as at 15 February 2017). As at 28 February 2017, retail investors (holdings of up to 10,000 Securities) accounted for 2.0% of Securities on issue.

As at 28 February 2017, DUET had received notices from the following substantial Securityholders.

Table 13: Substantial Securityholder notices as at 28 February 2017

Substantial securityholder	Date of notice	Number of stapled securities	Percentage interest
UniSuper Limited	28 June 2016	390,200,401	16.04%
Lazard Asset Management Pacific Co	12 July 2016	254,551,777	10.46%
Legg Mason Asset Management Limited	4 January 2017	123,436,361	5.07%
The Vanguard Group, Inc.	17 June 2016	123,278,653	5.07%

Source: ASX announcements.

DUET operates a DRP Plan which enables investors to reinvest some or all of their dividends and distributions in new Securities based on the VWAP of Securities over a period of 10 trading days ending on the fifth trading day prior to the date scheduled for payment of the relevant dividend or distribution. Following the entitlement offer announced in November 2014, the DRP Plan was suspended, effective from the FY15 interim distribution (and was expected to be suspended for at least three years).

On 12 December 2016, DUET announced the reactivation of the DRP Plan for the FY17 interim distribution, with proceeds used to supplement DUET's corporate working capital and provide additional funding for DDG and EDL's growth projects. It received a 45.4% participation rate and 37,724,330 new Securities were allotted.[23]

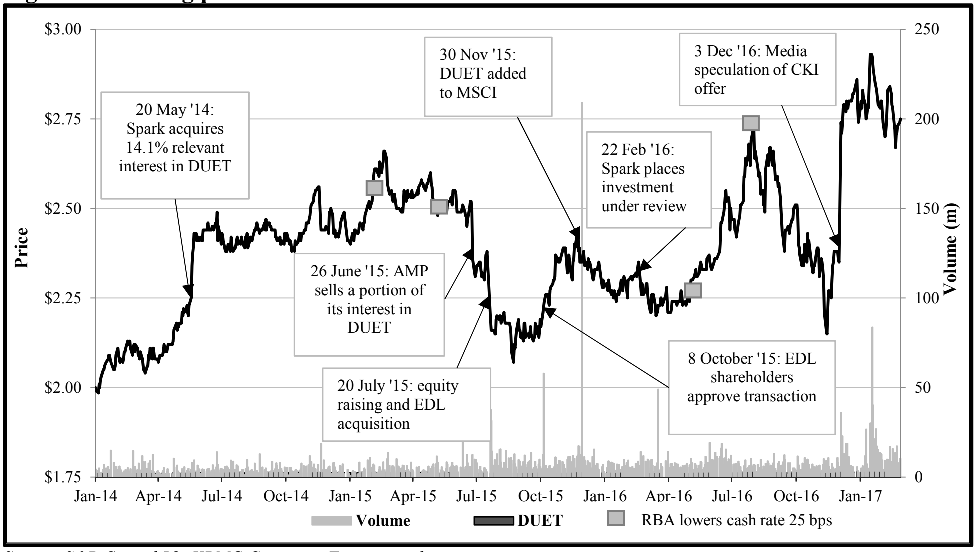
DUET operates Long Term Incentive (LTI) and Short Term Incentive (STI) plans for its senior management. These plans provide cash based 'notional equity' awards, with performance hurdles and vesting periods, rather than equity-based incentive awards. In the event of a change of control of DUET, all notional Securities vest resulting in a cash payment to senior management based on the consideration offered. The balance of notional Securities as at 31 December 2016 is 2,128,142.

6.9 Security price performance

6.9.1 Recent market trading

The trading price and volume of DUET Securities from 1 January 2014 to 28 February 2017 is illustrated below.

Figure 5: Trading price and volume of DUET



Source: S&P Capital IQ; KPMG Corporate Finance analysis.

[23] The number of Securities allotted is based on a Security price of $2.7063, which represents a discount of 2% to the VWAP covering the 10 day trading period from 27 January 2017 to 9 February 2017 (inclusive).

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The DUET Security price increased substantially in May 2014, when Spark Infrastructure Group (Spark Infrastructure) announced that it had acquired a minimum 14.1% economic interest in DUET through derivative contracts at an average price of $2.16. It then traded broadly in the range of $2.40 to $2.50 until announcements by the Reserve Bank of Australia (RBA) in February and May 2015 of consecutive 25 basis point reductions in the official cash rate, which resulted in the DUET Security price increasing (along with the overall Utilities Index) to trade broadly in the range of $2.50 to $2.65.

The DUET Security price declined to trade at around $2.30 coinciding with AMP's sale of a portion of its interest in DUET in June 2015,[24] then declined sharply on heavy trading to around $2.15, following the announcement on 20 July 2015 of an equity raising at $2.02 per Security (a 15.1% discount to the closing price of Securities on the last trading day prior to the announcement of the entitlement offer, being $2.38) to fund the EDL acquisition.

This lower trading range (around $2.10 to $2.20) was maintained until early October 2015 when the Security price increased strongly on heavy trading on 5 and 6 October 2015, prior to the announcement on 8 October 2015 that EDL shareholders had approved DUET's proposal to acquire EDL.

Following the announcement on 12 November 2015 that DUET would be added to the Morgan Stanley Capital International (MSCI) Australia index, the Security price reached a high of $2.44 on 24 November 2015, with substantial trading volumes on 30 November 2015 when DUET was added to the index. This period also coincided with the New South Wales Government's announcement on 25 November 2015 that it had achieved an "outstanding result" in the sale of the Transgrid lease for $10.258 billion.

On 22 February 2016, Spark announced that it had placed its stake in DUET under review. Following the announcement on 17 March 2016 by DBP Development of a claim lodged by Monadelphous, the construction contractor for the Fortescue River Gas Pipeline project, the Security price reached a low of $2.21 and was followed by heavy trading on 18 March 2016.

On 1 April 2016, DUET announced the completion of a fully underwritten placement to raise $200 million to fund the acquisition of the remaining 20% interest in DBP. The placement was oversubscribed and was conducted at $2.20 per new Security (a 3.5% discount to the closing price DUET Securities on 30 March 2016 of $2.28).

The DUET Security price traded around $2.25 in March/April 2016, then increased strongly (along with the Utilities sector in general) following the RBA's announcement in May 2016 of a further 25 basis point reduction in the official cash rate. The announcement on 23 June 2016 of the United Kingdom's exit from the European Union (Brexit), potentially fuelling a flight to defensive sectors and a further 25 basis point reduction in the official cash rate announced on 2

[24] AMP reduced its interest in DUET from 7.17% to 5.93% on 26 June 2015.

August 2016 by the RBA, provided further positive impetus for the Security price, which reached a high of $2.745 on 2 August 2016.

Following the outcome of the United States election (which was widely expected to have an expansionary impact on the United States' economy) and the Federal Reserve Bank's announcement on 15 November 2016 of a 0.5% increase in the federal funds rate target, the Security price (and Utilities Index) declined steeply, reaching a low of $2.125 on 15 November 2016 (while the broader ASX 200 Index increased). The Security price increased to close at $2.35 on 2 December 2016, the last trading day before media speculation of a potential offer from the Consortium.[25] Following media speculation and the announcement of the Acquisition Proposal, the Security price increased strongly and has traded in the range of $2.66 to $2.94 (a VWAP of $2.82), below the total cash proceeds of $3.03, likely as a result of speculated execution uncertainty.

6.9.2 *Liquidity*

An analysis of the volume of trading in DUET Securities, including the VWAP for the period up to 2 December 2016 (the last trading day before media speculation of a potential offer from the Consortium) and the period after this date until 28 February 2017, is set out below.

Table 14: Volume of trading in DUET Securities

Period	Price (low) $	Price (high) $	Price VWAP $	Cumulative value $ million	Cumulative volume million	% of issued capital
Period ended 28 February 2017						
1 day	2.72	2.77	2.75	33.6	12.2	0.5%
1 week	2.69	2.77	2.72	159.4	58.5	2.4%
1 month	2.66	2.85	2.76	638.6	231.4	9.5%
5 December 2016 to 28 February 2017	2.66	2.94	2.82	2,885.8	1,025.1	42.1%
Period ended 2 December 2016[1]						
1 day	2.31	2.37	2.35	16.8	7.2	0.3%
1 week	2.31	2.41	2.37	121.7	51.4	2.1%
1 month	2.13	2.41	2.30	454.0	197.6	8.1%
3 months	2.13	2.65	2.38	1,316.0	553.8	22.8%
6 months	2.13	2.75	2.46	3,186.5	1,297.6	53.3%
12 months	2.13	2.75	2.37	6,122.0	2,585.2	107.9%

Source: IRESS, KPMG Corporate Finance analysis.
Note 1: 2 December 2016 represents the last trading day prior to media speculation about a potential proposal from the Consortium.

[25] "Cheung Kong Infrastructure in $7.5 billion takeover bid for DUET Group: sources", AFR, 3 December 2016.

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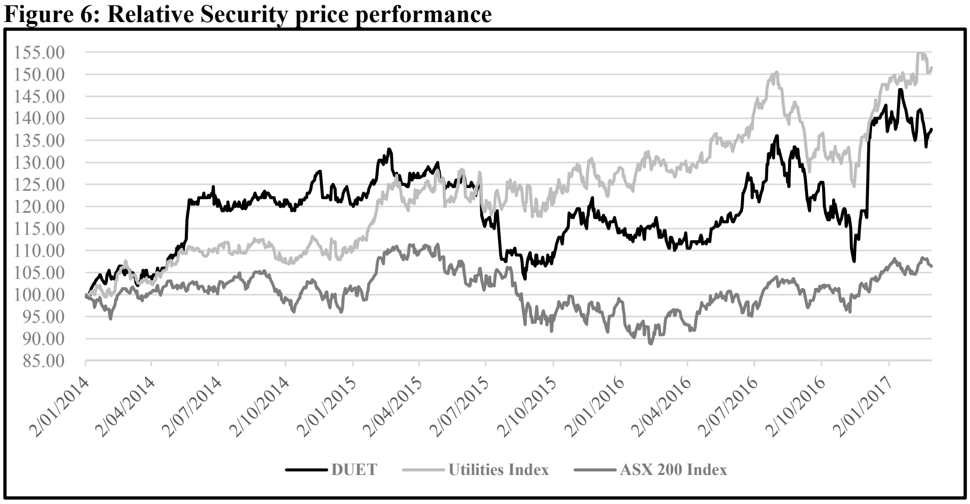
During the 12 month period to 2 December 2016, 107.9% of issued Securities were traded. This level of liquidity indicates that there is an active market for DUET Securities. Furthermore, DUET has a 100% free float.

6.9.3 Relative Security price performance

DUET is a member of various indices, including the S&P/ASX 200 Index (ASX 200 Index) (0.4%) and S&P/ASX 200 Utilities Sector Index (Utilities Index) (15.8%). The performance of DUET Securities from 1 January 2014 to 28 February 2017, relative to these indices (rebased to 100) is illustrated below.

Figure 6: Relative Security price performance



Source: S&P Capital IQ; KPMG Corporate Finance analysis.

From 1 January 2014, DUET and the Utilities Index outperformed the ASX 200 Index as investors turned to higher yielding infrastructure securities in a low interest rate environment. Furthermore, uncertainty regarding Brexit and the implications of the United States election have resulted in a continuation of the flight to defensive sectors, including utilities. Anticipated strong distribution growth of major constituents (APA Group, February 2015 and SKI, February 2016) also contributed to the outperformance of the sector in early 2015 and early 2016 to August 2016, respectively.

The DUET Security price outperformed the Utilities Index in May 2014, when Spark announced that it had acquired a minimum 14.1% economic interest in DUET, before underperforming in February and early March 2015, as a result of the strong performance of larger constituents of the Utilities Index[26] and again following the announcement on 20 July 2015 of the equity raising to fund the EDL acquisition. Since then, the Security price has broadly tracked the Utilities Index until media speculation of a potential offer from the Consortium on 3 December 2016.

6.10 Outlook

Other than distribution guidance, DUET has not released earnings forecasts for FY17 or beyond. In order to provide an indication of the expected future financial performance of DUET and its operating companies, KPMG Corporate Finance has considered brokers' forecasts for DUET and its operating companies (see Appendix 3). The median forecasts are summarised as follows:

Table 15: Broker consensus forecast

Period	Year Ending			
	Actual	Broker Consensus (Median)		
$ million unless otherwise stated	30-Jun-16	30-Jun-17	30-Jun-18	30-Jun-19
Proportionate revenue	**1,361.1**	**1,431.2**	**1,491.6**	**1,528.0**
Proportionate EBITDA:				
DBP	260.7	273.7	280.3	285.4
DDG	32.3	31.7	33.2	33.2
Multinet Gas	131.2	136.0	144.2	149.0
United Energy	252.1	220.8	245.4	256.5
EDL	232.8	226.9	259.4	250.3
Corporate	(13.6)	(13.9)	(14.0)	(14.3)
Total proportionate EBITDA[1]	**895.5**	**881.6**	**956.5**	**964.0**
Consolidated EBITDA	**994.6**	**1,001.0**	**1,091.9**	**1,117.0**
Depreciation and amortisation	(394.0)	(450.0)	(436.2)	(428.8)
Consolidated EBIT	**600.6**	**551.0**	**655.7**	**688.2**
EPS	*8.6¢*	*8.2¢*	*10.5¢*	*10.0¢*
DPS	*18.0¢*	*18.5¢*	*19.0¢*	*19.5¢*

Source: Broker reports for DUET, DUET Management Information Report for FY16 and Financial Report for FY16.
Note 1: Proportionate EBITDA is the median forecast sourced directly from broker reports and does not tie to the sum of median proportionate EBITDA for each of the operating companies as not all brokers provide separate forecasts for each operating company.

[26] On 25 February 2015, APA Group, which has a weighting of around 22% of the index, announced strong earnings and cash flow growth for the first half of FY15 and an upward revision to FY15 guidance.

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7 Profile of Assets

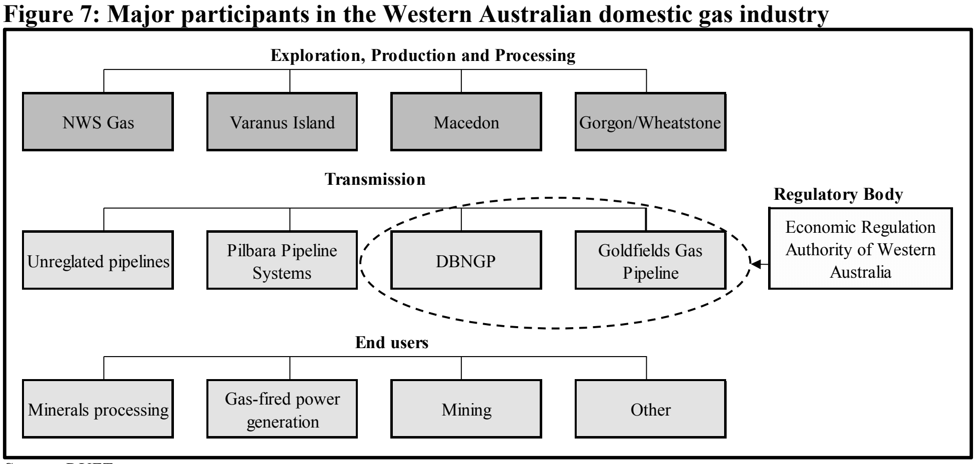
7.1 DBP and DDG

7.1.1 Western Australian Domestic Gas Industry

Overview

In Western Australia, natural gas is largely consumed by large industrial and mining users, by the minerals processing sector and for electricity generation. Residential consumption accounts for a small proportion of total gas use compared to other states, where residential customers use a greater proportion of domestic gas. As a result, the majority of end users have direct connections to the DBNGP and contract directly with producers for gas supply and separately with DBP for gas transmission. The supply chain and the major participants in the Western Australian gas industry are summarised in the diagram below.

Figure 7: Major participants in the Western Australian domestic gas industry



Source: DUET management.

The segments of the gas industry in Western Australia are discussed in further detail on the following pages.

Exploration, production and processing

Western Australia has an abundance of natural gas reserves and resources. Almost all (92%) of Australia's total conventional[27] gas resources are located in onshore and offshore Western Australia. The majority of these resources are located in the Carnarvon and Browse Basins. The liquefied natural gas (LNG) export industry is supplied by the Bonaparte and Carnarvon Basins

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[27] Conventional gas is obtained from reservoirs that largely consist of porous sandstone formations that are capped by impermeable rock. The gas can move to the surface through gas wells without the need to pump.

while the domestic market is supplied by the Carnarvon and Perth Basins. In order to secure the state's long term energy needs, the Western Australia Government has implemented a domestic gas reservation policy, which seeks commitments for the equivalent of 15% of gas from new offshore developments to be made available for domestic use.

The Carnarvon Basin has estimated remaining conventional resources of 95,914 PJ (56,926 PJ of which is 2P reserves) which represents 56% of Australia's conventional gas resources. At current production rates, it is estimated that the Carnarvon Basin has sufficient reserves to supply the Western Australia domestic gas market for between 15 and 30 years. The Perth Basin is significantly smaller, with estimated remaining conventional resources of 267 PJ.

Another potential source of domestic gas supply is the currently undeveloped Browse Basin, which has 37,815 PJ of conventional resources.[28] There are also significant contingent resources in the Carnarvon, Bonaparte and Browse Basins. In addition to conventional gas, Western Australia's resources of unconventional[29] gas are estimated to be around 311,428 PJ, mostly located in the Canning and Perth Basins. Future gas produced from the Canning Basin is likely to remain a small fraction of total production. Due to its geographic location in northern Western Australia, Canning Basin gas production does not represent a bypass threat to the DBNGP and is considered to have a positive impact on future DBNGP throughput. A number of small exploration companies are currently exploring the Perth Basin for unconventional gas.

Nine gas production facilities currently supply the Western Australian domestic market with a total capacity of 1,633 terajoules (TJ) per day. The majority (97%) of this capacity is drawn from gas fields located in the Carnarvon Basin while the remaining 3% is sourced from the Perth Basin.

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[28] Source: Gas Statement of Opportunities, AEMO, December 2016.
[29] Unconventional gas is gas trapped in very dense rocks with low permeability that prevents gas flowing into wells in commercial volumes. It generally requires hydraulic fracturing to extract the gas in commercial quantities.

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Table 16: Estimated volume of gas reserves linked to domestic production facilities[1]

Production facility	Operator	Start up	Capacity (TJ/day)	2P reserves (PJ)	Average production 2016 (PJ)	Estimated remaining life[2]
Carnarvon Basin						
Karratha Gas Plant DMO[2]	Woodside	1984	630.0	672.0	179.0	3.8
Varanus Island (2 facilities)	Quadrant	1986	360.0	783.0	79.3	9.9
Macedon	BHP	2013	220.0	758.0	77.4	9.8
Devil Creek	Quadrant	2011	220.0	318.0	33.1	9.6
Gorgon DMO[2]	Chevron	2016	156.0	2,000.0	na	12.8
Wheatstone DMO[2]	Chevron	2018	na	1,912.0	na	22.5
Perth Basin						
Beharra Springs & Dongara	Origin Energy/ AWE	1991/ 1971	26.6	6.7	5.2	1.2
Red Gully	Empire Oil & Gas	2011	10.0	10.9	2.9	3.8
Xyris	AWE	-	10.0	361.0	3.5	103.1
Total			**1,832.6**	**6,821.6**	**380.4**	**na**

Source: Gas Statement of Opportunities, AEMO, December 2016.
Notes:
1. *As at 1 January 2017.*
2. *DMO = Domestic Market Obligation.*
3. *Implied, based on 2016 production. Estimated remaining life for Gorgon and Wheatstone are based on contracted position.*

The Carnarvon Basin currently supplies five gas processing facilities, of which the Karratha Gas Plant is the largest, with a capacity of 630 TJ per day (39% of Western Australia production capacity) under a domestic market obligation. There are also two large processing facilities on Varanus Island, which together have capacity of 360 TJ per day (22% of Western Australia production capacity). Each of these facilities are connected to the DBNGP.

In 2016, Chevron completed Gorgon (phase 1), adding 156 TJ per day of additional domestic capacity through a domestic market obligation. The second phase of the Gorgon project is due for completion in 2020 (bringing the project's total capacity for the domestic market to 300 TJ per day) and the Wheatstone LNG plant is expected to be operational in 2018, adding 200 TJ per day of domestic capacity through a domestic market obligation. Together, these facilities are expected to bring Western Australia's total domestic gas production capacity to 1,977 TJ per day by the end of 2020 (a 21% increase).

Transmission pipelines

There are currently nine gas transmission pipelines registered in Western Australia[30], which have a total nameplate capacity[31] of 1,380 TJ per day. The DBNGP has firm full haul capacity[32] of 845 TJ per day, or 61% of the state's nameplate pipeline capacity and transports gas from the Carnarvon Basin to customers in the south west of Western Australia (including Perth). The other substantial pipelines, the Goldfields Gas Pipeline and Pilbara Energy Pipeline, transport gas to the Goldfields and Pilbara regions. Together, these pipelines account for 88% of Western Australia's pipeline capacity.

Gas produced in the Perth Basin has traditionally been transported via the Parmelia Pipeline, but gas withdrawn or injected into the Mondarra Storage Facility has traditionally been transported on the DBNGP. Perth Basin production facilities are not directly connected to the DBNGP but the DBNGP is interconnected to the Mondarra Storage Facility, which is interconnected to the Parmelia Pipeline and other production facilities in the Perth Basin.

DUET and APA Group own the majority of key transmission pipelines[30] in Western Australia, which are summarised below.

Table 17: Western Australia Gas Pipelines

Pipeline	Owner	Capacity (TJ per day)	% of Total
DUET			
DBNGP	DBP (100%)	845	60%
Fortescue River Gas Pipeline	DDG (57%); TransAlta (43%)	64	5%
APA			
Goldfields Gas Pipeline	APA (88.2%); Alinta Energy (11.8%)	203	14%
Pilbara Pipeline System	APA (100%)	166	12%
Parmelia Gas Pipeline	APA (100%)	65	5%
Kalgoorlie Kambalda Pipeline	APA (100%)	29	2%
Telfer Gas Pipeline	Marubeni (49.9%); Osaka Gas (30.2%); and APA (19.9%)	29	2%
Midwest Pipeline	APA (50%); Horizon Power (50%)	11	1%
Other			
Kambalda Esperance Pipeline	Esperance Pipeline Company	6	0%
Total		**1,418**	**100%**

Source: Gas Statement of Opportunities, AEMO, December 2016.

[30] Registered on Western Australia's Bulletin Board, which is a gas market and system information website operated by AEMO, aimed at providing up-to-date gas system and market information.

[31] All references to capacity in this section are to nameplate capacity, which is firm full haul capacity of a transmission pipeline.

[32] Firm capacity is capacity that is guaranteed to be available to shippers. Full haul means capacity that is offered over the full length of the DBNGP.

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The DBNGP does not have any material direct competition for the transportation of gas from the Carnarvon Basin to south west Western Australia as each pipeline services a specific geographic region (although the Parmelia Gas Pipeline represents a bypass risk for the portion of the DBNGP from the Mondarra Storage Facility to Perth).

Furthermore, there are significant barriers to entry for any competing pipelines being built, including:

- substantial capital requirements
- limited access to alternative gas reserves and access to market (the majority of large end users in the Perth/Bunbury area have contracted all of their material gas transport requirements with DBP until at least 2025)
- there are no large scale LNG regasification facilities (which convert LNG back to natural gas) in Western Australia, and none are proposed
- there are no gas pipelines or electricity grid connections between Western Australia and the eastern states of Australia, and
- the Western Australia Pipeline System is less integrated than the Eastern Pipeline System, which operates on the eastern seaboard of Australia.

Gas usage by end customers

Despite its relatively small population, Western Australia consumes more gas domestically than any other state in Australia, including Victoria (where Multinet Gas operates), which has the highest rate of access to natural gas as a result of its extensive distribution network. Consumption of natural gas in Western Australia totalled 554.5 PJ in FY15, equivalent to approximately 40% of Australia's total consumption of natural gas.[33] Relative to other states, a greater share of gas is consumed by large end users, including the minerals processing sector (32% of gas usage), for gas-fired power generation (29%) and mining users (23%). Customers supplied through the distribution network account for around 8% of total Western Australia domestic gas consumption.

The majority of gas used in Western Australia is consumed by customers in the south west of the state (including Perth). Historically, demand increased due to growth in industrial and commercial demand, power generation and new housing growth. Large industrial users in the south west of the state include Alcoa, which owns the Kwinana, Wagerup, and Pinjarra alumina refineries, South32 Limited's Worsley aluminium refinery, CSBP Limited's ammonia plant, Wesfarmers' LPG/LNG facilities and BHP Billiton Limited's Kwinana nickel refinery.

Gas-fired power generation accounts for approximately 40% of electricity generated within the South West Interconnected System (SWIS) (the major interconnected electricity network in

[33] Source: Gas Statement of Opportunities, AEMO, December 2016.

Western Australia). Synergy (owned by the Government of Western Australia) is Western Australia's leading supplier and retailer of electricity. It generates 50% of energy produced in the SWIS and has over one million residential, commercial and industrial customers.

Alinta Energy (owned by TPG Capital), supplies gas to most of the domestic residential gas market and over 80% of the commercial and light industrial market in Perth and the surrounding areas.

Growth in the south west of Western Australia is expected to remain flat over the 10 years to 2026.[34] No major expansion of refineries is expected while demand for gas-fired power generation is expected to be limited and no new gas-fired power generation capacity is expected (as the SWIS currently has around 642 megawatts (MW) of excess electricity generation capacity for the 2017-18 capacity year).

Most forecast gas demand growth is expected to come from the Pilbara, including from new and expanding mines (e.g. CITIC Pacific Mining Management Limited (CP Mining)'s Sino Iron project, Fortescue Metals Group Ltd's (Fortescue Metals Group) iron ore mining operations) or industrial plants (e.g. Yara Pilbara Fertiliser's Burrup ammonium nitrate production facility). These projects will be unable to draw on the excess electricity generation capacity in the SWIS and must be self-sufficient for electricity generation. Currently, around 3,519 MW of gas fuelled generation capacity is located outside of the SWIS, at remote mine sites and in regional centres.

In many instances, the choice of fuel type for onsite generation in the non-SWIS area is restricted to diesel or gas. The cost of transporting coal to remote locations is not commercially viable, while renewable generation alone is often insufficient to meet a facility's energy needs without some form of energy storage. Currently, diesel is more expensive than gas, which may encourage mine sites to switch from diesel to gas-fired generation to provide electricity for their operations, especially if their project is located in close proximity to a gas transmission pipeline. There is around 444 MW[35] of diesel-fuelled generation capacity in the non-SWIS area.

Additional demand is expected to come from South Hedland Power Station, which will supply electricity to Fortescue Metals Group's port operations in Port Hedland and Horizon Power's customers in the North West Interconnected System from 2017 and from Tianqi Lithium Australia's new lithium processing facility in Kwinana, which is due to commence operation from late 2018.

Several companies, including Wesfarmers Gas Limited and EDL (LNG) Pty Ltd, have established mini-LNG plants to produce LNG to be delivered by road tanker to mine sites and remote communities. These plants use gas that is shipped along gas transmission pipelines, including the DBNGP. These companies are opening up new markets for gas in the mining provinces and remote regions of Western Australia.

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[34] Source: Gas Statement of Opportunities, AEMO, December 2016.

[35] Source: Gas Statement of Opportunities, AEMO, December 2016.

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The Chamber of Minerals and Energy (CME) Western Australia has predicted that electricity demand in the Pilbara will increase from approximately 2,600 gigawatt hours (GWh) in 2016 to over 4,000 GWh in 2020 as a result of an increase in mining activity. The majority of this demand is expected to be fuelled by natural gas.[36] DDG will benefit from the construction of FRGP in the Pilbara.

Regulatory environment

Gas transmission pipelines are generally capital intensive and incur declining marginal costs as output increases, resulting in high barriers to entry. Accordingly, gas transmission pipelines are often viewed as natural monopolies and therefore are often regulated to ensure the efficient delivery of capacity at the lowest cost to customers. In Western Australia, the DBNGP, Goldfields Gas Pipeline and Mid-West and South-West Gas Distribution System are subject to full regulation.

The National Gas Law and National Gas Rules provide a uniform national framework for access to certain gas transmission pipelines and distribution networks in Australia. The WA National Gas Access Act 2009 amends and implements the National Gas Law and National Gas Rules in Western Australia. The Economic Regulation Authority of Western Australia (ERA) is responsible for regulating third party access to regulated gas transmission pipelines in Western Australia, including the approval of access arrangements. In all other states, the Australian Energy Regulator (AER) regulates those transmission pipelines and distribution networks that are covered by the National Gas Law. The Government of Western Australia announced its intention to transfer regulation of gas transmission pipelines to the AER on 1 July 2018.[37] However, this transfer has not yet been formalised and uncertainty remains as to the timing of any transfer (given the upcoming State election in March 2017).

Under the regulatory regime, the ERA sets the tariff price path at five year intervals using a 'building block' approach. The building block approach provides for an allowable revenue stream designed to cover ongoing operating and maintenance costs, the cost of income tax, depreciation of the RAB and a return (cost of capital) on the RAB.

Figure 8: The 'building block' approach

Revenue requirement = (RAB x WACC (real, pre-tax)) + Operating expenditure + Regulatory depreciation + Tax allowance

Source: DUET management.

The allowable revenue stream is then translated into a reference tariff for each reference service based on forecast demand for each reference service for the five year regulatory period. In the

[36] CME, 2015-2025 Western Australian Resources Sector Outlook, November 2014.

[37] https://www.finance.wa.gov.au/cms/uploadedFiles/Public_Utilities_Office/Electricity_Market_Review/ Information-Paper-Transfer-of-Gas-Pipeline-Regulatory-Functions.pdf.

case of the DBNGP, the tariff is adjusted each year from 1 January for movements in the national Consumer Price Index (CPI) and changes in debt margins. DBP is also entitled to adjust the tariffs each year if the actual level of government charges incurred varies from the level included in the forecast of such expenditure approved by the ERA. This pricing mechanism exposes transmission networks to the risk of loss of contracted capacity during the regulatory period and, if the forecast of demand includes new demand that does not materialise, the loss of that opportunity.

7.1.2 DBP Business Description

Asset overview

DBNGP is Western Australia's principal gas transmission pipeline and the only pipeline connecting significant natural gas resources in the Carnarvon Basin with customers in Perth and its surrounding regions. The Western Australia Government commissioned the pipeline in 1984. Following the privatisation of the DBNGP in March 1998, a number of expansions of the pipeline have been undertaken which have increased capacity. Its capacity was increased from its original capacity of 200 TJ per day to 513 TJ per day in 2003. After acquiring the DBNGP in October 2004, DBP[38] invested $1.7 billion in a series of expansion projects which resulted in capacity increasing a further 60% to 845 TJ per day, with 83% of the pipeline being duplicated or 'looped', effectively creating two pipelines. It is estimated that the DBNGP has a remaining asset life of at least 50 years.

The pipeline consists of 1,489 kilometres (km) of mainline pipe that extends from the Burrup Peninsula, near Dampier in the north of Western Australia, to Bunbury in the south west of Western Australia. It also has 1,252 km of looped pipe and 339 km of lateral pipe that connect to Carnarvon, Geraldton, Pinjarra, Wagerup and Worsley. The mainline pipe has 10 compressor stations at approximately 150 km intervals. Other than at compressor stations and outlet stations, all pipe is buried, which protects it from damage.

[38] At the time, DBP was owned 60% by DUET, 20% by Alcoa and 20% by Alinta Ltd.

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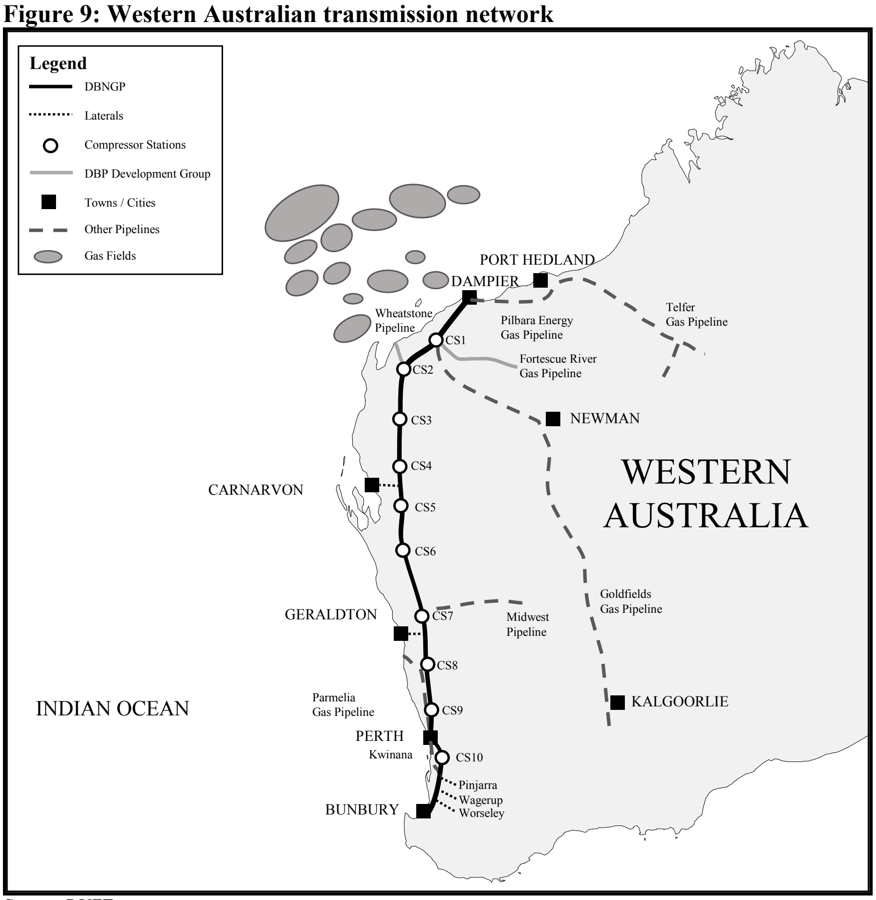
Figure 9: Western Australian transmission network



Source: DUET management.

The majority of asset management was brought in-house in 2009 for the purpose of optimising operations. The DBNGP is designed, operated and maintained to deliver high levels of system reliability. Since DBP acquired the DBNGP, there has been no loss of gas supply or out-of-contract curtailment to customers due to DBNGP system failure. DBP achieved 99.6% reliability at compressor stations for the twelve months ended 30 June 2016. DBP undertakes cleaning and inspecting ('intelligent pigging') of the pipeline every 10 years for the original main line and every five years for the loops. DBP is considering aligning the frequency of both to once every seven years.

DBP has systems in place that are designed to enable efficient response to system failures, including the duplication of approximately 83% of the pipeline, which enables a bypass of most areas of the main line if necessary. DBP also has the ability to physically bypass each compressor station, and believes that the failure of, or damage to, an entire compressor station would only have a limited impact on the throughput capacity of the DBNGP.

DBP offers customers access to transmission capacity along the DBNGP on one of three bases:

- a firm full haul service (T1) that delivers gas downstream of compressor station 9 (which is around 100 km north of Perth)
- a firm part haul service (P1) that delivers gas upstream of compressor station 9, and
- a firm back haul service (B1) where the outlet station is upstream of the inlet station.

Each of these services is offered under long term Standard Shipper Contracts, or as a short term reference service where reference tariffs apply (under Access Arrangements).

Tariffs levied on customers include a variable and fixed component. The fixed component, a 'capacity reservation charge', is payable regardless of actual volumes utilised ('take or pay' basis). A separate variable component, a 'commodity charge', is payable in respect of actual volumes used on any particular day. Subject to capacity being available, a customer is entitled to purchase additional spot capacity for a day. The tariff for spot capacity is set by the market with a floor and ceiling price set by DBP, and is generally higher than reference tariffs.

Regulation

The DBNGP has in place an Access Arrangement that applies until 31 December 2020. The ERA did not accept the Access Arrangement proposed by DBP and on 30 June 2016, instead, the ERA drafted and approved its own Access Arrangement. DBP has applied to the Australian Competition Tribunal (ACT) for leave to review some of the ERA's required revisions. A decision is not expected before the second quarter of 2017. The reference tariff for full haul (T1) service at 1 January 2017 was $1.3195 per GJ per day. Pricing of the part haul and back haul reference services are a proportion of the T1 reference tariff, based on the length of the pipeline that is utilised and are quoted on a per kilometre basis.[39] Capacity reservation charges represent 90% of the reference tariff, while commodity charges represent the remaining 10%. As at 31 December 2016, DBNGP had a RAB of $3,440.5 million.

Contracts

DBP provides gas transportation services to Alcoa under the Alcoa Exempt Contract (a contract that provides for tariffs outside the regulatory framework[40]) and to most other customers under the Standard Shipper Contracts.[41] Under the Standard Shipper Contracts that were entered into

[39] As at 1 January 2017, part haul (P1) and back haul (B1) reference tariffs were $0.000943 per GJ per day per kilometre.
[40] Terms of the Alcoa Exempt Contract are commercial in confidence and, therefore, have not been disclosed in this report.
[41] There are also several legacy contracts, entered into before 2004, for gas transportation to customers with specific requirements under terms and conditions specific to those customers, and some contracts for services which support the basic gas transportation service. However, these contracts do not make a material contribution to DBP's revenue.

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on acquisition of the DBNGP in 2004, tariffs would revert to the regulated tariff from 1 July 2016 and shippers would have the right to relinquish 10% of contracted capacity from 1 January 2016. In order to provide contractual certainty, in 2014 DBP successfully renegotiated most of these standard shipper contracts in advance of the regulatory determination that would apply from 1 January 2016. As a result of the successful renegotiation, 85% of firm full haul capacity is, until 1 January 2021, set at tariffs that are outside the regulatory framework (2014 Standard Shipper Contracts). The 2014 Standard Shipper Contracts effectively extended the contract terms for a further 10 years, providing an agreed tariff path until 1 January 2021 and deferred most shippers' rights to relinquish capacity until 1 January 2021.

The shippers who did not agree to amend their Standard Shipper Contracts in 2014 remain on the Original Standard Shipper Contract that negotiated in 2004 (Original Standard Shipper Contracts).

The key terms of the Original and 2014 Standard Shipper Contracts are summarised below.

Table 18: Original and 2014 Standard Shipper Contract Terms

Term	Original Standard Shipper Contracts	2014 Standard Shippper Contracts
Effective date	1 January 2004	1 July 2014
Term	Expire between 2021 and 2023	Expire between 2025 and 2033
Extensions	Two 5 year extension options	Two 5 year extension options
T1 tariff	Reverted to regulated tariff from 1 January 2016 ($1.3195 per GJ at 1 January 2017)	Agreed tariff path ($1.47 per GJ at 1 January 2017), reverts to regulated tariff on 1 January 2021 (absent any further recontracting)
P1 or B1 tariff	Distance based proportion of the T1 Tariff	Distance based proportion of the T1 Tariff
Form of tariff	Capacity reservation charge: 90% (take or pay); Commodity charge: 10% (subject to volume risk)	Capacity reservation charge: 80% (take or pay); Commodity charge: 20% (subject to volume risk)
Tariff escalation factor	National CPI, every 1 January. Can also be amended for changes in debt margins, Government imposts or new expenses that DBP incurs	Perth CPI, every 1 January
Relinquishment rights	Shippers can relinquish up to 10% of total capacity each year from 1 January 2016	Shippers can relinquish up to 10% of capacity each year from 1 January 2021[1]

Source: DUET management.
Note 1: Amount that can be relinquished ranges from 10% (in most cases) to 30% each year from 1 January 2021. One shipper has the right to accumulate the annual relinquishment percentage from 2015 to 2020. Prior to 31 December 2020, there are rights to a relinquishment of no more than 5 TJ per day in aggregate (or greater in the event of plant closures).

Due to the structure of DBP's revenue, which primarily consists of capacity reservation charges (80% under the 2014 Standard Shipper Contracts) payable regardless of the quantity of gas actually transported for customers, the short-term consequences to DBP of a reduction in volumes (either as a result of customers requiring less gas or interruptions in supply of gas from processing plants) are limited.

Any relinquishment of capacity from 1 January 2021 is not expected to have a significant impact on revenue (assuming the demand forecasts accepted by the regulator include these relinquishments). This is because reference tariffs are expected to be revised upwards from the regulatory reset date based on the forecast lower contracted capacity.

In addition to the standard relinquishment rights under the Standard Shipper Contracts, some customers have the right to relinquish capacity in the event of certain events, such as the permanent closure of the customer's plant. Any capacity relinquished prior to the regulatory reset date would result in a reduction in revenue (to the extent that the forecast approved by the regulator did not assume a relinquishment).

Customers

The majority of DBP's customers are end users or resellers of gas located in the south west of Western Australia and the Pilbara region, who purchase gas from producers in the Carnarvon Basin and pay DBP to transport the gas via the DBNGP. DBP's three largest customers, Alcoa, Synergy and Alinta Energy, account for 74% of the DBNGP's contracted full haul capacity. Demand for gas for electricity generation (Synergy) peaks in summer months, while gas requirements for residential demand (Alinta Energy) peak in winter. Alinta Energy's contract allows for committed capacity to vary throughout the year.

Table 19: DBNGP throughput and contracted capacity

Period	12 months to				6 months to
$ million	**30-Jun-13**	**30-Jun-14**	**30-Jun-15**	**30-Jun-16**	**31-Dec-16**
Contracted capacity (TJ per day)					
Full haul	841	820	756	737	725
Part haul	278	278	257	255	257
Back haul	122	152	197	204	207
Total	**1,242**	**1,249**	**1,211**	**1,196**	**1,189**
Throughput (TJ)					
Full haul	227,950	239,423	233,115	232,802	115,193
Part haul	44,189	43,467	43,864	35,982	20,608
Back haul	36,914	51,886	53,794	63,684	32,473
Total	**309,054**	**334,776**	**330,773**	**332,468**	**168,275**

Source: DUET management.
Note: 12 month average.

Full haul contracted capacity has declined throughout the period above, reflecting a customer (Griffin Transport) going into administration in FY14, certain shippers bringing forward a portion of their relinquishment rights at the time of recontracting (which resulted in a reduction of 58 TJ per day of contracted T1 capacity from 1 July 2014) and the closure of the South West CoGeneneration facility (which resulted in a reduction of 35 TJ per day from 1 April 2016). The strong growth in back haul contracted capacity reflects an increase in demand from mining operations in the Pilbara and a mining customer's conversion from part haul to back haul for a portion of its capacity.

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Strong growth in throughput in FY14 reflects an increase in gas-fired generation due to coal-fired plant outages and the completion of the Mondarra Gas Storage facility (which has injection capability of 70 TJ per day) in 2013. Throughput remained relatively flat in FY15 and FY16. Throughput in the six months ended 31 December 2016 was 2.8% higher than in the corresponding period in the prior year.

System use gas

DBP uses gas in the operation of the DBNGP, primarily to fuel the compressors. This gas is referred to as 'system use gas'. DBP has long term contracts with subsidiaries of Alinta Energy and NewGen for the purchase of system use gas. These contracts are structured to recognise the criticality of system use gas to the operation of the DBNGP and the flexibility required to modify the operation of the pipeline to meet varying daily throughput. The price paid for gas under this contract is fixed under a CPI linked formula until 31 December 2020. In addition, when pricing is favourable, DBP purchases smaller quantities of gas on the spot market.

Capital works programs

DBP has not undertaken any programs to increase the capacity of the DBNGP since the Stage 5B project in 2011 and no further expansion of capacity is planned for the period up to 31 December 2020. Currently, the DBNGP has approximately 127 TJ per day of excess firm full haul capacity (available full haul capacity of 845 TJ per day exceeds contracted full haul capacity of 718 TJ per day).

7.1.3 *Financial Information*

The financial performance of DBP for the four years ended 30 June 2016 and six months ended 31 December 2016 is summarised below.

Table 20: DBP Financial Performance

Period		**12 months to**			**6 months to**
$ million	**30-Jun-13**	**30-Jun-14**	**30-Jun-15**	**30-Jun-16**	**31-Dec-16**
Period end RAB ($ million)	*3,581.2*	*3,595.2*	*3,614.7*	*3,465.5*	*3,440.5*
Throughput (TJ)	*309,054*	*334,776*	*330,773*	*332,468*	*168,275*
Contracted Capacity (TJ/day)	*1,238*	*1,273*	*1,211*	*1,197*	*1,189*
Transmission revenue	417.6	415.3	381.1	375.7	176.2
Chargeable works revenue (net)	18.0	0.5	6.8	4.9	0.2
Other revenue	13.5	13.0	8.8	1.4	3.1
Total revenue	**449.1**	**428.8**	**396.8**	**382.1**	**179.4**
Operating expenses	(80.2)	(80.3)	(82.2)	(77.1)	(44.9)
100% EBITDA	**368.9**	**348.5**	**314.5**	**305.0**	**134.6**
Adjustment for ownership	(68.1)	(67.1)	(59.6)	(44.3)	-
Proportionate EBITDA	**300.8**	**281.4**	**254.9**	**260.7**	**134.6**
Customer contributions (net of margin)	(12.0)	(0.4)	(5.2)	(3.6)	(0.2)
Adjusted proportionate EBITDA	**288.8**	**281.0**	**249.7**	**257.1**	**134.4**
Net interest expense	(174.2)	(182.9)	(145.5)	(130.0)	(66.3)
SIB capital expenditure[1]	(20.0)	(4.7)	(6.3)	(29.1)	(8.3)
Tax paid	-	-	-	-	-
Proportionate earnings	**94.6**	**93.4**	**97.9**	**98.0**	**59.7**
Statistics (100% basis)					
SIB capital expenditure	*24.6*	*19.2*	*26.0*	*34.0*	*8.3*
Growth capital expenditure	*11.9*	*1.2*	*8.6*	*2.0*	*0.6*
Total capital expenditure	*36.5*	*20.4*	*34.6*	*36.0*	*8.9*
Gearing[2]	*70.1%*	*69.6%*	*65.7%*	*67.8%*	*67.3%*
Revenue growth	*na*	*(4.5%)*	*(7.5%)*	*(3.7%)*	*(10.1%)*
EBITDA growth	*na*	*(5.6%)*	*(9.7%)*	*(3.0%)*	*(16.1%)*
EBITDA margin	*82.2%*	*81.3%*	*79.3%*	*79.8%*	*75.0%*

Source: DBNGP Trust Annual Reports for FY14 through FY16 and reviewed financial statements for the six months ended 31 December 2016.
Notes:
1. *FY13 and FY16 proportionate earnings are calculated using stay-in-business (SIB) capital expenditure, while FY14 and FY15 uses net regulatory depreciation. This disclosure aligns with DUET's prior reporting.*
2. *Gearing is net senior debt divided by RAB.*

DBP generates transmission revenue under long term shipper contracts, non-recurring revenue from chargeable works performed on behalf of customers, other pipeline capacity services and

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from operations and maintenance contracts. Chargeable works relate to non-refundable contributions received from customers towards the cost of extending or modifying the pipeline.

Total revenue declined by 14.9% from $449.1 million in FY13 to $382.1 million in FY16, primarily as a result of:

- in FY14, lower capacity revenues from Griffin Transport and a $17.5 million decline in chargeable works resulted in a 2.3% decline in revenue
- in FY15, recontracting resulted in a 9.5% reduction in the agreed tariff from 1 July 2014 and a 7% reduction in contracted capacity (partially offset by a one-time positive adjustment of $13.6 million related to under-billing in prior years) resulting in a 8.2% decline in revenue, and
- in FY16, around 15% of full haul contracted volumes were transferred to the lower regulated tariff from 1 January 2016. Contracted volumes also declined, reflecting the closure of the South West Co Generation facility. These factors also contributed to a 1.4% decline in revenue for the year and a 8.0% decline in transmission revenue in the six months ended 31 December 2016 (relative to the corresponding period in the prior year).

Lower revenue translated into a 17% decline in EBITDA between FY13 and FY16 as operating expenses remained relatively flat. In the six months ended 31 December 2016, operating expenses increased by 14.8% (relative to the corresponding period in the prior year) as a result of higher employee expenses and higher fuel gas expenses (reflecting higher throughput). As a result, EBITDA declined by 16.1%.

In FY15, lower revenue was largely offset by a reduction in interest expense as DBP reset interest rate hedges at the time of recontracting and DBP Unitholders contributed an additional $180 million in new equity in December 2014 to allow for the prepayment and cancellation of higher priced, longer dated bank term debt.

DBP's RAB declined by 4.3% in FY16 in part as a result of the regulatory decision for 2016 to 2020, whereby $20 million of historical capital expenditure was classified as operating expenditure and $15 million of capital expenditure was disallowed by the regulator. The remaining difference relates to shipper funded capital expenditure of $50 million (which does not attract a regulated return on capital), regulatory depreciation and a low inflation uplift throughout the period.

FY16 stay-in-business (SIB) capital expenditure includes $5.4 million of gas line pack. Future SIB capital expenditure is expected to remain in the range of $20 million to $30 million per annum and is expected to be funded through operating cash flows.

DBP is rated BBB- (positive watch) and Baa3 (stable) by S&P and Moody's, respectively.

7.1.4 DDG Business Description

DDG was established by DIHL in 2011 to build, own and operate gas transmission pipelines and associated infrastructure. It leverages the pipeline engineering and operating skills of DBP's management team through Support Service Agreements between DBP and DDG.

Over the past two years, DDG has committed more than $200 million for the construction of new pipeline laterals from resource sector projects to the DBNGP.

DDG owns and operates three pipelines as set out below:

Table 21: DDG Owned and Operated Pipelines

Pipeline (Ownership)	Date Completed	Length (km)	Initial Capacity (TJ/day)	Use of Gas	Gas Transportation Agreement
Wheatstone Ashburton West Pipeline (DDG, 100%)	Dec 14	87&22	337	Chevron Australia's Wheatstone Project's domestic gas plant	100% take-or-pay with Chevron Australia with initial revenue of $14m p.a. for 30 years with two 5 year extension options
Fortescue River Gas Pipeline (DDG, 57%; TransAlta, 43%)	Mar 15	270	64	TransAlta-owned 125MW Solomon Power Station servicing Fortescue Metals Group's mining operatons	100% take-or-pay between the JV and a Fortescue Metals Group subsidiary, for 20 years
Ashburton Onslow Gas Pipeline (DDG, 100%)	Jun 16	24	10	Horizon Power's proposed 8 MW Onslow Power Station	100% take-or-pay with Horizon Power (foundation shipper) for revenue of $0.6m p.a. for 20 years with two 5 year extension options

Source: DUET management.

On 19 December 2016, DDG announced that it would commission the Tubridgi Gas Storage Facility utilising the depleted Tubridgi onshore gas reservoir to create the largest gas storage facility in Western Australia. The facility is strategically located in close proximity to the Chevron-operated Wheatstone and BHP Billiton-operated Macedon domestic gas production facilities, approximately 30 km from Onslow in the north west of Western Australia. Existing gas transmission laterals connect the storage facility to Compressor Station 2 (CS2) on the DBNGP.

At completion, the facility is forecast to have storage capacity of around 42 PJ and daily injection and withdrawal ranges of around 50 TJ per day. CP Mining, a subsidiary of CITIC Limited, will be the foundation customer under a 10 year gas storage agreement with options for a further five years. CP Mining is the developer and operator of the Sino Iron magnetite project at Cape Preston. Additional contracts with other customers are being negotiated by DDG.

In addition, DDG undertakes operations and maintenance services for customers where there is an opportunity to lead to asset ownership. DDG maintains third party asset infrastructure for Chevron and Horizon Power, including the Gorgon DomGas Onshore Pipeline and Metering Station under a nine year contract commencing from June 2014. DDG has previously

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maintained and operated the Pilbara Energy Pipeline and the Port Hedland extension pipeline, currently owned by APA Group.

7.1.5 *Financial Information*

The financial performance of DDG for the four years ended 30 June 2016 and six months ended 31 December 2016 is summarised below.

Table 22: DDG Financial Performance

Period	12 months to				6 months to
$ million	**30-Jun-13**	**30-Jun-14**	**30-Jun-15**	**30-Jun-16**	**31-Dec-16**
Transmission revenue	0.5	0.7	13.0	33.6	17.1
Other revenue	2.7	3.8	(0.3)	3.0	0.5
Total revenue	**3.2**	**4.5**	**12.7**	**36.6**	**17.6**
Operating expenses	(2.7)	(2.7)	(3.4)	(4.2)	(2.7)
100% EBITDA	**0.5**	**1.7**	**9.3**	**32.4**	**14.9**
Adjustment for ownership	-	-	-	-	-
Proportionate EBITDA	**0.5**	**1.7**	**9.3**	**32.4**	**14.9**
Customer contributions (net of margin)	-	-	-	-	-
Adjusted proportionate EBITDA	**0.5**	**1.7**	**9.3**	**32.4**	**14.9**
Net interest expense	0.0	2.4	0.7	(0.3)	(0.1)
SIB capital expenditure[1]	-	(0.3)	-	-	(0.0)
Tax paid	-	-	-	-	-
Proportionate earnings	**0.5**	**3.9**	**10.0**	**32.1**	**14.8**
Statistics (100% basis)					
SIB capital expenditure	-	-	-	-	*0.0*
Growth capital expenditure	*2.4*	*75.3*	*144.4*	*7.0*	*12.4*
Total capital expenditure	*2.4*	*75.3*	*144.4*	*7.0*	*12.4*
Gearing[2]	-	-	*2.1%*	*9.6%*	*1.1%*
Revenue growth	*na*	*39.1%*	*184.9%*	*188.7%*	*(3.1%)*
EBITDA growth	*na*	*247.2%*	*433.9%*	*249.6%*	*(5.7%)*
EBITDA margin	*15.6%*	*39.0%*	*73.1%*	*88.5%*	*84.7%*

Source: DDG Annual Reports for FY14 through FY16 and reviewed financial statements for the six months ended 31 December 2016.
Notes:
1. *FY14 proportionate earnings are calculated using accounting depreciation. This disclosure aligns with DUET's prior reporting.*
2. *Gearing is net senior debt divided by equity plus net debt.*

DDG generates transmission revenue under long term contracts and other revenue (including operations and maintenance revenue). Transmission revenues increased with the commissioning of the Wheatstone Ashburton West and Fortescue River laterals in December 2014 and March 2015 respectively.

Capital expenditure is primarily growth related capital expenditure to build new pipelines. Future operating expenses and SIB capital expenditure are expected to be higher as the business matures.

DDG has identified a number of additional opportunities which are expected to support future earnings growth, with the Tubridgi Gas Storage Facility expected to be commissioned prior to FY18.

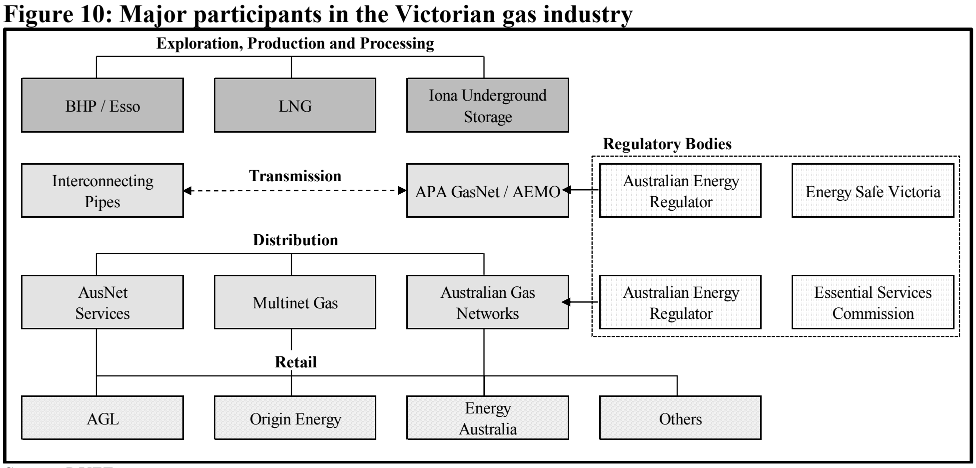
7.2 Multinet Gas

7.2.1 Victorian Gas Industry

Overview

Victoria has the highest rate of access to natural gas in Australia, with natural gas distribution networks extending to most cities and large towns. Expansion of the natural gas network to other regional and rural areas is currently being undertaken as part of the Regional Gas Infrastructure program implemented by the Victorian Government. The gas industry supply chain comprises four segments, each of which is regulated: exploration, production and processing; transmission; distribution; and retailing. The supply chain and the major participants in the Victorian gas industry are summarised in the diagram below.

Figure 10: Major participants in the Victorian gas industry



Source: DUET management.

The segments of the gas industry in Victoria are discussed in further detail below.

Exploration, production and processing

Natural gas supplied to the Victorian market is predominantly sourced from the Gippsland, Bass and Otway Basins. Total 2P reserves in these areas amount to approximately 3,912PJ (as of August 2015) and represent around 3.1% of Australian domestic gas reserves. Gippsland

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contains the largest amount of 2P reserves with an estimated 3,106 PJ, while the Otway and Bass Basins are considerably smaller, with 648 PJ and 158 PJ, respectively. At projected consumption rates, Victorian natural gas reserves are expected to meet demand for at least the next 15 to 30 years[42].

Companies are continuing to explore for and develop gas resources offshore in Victoria. In 2013, Esso and BHP Billiton Petroleum announced the Kipper Tuna Turrum (KTT) Project to help maintain current gas production levels from Bass Strait. The cost of the project is estimated to be $4.5 billion and is the largest domestic gas development on Australia's eastern seaboard. The Turrum component of the project is expected to provide additional supply of approximately 77 PJ per annum[43]. The Kipper component of the project will add another 30 PJ of production per annum and provide continued production for the Gippsland Basin Joint Venture. Gas production from the Tuna component has already commenced.

In August 2016, the Victorian Government announced a permanent ban on onshore unconventional gas extraction, including fracking, and extended the moratorium on onshore conventional gas development until June 2020.

The Gippsland Basin Joint Venture (between Esso Australia and BHP Billiton Petroleum) supplies approximately 90% of Victoria's natural gas requirements. Gas extracted in the Gippsland Basin is transported via pipelines from the various offshore facilities to the Longford Gas Plant, which provides the majority of Victoria's natural gas for domestic, commercial and industrial use. Esso Australia is also in the final stages of the construction of a gas conditioning plant at the existing Longford facilities, which will process gas associated with the KTT Project.

Other gas processing facilities in Victoria include the Minerva Gas Plant (owned by BHP Billiton), the Orbost Gas Plant (owned by Cooper Energy), the Lang Lang Gas Plant (owned by the Bass Gas Joint Venture) and the Iona Gas Plant (owned by QIC).

Transmission

Gas transmission involves the bulk transport of natural gas from production fields and processing plants to distribution networks or directly to large customers. The Victorian Transmission System (VTS) is a network of approximately 1,992 km of high-pressure gas pipelines that transports gas from various inlet points to load centres throughout Victoria. The infrastructure primarily transports gas from the Longford Gas Plant in south-west Victoria, the onshore Otway Basin gas fields and from various natural gas storage facilities. It also supplies gas to New South Wales via the Interconnect with the Moomba to Sydney Pipeline (MSP) at Culcairn. The average annual throughput of the VTS is in excess of 200 PJ per annum.

The VTS is owned and maintained by APA Group but operated by the Australian Energy Market Operator (AEMO) under a market-based, centrally co-ordinated carriage system under

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[42] Department of Environment, Land, Water and Planning.

[43] Australian Government's Eastern Australian Domestic Gas Market Study (January 2014).

the National Gas Rules. Under this arrangement, AEMO is responsible for the shipment of gas through the VTS. AEMO is also responsible for transmission planning in the Victorian gas market through its Annual Gas Planning Review. The information is provided to allow gas market participants to make informed decisions for their own planning and market strategies. APA Group has contracts with distributors under which it provides and maintains custody transfer meters, which are the interface between the various distribution systems and the upstream transmission system.

Other gas transmission networks in Victoria include the Eastern Gas Pipeline which transports natural gas from Longford to Sydney, the SEA Gas pipeline from western Victoria to Adelaide and the Longford - Tasmania Gas Pipeline.

Distribution

Transmission pipelines connect to gas distribution networks at gate stations and custody transfer meter stations. Distribution companies transport gas from transmission networks to end users, including residential properties, factories and offices. Three gas distribution companies operate in Victoria: Multinet Gas; Australian Gas Networks (owned by CKI as to 45% and PAH as to 27.5%); and AusNet Gas (owned by AusNet Services Limited).

Australian Gas Networks' distribution network covers the Melbourne central business district, north-eastern metropolitan Melbourne, Mornington Peninsula and rural areas in eastern, north-central Victoria and Albury. It owns approximately 11,000 km of natural gas distribution networks that serve around 650,000 consumers in Victoria.

AusNet Gas' distribution network encompasses the western and north-western Melbourne metropolitan areas, together with 19 country localities in central and western Victoria. It delivers gas to 665,000 consumers in an area of more than 60,000 square km.

Each gas distributor is responsible for a separate geographic region of Victoria. Refer to Section 7.2.2 for a discussion of the region in which Multinet Gas operates.

Retailing

With the exception of a small number of large industrial and commercial customers (who purchase gas directly from producers), most customers purchase gas from aggregators, who act as retailers. There are currently 11 gas retailers operating in Victoria. Major gas retailers include AGL Energy, Origin Energy and Energy Australia. The retail price of gas paid by residential and business consumers represents the aggregate of the wholesale cost of gas, transmission and distribution tariffs, the retailer's operating costs and a profit margin.

Under distribution licences, distributors are required to provide distribution services on their pipeline systems, allowing any licensed retailer to sell gas to any contestable customers within its designated territory. While the distributors and retailers are permitted to negotiate their own terms for the use of the distribution networks, a standard arrangement (approved by the AER) can be used. Gas retailers are liable to the distributors for distribution use of system charges based on end-use metering.

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Demand

The gas industry supplies approximately 1.9 million residential, commercial and industrial customers in Victoria[44]. Average residential gas usage in Victoria increased very rapidly over the 1970's and 1980's, due to the advent of low-cost and abundant natural gas in lieu of manufactured gas. This was further compounded by heavy marketing efforts and the temperate Victorian climate. These factors contributed to the very high residential gas penetration rates in Victoria, with natural gas used as a source of energy by approximately 83% of households.[45]

Consumption of natural gas in Victoria totalled 280 PJ in 2015, equivalent to approximately 19.6% of Australia's total consumption of natural gas. The residential and manufacturing sectors represent the largest consumers of natural gas, accounting for approximately 39% and 28% of total consumption, respectively. Consumption by the commercial and mining sectors accounted for 12% and 9%, respectively, with the balance (12%) used across a range of other industries[46]. Since 2000, overall residential consumption in Victoria has grown at a compound annual growth rate (CAGR) of approximately 2%[47].

In the years to 2050, the consumption of natural gas in Australia is expected to increase by an average of 1% per annum, in-line with the forecast growth in overall energy consumption. This growth is expected to be underpinned by an increase in the availability of gas, an increase in the relative cost of coal and government initiatives to reduce greenhouse gas emissions.[48]

Regulatory environment

Gas distribution networks are capital intensive and incur declining marginal unit costs as output increases, resulting in high barriers to entry are high. Accordingly, gas distributors are viewed as natural monopolies and the networks are regulated to ensure the efficient delivery of a stable distribution network at the lowest cost to customers. The principal regulatory bodies for gas distribution and their main responsibilities are as follows:

- COAG Energy Council, Ministerial forum focussed on energy matters, which comprises energy and resources ministers from Commonwealth, States and Territories, chaired by the Commonwealth Minister. The COAG Energy Council reports to the Council of Australian Governments (COAG), responsible for national oversight and coordination of governance and policy development relating to Australia's energy and resources
- Australian Energy Market Commission (AEMC), responsible for rulemaking and market development functions, including the retail elements of energy markets

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[44] Essential Services Commission, Energy Retailers Comparative Performance Report – Customer Service 2014-15, p.12.
[45] Australian Bureau of Statistics, 4602.0.55.001 Environmental Issues: Energy Use and Conservation, March 2014.
[46] Department of Industry, Innovation and Science, Australian Energy Update 2016, October 2016.
[47] Department of Industry, Innovation and Science, Australian Energy Update 2016, October 2016.
[48] Department of Industry, Innovation and Science, Australian Energy Projections to 2049-50, November 2014.

- AER, responsible for economic regulation (price, revenue) of the transmission and distribution sectors of the energy market and setting distribution network prices or revenue. This is performed under Gas Access Arrangements in accordance with National Gas Law and National Gas Rules
- AEMO, the independent system operator of the retail and wholesale gas markets in south-east Australia and the Victorian gas declared transmission system
- Essential Services Commission (ESC), a state-based body responsible for licencing of gas industry participants and overseeing compliance and performance reporting by energy businesses, and
- Energy Safe Victoria, an independent technical regulator responsible for electricity, gas and pipeline safety in Victoria.

Under the regulatory regime, the AER sets the tariff price path at five year intervals using a 'building block' approach. The building block approach provides for an allowable revenue stream designed to cover ongoing operating and maintenance costs, the costs of income tax, depreciation of the RAB and a return (cost of capital) on the RAB.

Figure 11: The 'building block' approach

Allowable revenue = (RAB x WACC (real, pre-tax)) + Operating expenditure + Regulatory depreciation + Incentive mechanism (opex only) + Tax allowance

Source: DUET management.

The allowable revenue stream is then translated into tariffs based on expected volumes for the five year regulatory period under a Price Cap. Under a weighted average price cap, gas distributors are exposed to volume risk as actual revenues generated are based on actual volumes rather than forecast volumes. For the upcoming regulatory period (2018 to 2022), it has been proposed that a Revenue Cap be adopted whereby any annual revenue under or over performance relative to the allowable revenue for that period is adjusted in future periods via the adjustment to tariffs, effectively removing volume risk.

The regime is incentive based, which offers distributors the opportunity to capture a portion of efficiency improvements in the next regulatory period as operating expenditure efficiency gains (or losses) are retained by the distributors into the next regulatory period. Consumers then benefit from lower forecast operating expenses in future regulatory periods, which translates into lower prices in the future.

The difference between metered gas injected at various supply points and the allocated gas at end-use customer delivery points is known as unaccounted for gas (UAFG). Under the Victorian regulatory system, the setting of UAFG benchmarks by the ESC forms part of the mechanism to incentivise gas distributors to improve the reliability of the Victorian gas distribution network. Under this system, distributors are exposed to a liability or benefit to the extent that UAFG levels are greater or lower than the benchmark level. The process of UAFG reconciliation is performed annually based on the previous calendar year's results.

S&P has rated the regulatory framework under which the Victorian distributors operate as 'strong'. This is the highest rating possible and is used to describe a regulatory climate that is transparent, predictable and consistent.

Moody's currently has a stable outlook for Australian regulated gas networks, predominantly because the regulatory framework is likely to remain unchanged, which is a fundamental underpin of the sector's credit quality.

7.2.2 *Business Description*

Asset overview

Multinet Gas is a Victorian gas distribution company that serves Melbourne's densely populated inner and outer eastern suburbs, the Yarra Ranges and South Gippsland. It has one of the largest pipeline networks in Victoria and includes approximately 10,200 km of transmission and distribution pressure pipelines over a geographic area of approximately 1,860 square km, including around 43% of the Melbourne metropolitan area.

The network transports gas from high-pressure transmission networks operated by APA Group (Melbourne metropolitan area) and Bass Gas (South Gippsland towns) to residential, commercial and industrial customers. Its network assets include pipes, regulator stations and meters. The age profile of the assets varies by asset class, with assets in the Multinet Gas network area first installed as early as the 1890's. Approximately 77% of the Multinet Gas distribution network is constructed of long-life polyethelene and cathodically protected steel pipes.

DUET Company Limited, DUET Finance Limited and
DUET Investment Holdings Limited
Independent Expert's Report and Financial Services Guide
7 March 2017

Figure 12: Multinet Gas distribution area

Source: DUET management.

Multinet Gas and United Energy operate under a joint business model, whereby costs are shared based on the benefit received by each party. This includes costs associated with sharing personnel (including the management team) and corporate offices.

In July 2013, Multinet Gas established a two Service Provider model operating under Operations and Maintenance Services Agreements, effectively dividing the distribution area into a northern and southern region, each with separate field services contractors. Under the structure, the key services that remain outsourced include network operations, maintenance and construction works. The outsourcing arrangements include incentives and penalties to encourage the service providers to improve efficiency and network performance and provide Multinet Gas with greater control over its operations.

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In July 2014, the Network Control Centre was insourced to Multinet Gas and United Energy, providing network control and faults management for Multinet Gas.

Following a review of the delivery model in January 2017, it was determined that, effective July 2017, Multinet Gas will revert to a one service provider model, delivering operations and maintenance services across the whole region. It will also establish a contestable panel for all large capital works.

Regulation

Multinet Gas is a natural monopoly within its distribution area and hence operates in a regulated environment. As at 31 December 2016, Multinet Gas had a RAB of $1,175 million. Approximately 90% of Multinet Gas's revenue is generated from regulated distribution tariffs.

In October 2013, Multinet Gas successfully appealed the AER's final decision on its Gas Access Arrangement Review (GAAR) for 2013 to 2017 in relation to the exclusion of $30.5 million for mostly information technology capital expenditure. The result of the successful appeal was that Multinet Gas was awarded approximately $45 million of additional revenue over the 2013 to 2017 GAAR period. The AER subsequently approved the inclusion of all capital expenditure incurred in 2012 in Multinet Gas's opening RAB, resulting in adjusted prices for the remainder of the current regulatory period.

In FY15, 90% of planned pipe replacement works for the current regulatory period were completed, which triggered a pass-through application (approved by the AER) for additional pipe replacement programs planned for 2016 and 2017. This resulted in an additional 1.4% increase in tariffs from each of 1 January 2016 and 1 January 2017.

Distribution revenue is currently regulated under a Weighted Average Price Cap regime until at least the end of 2017. In December 2016, an Access Arrangement Information was submitted by Multinet Gas to the AER for the 2018 to 2022 regulatory period which proposed a transition to a Revenue Cap. The AER will issue its Draft Decision in June 2017 and a Final Decision is expected by October 2017.

Tariff V applies to residential customers. It contains fixed and variable charge. The fixed charge (based on a dollar amount per day) recovers network infrastructure costs such as service connection, standard meters, and systems for billing and collection. The variable peak, shoulder and off peak charges (based on GJ per day) recover all other costs associated with the distribution use of the system. The tariff V variable charge (based on a price per GJ) decrease with increased usage. There are currently five usage blocks for residential and non-residential customers.

Multinet Gas also provides non-regulated services such as meter readings, mains and services provision, and meter data management. The main source of non-regulated revenues is customer contributions.

Contracts

Multinet Gas contracts with gas retailers under haulage agreements. Retailers are the interface between Multinet Gas and the end users. The terms of the haulage agreements are constrained by the terms of Multinet Gas's Access Arrangement, however, retailers can elect to negotiate different terms. Multinet Gas has haulage agreements in place with all gas retailers who operate in the respective network area. The haulage agreements do not contain any take or pay provisions.

The direct billing relationship with the end user sits with the licenced retailer, who pays Multinet Gas a charge for the use of the distribution network. Approximately 70% of revenues are sourced from Australia's three largest gas retailers, AGL Energy, Origin Energy and Energy Australia, each of which has an investment grade rating.

Customers and gas consumption

The table below provides a summary of Multinet Gas's connections base and gas consumption metrics for the last four financial years.

Table 23: Multinet Gas connections base composition and gas consumption

For the period ending	30-Jun-13	30-Jun-14	30-Jun-15	30-Jun-16	Composition 30-Jun-16
Connections					
Residential	664,008	668,281	672,633	675,735	*98%*
Commercial	16,257	16,207	16,114	15,737	*2%*
Industrial	262	264	266	270	*-%*
Total	**680,527**	**684,752**	**689,013**	**691,742**	***100%***
Gas volumes (TJ)					
Residential	38,684	39,357	38,820	38,839	*70%*
Commercial	5,406	5,200	5,364	5,220	*9%*
Industrial	11,275	11,118	11,774	11,668	*21%*
Total	**55,365**	**55,675**	**55,958**	**55,727**	***100%***
Statistics					
Connections increase/(decrease) (%)	*na*	*0.6%*	*0.6%*	*0.4%*	*na*
Gas volumes increase/(decrease) (%)	*na*	*0.6%*	*0.5%*	*(0.4%)*	*na*

Source: DUET Management Information Report for the years FY13 to FY16.

Multinet Gas's connection base is dominated by the stable, established residential sector, comprising around 98% of Multinet Gas's total connections. Residential consumption in Multinet Gas's network area has remained relatively flat over the last four years. At a state-level, a declining trend is expected over the next five years, driven by improvements in the efficiency of residential appliances and the thermal efficiency of new and existing homes, a higher share of 'other' dwellings (i.e. multi-unit) being completed where electric reverse cycle heating/cooling is installed as an alternative to gas central heating and behavioural changes,

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such as reduced hot water usage. Multinet Gas' residential connections' average usage has fallen from 62.6 GJ in 2008 to 56.8 GJ (per connection) in 2015[49]. Multinet Gas is forecasting the declining trend to continue, with forecasts for the period 2016 to 2022 (prepared by the National Institute of Economic and Industry Research) indicating a rate of decline of 1.8% per annum.

Under the current regulatory regime ending 31 December 2017, Multinet Gas is only exposed to falls in demand if the fall has not been forecast through the regulatory process. Therefore, Multinet Gas' financial position will continue to be protected as long as actual energy consumption into the future follows the forecast declining trend. However, gas consumption is susceptible to unseasonable weather events. In this regard, an overly cold winter will cause consumers to use more heating, while a warm winter will result in lower usage.

Despite comprising a small proportion of connections, commercial and industrial users are large consumers of gas, representing approximately 30% of Multinet Gas overall consumption. Gas consumption by these users has also fallen due to a reduced industrial load. Higher gas prices impact large users as the wholesale gas price is a significant proportion of their total costs, however, general economic trading conditions and competition are likely to be more important factors for these large gas users.

Although commercial and industrial users comprise around 30% of total energy consumption, distribution revenue from these sectors is only 6% of Multinet Gas revenue due to the relatively low cost to supply these users as compared to the residential sector. This is a result of a better utilisation factor compared to residential users.

Residential gas bills in the Multinet Gas distribution area have risen at an average of approximately 35%[50] over the past five years. Retail prices may be further impacted if wholesale prices rise, as a result of the construction of LNG export facilities in northern Australia that link Australia's eastern gas market to the international market. The impact of export parity pricing on retail prices is not anticipated to significantly impact residential gas consumption in Multinet Gas's network area given the relatively affluent characteristics of the network population.

Capital works programs

Multinet Gas is currently undertaking several significant capital works programs to enhance its current distribution network, including:

- Warburton extension project, which is part of the Regional Gas Infrastructure Program, involves extending the existing gas network from Millgrove to Warburton. Approximately 29 km of new polyethylene mains will be installed. The total cost of the project is estimated

[49] Multinet Gas 2018 to 2022 Access Arrangement Information, December 2016.

[50] St Vincent de Paul Society Victoria, Victorian Tariff-Tracking Project, Workbook 2: Gas Standing Offers, January 2016.

at approximately $12 million and the main laying component of the work is expected to be completed in 2017

- Gas Mains Replacement Program, aimed at replacing low pressure gas distribution mains in the network area with high pressure mains. The low pressure network is predominantly cast iron and has been in operation since the 1880's. The program, which commenced in 2003, has a target completion date of 2033 and accounts for around 60% of Multinet Gas capital expenditure. It is expected to lower UAFG levels over the long-term, however, other factors (e.g. metering inaccuracies, pressure, and temperature correction) are likely to have a more significant effect on UAFG levels in the short-term, and
- Highett improvements, which involves undertaking a reconfiguration of the network in the Highett area. This project will involve the construction of approximately 400 metres of transmission pressure pipeline and new pressure regulating facilities, which supply up to 100,000 customers. The reconfiguration is estimated at around $15 million and is due to be completed in late 2017. Most of the project is funded by the Victorian government.

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7.2.3 *Financial Information*

The financial performance of Multinet Gas for the four years ended 30 June 2016 and six months ended 31 December 2016 is summarised below.

Table 24: Multinet Gas Financial Performance

Period	12 months to				6 months to
$ million	30-Jun-13	30-Jun-14	30-Jun-15	30-Jun-16	31-Dec-16
Throughput (TJ)	*56,389*	*51,855*	*55,958*	*55,727*	*32,259*
Connections ('000s)	*681*	*685*	*689*	*692*	*695*
Distribution revenue	188.8	170.1	175.1	183.0	107.0
Other revenue	9.0	11.9	9.0	19.5	10.9
Total revenue[1]	197.8	182.0	184.1	202.5	117.9
Operating expenses[1]	(68.7)	(58.8)	(61.9)	(71.3)	(37.5)
Proportionate EBITDA	**129.1**	**123.3**	**122.2**	**131.2**	**80.4**
Customer contributions (net of margin)	(1.1)	(6.6)	(3.3)	(11.3)	(7.3)
Adjusted proportionate EBITDA	**128.0**	**116.6**	**118.9**	**119.9**	**73.1**
Net interest expense	(65.0)	(51.7)	(48.4)	(49.3)	(25.2)
SIB capital expenditure[2]	(8.2)	(21.1)	(26.7)	(4.2)	(2.4)
Tax paid	-	-	-	-	-
Proportionate earnings	**54.8**	**43.8**	**43.8**	**66.4**	**45.5**
Statistics (100% basis)					
RAB	*1,095.5*	*1,122.8*	*1,141.2*	*1,157.8*	*1,175.3*
SIB capital expenditure	*8.2*	*5.6*	*6.2*	*4.2*	*2.4*
Other capital expenditure	*64.6*	*46.4*	*56.1*	*70.7*	*40.0*
Total capital expenditure	*72.8*	*52.0*	*62.3*	*74.9*	*42.4*
Gearing[3]	*88.6%*	*85.8%*	*83.6%*	*87.8%*	*89.9%*
Throughput growth	*0.5%*	*(8.0%)*	*7.9%*	*(0.4%)*	*0.6%*
Distribution revenue growth	*1.8%*	*(9.9%)*	*2.9%*	*4.5%*	*7.2%*
EBITDA growth	*(3.3%)*	*(4.5%)*	*(0.9%)*	*7.4%*	*10.0%*
EBITDA margin	*65.3%*	*67.7%*	*66.4%*	*64.8%*	*68.2%*

Source: Management Information Reports for FY13 to FY16 and reviewed financial statements for the six months ended 31 December 2016.
Notes
1. *Excludes pass-throughs (carbon tax).*
2. *FY13 and FY16 proportionate earnings are calculated using stay-in-business (SIB) capital expenditure, while FY14 and FY15 uses net regulatory depreciation. This disclosure aligns with DUET's prior reporting.*
3. *Gearing is net senior debt divided by RAB.*

In FY14, an unseasonably mild Victorian winter resulted in an 8% reduction in gas volumes, while lower interest rates resulted in a reduction in regulated tariffs. As a result, distribution revenue declined by 10%. In FY15, a cooler than average Melbourne autumn resulted in an 8% increase in volume. The recovery in volumes and an annual tariff increase of CPI plus 1.5% as a result of the successful outcome of the regulatory appeal were partly offset by a negative $2.5

million revenue adjustment pertaining to prior periods. The net impact was a 3% increase in distribution revenue. Distribution revenue increased by 5% in FY16 as a result of increases in regulated tariffs (CPI plus 3.4%), while gas throughput remained relatively flat.

Gas volumes for the half year ended 31 December 2016 were predominantly in line with 1H16 however, higher tariff increases contributed to an increase in distribution revenue of $7.2 million. This is partially offset by higher audit and consulting expenses related to the GAAR process in the half year ended 31 December 2016.

Annual and seasonal weather variations impact consumption and, therefore revenue, particularly in the temperature sensitive residential user segment. However, Multinet Gas tiered tariff structure (discussed in Section 7.2.1) limits the revenue impact from volatility in throughput over the regulatory period. Further changes to the regulatory regime may change the exposure to volume risk.

As a result of cost control initiatives, operating expenditure was 14% lower in FY14, which partly offset the reduction in distribution revenue. This resulted in EBITDA being 4% lower than the prior period. Operating expenditure increased by 5% in FY15, predominately due to $2.8 million in UAFG charges.

The Pipeworks Capacity Expansion and Customers Initiated Capital were the key drivers of capital expenditure and RAB growth over the period.

Multinet Gas is rated BBB- (positive watch) and Baa3 (stable) by S&P and Moody's, respectively.

7.3 United Energy

7.3.1 Victorian Electricity Industry

Overview

The Victorian electricity industry forms part of the National Electricity Market (NEM), which is a wholesale electricity market that covers the connected states of Queensland, New South Wales (including the Australian Capital Territory), South Australia and Tasmania. The electricity supply chain encompasses four segments, each of which is regulated: generation; transmission; distribution; and retailing. Physical electricity and financial flows throughout the supply chain are summarised in the diagram on the following page.

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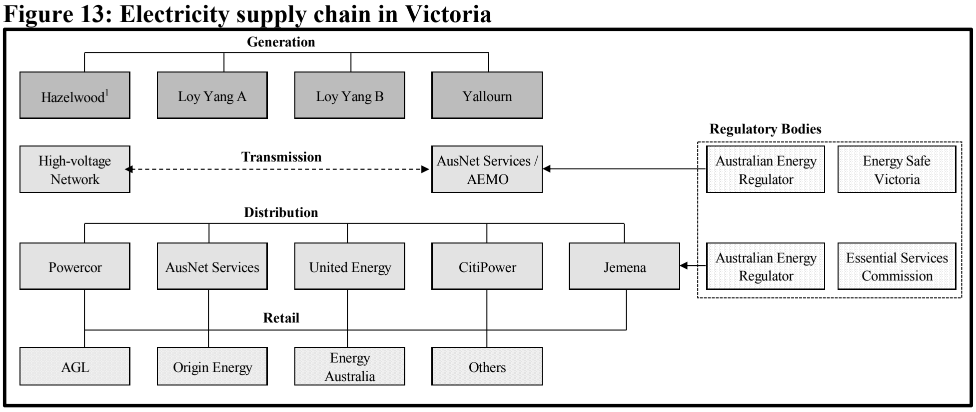
DUET Company Limited, DUET Finance Limited and DUET Investment Holdings Limited
Independent Expert's Report and Financial Services Guide
7 March 2017

Figure 13: Electricity supply chain in Victoria



Source: DUET management.
Note 1: Expected to close by March 2017.

The segments of the electricity industry in Victoria are discussed in further detail below.

Generation

In FY16, Victorian generation provided around 27% of the total operational consumption of the NEM. This represents approximately 46,170 GWh out of a total of 195,846 GWh of energy[51]. Around 86% of this was produced from brown coal generation while wind, hydro and gas-fired generation made up the remainder of Victoria's electricity supply. Outlined in the table below are the major power stations in Victoria.

Table 25: Key Victorian power stations

Power station	Location	Owner	Maximum capacity (MW)	Fuel type
Hazelwood	Traralgon, Victoria	ENGIE	1,600	Brown coal
Loy Yang A	Traralgon, Victoria	AGL Energy	2,200	Brown coal
Loy Yang B	Traralgon, Victoria	ENGIE	1,050	Brown coal
Yallourn	Yallourn, Victoria	EnergyAustralia	1,480	Brown coal

Source: ENGIE, AGL Energy, EnergyAustralia.

In FY16, Victorian generation exceeded the needs of the state and 6,576 GWh of surplus energy exported via transmission networks to other states in the NEM. In November 2016, ENGIE announced that the Hazelwood power station would close by the end of March 2017. Hazelwood produced around 22%[52] of Victoria's electricity in FY16 and represents around 14%

[51] AEMO, Market Insight Report – Victoria's Supply Outlook, November 2016.
[52] As opposed to approximately 25% in relation to maximum capacity.

of Victorian network capacity[53]. The closure is expected to reduce the surplus generation that Victoria has historically exported. It is expected that New South Wales black coal generation and South Australian gas-fired generation will increase output to supply over 90% of consumption previously met by Hazelwood.

Transmission

Victoria's 6,000 km high-voltage electricity transmission network is owned and maintained by AusNet Services. It is interconnected with South Australia, New South Wales and Tasmania and indirectly with Queensland, which allows for the transportation of electricity between the states to balance out any surplus or deficiency in supply across the states. The transmission system is subject to the operational control of the AEMO, which is responsible for planning the Victorian electricity transmission system to ensure existing and expected demands are met in the context of the NEM. Transformers across the network reduce the transmission voltage to allow it to be transmitted via lower voltage distribution networks. The majority of electricity transported in Victoria is from the brown coal generators in the Latrobe Valley to Melbourne, the largest demand centre for electricity in the state.

Distribution

The Victorian distribution network transports electricity from the high-voltage transmission system to end users. Victoria has five distribution networks, as summarised in the table below.

Table 26: Victorian electricity distribution networks

Network	Customers ('000)	Length (km)	Owner
Powercor	777	67,340	CKI (23.07%), PAH (27.93%), Spark Infrastructure (49%)
AusNet Services	691	44,842	Listed company
United Energy	665	12,854	DUET (66%), SGSPAA (34%)
CitiPower	328	3,203	CKI (23.07%), PAHG (27.93%), Spark Infrastructure (49%)
Jemena	321	6,100	State Grid Corporation of China (60%), Singapore Power (40%)

Source: Powercor Annual Review 2015 (May 2016), AusNet Services 2016 Full Year Results (May 2016), DUET Annual Report 2016 (August 2016), SGSPAA Investor Presentation (June 2016).

Electricity distribution companies typically levy the following charges:

- network tariffs (standard control services (SCS)), which reflect distribution charges and transmission and connection charges paid to electricity transmission companies (i.e. AusNet Services)
- customer contributions, which are derived from invoicing customers for some of the cost of constructing new distribution assets

[53] AEMO, Market Insight Report – Victoria's Supply Outlook, November 2016.

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- public lighting charges, which are levied to local councils and VicRoads for the public lighting system, and
- alternative control services (ACS), including metering charges to recover the cost of the mandated government smart meter program.

Distribution companies are also able to pass through the financial effect of certain changes in taxes (subject to regulatory oversight) and can earn revenue from other activities that are not subject to price regulation (e.g. charges to telecommunication companies for the use of network power poles).

Retailing

The major electricity retailers in Victoria include AGL Energy, Origin Energy and Energy Australia. The retail price of electricity paid by residential and business users represents the aggregate of the wholesale cost of electricity, transmission and distribution tariffs, the retailer's operating costs and a profit margin.

Under an electricity licence, distributors are required to provide distribution services on their networks, allowing any licenced electricity retailer to sell electricity to any contestable customers within its network area. While distributors and retailers are permitted to negotiate their own terms for the use of the distribution networks, a standard arrangement (approved by the ESC) can be used.

The upgrade of Victoria's electricity infrastructure to incorporate Advanced Metering Infrastructure (AMI) meters was completed in 2016. The upgrade included the installation of smart meters at all homes and small businesses throughout the state, as well as the installation of the communication networks and data management systems that enable two-way communication between distributors/retailers and customers. Smart meters record electricity usage every 30 minutes and automatically send this data to the relevant electricity distributor. This has enabled retailers to offer 'flexible pricing' plans to customers, which are tailored to usage habits.

Demand

Whilst energy consumption in Australia exhibited consistent growth for many years, there have been a number of factors in recent years which have led to a general fall in consumption across various states, including reduced industrial loads and a decline in residential consumption enabled by improvements in energy efficiency of residential appliances and thermal efficiency of new and existing homes, as well as the impact of relatively higher retail prices. In Victoria, electricity consumption declined by around 1.4% per annum from 2011 to 2015[54], in line with the decline in national energy demand over the same period. Over the next 20 years, consumption of grid-supplied electricity is forecast to remain flat as the increased energy

[54] AEMO, National Energy Forecast Report, June 2016.

efficiency of household appliances and strong growth in rooftop photovoltaic (PV) electricity is expected to offset population and economic growth.

Regulatory environment

Similar to gas distribution networks, electricity distributors are viewed as natural monopolies and are regulated by the same regulatory bodies (refer to Section 7.2.1 of this report). In this regard, the AER also sets allowed revenues using the 'building block' approach, which determines the target revenue stream that is then translated into tariffs based on expected volumes for the regulatory period.

Figure 14: The 'building block' approach

Revenue requirement = (RAB x WACC (real, pre-tax)) + Operating expenditure + Regulatory depreciation + Incentive mechanism (capex & opex) + Tax allowance

Source: DUET management.

Additional incentives for United Energy include the service target performance incentive scheme factor and demand management. During the previous regulatory period (2011 to 2015), electricity distributors operated under a Price Cap regime, which exposed distributors to volume risk. In the current regulatory period (2016 to 2020), the AER has determined that a Revenue Cap mechanism shall apply to electricity distribution and metering charges, in effect removing volume risk. A Revenue Cap regime sets a maximum allowable revenue (MAR) for each year of the regulatory period. Distributors comply with the constraint by forecasting sales for the next regulatory year and setting prices so that expected revenue is equal to or less than the MAR. Any over or under recovery is subject to a 'true-up' in subsequent years.

Consistent with the framework applicable to the Victorian gas industry, the regulatory framework is incentive based, which offers distributors the opportunity to capture a portion of operating expenditure and capital expenditure efficiency improvements in the next regulatory period. In addition, the following policies are applied to electricity distribution:

- tariff structures, which recover revenue based on peak demand. The intent is to reduce peak demand and, therefore, capital expenditure requirements and costs to consumers. This recognises that distribution revenue is based on consumption but that the network is built to satisfy peak demand periods
- meter contestability, which will compensate distributors (via an approved exit charge) in the event that meters are replaced at a site, expected to commence from 1 December 2017
- Service Target Performance Incentive Scheme (STPIS), which provides financial incentives (based on supply reliability targets) to electricity distributors to improve the existing supply reliability performance
- F-factor scheme, which provides financial incentives for electricity distributors to reduce the risk of fire starts due to electricity infrastructure, and to reduce the risk of loss or damage

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caused by fire starts. The mechanism includes a reward and penalty mechanism, based on predetermined targets, and

- Demand Management Incentive Scheme (DMIS), which provides financial incentives for electricity distributors to undertake projects or programs to reduce network demand.

S&P has rated the regulatory framework under which the Victoria distributors operate as 'strong'. This is the highest rating possible and is used to describe a regulatory climate that is transparent, predictable and consistent.

Moody's currently has a stable outlook for Australian regulated electricity networks, consistent with the reasoning described in section 7.2.1.

7.3.2 *Business Description*

Asset overview

United Energy owns and operates the sub-transmission and distribution network between the high-voltage transmission grid owned by AusNet and the point of supply for customers, which are mainly supplied at low-voltage levels. The network comprises primarily a 10,041 km overhead, wooden-poled distribution system and 2,834 km of underground distribution lines. Combined with cables and substations, United Energy's network assets have an average remaining life of greater than 25 years, with approximately 65% less than 35 years old.

United Energy's network covers 1,472 square km and serves approximately 670,000 customers throughout east and south-east Melbourne and the Mornington Peninsula. Although the network area is geographically small (around 1% of Victoria's land area), it covers largely urban areas and accounts for around one quarter of Victoria's population.

Figure 15: United Energy distribution area

Source: DUET management.

United Energy and Multinet Gas operate under a joint business model whereby costs are shared based on the benefit received by each party. This includes costs associated with shared personnel (including the management team) and corporate offices.

In July 2009, the United Energy and Multinet Gas business transformation was initiated whereby the strategic functions, corporate, information technology, finance, asset management and regulation were progressively re-established in the United Energy and Multinet Gas businesses. The transformation was completed in 2011.

Similar to Multinet Gas, United Energy established a two Service Provider model in July 2011.

In July 2014, the Network Control Centre was insourced to United Energy and Multinet Gas, providing network control and faults management for United Energy.

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In July 2016, the management of asset inspection and vegetation management functions were insourced and United Energy entered into new contracts established to deliver asset inspection and vegetation management field activities.

Regulation

United Energy is a natural monopoly within its distribution area and hence operates in a regulated environment. As at 31 December 2016, United Energy's distribution network had a RAB of $2,391 million. Approximately 73% of revenue is generated from regulated distribution tariffs.

United Energy received its final regulatory decision for the 2016 to 2020 period from the AER in May 2016. The decision translates into an 8.6% decrease in real regulated tariffs from 1 January 2016, followed by real increases of 4.2% on 1 January 2017 and 3.5% on each of 1 January 2018 and 1 January 2019, then nil from 1 January 2020. United Energy is currently appealing the regulatory gamma assumption (valuation of taxation credits) adopted by the AER which, if successful, will result in an estimated $35 million increase in allowable revenues in the current 2016 to 2020 regulatory period.

Contracts

United Energy has entered into Retailer Use of Systems Agreements with all electricity retailers operating in its network. These agreements provide the mechanism through which the majority of United Energy's revenue is generated. The majority of its revenues are sourced from investment grade entities, with 51% of revenues being received from Australia's three largest electricity retailers, AGL Energy, Origin Energy and Energy Australia.

Energy Australia and AGL Energy are also the parent companies of Energy Australia Yallourn Pty Ltd and PowerDirect Pty Ltd, respectively, which contributed 6% and 2% of H1FY17 revenue, respectively.

Customers and electricity consumption

The table on the following page provides a summary of United Energy's retail connections base and electricity consumption metrics for the last four financial years.

Table 27: United Energy retail connections base and electricity consumption

For the period ending	30-Jun-13	30-Jun-14	30-Jun-15	30-Jun-16	Composition 30-Jun-16
Connections ('000)					
Small	593,588	600,243	604,395	606,492	*91%*
Medium	55,651	56,150	56,083	55,803	*8%*
Large	3,173	3,303	3,288	3,310	*0%*
Total	**652,412**	**659,696**	**663,766**	**665,605**	***100%***
Energy consumption (GWh)					
Small	2,935	2,825	2,785	2,800	*36%*
Medium	1,460	1,407	1,431	1,426	*18%*
Large	3,590	3,564	3,525	3,597	*46%*
Total	**7,985**	**7,796**	**7,741**	**7,823**	***100%***
Statistics					
Connections increase/(decrease) (%)	*na*	*1.1%*	*0.6%*	*0.3%*	*na*
Consumption increase/(decrease) (%)	*na*	*-2.4%*	*-0.7%*	*1.1%*	*na*

Source: DUET Management Information Report for FY13 to FY16.

Small users comprise 91% of United Energy's total connections, although only 36% of electricity throughput. Electricity demand by this user segment is generally more predictable and less susceptible to swings in the business cycle relative to the demand by commercial and industrial users and consumption has remained relatively flat over the period above.

United Energy's medium and large user segments have been relatively stable in recent years. This differs to the Australia-wide and State-wide trends for these segments, where demand has declined in recent years (particularly for the large user segment). This stability can be attributed to:

- fewer energy intensive export businesses within its distribution area, as compared to the national average
- its largest users spanning telecommunications, retail (e.g. supermarkets), education and healthcare, which are more resilient to the economic factors that have undermined the viability of manufacturing, and
- its isolation from the major industrial closures in Victoria (e.g. smelters and motor vehicle manufacturing) which have occurred outside of United Energy's distribution zone.

Over the longer term, United Energy and AEMO forecast a stable growth outlook in consumption. In addition, the current regulatory model assumes a Revenue Cap whereby volume risk would be borne by the end users as any revenue over or under performance in a particular year would be subject to a 'true-up' in subsequent years.

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Capital works programs

United Energy is currently undertaking several significant capital works programs to enhance its current distribution network, including:

- Dandenong South Zone Substation Aged Transformers and Relay Replacement Project, which involves the replacement of three aged transformers at Dandenong South with two new standard transformers and one mobile transformer. Other works will include the replacement of aged protection and control equipment such as the electro-mechanical relays, which have reached their end of useful life. The control building is assessed as being in a poor condition and will be replaced with a prefabricated portable type. The estimated cost of the project is $10.2 million and is expected to be completed by December 2018
- Elwood Zone Substation aged relay replacement project, which involves replacing the Substation's existing electro-mechanical relays. The Elwood Zone Substation distributes electricity to a network of over 60km of overhead lines and another 14km of underground cables. The estimated cost of the project is $2 million and the project was commissioned in 2016, and
- High-voltage Aerial Bundled Cables (HV ABC) replacement project, which involves replacing the existing HV ABC on the Mornington Peninsula with metallic screened cable. The HV ABC are heavy duty insulated cables designed to reduce the risk of bushfires being caused by vegetation coming into contact with open cables in heavily vegetated areas. The replacement program is being completed in stages, with areas deemed to be in the highest bushfire risk areas being replaced first. The estimated cost of the project is $22.7 million and is expected to be completed by September 2017.

7.3.3 Investment Structure

United Energy is 66% owned by DUET, with the remaining 34% by SGSPAA[55], (which trades as "Jemena"). Under the shareholders agreement, all shareholder resolutions must be passed by ordinary resolution, except for matters which are likely to materially impact a shareholder's investment in the business (such as issuing new shares, changing the capital structure, changing or replacing the dividend policy, changing the nature of the business, amending the constitution, granting of certain securities over the shares, certain disposals of shares, etc.) which requires approval by all shareholders. Each party has a pre-emptive right to acquire the other party's direct ownership interest should that party wish to sell their investment to an unrelated party.

[55] SGSAA is 60% owned by a subsidiary of State Grid Corporation China and 40% by Singapore Power International Pte Ltd.

7.3.4 *Financial Information*

The financial performance of United Energy for the four years ended 30 June 2016 and six months ended 31 December 2016 is summarised below.

Table 28: United Energy Financial Performance

Period	12 months to				6 months to
$ million	**30-Jun-13**	**30-Jun-14**	**30-Jun-15**	**30-Jun-16**	**31-Dec-16**
Load (GWh)	*7,961*	*7,752*	*7,741*	*7,823*	*3,928*
Connections ('000s)	*652*	*660*	*664*	*666*	*670*
Maximum demand (MW)	*1,982*	*2,066*	*1,736*	*1,964*	*1,964*
Distribution revenue	335.1	357.9	381.2	389.8	182.4
Other revenue	131.5	122.0	128.5	145.1	65.4
Total revenue[1]	466.6	479.9	509.7	534.9	247.8
Operating expenses[1]	(148.8)	(146.1)	(149.6)	(152.9)	(73.9)
100% EBITDA	**317.8**	**333.8**	**360.1**	**382.0**	**173.9**
Adjustment for ownership	(108.1)	(113.5)	(122.4)	(129.9)	(59.1)
Proportionate EBITDA	**209.7**	**220.3**	**237.7**	**252.1**	**114.7**
Customer contributions (net of margin)	(11.4)	(10.6)	(11.8)	(26.0)	(12.9)
Adjusted proportionate EBITDA	**198.3**	**209.7**	**225.9**	**226.1**	**101.8**
Net interest expense	(77.8)	(86.8)	(90.2)	(79.8)	(30.0)
SIB capital expenditure[2]	(42.2)	(64.9)	(68.2)	(34.8)	(16.7)
Tax paid	-	-	-	-	-
Proportionate earnings	**78.2**	**58.0**	**67.5**	**111.5**	**55.1**
Statistics (100% basis)					
RAB	*1,999.0*	*2,170.5*	*2,255.4*	*2,356.9*	*2,391.1*
SIB capital expenditure	*64.0*	*50.9*	*70.9*	*52.7*	*25.3*
Other capital expenditure	*208.0*	*225.6*	*174.0*	*190.2*	*84.8*
Total capital expenditure	*272.0*	*276.5*	*245.0*	*242.9*	*110.1*
Gearing[3]	*91.5%*	*90.4%*	*91.5%*	*82.2%*	*88.9%*
Volume growth	*(2.1%)*	*(2.6%)*	*(0.1%)*	*1.1%*	*(2.5%)*
Distribution revenue growth	*5.8%*	*6.8%*	*6.5%*	*2.3%*	*(8.3%)*
EBITDA growth	*15.3%*	*5.0%*	*7.9%*	*6.1%*	*(13.4%)*
EBITDA margin	*68.1%*	*69.6%*	*70.6%*	*71.4%*	*70.2%*

Source: DUET Management Information Reports for FY13 through FY16 and reviewed financial statements for the six months ended 31 December 2016.
Notes:
1. *Excludes pass-throughs (TUOS, TFIT, PFIT, carbon tax).*
2. *FY13 and FY16 proportionate earnings are calculated using stay-in-business (SIB) capital expenditure, while FY14 and FY15 uses net regulatory depreciation. This disclosure aligns with DUET's prior reporting.*
3. *Gearing is net senior debt divided by RAB.*

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In FY14, distribution revenues increased around 7% as the impact of higher regulated tariffs (CPI + 8.1%) taking effect on 1 January 2014 were only partially offset by lower throughput (3% reduction) due to the unseasonably mild Victorian winter.

Load volumes remained relatively flat in FY15 in part as a result of volume reductions from a true-up as historical consumption estimates were replaced by actual data from the AMI meters. Despite the absence of volume growth, distribution revenue for the year increased around 7% due to a further increase in regulated tariffs of CPI + 8.1% from 1 January 2015.

In FY16, load volumes increased by around 1%, however, they remained below the peak observed in FY13. The increased volumes were partly offset by a reduction in regulated tariffs of 8.6%.

Distribution revenue in the half year ended 31 December 2016 was approximately $16.4 million lower than 1H16 as a result of lower consumption (around 2.5%) and lower tariffs, in line with the commencement of the 2016 to 2020 regulatory period.

Strong revenue growth in FY14 and FY15, combined with cost containment as a result of the transition to a new operating model (completed in July 2013) resulted in strong EBITDA growth in those years.

United Energy's capital expenditure includes replacement capital expenditure and the expansion and enhancement of the network. One of the key capital expenditure programs over the last four years has been the smart meter roll-out program, which was completed in FY15.

United Energy is rated BBB (positive watch) and Baa2 (stable) by S&P and Moody's, respectively.

7.4 Energy Developments

7.4.1 Industry

Overview

EDL owns, operates and maintains remote and clean energy projects in Australia (including Waste Coal Mine Gas (WCMG), landfill gas and wind) and landfill gas projects in the United States, United Kingdom and Greece. These projects are illustrated in the map on the following page.

KPMG

DUET Company Limited, DUET Finance Limited and DUET Investment Holdings Limited
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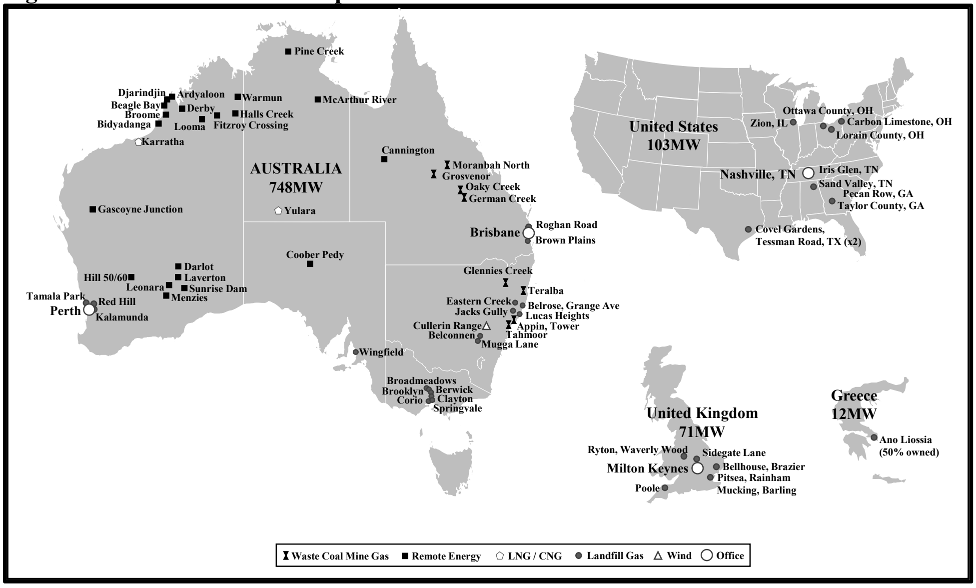
Figure 16: Location of EDL's operations



Source: DUET management.

In grid connected markets, EDL earns revenue by participating in the wholesale electricity markets. In addition, where electricity is generated from clean energy sources, EDL may also be eligible for credits under 'green' energy schemes. Set out below is a discussion of the wholesale market and clean energy incentive schemes in Australia, and a brief overview of the markets in the United States and the United Kingdom in which EDL operates.

Australian wholesale electricity market

There are two wholesale electricity markets in Australia that EDL participates in; the NEM, which operates across the eastern and southern states and territories of Australia; and the Wholesale Electricity Market (WEM), which operates in Western Australia. EDL owns and operates assets primarily in the NEM, with a small number of generators in the south west of Western Australia connected to the WEM. The NEM is a wholesale electricity market, in which generators sell electricity and retailers buy it to on-sell to consumers. This is done through a process in which generators offer to supply the market with specified amounts of electricity at specified prices, valid for set time periods. This is performed through a bid process that repeats every five minutes. AEMO in turn dispatches the cheapest generation first, until demand is met. In delivering electricity, a dispatch price is determined every five minutes, and six dispatch prices are averaged every 30 minutes to determine the 'spot' price for each NEM region. AEMO uses the spot price as its basis for settling the financial transactions for all electricity traded in

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the NEM. The spot market can be volatile, however, participants (generators and retailers) can hedge against price risk by entering into contracts such as futures, forwards and swaps.

The demand for electricity in the NEM declined between 2009 and 2014 as a result of lower industrial demand, weak commodity prices, increased efficiencies in household electrical appliances and an increase in residential solar power installations. However, since the introduction of Queensland's LNG export industry in 2014, demand has been slightly increasing. AEMO forecasts[56] that total operational consumption[57] of electricity will remain flat over the next 20 years.

Australian renewable energy incentive schemes

The Australian Government currently provides a number of incentive schemes to increase the attractiveness of clean and renewable energy solutions.

The Clean Energy Regulator operates as the main regulating body and is responsible for measuring, managing, reducing and/or offsetting Australia's carbon emissions. It also has an administrative role overseeing the following schemes and initiatives:

- the Renewable Energy Target scheme, which sets a target of 33,000 GWh of renewable electricity generated per annum by 2020. Accredited renewable energy generators are entitled to create large-scale generation certificates (LGCs) based on the amount of eligible renewable energy they produce above their baseline. In order to fulfil their renewable energy obligations, liable entities such as electricity retailers, are required to surrender a set number of LGCs to the Clean Energy Regulator each year. If retailers do not own enough LGCs they can acquire LGCs on the market or face a tax-adjusted $92.85 penalty price per LGC. Each MWh of eligible electricity is worth one LGC, and
- the Emissions Reduction Fund, which involves the issuance of an Australian carbon credit unit (ACCU) to eligible projects for each tonne of carbon dioxide equivalent stored or avoided by a particular project. Participants must bid into a reverse auction, which aims to deliver carbon reductions at the lowest cost. A $2.55 billion fund was established by the Australian Government to acquire ACCUs, of which $2.1 billion had been spent as at November 2016. The average price per ACCU in the latest auction (November 2016) was $10.69.[58]

Other notable Australian renewable energy incentive bodies and funds include:

[56] 2016 National Electricity Forecasting Report.

[57] Operational consumption refers to the electricity drawn from the grid and supplied by scheduled, semi-scheduled, and significant non-scheduled generating units (excluding rooftop PV generation and small non-scheduled generation).

[58] http://www.cleanenergyregulator.gov.au/ERF/Auctions-results/November-2016.

- the Australian Renewable Energy Agency, which is tasked with funding clean energy projects and diversifying Australia's energy supply mix. Funding of $2.5 billion has been made available by the Australian Government until 2022
- the Clean Energy Finance Corporation, which was established by the Australian Government in 2012 with $10 billion in available funds, aimed at investing in late stage clean energy projects, and
- the Clean Energy Innovation Fund (jointly managed by the Australian Renewable Energy Agency and the Clean Energy Finance Corporation), which was established in mid-2016 with $1 billion in available funds, aimed at investing in renewables, energy efficiency and low emission technologies.[59]

United States

In the United States, EDL owns and operates 10 landfill gas projects. Four sites sell into the wholesale markets in Ohio and Illinois, as well as generate revenue from green energy credits. These projects are accredited to sell RECs into Ohio, Illinois, Pennsylvania, Maryland and New Jersey state-based Renewable Portfolio Standard Markets. Each state has its own renewable target, e.g. Ohio legislation currently requires that 12.5% of the electricity supplied on the distribution network must be generated from renewable energy by 2027, while in Illinois, retail energy suppliers are required to source 25% of electricity from renewable energy sources by 2025. The schemes issue a Renewable Energy Certificate (REC) for each eligible MWh of renewable energy generated, with the trading of RECs (similar to the Renewable Energy Target scheme in Australia) also a key characteristic of the market.

In other states in which EDL owns assets (Texas, Alabama, Tennessee and Georgia), these assets are locked into bundled PPAs that also provide any green credits to the counterparty.

United Kingdom

In the United Kingdom, EDL owns and operates 10 landfill gas projects, which sell into the wholesale market as well as generate revenue from green energy credits. Currently, more than 25% of the electricity generated in the United Kingdom comes from renewable energy sources, with a target of 30% by 2020, in line with the European Union target. The United Kingdom Government has implemented several schemes to incentivise electricity generation through renewable sources. The most relevant to EDL is the Renewable Obligation scheme, which is aimed at increasing electricity generation from large-scale clean energy projects. This also functions in a manner similar to the Renewable Energy Target scheme in Australia in that liable entities are required to provide a set number of Renewable Obligation Certificates (ROCs) to fulfil their renewable energy obligations. Where liable entities do not have sufficient ROCs to cover their obligation, a payment is made into the buy-out fund. ROCs operate under a fixed

[59] Department of the Environment – Fact Sheet – Clean Energy Innovation Fund.

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price per MWh which is adjusted by inflation. The current price for ROCs is approximately £44.77 ($72.20[60]). The Renewable Obligation scheme is closed to new landfill gas projects.

7.4.2 *Business Description*

Overview

EDL owns and operates 80 power generation assets, which have a total installed capacity of approximately 933 MW. Clean energy accounts for 614 MW of the installed capacity and remote energy accounts for the remaining 319 MW. EDL's total electricity production in FY16 was approximately 4,020 GWh (down from 4,080 GWh in FY15). EDL's generation assets are summarised in the table below.

Table 29: Overview of EDL's assets

Asset Type	Business Unit	Number of Sites	Installed Capacity (MW at HY17)	FY16 Production (GWh)
Australia				
Remote Energy	Remote energy	25	319	1,222
Landfill gas	Clean energy	21	94	381
WCMG	Clean energy	12	305	1,382
Wind	Clean energy	1	30	-[1]
United States				
Landfill gas	Clean energy	10	102	540
UK and Greece				
Landfill gas	Clean energy	11	83	494
Total		**80**	**933**	**4,020**

Source: DUET management.
Note 1: No FY16 production as acquired in July 2016.

EDL's installed capacity has expanded rapidly in recent years, from 596 MW at 30 June 2011 to 933 at 31 December 2016. This has been achieved through organic growth and acquisitions. Most recently, EDL entered the wind generation renewable energy market through the acquisition of the 30 MW Cullerin Range Wind Farm from Origin Energy in July 2016. Further growth opportunities are currently being pursued through a number of greenfield and brownfield projects in Australia, including remote energy, WCMG and renewable energy with opportunities in landfill gas in the United States and Canada.

EDL has invested heavily in its project delivery capability, which is considered a key pillar in helping to reduce the development risk of new projects. This includes adopting a portfolio approach to the deployment of individual generation units, enabling it to optimise the maintenance of units. EDL also utilises its extensive experience to undertake condition based monitoring[61] of assets and optimise the maintenance profile of those assets. It operates a remote

[60] Exchange rate of A$1=£0.62.
[61] Condition based monitoring involves monitoring the actual condition of an asset to decide what maintenance is required, rather than necessarily following the manufacturer's proposed maintenance schedule.

monitoring centre in Brisbane (with a back-up site in Perth), to enable it to predict and respond to any incidents in a timely manner. It also has a national maintenance facility at Appin, 70 kilometres south west of Sydney, which supports its Australian assets. Maintenance for the United States and European based assets are performed both in-house and outsourced to contractors representing original equipment manufacturers.

Revenue

EDL primarily generates revenue through the sale of electricity to counterparties (referred to as 'black' revenue) and the sale of environmental credits (referred to as 'green' revenue), which are generated by participating in the various government run renewable energy and clean energy schemes listed in Section 7.4.1 of this report. In FY16, approximately 74% of EDL's revenue was comprised of black revenue. This was predominantly sourced from the remote energy projects, whilst the clean energy businesses generate a more balanced mix of black and green revenue. Revenue sources are explained in more detail below.

EDL generates black revenue through three primary sources:

- contracted revenue, derived from certain types of fixed price arrangements either through a PPA or through a CFD, whereby the counterparty will agree to purchase or pay for energy at a fixed price. In FY16, approximately 88% of revenue was contracted
- capacity charge revenue, derived from contracts where the customer pays a fixed instalment each period, irrespective of the actual electricity used in the period, in addition to variable tariffs based on electricity provided, and
- market or spot revenue, derived from the sale of electricity at the prevailing market price in a wholesale market (where a power generator is connected to the grid).

Green revenue is derived from the sale of environmental credits, which are dependent on the policies and initiatives put in place by state or federal governments. In Australia, EDL generates green revenue from the sale of LGCs and ACCUs. In Australia, EDL has 22 operational sites eligible to create LGCs (including landfill gas sites, WCMG sites and the Cullerin Range Wind Farm) and 15 landfill gas and WCMG assets eligible for ACCUs. In the United States, EDL generates RECs in Ohio and Illinois, whilst in the United Kingdom, 87% of EDL's installed capacity is eligible to earn ROCs.

Australian Remote Energy

In Australia, EDL installs, maintains and operates generation projects in remote locations, which are outside the wholesale markets. Customers include remote townships and large mining operations in Western Australia, the Northern Territory and Queensland, which mainly utilise natural gas or diesel as a fuel source. Electricity is generated and supplied directly to counterparties under long term (10 to 20 year) tolling and PPA contracts and, in general, fuel price risk is passed through to customers.

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EDL holds the leading position in the Australian remote energy market in the less than 100 MW market segment. It operates 25 projects with a total installed capacity of 318.6 MW. Revenue is typically generated under long-term capacity charge based contracts, predominantly at fixed prices, where the counterparty mostly assumes fuel price and volume risk. Currently, the primary fuel sources for remote energy power stations are gas and diesel, however, the introduction of EDL's hybrid power station in Coober Pedy (currently under construction), utilising solar and wind power to offset the existing diesel generation, has started a transition into hybrid renewable energy sources.

EDL's key competitive advantages in remote energy include its proven track record of delivering safe and reliable power for over 30 years and its diversified asset portfolio with a contracted position and ability to offer a wide product offering.

In order to minimise the risk of having redundant power stations in remote areas, EDL often utilises modular units which are able to be removed and deployed at different locations at the end of a particular contract, or if output demand has changed.

EDL seeks to contract with secure and stable mining companies and other counterparties. Remote towns and communities are considered to be a mature market, with the primary growth option being market consolidation. As a result, growth opportunities within remote energy are most likely to arise from mining companies seeking to expand current mines or develop new mines, miners seeking to replace diesel fuel with solar power in response to power price increases or a desire to improve green credentials.

The table below provides a summary of EDL's remote energy sites.

Table 30 : EDL's remote energy sites

Site	State	Installed Capacity (MW at 31-Dec-16)	Customer	Contract end date
Broome	WA	40	Horizon Power	2028
Cannington	QLD	40	South32	2018
Darlot	WA	12	GoldFields	2020
Derby	WA	13	Horizon Power	2028
Hill 50/60	WA	18	Ramelius Resources	2017
Maitland	WA	10	Supagas	2026
McArthur River	NT	78	Glencore	2033
Pine Creek	NT	34	Territory Generation	2019
Sunrise Dam	WA	35	Anglo Gold Ashanti	2025
Other		39	Various	
Total remote energy		**319**		

Source: DUET management.

Recently, EDL entered a 20 year PPA for the hybrid project located in Coober Pedy, which will displace diesel consumption with renewable energy (70%) from a combination of solar and wind power, with the balance (30%) being supplied from the existing 4.3 MW diesel power station. ARENA is providing up to $18.4 million funding and the project is currently expected to be operational in September 2017.

Clean energy

EDL's clean energy operations include WCMG, landfill gas and renewable energy in Australia and landfill gas in the United States, United Kingdom and Greece. EDL's business model is to secure long term gas supply agreements with mine operators and landfill operators for the offtake of gas from their sites.

(i) Waste Coal Mine Gas

WCMG is methane gas that is present in coal seams and lays dormant until it is released during mining. Once released, the product presents a safety concern and must be extracted through mine ventilation and coal seam drainage as it is both toxic and highly flammable. It is common practice for coal mines to burn the methane gas upon extraction, otherwise known as 'flaring'. The methane gas also has the potential to be used as a fuel source for power generation. As WCMG is the by-product of other activities (i.e. mining), the marginal cost of production is lower than conventional gas.

EDL is currently the only participant in the collection of WCMG in Australia, other than mine operators themselves. EDL has 12 WCMG plants located across New South Wales and Queensland, which have total installed capacity of 304.6 MW including projects under development. EDL enters into long term contracts with mines for the collection and supply of gas in exchange for a royalty. EDL adopts a modular design, which enables it to match the capacity of the power station with the expected gas supply. In order to reduce counterparty risk, EDL has focused on partnering with mines in the lowest quartile of the global cost curve, which are considered lower risk of closing or material curtailment.

The table below provides a summary of EDL's WCMG sites.

Table 31: EDL's WCMG sites

Site	State	Installed capacity	Mine counterparty	Contract end date
Appin / Tower	NSW	97	South32	2034
German Creek	QLD	45	Anglo American	2036
Glennies Creek	NSW	13	Glencore	2027
Grosvenor 1	QLD	21	Anglo American	2038
Grosvenor 2	QLD	15	Anglo American	2038
Moranbah North	QLD	64	Anglo American	2038
Oaky Creek 1	QLD	21	Glencore	2036
Oaky Creek 2	QLD	15	Glencore	2036
Other		14	Various	na
Total WCMG		**305**		

Source: DUET management.
Note: Includes projects under development/construction.

Future growth is likely to come from underground metallurgical coal mines and EDL has a number of greenfield and brownfield opportunities under consideration. EDL intends to seek to expand its WCMG business with its existing partners and build relationships with a broader range of mining customers.

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(ii) Landfill gas

Landfill gas is produced naturally by the decomposition of organic matter induced by anaerobic bacteria in refuse tips. The relatively high methane content enables it to be used as a fuel resource. Due to the long term decomposition of the organic matter, landfill gas sites generally have a useful life of over 30 years. As landfill gas is the by-product of other activities (i.e. waste), the marginal cost of production is lower than conventional gas.

EDL operates 42 landfill gas projects in Australia, the United States, the United Kingdom and Greece, which have total installed capacity of 279.6 MW. It is the market leader in landfill gas in Australia and is ranked in the top 10 landfill gas producers in the United States and United Kingdom. It also holds a 50% joint venture interest in a 24 MW landfill gas project in Greece, which is operated in partnership with Helector S.A., a Greek company.

EDL does not own landfill sites, however, obtains the exclusive right to extract landfill gas from the owners of the landfill sites in exchange for a royalty, which is common industry practice. Revenue is generated from the sale of electricity under a PPA (or other contract) or sale of electricity to the wholesale market, and from various carbon abatement and renewable energy target schemes in the geographies in which the generation facilities are located.

EDL acquired Perth-based Australia Landfill Gas and Power Pty Ltd (10 MW) in May 2016 and Pecan Row (4.8 MW) in Georgia in July 2016 and Iris Glen in Tennessee in December 2016. EDL also secured an agreement with Rumpke Waste, Inc. in August 2015 to extract the landfill gas from their Brown County Ohio landfill site until 2040 (sufficient to supply a 5 MW generation facility). Expansion opportunities primarily exist in the United States and Canada.

The table on the following page provides a summary of EDL's landfill gas sites.

Table 32: EDL's landfill gas sites[3]

Site	State / County	Installed Capacity	LFGA counterparty	End date
Bellhouse	Essex	6	Cory Environmental	2032
Mucking	Essex	22	Cory Environmental	2029
Pitsea	Essex	16	Veolia	2040[2]
Rainham	Essex	18	Veolia	2040[2]
Ano Liossia[1]	Greece	12	ESDKNA/DETEALA	2029
Other	UK	9		
Total Europe		**83**		
Carbon	OH	25	Republic	2039
Covel	TX	10	WMS	2025
Lorain	OH	27	Republic	2039
Taylor	GA	8	Veolia	2032
Tessman	TX	10	Republic	2035
Zion	IL	7	Veolia	2037
Other		15		
Total United States		**102**		
Berwick	VIC	5	City of Casey & SUEZ Recycling &	2032, 2018
Broadmeadows	VIC	6	Melbourne Greyhound Racing, City	2020, 2029
Clayton	VIC	12	Sergasco & Transpacific	2025, 2020
Eastern Creek	NSW	5	WAMCO	2025
Lucas Heights 1	NSW	5	WAMCO	2034
Lucas Heights 2	NSW	17	SUEZ Recycling & Recovery P/L	2025
Tamala Park	WA	5	Mindarie Regional Council	2032
Other		39		
Total Australia		**94**		
Total landfill gas		**279**		

Source: DUET management.
Notes:
1: Greece, 50% share of installed MW.
2: Gas rights are for the life of the landfill.
3: Excludes sites < 5MW.

(iii) Renewable energy

EDL recently entered the renewable energy market through the acquisition of the 30 MW capacity Cullerin Range Wind Farm, in New South Wales. EDL entered into a long term offtake contract with Origin Energy. Given the level of regulatory support, renewable energy is seen as a key growth opportunity by EDL, and the business is actively pursuing other organic growth and acquisition opportunities.

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7.4.3 *Financial Information*

The financial performance of EDL for the four years ended 30 June 2016 and six months ended 31 December 2016 is summarised below.

Table 33: EDL Financial Performance

Period	12 months to				6 months to
$ million	**30-Jun-13**	**30-Jun-14**	**30-Jun-15**	**30-Jun-16**	**31-Dec-16**
Installed capacity (MW)	*742*	*883*	*900*	*903*	*933*
Generation (GWh)	*3,537*	*3,727*	*4,080*	*4,020*	*2,068*
Electricity sales	321.5	343.5	343.7	315.2	157.0
Green credits	70.8	69.2	84.3	110.8	52.4
Generation revenue	**392.3**	**412.7**	**428.0**	**426.0**	**209.4**
Other revenue	11.0	10.1	20.7	16.5	4.1
Total revenue	**403.3**	**422.8**	**448.7**	**442.5**	**213.4**
Operating expenses	(226.3)	(240.6)	(230.5)	(209.7)	(114.3)
EBITDA:					
Australia - Clean	85.7	75.9	94.2	114.0	55.5
Australia - Remote	67.3	72.4	86.6	71.9	25.8
UK - Clean	27.3	35.6	34.0	32.9	11.1
US - Clean	9.6	13.4	19.6	22.8	9.8
Greece - Clean	2.4	2.5	2.2	2.2	1.0
Corporate	(15.3)	(17.6)	(18.4)	(11.0)	(4.0)
100% EBITDA	**177.0**	**182.2**	**218.2**	**232.8**	**99.1**
Adjustment for ownership	-	-	-	-	-
Proportionate EBITDA	**177.0**	**182.2**	**218.2**	**232.8**	**99.1**
Customer contributions (net of margin)	-	-	-	-	-
Adjusted proportionate EBITDA	**177.0**	**182.2**	**218.2**	**232.8**	**99.1**
Net interest expense				(27.6)	(14.0)
SIB capital expenditure				(32.7)	(21.1)
Tax paid				(4.6)	(1.7)
Proportionate earnings				**167.9**	**62.3**
Statistics					
SIB capital expenditure	*24.0*	*33.6*	*33.4*	*32.7*	*21.1*
Growth capital expenditure	*82.8*	*139.3*	*28.3*	*59.0*	*39.5*
Total capital expenditure	*106.8*	*172.9*	*61.7*	*91.7*	*60.6*
Gearing [1]	*57.0%*	*55.0%*	*57.0%*	*32.1%*	*42.3%*
Revenue growth	*n/a*	*4.8%*	*6.1%*	*(1.4%)*	*(1.5%)*
EBITDA growth	*n/a*	*2.9%*	*19.8%*	*6.7%*	*(8.3%)*
EBITDA margin	*43.9%*	*43.1%*	*48.6%*	*52.6%*	*46.4%*

Source: EDL Annual Reports for FY14 through FY16 and reviewed financial statements for the six months ended 31 December 2016.
Note 1: Gearing is net senior debt divided by the sum of equity and net senior debt.

EDL has recorded an EBITDA CAGR of approximately 14% from FY11 to FY16, reflecting growth in revenue as a result of increases in installed capacity while at the same time, the cost base has been maintained or lowered (FY16). The Australian clean energy division has been the largest contributor to EBITDA, representing approximately 49% of EBITDA in FY16. Overall the EBITDA margin has continued to strengthen year on year, up to 52.6% in FY16.

EDL acquired Landfill Gas Power Pty Ltd in May 2016, adding three electricity generation facilities in Western Australia (which have a total of 10 MW of installed capacity) to its portfolio and acquired the 30 MW Cullerin Range wind farm in July 2016.

EDL has recently completed a number of capital expenditure programs at WCMG sites, including the expansion at Oaky Creek 2 (from 21 MW to 36 MW) and is currently constructing Grosvenor 1 (21 MW) and Grosvenor 2 (15 MW).

In the six months to 31 December 2016, EDL had a slight reduction in EBITDA due to costs of approximately $5 million incurred in rectifying a temporary outage at its LNG facilities that supply the West Kimberley Power Project. Reduced generation in the United Kingdom, lower REC prices in the United States, appreciation of the Australian dollar and expiry of certain remote energy contracts were partially offset by contributions from new assets. These include the commencement of operations of 15 MW of the 51 MW of assets which are being transferred from the remote energy sites to new WCMG operations. EDL typically experiences a stronger second half financial year, as power prices are seasonal and the WCMG business typically generates the majority of the LGCs in Australia in the second half (due to annual caps on a calendar year basis).

EDL is rated BBB- (positive watch) by S&P and is not rated by Moody's.

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8 Valuation of DUET

8.1 Summary

We have assessed the value of DUET to be in the range of $5,726 million to $6,835 million, which corresponds to a value of $2.32 to $2.77 per DUET Security. Our valuation assumes 100% ownership of DUET and, therefore, incorporates a control premium.

We have assessed the value of DUET based on a sum-of-the-parts methodology, by aggregating:

- the estimated market value of DUET's interest in the equity of each of the operating companies. This value takes into account the benefit of the tax shield arising from tax losses, net borrowings and non-operating assets/(liabilities) at an operating company level
- the capitalised value of head office corporate expenses
- corporate net cash/(borrowings), after taking into account the payment of the FY17 interim distribution (net of the impact of the DRP Plan)
- non-operating assets/(liabilities) at a corporate level, and
- the pro rata share of cash available for distribution over the four and one half months prior to implementation of the transaction (anticipated to be in mid-May 2017). This is based on DUET's distribution guidance for the second half of FY17 of 9.25 cents[62] and assumes distributions represent 100% of cash available for distribution.

The resulting value for DUET has been cross-checked using multiples of EBITDA and book value[63] for transactions involving energy infrastructure companies and comparable listed energy infrastructure companies.

[62] Calculated as DUET's distribution guidance for FY17 of 18.5 cents, less the 9.25 cents distribution declared for the first half of FY17.

[63] Book value refers to the book value of equity plus net debt.

Our valuation of DUET is summarised in the table below.

Table 34: DUET valuation summary

$ millions (unless otherwise stated)	Section reference	Value range Low	Value range High
100% interest in DBP	8.4	1,257.0	1,557.0
100% interest in DDG	8.5	599.0	699.0
100% interest in Multinet Gas	8.6	541.8	741.8
66% interest in United Energy	8.7	862.5	1,171.9
100% interest in EDL	8.8	2,131.8	2,331.8
Equity value of DUET's interest in operating companies		**5,392.1**	**6,501.5**
Capitalised corporate overheads	8.9	-	-
Net cash at corporate level	8.10	162.5	162.5
Corporate other assets/(liabilities) (net)	8.11	-	-
Accumulated cash flow for distribution to mid-May 2017		171.4	171.4
Value of 100% of equity of DUET		**5,726.0**	**6,835.4**
Diluted number of DUET Securities outstanding (million)[1]		2,470.8	2,470.8
Value per DUET Security		**$2.32**	**$2.77**

Source: KPMG Corporate Finance analysis.
Note 1: Includes 37,724,330 new DUET Securities issued under the DRP Plan.

In relation to DUET's operating companies, KPMG Corporate Finance has utilised a DCF methodology as the primary valuation methodology and cross-checked these values using a Capitalisation of Earnings approach. We have also had regard to various rules of thumb commonly used in the energy infrastructure sector (multiples of RAB or MW, as appropriate). The valuation of each of DUET's operating companies is set out in Sections 8.4 to 8.8 of this report.

Synergies available to acquirers, such as cost savings through merging operations, are normally a significant factor in justifying their ability to pay a meaningful premium over market prices. In this case, direct synergies available to a number of strategic and financial buyers of DUET would likely include all (or most) head office corporate costs as each of DUET's operating companies has its own management team. Therefore, the valuation assumes that all head office corporate expenses are eliminated (refer to Section 8.9).

Observations from transaction evidence indicate that takeover premiums generally range from 20% to 35%[64] for completed takeovers depending on the individual circumstances. In transactions where it was expected that the combined entity would be able to achieve significant

[64] KPMG Corporate Finance analysis based on Mergerstat data for Australian transactions completed between 2001 and 2016, comparing the closing price of the target company one day prior to the takeover announcement to the final offer price.

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synergies, the takeover premium was frequently estimated to be towards the high end of this range or greater.

Our valuation range of $2.32 to $2.77 per DUET Security reflects a premium over the $2.35 closing price of DUET Securities immediately prior to media speculation of a potential offer from the Consortium of between (negative 1%) and 18%. These premiums are at the low end of premiums that are typically observed, however, are reasonable since:

- although it is likely that an acquirer could save all (or most) of DUET's head office corporate costs, there is limited scope for the majority of acquirers to achieve further synergies since:
  - DUET already operates with an efficient cost structure, whereby each of Multinet Gas and United Energy is a benchmark-efficient energy utility
  - any cost synergies achieved in regulated assets are likely to be short-term, as any benefit will be taken into account in subsequent regulatory decisions, and
  - there are limited opportunities to achieve revenue synergies as most of DUET's businesses operate as monopolies in distinct regions
- it is likely that DUET was trading on the ASX at close to its full underlying value (excluding a control premium) based on currently high bond yields. DUET pays around 100% of available cash flow as distributions and as a result of its regulated or contracted revenues, its operations are stable, predictable and reasonably transparent, and
- DUET's operating companies are highly leveraged and, therefore, there is limited opportunity to enhance returns by increasing borrowings (while maintaining existing credit ratings). Although there is opportunity for an entity with a higher credit rating to achieve savings in interest expenses, the range of potential acquirers with a higher credit rating is limited.[65]

KPMG Corporate Finance's value range is relatively wide (19%) reflecting the impact of financial leverage on the value of equity in DUET. At the business operation level, the value range is only 10%.

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[65] Members of the Consortium (CKI, CKP and PAH) are rated A- by S&P and Singapore Power Ltd is rated AA by S&P, however, APA Group is rated BBB by S&P and Brookfield Investment Partners is rated BBB+ by S&P.

8.2 Valuation Methodology

8.2.1 Overview

Our valuation of DUET has been prepared on the basis of 'market value'. The generally accepted definition of market value (and that applied by us in forming our opinion) is the value agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length.

Market value excludes 'special value', which is the value over and above market value that a particular buyer, who can achieve synergistic or other benefits from the acquisition, may be prepared to pay.

Our valuation has had regard to the additional value resulting from estimated corporate cost savings that would generally be available to the majority purchasers, both financial and trade buyers. It does not include any other operational or financing synergies that may be only available to a very limited number of potential buyers.

In this regard, the Consortium has indicated[66] that it could likely achieve operating efficiencies as its members hold interests in operations which are similar to, and in some cases adjacent to, DUET's operations:

- together, CKI and PAH hold 51% of Victoria Power Networks, the holding company of CitiPower and Powercor. The CitiPower network is adjacent to the United Energy network, and
- together, CKI and PAH hold 72.5% of Australian Gas Networks, respectively. The territory of Australian Gas Networks borders the Multinet Gas network.

The Consortium expects to be able to achieve operating efficiencies in areas of network operations, metering, customer services, marketing, billing and information technology through improved contract negotiations and more efficient utilisation of existing infrastructure and resources. It expects to be able to utilise expertise within Victoria Power Networks and Australian Gas Networks in a number of areas, including in its negotiations with the regulator, customer service, network management and performance, external contracting, treasury and financial reporting, health and safety practices and information technology. KPMG Corporate Finance's range of values has been prepared independent of these specific benefits.

There are limited other parties that could achieve similar material operational and financing synergies within the operating companies. The most likely of these being Singapore Power, given its investments in AusNet which owns interests in various electricity transmission and distribution networks and gas distribution networks in Victoria and SGSPAA, which comprises

[66] Source: CKI, PAH and CKP circulars and independent financial advisor reports in relation to the Proposed Acquisition.

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Jemena, which operates gas transmission pipelines and gas and electricity networks in New South Wales, Queensland, Victoria and the Australian Capital Territory.

In any event, we note that the regulator takes into consideration operational improvements achieved by operators at each regulatory reset. As such, any benefit from operational efficiencies achieved by an acquirer within the regulated businesses will likely be diminished over time depending on the outcomes of negotiations at each regulatory reset (although there are likely to be longer term benefits by maintaining benchmark efficiency, in that it may ultimately reduce the regulatory risk profile of the regulated businesses).

Market value is commonly derived by applying one or more of the following valuation methodologies:

- the capitalisation of maintainable earnings (Capitalised Earnings)
- discounted cash flows (DCF)
- estimated net proceeds from an orderly realisation of assets (Net Assets)
- rules of thumb, and
- current trading prices on the relevant securities exchange.

These methodologies are discussed in further detail in Appendix 4. Ultimately, the methodology adopted is dependent on the nature of the underlying business and the availability of suitably robust information. A secondary methodology is often adopted as a cross-check to ensure reasonableness of outcome, with the valuation conclusion ultimately being a judgement derived through an iterative process.

For profitable businesses, methodologies such as Capitalised Earnings and DCF are commonly used as they reflect 'going concern' values, which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradeable or asset rich, Net Assets is typically adopted as there tends to be minimal goodwill, if any. For listed companies, the trading price typically provides an indication of the fair value of a minority interest where trading is liquid and no takeover speculation is evident.

8.2.2 Selection of methodology

KPMG Corporate Finance's selected valuation methodologies for DUET and its operating companies are described in Section 8.1 of this report. A discussion of the rationale for the selection of the valuation methodologies is set out below.

DCF methodology

A DCF approach was adopted as our primary methodology for each of DUET's operating companies. This approach allows for analysis of key assumptions and for a range of scenarios to be modelled (such as regulatory returns on RAB and electricity prices). The DCF analyses were based on long term financial models developed by KPMG Corporate Finance on the basis of Cash Flow Models for each of the operating companies provided by DUET. The models use as their starting point the balance sheet of each of the operating companies as at 31 December 2016.

KPMG Corporate Finance has undertaken various enquiries in relation to each Cash Flow Model, including holding discussions with management of each of the operating companies in regard to the commercial assumptions underlying the Cash Flow Models and their bases and the mechanics of the models. We have reviewed the key commercial assumptions in the context of current economic, financial and other conditions (e.g. regulatory, contractual). KPMG Corporate Finance is of the view that the forward looking information has been prepared on a reasonable basis and, therefore, is suitable as a basis for our valuations. In making this assessment, we have taken into account the following:

- DUET has sophisticated management and reporting processes. The Cash Flow Models were prepared by the management of each operating company based on a "ground up" approach and include general economic assumptions provided by DUET's corporate team
- the Cash Flow Models are updated periodically based upon actual results and changes in outlook
- the Cash Flow Models are utilised for the day-to-day operations of the operating companies and form the basis of forecasts provided to banks for funding purposes
- the Budgets, Strategic Plans and Cash Flow Models are endorsed by the Boards of DIHL, DUECo and DFL
- the mechanics of the models are subject to peer review within each operating company and are reviewed periodically by external financial modelling practitioners, and
- each of DUET's operating companies has revenue streams that are regulated or contracted under long term arrangements and, therefore, are relatively stable and predictable.

We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information, or tested the mathematical integrity of the models, however, we have made sufficient enquires and where considered necessary, have made adjustments to reflect our judgement.

Forecasts included in the models for the operating companies are largely underpinned by forward sales contracts and regulated pricing. In the case of EDL, electricity price assumptions have been prepared by independent industry experts based on generally accepted methods in the industry.

Capitalised Earnings methodology

A Capitalised Earnings methodology is also commonly used for the valuation of utilities businesses. This method is appropriate for businesses with a long operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential

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(which is the case for DUET's operating companies). Furthermore, there is sufficient transaction and trading evidence available from which to calculate meaningful multiples.

A Capitalised Earnings approach can be applied to a number of different earnings or cash flow measures, including, but not limited to, EBITDA, EBIT and net profit after tax. The choice between parameters is usually not critical and should give a similar result. However, we note that EBITDA is commonly used in capital intensive industries where differences in depreciation and amortisation policies adopted by market participants can make comparisons between companies difficult. Therefore, multiples of EBITDA have been used as a cross-check.

Other than distribution guidance, DUET has not released specific forecasts for DUET or the operating companies for FY17 or beyond. Accordingly, the implied forward multiples have been calculated based on broker consensus forecasts for DUET and the operating companies. KPMG Corporate Finance has compared broker consensus forecasts for DUET and for each of DUET's operating companies with DUET management's forecasts and concluded that broker consensus forecasts are sufficiently close to DUET management's forecasts to be useful for analytical purposes.

Rules of thumb

Multiples of RAB are commonly used in the valuation of regulated energy infrastructure businesses, where RAB represents the value of the fixed assets set by the relevant regulator as the basis for determining tariffs. Multiples of RAB have been considered in the valuation of DBP, United Energy and Multinet Gas. Multiples of MW are commonly used in the valuation of electricity generation assets and have been considered in valuing EDL. However, we note that rules of thumb should be utilised with caution as they can be misleading (e.g. where a company has a substantial share of unregulated assets, the multiple of RAB will be overstated).

Net Assets

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). Such an approach does not capture growth potential or internally generated intangible value associated with the business. KPMG Corporate Finance has utilised this approach in valuing DUET's 50% equity accounted investment in the Greek joint venture (which is not of substantial value).

8.2.3 Control premium

Consistent with the requirements of RG 111, we have assumed 100% ownership in valuing DUET and each of the business operations of the operating companies and, therefore, our valuation is inclusive of a premium for control. More specifically:

- in valuing the operating companies, the DCF approach incorporates a control premium as it is based on 100% of the cash flows generated by the operating companies

- we have specifically considered a premium for control when assessing our Capitalised Earnings based cross-check. Multiples applied in a Capitalised Earnings methodology are generally based on data from listed companies and recent transactions in a comparable sector, with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

  The multiples derived for listed comparable companies are generally based on share prices reflective of the trades of small parcels of shares. As such, they generally reflect prices at which portfolio interests change hands. That is, there is no premium for control incorporated in such pricing. They may also be impacted by the level of liquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (i.e. 100%) it is appropriate to also reference the multiples achieved in recent transactions, where a control premium and breadth of purchaser interest are more fully reflected
- a number of potential strategic and financial buyers of 100% of DUET would be able to save all (or most) of DUET's head office corporate costs as each of DUET's operating companies has its own management team and, therefore, these costs have been excluded for the purposes of our valuation assessment
- other than the Consortium, there are limited other parties that could achieve similar material operational and financing synergies within the operating companies. In any event, we note that the regulator takes into consideration operational improvements achieved by operators at each regulatory reset. As such, any benefit from operational efficiencies achieved by an acquirer within the regulated businesses will likely be diminished over time depending on the outcomes of negotiations (although there are likely to be longer term benefits by maintain benchmark efficiency in that it may ultimately reduce the regulatory risk profile of the regulated businesses).

8.3 Cross-Check

KPMG Corporate Finance's selected value ranges for the business operations of DUET have been cross-checked having regard to multiples of EBITDA and book value for comparable listed entities and transactions involving selected energy infrastructure businesses. These multiples are summarised below and set out in detail in Appendix 7. EBIT multiples are not included below as EBITDA multiples are more appropriate for energy infrastructure businesses given that EBITDA multiples remove the distortion created by differences in depreciation and amortisation between entities.

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Transaction evidence

The following table sets out multiples of EBITDA and book value implied by recent transactions involving large energy infrastructure businesses in Australia.

Table 35: Transaction evidence

Announced	Target	Sector[1]	Regulation[2]	Consideration[3] ($ million)	EBITDA multiple[4] Historical	EBITDA multiple[4] Forecast	Enterprise Value to Book Value[5]
Sep-16	Ausgrid	ED	F	$13,186.1	17.4x	n.a.	1.66x
Nov-15	TransGrid	ED	F	$4,892.0	14.7x	n.a.	2.09x
May-14	Envestra Limited	GD	F	$2,371.8	11.3x	11.2x	1.28x
May-13	SP AusNet Ltd.	ED	F	$4,140.7	9.7x	n.a.	0.93x
May-13	SPI (Australia) Assets Pty Ltd	ED	F/U	$4,236.1	11.8x	n.a.	0.96x
Dec-11	Hastings Diversified Utilities Fund[6]	GT	F	$1,609.7	24.7x	n.a.	1.47x

Source: KPMG Corporate Finance analysis.
Notes:
1. *ED = electricity distribution, GD = gas distribution and GT = gas transmission pipelines.*
2. *F = full regulation, U = unregulated.*
3. *Consideration is the implied equity value of the target on a 100% basis in Australian dollars.*
4. *Represents the enterprise value divided by EBITDA, where enterprise value represents consideration plus net borrowings assumed and EBITDA is earnings before net interest, tax, depreciation, amortisation, other income and significant and non-recurring items.*
5. *Represents enterprise value divided by the book value of enterprise value, calculated as the book value of equity plus net debt.*
6. *EBITDA multiples for Hastings Diversified Utilities Fund are based on earnings from Epic Energy only.*

In relation to the table above, the following is relevant:

- forecast EBITDA multiples are generally not available for these transactions
- EBITDA multiples for Hastings Diversified Utilities Fund (HDUF) are not comparable as earnings include only earnings from what was previously Epic Energy
- the SP AusNet transaction represented the acquisition of a minority (19.9%) interest and, therefore, the multiples do not include a control premium
- the remaining transactions occurred at multiples in the range of 11.3 to 17.4 times historical EBITDA and 1.0 to 2.1 times book value. In this regard:
  - transaction multiples have increased in recent years, likely reflecting the strong investor appetite for quality regulated utilities (in a low interest rate environment)
  - the high end of the range of multiples is represented by the acquisitions of Ausgrid and TransGrid. These transactions offered significant cost savings opportunities associated with a public to private transition and were the result of a competitive tender process. The multiple for Ausgrid is slightly lower than for TransGrid, in part reflecting the FIRB's blocking of the potential sale of Ausgrid to the highest bidder, and

- of the remaining two transactions, SPI (Australia) generated a material portion of earnings from unregulated activities (20% of FY16 EBITDA) resulting in a relatively high earnings multiple (11.8 times historical EBITDA), while the multiples for Envestra are lower, likely reflecting that it has a greater share of regulated revenue.

Sharemarket evidence

The following table sets out multiples of EBITDA, book value and RAB for listed energy infrastructure companies.

Table 36: Sharemarket evidence

Company	Regulation[1]	Capitalisation ($ million)[2]	EBITDA multiple[3] Historical	EBITDA multiple[3] Forecast	Enterprise to Book Value[4]	RAB multiple[5]
APA Group	U	A$9,327	13.2	13.2	1.40	Nmf[6]
AusNet Services Ltd	F	A$5,945	12.1	11.8	1.21	1.46
Spark Infrastructure Group	F	A$3,936	9.5	9.3	1.27	1.41
Vector Limited	P	NZ$3,256	11.8	10.2	1.20	1.91

Source: KPMG Corporate Finance analysis.
Notes:
1. *F = full regulation, P = partial regulation, U = unregulated.*
2. *Market capitalisation is calculated using closing prices on 27 February 2017.*
3. *Represents the enterprise value divided by EBITDA, where enterprise value is market capitalisation plus net borrowings and outside equity interests and excludes equity accounted investments and EBITDA is earnings before net interest, tax, depreciation, amortisation, other income, income from equity accounted investments and significant and non-recurring items.*
4. *Represents enterprise value divided by the book value of enterprise value, calculated as the book value of equity plus net debt less equity accounted investments (where applicable).*
5. *Represents enterprise value divided by RAB.*
6. *nmf is not meaningful*

In relation to the table above, the following is relevant:

- multiples are based on sharemarket prices and, therefore, do not typically include a control premium
- similar to DUET, each of the companies is internally managed
- multiples are in the range of 9.5 to 13.2 times historical EBITDA, 9.3 to 13.2 times forecast EBITDA and 1.2 to 1.4 times book value
- APA Group's EBITDA multiples are at the high end of the range, potentially reflecting its strong growth outlook and that 90% of its revenue is unregulated
- revenue for AusNet Services and Spark Infrastructure is predominantly regulated. Spark Infrastructure is focused on electricity distribution networks in Victoria and South Australia and transmission in New South Wales (via a minority interest in TransGrid), while AusNet Services is focused on electricity transmission and distribution and gas distribution. Multiples for Spark Infrastructure are lower than for AusNet Services likely reflecting:
  - the higher capital requirements for electricity networks relative to gas networks

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  - AusNet Services' anticipated savings from increased cost efficiencies and expected growth in its RAB (with management forecasting RAB growth of 3% per annum until 2020 and targeting a contracted asset base of $1 billion by 2021), and
  - Spark Infrastructure's listed investment fund structure and minority discounts applied in respect to its equity accounted investments
- Vector is focused on electricity distribution, gas transmission, gas distribution, electricity and gas metering and telecommunications in New Zealand and a substantial share (30%) of its revenues are unregulated.

Summary

Acquisitions of controlling interests in energy infrastructure utilities have occurred at multiples in the range of 11.3 to 17.4 times historical EBITDA and 1.0 to 2.1 times book value, although the high end (Transgrid and Ausgrid) reflect the potential for significant cost saving opportunities from public to private ownership and were the result of a competitive tender process.

Sharemarket evidence indicates minority multiples in the range of 9.5 to 13.2 times historical EBITDA, 9.3 to 13.2 times forecast EBITDA and 1.2 to 1.4 times book value. Multiples are also generally higher for unregulated businesses than for regulated businesses.

Implied multiples

The value attributed to the business operations of DUET of $10,944 to $12,008 million[67] implies the following multiples of adjusted proportionate EBITDA and book value:

Table 37: DUET implied multiples

	Variable ($ million)	Value range	
		Low	High
Enterprise value range ($ million)		**10,944.0**	**12,008.0**
Multiple of Adjusted Proportionate EBITDA [1]			
FY16 (actual)	906.9	12.1	13.2
2016 (actual)[2]	890.3	12.3	13.5
FY17 (broker consensus)	893.3	12.3	13.4
FY18 (broker consensus)	968.3	11.3	12.4
FY19 (broker consensus)	976.1	11.2	12.3
Proportionate net assets plus proportionate net debt [3]			
As at 31 December 2016 (actual)	8,604.8	1.3	1.4

Source: KPMG Corporate Finance analysis.
Notes:
1. *Adjusted proportionate EBITDA is calculated as total proportionate EBITDA (refer to Table 15 of this report) which includes customer contributions, adjusted to exclude head office corporate expenses (refer to Table 15) and $2.2 million of equity accounted profits from the Greek joint venture.*
2. *2016 EBITDA (actual) is the adjusted actual proportionate EBITDA for the calendar year ended 31 December 2016.*
3. *Excludes book value of equity and net debt associated with the Greek joint venture.*

DUET has not released detailed earnings forecasts for FY17 or beyond. Accordingly, the implied forecast multiples set out above are based on the median of broker forecasts of DUET's proportionate EBITDA (refer to Appendix 3).

The multiples implied by KPMG Corporate Finance's valuation of DUET are towards the middle of the range of transaction evidence and are towards the high end of (or slightly above) the sharemarket evidence. This is appropriate, taking into account the following:

- the valuation of DUET includes a premium for control, whereas multiples based on sharemarket evidence do not, and
- DUET's operations comprise a combination of regulated and unregulated assets. Its regulated assets (DBP, Multinet Gas and United Energy) provide predictable, stable cash flows while its unregulated businesses (DDG and EDL) have a pipeline of growth opportunities. These factors indicate that DUET's overall implied multiples should not be either at the low end or high end of the multiple range.

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[67] Calculated by summing DUET's proportionate interest in the value of the business operations for each of DUET's operating companies. Excludes the Greek joint venture.

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8.4 Valuation of Dampier Bunbury Natural Gas Pipeline (100%)

8.4.1 Overview

KPMG Corporate Finance has assessed the value of DUET's 100% interest in the equity of DBP to be in the range of $1,257 million to $1,557 million. The valuation reflects the value attributed to DBP's business operations, less net borrowings.

Table 38: DBP summary of value

$ millions	Section reference	Value range	
		Low	High
Value of DBP business operations	8.4.2 & 8.4.3	3,700.0	4,000.0
DBP net borrowings	8.4.4	(2,443.0)	(2,443.0)
Other assets/(liabilities) (net)	8.4.5	-	-
Value of DUET's 100% interest in DBP		**1,257.0**	**1,557.0**

Source: KPMG Corporate Finance analysis.

In assessing the value of DBP's business operations, KPMG Corporate Finance has adopted a DCF analysis as a primary methodology. The value derived from the DCF analysis has been cross-checked using multiples of EBITDA and RAB.

The range of equity values is relatively wide, reflecting the impact of financial leverage.

The value exceeds the book value of equity for DBP at 31 December 2016 of $651.7 million.

8.4.2 Discounted cash flow analysis

The DCF analysis was based on a long-term financial model developed by KPMG Corporate Finance on the basis of a Cash Flow Model provided by DUET. The DCF analysis uses as a starting point the financial position of DBP as at 31 December 2016 and projects nominal, after tax cash flows to 30 June 2031, a period of 14.5 years, covering the current and three subsequent regulatory periods. A terminal value is calculated by capitalising net after tax cash flows based on a perpetual growth assumption of 0.5% (which is equivalent to a multiple of 13.2 to 14.4 times forecast EBITDA or 1.1 to 1.2 times RAB as at 30 June 2031). Ungeared, after tax cash flows are discounted by a weighted average cost of capital (WACC) in the range of 6.0% to 6.5% (refer to Appendix 5). A corporate tax rate of 30% has been utilised, however, the DCF analysis takes into account the benefit of using material existing carried forward tax losses (over the first six years).

Scenario A assumes that DUET is not successful in appealing the ERA's regulatory determination for 2016 to 2020.[68] From 1 January 2021, pricing under the 2014 Standard Shipper Contracts reverts to the regulated tariff (i.e. contracts are not renegotiated). Tariffs in

[68] DUET is appealing the ERA's decision on grounds including the ERA's inclusion of a gamma of 0.40.

subsequent regulatory periods are based on DUET's estimate of future regulatory returns, assuming the AER replaces the ERA by the next regulatory determination date (as announced) and tariff determinations are consistent with recent determinations by the AER.[69] A summary of the key assumptions underlying Scenario A is set out in Appendix 6.

Scenario A produces a NPV range for DBP's business operations of $3,584 million to $3,886 million. KPMG Corporate Finance has analysed Scenario A to assess the sensitivity of the NPV outcomes to changes in the following variables:

- capacity from 1 January 2017: +/- 10 TJ per day
- capacity from 1 January 2021 (tariff reset date): +/- 10 TJ per day
- throughput from 1 January 2017: +/- 10 TJ per day
- return on RAB from 1 January 2021: +/- 0.5%
- gamma (from 1 January 2021): -/+ 0.1
- gas prices: -/+ 10%
- capital expenditure: -/+ 10%
- operating expenditure: -/+ 10%

[69] In recent determinations for gas transmission pipelines, the AER has adopted an equity beta of 0.7, gearing of 60%, a market risk premium of 6.5%, risk free rate based on a 10 year bond rate and gamma of 0.25.

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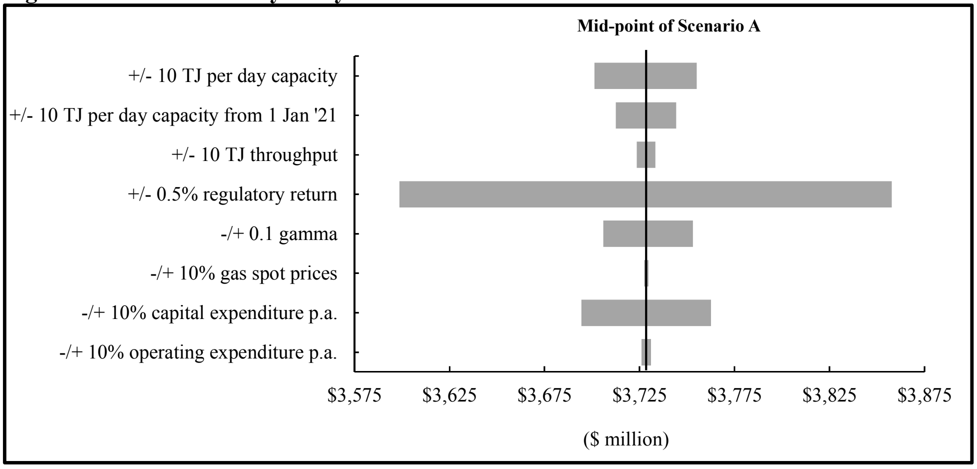
The output of this sensitivity analysis is summarised below:

Figure 17: DBP sensitivity analysis



Source: KPMG Corporate Finance analysis.

The chart above highlights the sensitivity of NPV outcomes to selected movements in a range of commercial assumptions. The analysis indicates that:

- the NPV outcomes are highly sensitive to changes in regulatory return and are reasonably sensitive to changes in gamma.[70] From 1 January 2021, all customers (other than Alcoa) will revert to the regulated tariff (unless contracts can be renegotiated). As a result, the outcome of regulatory determinations can have a significant impact on cash flows and NPV outcomes. The impact of movements in gamma is reduced to the extent that DBP does not expect to pay tax until FY23
- the NPV outcomes are reasonably sensitive to changes in contracted capacity within the regulatory period, but less sensitive to changes in contracted capacity on the reset date:
  - theoretically, under a price cap tariff structure, changes in capacity on the reset date (and any forecast changes in capacity) will not impact revenue (as tariffs are adjusted for the change in capacity), however, unforeseen changes in capacity between reset dates will impact revenue, although only until the next reset date. However, we note:

[70] The regulator takes into account the interest tax shield and gamma (which determines the allowable value of imputation credits) separately to derive regulatory revenue and does not include these in the return on RAB.

  - in the case of DBP, capacity related to the Alcoa contract is outside the regulatory regime and, therefore, a portion of tariffs will not be adjusted on the reset date. As a result, changes in capacity have a material impact on NPV outcomes
  - by renegotiating a majority of Standard Shipper Contracts, DBP has limited the ability of shippers to relinquish capacity before the next tariff reset date (1 January 2021) (refer to Section 7.1.2 of this report for details)
- throughput may be influenced by a range of factors such as weather patterns, economic and population growth, industrial growth and gas prices. NPV outcomes are less sensitive to throughput, as the majority of DBP's revenue (80% for 2014 Standard Shipper Contracts) is on a take-or-pay basis. Furthermore, movements in throughput will impact DBP's variable costs (system use gas)
- NPV outcomes are moderately sensitive to movements in capital expenditure and less sensitive to movements in operating expenditure. However, under the regulatory regime the regulator examines any overspend of capital relative to approved forecasts, with any amounts deemed inefficient to be excluded from RAB or otherwise taken into account in subsequent determinations
- NPV outcomes are least sensitive to movements in gas prices, since most gas is purchased under fixed price contracts until 31 December 2020 and fuel costs represent only around 30% of operating expenses, and
- the scenario analysis does not take into account the extent to which management is able to react to changes in external factors. However, DUET management's ability to react to market changes is limited as revenues are contracted or regulated and DBP already operates with an efficient cost structure. Furthermore, any reduction in operating and capital expenditure is likely to be reflected in the next regulatory tariff reset.

KPMG Corporate Finance has not run any sensitivities (or developed scenarios) based on movements in risk free rates. Under the current tariff arrangements, a fixed risk free rate is assumed for the full five year regulatory period and negotiated tariffs are fixed (in real terms) until 30 December 2021, which potentially exposes DBP to movements in borrowing costs between tariff reset dates. However, DBP has hedged its exposure to base interest rates until 31 December 2020. Assuming tariff regulation is transitioned to the AER by 1 January 2021, tariffs will be adjusted annually for movements in the risk free rate as it applies to the debt allowance. Under such an arrangement, DBP would seek to transition hedging arrangements such that it would hedge its interest rate exposure over consecutive 12 month periods.

KPMG Corporate Finance has developed a range of scenarios for DBP, based on potential changes in key variables:

- ***higher or lower growth in contracted capacity:*** Scenario A assumes that there is no growth in contracted capacity over the long term. Growth in capacity for the DBNGP is related to growth in demand for gas in the south west of Western Australia which is expected to

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remain flat over the 10 years to 2026 (refer to Section 7.1.1). Any growth in demand for gas in this region over the long term is largely expected to be impacted by demand from gas fired power generation, which in turn will be influenced by the price of gas relative to the price of coal, as well as the extent of renewable energy schemes. Scenario B assumes that contracted capacity purchased increases gradually to 845 TJ per day (equivalent to the DBNGP's total nameplate capacity) by FY31 and Scenario C assumes that contracted capacity decreases gradually to 700 TJ per day. In this respect, in determining the different scenarios we consider there is greater potential for increased, rather than decreased, demand for gas

- ***higher or lower return on RAB***: although DBP makes submissions to the regulator, the ultimate decision regarding the rate of return it is allowed to earn on RAB, allowable costs and capital expenditure, and gamma lies with the regulator. There are a number of potential outcomes for assumptions underlying future regulatory rates of return, including higher or lower beta, gearing and market risk premium and as a result, regulatory returns can vary widely. Scenario D reflects a 1% increase in the rate of return from 1 January 2021 and Scenario E reflects a 1% decrease in the rate of return from 1 January 2021
- ***Australian Competition Tribunal Appeal:*** unlike Scenario A, Scenario F assumes that DUET's appeal to the Australian Competition Tribunal (with respect to the inclusion of a gamma of 0.25 for the Access Arrangement for 2016 to 2020) is successful, and
- ***regulation remains with ERA:*** Scenario A assumes that regulation of tariffs will be transitioned from the ERA to AER by 1 January 2021 and future tariff determinations are consistent with recent determinations by the AER.[71] Although the Government of Western Australia has announced its intention to transfer these arrangements, this transfer has not yet been formalised and uncertainty remains (given the upcoming State election in March 2017). Scenario F assumes that the risk free rate, market risk premium and gamma from 1 January 2021 are consistent with recent ERA determinations. [72]

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[71] In recent determinations for gas transmission pipelines, the AER has adopted an equity beta of 0.7, gearing of 60%, a market risk premium of 6.5%, risk free rate based on a 10 year Government bond rate and gamma of 0.25. In recent regulatory determinations for gas transmission pipelines, the ERA has adopted similar beta and gearing to that adopted by the AER, however, it has utilised a market risk premium of 7.4% or 7.5%, risk free rate based on a 5 year Government bond rate and gamma of 0.40.

[72] The risk free rate under Scenario F is based on the implied forward curve for five year Australian Government Bonds sourced from Bloomberg.

These scenarios are summarised below.

Table 39: DBP scenario analysis

Scenario	Description
Scenario A	Assumptions as set out in Appendix 6
Scenario B	Scenario A, except that capacity purchased increases gradually to 845 TJ per day from FY21 to FY31
Scenario C	Scenario A, except that capacity purchased decreases gradually to 700 TJ per day between FY21 and FY31
Scenario D	Scenario A, except that regulatory return on RAB is 1% higher from 1 January 2021
Scenario E	Scenario A, except that regulatory return on RAB is 1% lower from 1 January 2021
Scenario F	Scenario A, except the Australian Competition Tribunal appeal is successful with respect to a gamma of 0.25
Scenario G	Scenario A, except that risk free rate, market risk premium and gamma are consistent with the ERA's recent determinations

Source: KPMG Corporate Finance analysis.

The output of the DCF analysis for a range of discount rates is summarised below.

Table 40: DBP scenario analysis

	Discount rate				
	6.75%	6.50%	6.25%	6.00%	5.75%
Scenario A	3,451	3,584	3,729	3,886	4,058
Scenario B	3,657	3,801	3,957	4,128	4,315
Scenario C	3,419	3,550	3,692	3,847	4,017
Scenario D	3,685	3,830	3,987	4,158	4,345
Scenario E	3,214	3,335	3,467	3,610	3,768
Scenario F	3,454	3,580	3,731	3,881	4,060
Scenario G	3,483	3,617	3,763	3,921	4,095

Source: KPMG Corporate Finance analysis.

The range of values for each scenario (based on a discount rate of 6.0% to 6.5%) is illustrated in the chart on the following page.

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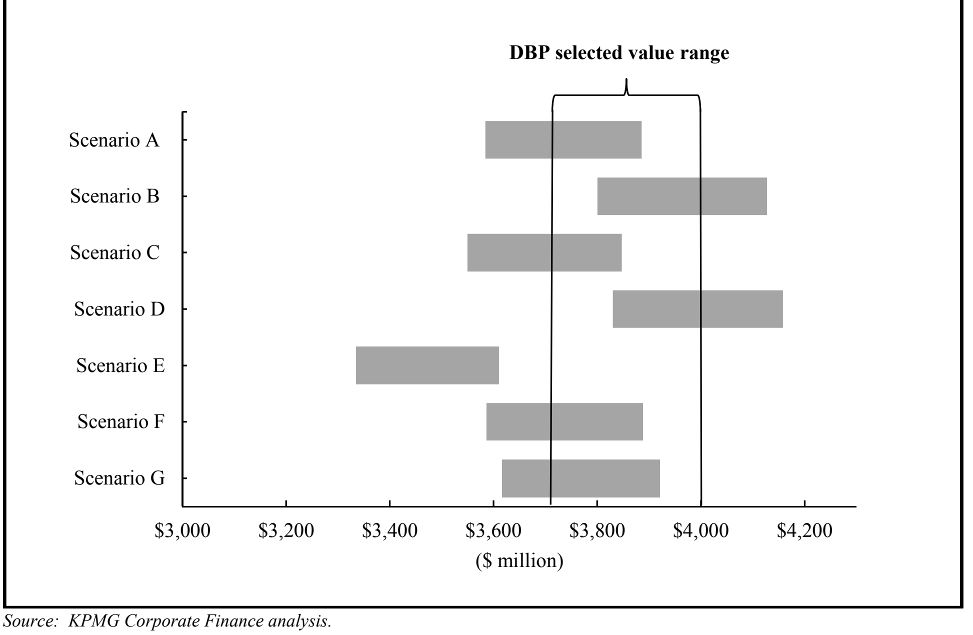
Figure 18: DBP scenario analysis



Source: KPMG Corporate Finance analysis.

The NPV outcomes are highly sensitive to outcomes for regulatory returns (Scenarios D and E) and there is a wide range of potential outcomes for variables that are utilised to determine regulatory returns. There is a small positive impact on value assuming that DBP is successful in its appeal to the Australian Competition Tribunal (Scenario F) or that regulation remains with the ERA (Scenario G).

Scenario A is conservative in that it assumes no growth in contracted capacity over the forecast period. There are a number of potential factors which could increase capacity purchased, such as growth in industrial capacity in the south west of Western Australia or a reduction in gas prices resulting in a shift to more gas-fired power generation. In the long term, it is reasonable to expect that at least a portion of available capacity will be filled. Accordingly, KPMG Corporate Finance has selected a value for the business operations of DBP in the range of $3,700 million to $4,000 million, which is above the low end of the range indicated by Scenario A but below the high end of the range under Scenario B.

8.4.3 Cross-check

The multiples implied by the DCF analysis have been compared to multiples of EBITDA and RAB for transactions involving selected gas transmission pipeline businesses. These multiples are summarised below and are set out in detail in Appendix 7.

Transaction evidence

The following table sets out multiples of EBITDA and RAB implied by recent transactions involving gas transmission pipelines.

Table 41: Transaction evidence

Announced	Target	Regulation[1]	Consider-ation[2]	EBITDA multiple[3] Historical	EBITDA multiple[3] Forecast	RAB multiple[4]
Gas Transmission Pipelines						
May-16	Mortlake Pipeline	U	$245.0	n/a[5]	14.4x	n.a.
Mar-16	Dampier Bunbury Pipeline	F	$1,025.0	10.6x	11.1x	0.94x
Mar-16	Ethane Pipeline Income Fund	L	$130.3	9.3x	10.5x	n.a.
Dec-14	Wallumbilla Gladstone Pipeline	U	$6,014.2	n.a.	13.1x	n.a.
Apr-13	Moomba Adelaide Pipeline System	U	$400.6	11.5x	12.5x	n.a.
Dec-11	Hastings Diversified Utilities Fund[6]	L	$1,609.7	24.7x	n.a.	n.a.
Jul-11	Tasmanian Gas Pipeline Pty Ltd.	U	$200.0	7.8x	n.a.	n.a.
Jun-11	Dampier Bunbury Pipeline	F	$840.0	9.9x	11.1x	0.95x
Jun-11	Amadeus Gas Pipeline	F	$63.0	2.6x	4.6x	0.68x
Nov-10	South East Australia Gas Pty Ltd.	U	$273.3	n.a.	11.0x	n.a.
Mar-10	Berwyndale to Wallumbilla Pipeline	U	$82.6	n.a.	n.a.	n.a.

Source: KPMG Corporate Finance analysis.
Notes:
1. *F = full regulation, L = light regulation, U = unregulated.*
2. *Consideration is the implied equity value of the target on a 100% basis in Australian dollars.*
3. *Represents the enterprise value divided by EBITDA, where enterprise value represents consideration plus net borrowings assumed and EBITDA is earnings before net interest, tax, depreciation, amortisation, other income and significant and non-recurring items.*
4. *Represents enterprise value divided by RAB.*
5. *n/a is not available.*
6. *EBITDA multiple for HDUF is based on earnings from Epic Energy only.*

In relation to the transaction evidence, the following is relevant:

- the multiple for HDUF is not comparable as earnings include only earnings from what was previously Epic Energy
- the acquisition of Amadeus Gas Pipeline occurred at relatively low multiples, likely reflecting that it is a regulated asset with low growth prospects. Furthermore, the final regulatory decision was pending (which may have created uncertainty) and the foundation gas transportation contract was due to expire. There may also have been uncertainty regarding the potential gas reserves of the Amadeus Basin. Lastly, APA Group was entrenched as the provider of operations and maintenance to the pipeline
- other recent transactions involving gas transmission pipelines have generally occurred at multiples in the range of 7.8 to 11.5 times historical EBITDA and 10.5 to 14.4 times forecast EBITDA. There is limited evidence in relation to RAB multiples for gas pipelines as most are unregulated, and

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- transactions involving DBP include DUET's acquisition of a 20% interest in DBP from Prime Infrastructure in June 2011 and the acquisition of the remaining 20% interest in DBP from Alcoa in March 2016. These transactions occurred at relatively low multiples, which likely reflects that DUET acquired a minority interest in each instance. Furthermore, the acquisition from Prime Infrastructure occurred at a time when Prime Infrastructure was in financial distress, while the acquisition from Alcoa likely reflected that Alcoa retained information and governance rights in DBP (which was significant given the importance of the DBNGP to Alcoa's energy supply).

Sharemarket evidence

Sharemarket evidence for listed energy infrastructure companies is set out in Appendix 7 and discussed in Section 8.3 of this report. The most comparable company to DBP is APA Group. Similar to DBP, APA Group is focused on the development, ownership and operation of gas transmission pipelines, however, its pipelines are mostly unregulated and it has a higher growth profile than DBP. APA Group is trading at multiples of 13.2 times historical EBITDA and 13.2 times forecast EBITDA.

Summary

In summary:

- recent transactions involving gas transmission pipelines have occurred at controlling multiples in the range of 7.8 to 11.5 times historical EBITDA and 10.5 to 14.4 times forecast EBITDA
- the most comparable company, APA Group is trading at a minority multiple of 13.2 times historical EBITDA and 13.2 times forecast EBITDA, and
- there is limited evidence as to multiples of RAB for transactions involving gas transmission pipelines. Recent transactions involving gas distributors indicate controlling multiples of 1.1 to 1.3 times RAB (excluding Envestra, which has a higher growth profile and for which the transaction was the result of a competitive bidding process). Refer to Appendix 7 and Section 8.6.3 of this report.

Implied multiples

The value attributed to the business operations of DBP of $3,700 to $4,000 million implies the following multiples of EBITDA and RAB:

Table 42: DBP implied multiples

	Variable ($ million)	Value range	
		Low	High
Enterprise value range ($ million)		**3,700.0**	**4,000.0**
Multiple of EBITDA[1]			
FY16 (actual)	304.9	12.1	13.1
2016 (actual)[2]	279.2	13.3	14.3
FY17 (broker consensus)	273.7	13.5	14.6
FY18 (broker consensus)	280.3	13.2	14.3
FY19 (broker consensus)	285.4	13.0	14.0
RAB Multiple			
As at 31 December 2016 (actual)	3,440.5	1.1	1.2

Source: KPMG Corporate Finance analysis.
Notes:
1. *EBITDA is on a 100% basis and includes customer contributions.*
2. *2016 EBITDA (actual) is the actual result for the calendar year ended 31 December 2016.*

DUET has not released detailed earnings forecasts for FY17 or beyond. Accordingly, the implied forecast multiples set out above are based on the median of broker consensus forecasts for DBP (refer to Appendix 3).

The implied forward EBITDA multiples for DBP are at the high end of the transaction evidence. This is reasonable, having regard to the following investment characteristics of the DBNGP:

- multiples paid in more recent transactions are generally higher than those paid in earlier transactions, likely reflecting strong investor appetite for quality regulated utilities (in a low interest rate environment)
- the DBNGP is strategically significant, connecting gas supplies from the Carnarvon Basin to the majority of demand in the south west of Western Australia. It has no significant bypass risk and operates in a market that is less integrated than the eastern and southern states of Australia, and
- DBP has a high proportion (85%) of contracted revenue which limits the ability of shippers to relinquish capacity.

DBP's RAB multiples are towards the low end of the transaction evidence, which is expected given there is no planned expansions of the DBNGP.

DBP's forecast EBITDA multiples are at or above those of APA Group. This is appropriate, taking into consideration the following:

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- the DBP valuation includes a premium for control whereas APA Group's multiples are based on sharemarket prices and do not include a control premium. On the other hand,
- DBP is regulated and has a lower growth profile than APA Group.

DBP's implied historical multiple is below that of APA Group, reflecting the anticipated decline in DBP's earnings in FY17.

On this basis, the market based cross-check, in our view, supports the valuation of the DBP business derived under the primary DCF analysis.

8.4.4 Net borrowings

DBP's net borrowings at 31 December 2016 are $2,443.0 million as set out below.

Table 43: DBP net borrowings

As at 31 December 2016 $ million	
Floating rate senior debt	1,965.0
Fixed rate notes - 2019	300.0
Fixed rate notes - 2020	100.0
Finance lease liability and WA government loan	16.7
Total borrowings	**2,381.7**
Fair value adjustments	-
Derivative financial instruments (net)	109.4
Cash	(48.1)
Net borrowings	**2,443.0**

Source: DUET management.

DBP's borrowings primarily consists of floating rate senior debt. It enters into interest rate swaps to convert floating interest rates to fixed interest rates and effectively match the term of its Access Arrangement (to 31 December 2020). The mark-to-market value of derivative financial instruments as at 31 December 2016 has been included in net borrowings for valuation purposes.

8.4.5 Other assets and liabilities

DBP's other assets and liabilities have been valued at nil. No value has been attributed to decommissioning provisions as the DBNGP is expected to continue to operate indefinitely. The value attributed to carried forward tax losses has been reflected in the cash flows.

8.5 Valuation of DBP Development Group (100%)

8.5.1 Overview

KPMG Corporate Finance has assessed the value of DUET's 100% interest in the equity of DDG to be in the range of $599 million to $699 million. The valuation reflects the value attributed to DDG's business operations, less net borrowings.

Table 44: DDG summary of value

$ millions	Section reference	Value range	
		Low	High
Value of DDG business operations	8.5.2 & 8.5.3	600.0	700.0
DDG net borrowings	8.5.4	(1.0)	(1.0)
Other assets/(liabilities) (net)	8.5.5	-	-
Value of DUET's 100% interest in DDG		**599.0**	**699.0**

Source: KPMG Corporate Finance analysis.

In assessing the value of DDG's business operations, KPMG Corporate Finance has adopted a DCF analysis as the primary methodology. The value derived from the DCF analysis has been cross-checked using multiples of EBITDA.

The value exceeds the book value of equity for DDG at 31 December 2016 of $77.9 million.

8.5.2 Discounted cash flow analysis

The DCF analysis was based on a long-term financial model developed by KPMG Corporate Finance on the basis of a Cash Flow Model provided by DUET. The DCF analysis uses as a starting point the financial position of DDG as at 31 December 2016 and projects nominal, after tax cash flows for the term of the contracts. A terminal value is calculated based on ongoing operations and maintenance contract revenue only, utilising the Gordon Growth method and a terminal growth rate of 2.5%. Ungeared, after tax cash flows are discounted by a WACC in the range of 6.0% to 6.5% (refer to Appendix 5). A corporate tax rate of 30% has been utilised, however, the DCF analysis takes into account the benefit of using existing carried forward tax losses (over the first four years).

Scenario A assumes that DDG continues to generate revenue from:

- the Wheatstone Ashburton West Pipeline, until the initial 20 year term of the Chevron Australia contract expires on 31 December 2045. It is assumed that two five year extension options are not taken up, and
- the Fortescue River Gas Pipeline until the Fortescue Metals Group contract expires on 31 December 2034 (there are no renewal options).

In addition, it is assumed that the Tubridgi Gas Storage Facility is developed and DDG generates revenue from the contract with CP Mining until 31 December 2031 (including one five year renewal option). Up to 24% of storage capacity is sold to additional customers

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between FY17 and FY36. A summary of the key assumptions underlying Scenario A is set out in Appendix 6.

Scenario A produces a NPV range for DDG's business operations of $384 million to $403 million. KPMG Corporate Finance has developed a range of scenarios to reflect the NPV impact of growth opportunities available to DDG.

Following the expiration of the initial 20 year period of the Fortescue River Gas Pipeline contract, DDG will continue to generate relatively minor revenue from an operations and maintenance contracts. The Wheatstone Ashburton Pipeline is not expected to have any significant value following the expiration of the contract. There is potential for DDG to sell further capacity during and following the expiration of the initial term of the CP Mining contract on 31 December 2026. KPMG Corporate Finance has developed a range of scenarios for DDG, assuming that 50%, 75% and 100% of capacity is filled from FY27 into perpetuity.

These scenarios are summarised below.

Table 45: DDG scenario analysis

Scenario	Description
Scenario A	Assumptions as set out in Appendix 6
Scenario B	Scenario A, except Tubridgi is at 50% capacity from FY27
Scenario C	Scenario A, except Tubridgi is at 75% capacity from FY27
Scenario D	Scenario A, except Tubridgi is at 100% capacity from FY27

Source: KPMG Corporate Finance analysis.

The output of the DCF analysis for a range of discount rates is summarised below.

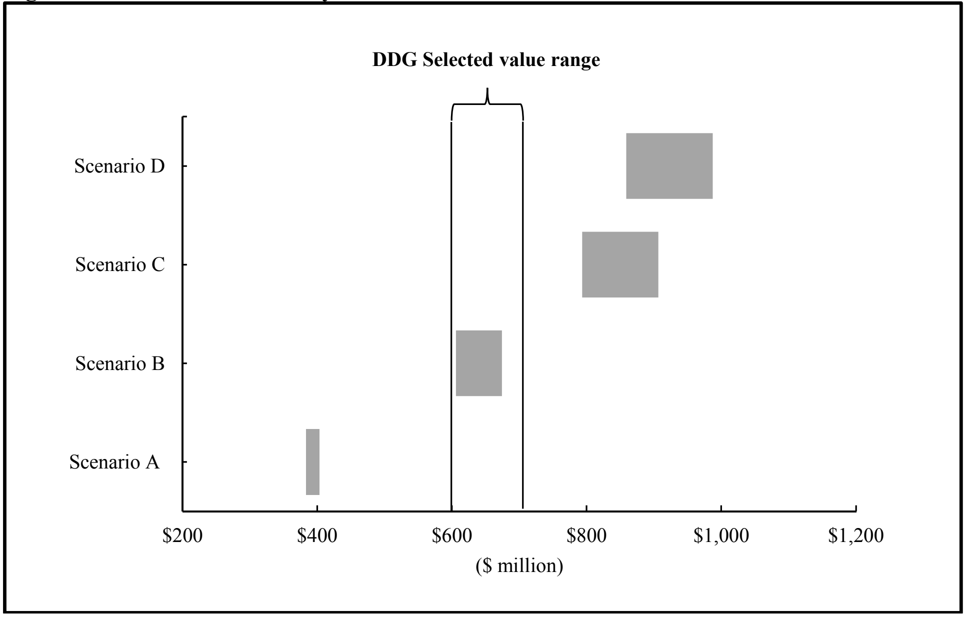
Table 46: DDG scenario analysis

	Discount rate				
	6.75%	6.50%	6.25%	6.00%	5.75%
Scenario A	373	384	392	403	436
Scenario B	578	606	638	674	715
Scenario C	748	794	847	907	977
Scenario D	806	859	919	987	1,067

Source: KPMG Corporate Finance analysis.

The range of values for each scenario (based on a discount rate of 6.0% to 6.5%) is illustrated in the chart on the following page.

Figure 19: DDG scenario analysis



Source: KPMG Corporate Finance analysis.

The NPV outcomes are highly sensitive to the assumption that additional capacity in the Tubridgi Gas Storage Facility is filled. There are a number of potential customers located in the Pilbara region and as a result, it is reasonable to expect that DDG will be able to fill at least 50% of the spare capacity that arises after expiration of the initial term of the contract with CP Mining. Accordingly, KPMG Corporate Finance has selected a value for the business operations of DDG in the range of $600 million to $700 million, which overlaps with the outcomes of Scenario B.

8.5.3 *Cross-check*

The multiples implied by the DCF analysis have been compared to multiples of EBITDA for transactions involving selected gas transmission pipeline businesses. These multiples are discussed in Sections 8.3 and 8.4.3 of this report and are set out in detail in Appendix 7.

Implied multiples

The value attributed to the business operations of DDG of $600 to $700 million implies the following multiples of EBITDA:

Table 47: DDG implied multiples

	Variable ($ million)	Value range	
		Low	High
Enterprise value range ($ million)		**600.0**	**700.0**
Multiple of EBITDA			
FY16 (actual)	32.3	18.6	21.7
2016 (actual)[1]	31.5	19.0	22.2
FY17 (broker consensus)	31.7	18.9	22.1
FY18 (broker consensus)	33.2	18.1	21.1
FY19 (broker consensus)	33.2	18.1	21.1

Source: KPMG Corporate Finance analysis.
Note 1: 2016 EBITDA (actual) is the actual result for the calendar year ended 31 December 2016.

DUET has not released detailed earnings forecasts for FY17 or beyond. Accordingly, the implied forecast multiples set out above are based on the median of broker consensus forecasts for DDG (refer to Appendix 3).

The implied forecast EBITDA multiples for DDG are significantly above the transaction evidence. This reflects strong forecast growth in earnings from FY27 as additional capacity in the Tubridgi Gas Storage Facility is filled (50% under Scenario B). Furthermore, DDG has a number of opportunities that are expected to underpin future growth.

On this basis, the market based cross-check, in our view, supports the valuation of the DDG business derived under the primary DCF analysis.

8.5.4 Net borrowings

DDG's net borrowings at 31 December 2016 are $1.0 million as set out below.

Table 48: DDG net borrowings

As at 31 December 2016 $ million	
Floating rate senior debt	9.0
Total borrowings	**9.0**
Derivative financial instruments (net)	0.1
Cash	(8.1)
Net borrowings	**1.0**

Source: DUET management.

DDG's borrowings primarily consists of floating rate senior debt. It enters into interest rate swaps to convert floating interest rates to fixed interest rates. The mark-to-market value of derivative financial instruments as at 31 December 2016 has been included in net borrowings for valuation purposes.

8.5.5 Other assets and liabilities

DDG's other assets and liabilities have been valued at nil.

The value of a contingent liability in relation to a legal claim filed by Monadelphous (based on management's assessment of possible outcomes), value attributed to decommissioning provisions and value attributed to carried forward tax losses have been reflected in the cash flows.

8.6 Valuation of Multinet Gas (100%)

8.6.1 Overview

KPMG Corporate Finance has assessed the value of DUET's 100% interest in the equity of Multinet Gas to be in the range of $542 million to $742 million, as outlined in the table below. The valuation is based on the value attributed to Multinet Gas' business operations, less net borrowings.

Table 49: Multinet Gas summary of value

$ millions	Section reference	Value range Low	Value range High
Multinet Gas business operations (100%)	8.6.2 & 8.6.3	1,600.0	1,800.0
Net borrowings	8.6.4	(1,058.2)	(1,058.2)
Other net assets/(liabilities)	8.6.5	-	-
100% equity in Multinet Gas		**541.8**	**741.8**

Source: KPMG Corporate Finance analysis.

In assessing the value of Multinet Gas' business operations, KPMG Corporate Finance has adopted a DCF analysis as the primary methodology. The value derived from the DCF analysis has been cross-checked using multiples of EBITDA and RAB.

The value exceeds the book value of equity for Multinet Gas at 31 December 2016 of $354.9 million.

8.6.2 Discounted cash flow analysis

KPMG Corporate Finance developed a financial model based on inputs from the Multinet Gas Cash Flow Model as provided by DUET. The DCF analysis uses the financial position of Multinet Gas as at 31 December 2016 as the starting point from which nominal, after tax cash flows are projected to 31 December 2032 (a period of 16 years), covering the current and three subsequent regulatory periods. To reflect the perpetual nature of the distribution licence held by Multinet Gas, a terminal value was assumed at the end of the forecast period based on capitalising an estimate of maintainable post-tax cash flows utilising a perpetual growth rate of

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1.5% (which is equivalent to a multiple of 11.2 to 12.5 times forecast EBITDA or 1.23 to 1.36 times RAB as at 31 December 2032). Ungeared, after tax cash flows are discounted by a WACC in the range of 6.0% to 6.5% (refer to Appendix 5). Multinet Gas is not projected to pay tax into perpetuity, due to the utilisation of existing carried forward tax losses held in the DueCo tax consolidated group.

Scenario A assumes that regulatory parameters are aligned with the current pricing determination (which expires on 31 December 2017) and Multinet Gas' estimate of the likely outcome of the AER's pricing determination for 2018 to 2022, for which draft submissions were made in December 2016. The parameters for subsequent regulatory periods are based on Multinet Gas' estimate of future regulatory returns, assuming that the AER's pricing determinations are consistent with recent determinations for gas distribution networks.[73] A summary of the key assumptions underlying Scenario A is set out in Appendix 6.

As part of its draft submission, Multinet Gas has proposed transitioning to a Revenue Cap regime, which currently applies to regulated electricity distribution assets in New South Wales and Victoria. Scenario A assumes that a Revenue Cap will apply from 1 January 2018. This mechanism is discussed in Section 7.2.1 of this report. The current regulatory regime applies a Price Cap mechanism, which limits the weighted average increase in tariffs from one year to the next. Whilst the mechanism allows the distributor to keep (lose) any additional revenue (shortfall) in any given year, the annual tariff reset process ensures that revenue generated over the regulatory period is broadly in-line with allowed benchmarks. As a consequence, the NPV outcomes are not sensitive to changes in volumes over the forecast period, irrespective of whether a Price Cap or Revenue Cap is applied.

Scenario A produces a NPV range for Multinet Gas' business operations of $1,609 million to $1,792. KPMG Corporate Finance has developed a range of scenarios for Multinet Gas based on potential changes in key variables:

- ***higher or lower return on RAB***: Multinet Gas' revenue is predominantly regulated. The regulatory regime has historically been predictable in nature and the consistent revenue decisions have allowed the regulated gas distributors to sufficiently recover their capital and operating costs. However, the outcome of regulatory determinations can have a significant impact on cash flows and NPV outcomes. Although Multinet Gas makes submissions to the regulator, the ultimate decision regarding the rate of return it is allowed to earn on RAB, allowable operating and capital expenditure, and gamma lies with the regulator. There are a number of potential outcomes for future regulatory rates of return, including a higher or lower beta, gearing and market risk premium and as a result, regulatory returns can vary widely. Scenario B reflects a 1% increase in the regulated rate of return and Scenario C reflects a 1% decrease in the rate of return

[73] In recent determinations for gas distribution networks, the AER has adopted an equity beta of 0.7, gearing of 60%, a market risk premium of 6.5%, risk free rate based on a 10 year Government bond rate and gamma of 0.4.

- ***lower regulatory gamma***: Scenario D assumes that the regulator applies a 0.25 gamma from the commencement of the 2018 to 2022 regulatory period and beyond, which would align with DUET's draft submission for the forthcoming regulatory period (2018 to 2022) and the AER's recent regulatory determinations for other regulated networks, and
- ***higher or lower operating and capital expenditure***: the current regulatory framework is designed to incentivise Multinet Gas to pursue efficiency improvements in operating and capital expenditure. Due to the capital intensive nature of gas distribution networks, operating and capital expenditure forecasts can have a significant impact on cash flows and NPV outcomes. Scenario E reflects a 10% increase in capital and operating expenditure (from 1 January 2023) and Scenario F reflects a 10% decrease in capital and operating expenditure (from 1 January 2023).

These scenarios are summarised below.

Table 50: Multinet Gas scenario analysis

Scenario	Description
Scenario A	Assumptions as set out in Appendix 6
Scenario B	Scenario A, except that regulatory returns are 1% higher from 1 January 2023
Scenario C	Scenario A, except that regulatory returns are 1% lower from 1 January 2023
Scenario D	Scenario A, except that a gamma of 0.25 applies from 1 January 2023
Scenario E	Scenario A, except that capital and operating expenditure forecasts are 10% higher from 1 January 2023
Scenario F	Scenario A, except that capital and operating expenditure forecasts are 10% lower from 1 January 2023

Source: KPMG Corporate Finance analysis.

There remains a possibility that the AER will retain the Price Cap mechanism for the forthcoming regulatory period. KPMG Corporate Finance has not performed a scenario analysis of the regulatory regime continuing to operate under a Price Cap mechanism as NPV outcomes are not sensitive to changes in forecast volumes, irrespective of the tariff methodology assumed.

The output of the DCF analysis for a range of discount rates is summarised below.

Table 51: Multinet Gas scenario analysis

	Discount rate				
Scenario	6.75%	6.50%	6.25%	6.00%	5.75%
A	1,530	1,609	1,696	1,792	1,900
B	1,575	1,656	1,746	1,847	1,959
C	1,625	1,710	1,803	1,907	2,024
D	1,436	1,509	1,589	1,678	1,778
E	1,480	1,556	1,640	1,733	1,837
F	1,580	1,662	1,752	1,852	1,963

Source: KPMG Corporate Finance analysis.

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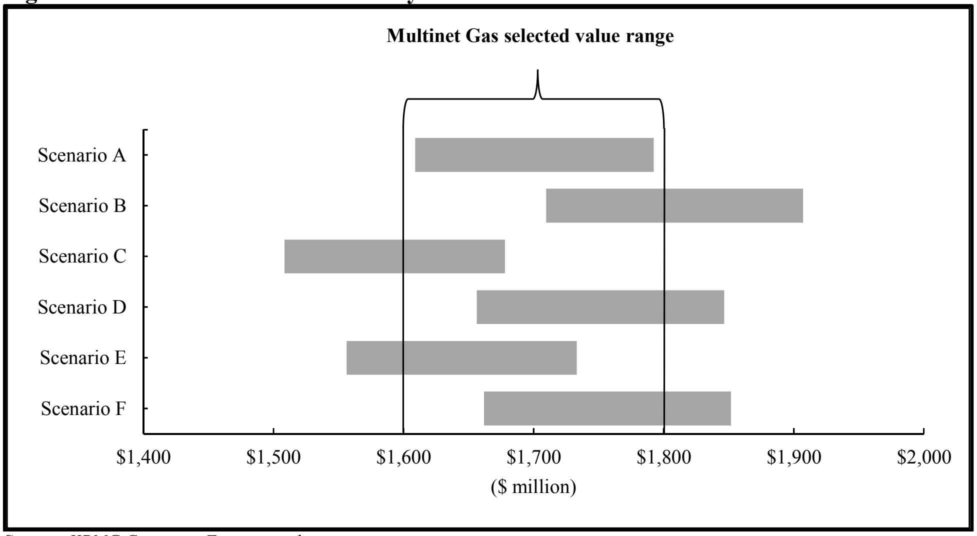
The range of values for each scenario (based on a discount rate of 6.0% to 6.5%) is illustrated in the chart below.

Figure 20: Multinet Gas scenario analysis



Source: KPMG Corporate Finance analysis.

The NPV outcomes are highly sensitive to the determination of the regulatory return (Scenarios B and C). However, given the number of variables that are utilised in determining the regulatory return, it is difficult to assess which outcome is more likely.

There is minimal impact on value assuming that a lower gamma will apply subsequent to the forthcoming regulatory period (Scenario D). The lower gamma does not impact the estimate of the allowed return in future regulatory periods but via the revenue granted to distributors to cover the expected tax liability. A change in gamma from 0.40 to 0.25 decreases the value of imputation credits, which increases the forecast estimate of the allowed revenue benchmark. This outcome is consistent with recent AER decisions.

The model is sensitive to changes in operating and capital expenditure (Scenarios E and F), as increases or decreases in capital expenditure will impact the build-up of the RAB whilst increases or decreases in operating expenditure will impact Multinet Gas' revenue requirement. Under the current efficiency benefit sharing scheme, Multinet Gas can retain any operating expenditure underspend (relative to allowed benchmarks) for a total of five years, regardless of the year in which it underspends. Any capital expenditure underspend is retained until the end of the regulatory period, at which point the AER updates the RAB to include new capital expenditure invested in during the period. However, under the regulatory regime the AER examines any overspend of capital expenditure relative to approved forecasts, with any amounts deemed to be inefficient excluded from the RAB. Whilst the allowed benchmarks are reset at the beginning of each regulatory period, the retention of the cost efficiencies result in a positive NPV impact.

Scenario A already incorporates a number of cost saving initiatives expected to deliver operating and capital expenditure outperformance and Multinet Gas is a benchmark-efficient energy utility.

KPMG Corporate Finance has selected a value for the business operations of Multinet Gas in the range of $1,600 million to $1,800 million, which corresponds to the NPV outcomes under Scenario A.

8.6.3 *Cross-check*

The multiples implied by the DCF analysis have been compared to multiples of EBITDA and RAB for transactions involving selected gas distribution network businesses. These comparable multiples are summarised below and set out in detail in Appendix 7.

Transaction evidence

The following table sets out multiples of EBITDA and RAB implied by recent transactions involving gas distribution assets.

Table 52: Transaction evidence

Announced	Target	Regul-ation[1]	Consid-eration[2] (millions)	EBITDA multiple[3] Historical	EBITDA multiple[3] Forecast	RAB multiple[4]
Gas Distribution Networks						
May-14	Envestra Limited	F	$2,371.8	11.3x	11.2x	1.59x
Dec-11	APT Allgas Energy Pty Limited	F	$547.7	15.0x	na	1.23x
Jun-11	WA Gas Networks Pty Ltd	F	$291.5	9.8x	9.0x	1.19x
Jun-11	Multinet Gas	F	$149.3	7.9x	7.8x	1.13x
Oct-10	Country Energy Gas Networks	F	$108.6	na	11.3x	1.26x

Source: KPMG Corporate Finance analysis.
Notes:
1. *F = full regulation, L = light regulation, U = unregulated.*
2. *Consideration is the implied equity value of the target on a 100% basis in Australian dollars.*
3. *Represents the enterprise value divided by EBITDA, where enterprise value represents consideration plus net borrowings assumed and EBITDA is earnings before net interest, tax, depreciation, amortisation, other income and significant and non-recurring items.*
4. *Represents the enterprise value divided by RAB.*

In relation to the transaction evidence presented above, we note the following:

- recent transactions involving gas distribution networks have occurred at multiples in the range of 7.9 to 15.0 times historical EBITDA, 7.8 to 11.3 times forecast EBITDA and 1.1 to 1.6 times RAB
- transaction multiples have increased in recent years, likely reflecting the strong investor appetite for quality regulated utilities (in a low interest rate environment)

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- the high end of the range of comparable transaction multiples is represented by the acquisition of Envestra. The relatively high RAB multiple (and to a lesser extent, the EBITDA multiple) likely reflects that the transaction followed a competitive bidding process. Furthermore, Envestra had a strong growth outlook (due to the accelerated mains replacement program that was being undertaken) and it was anticipated that it would benefit from more favourable regulatory outcomes in future, and
- the low end of the range of multiples is represented by WA Gas Networks and DUET's acquisition of the remaining 20.1% interest in Multinet Gas. These acquisitions involved minority stakes (25.9% of WA Gas Networks 25.9% and 20.1% of Multinet Gas) and, therefore, their multiples do not include a premium for control.

Sharemarket evidence

The table in Section 8.3 sets out multiples of EBITDA and RAB for listed comparable companies. The most comparable company is AusNet Services, which focuses on electricity transmission and distribution and gas distribution. It is trading at 12.1 times historical EBITDA, 11.8 times forecast EBITDA and 1.46 times RAB. Its multiples are supported by expected savings from increased cost efficiencies and expected growth in its asset base.

Spark Infrastructure, which is focused on electricity distribution networks in Victoria, South Australia and New South Wales, is also considered closely comparable. It is trading at multiples of 9.5 times historical EBITDA, 9.3 times forecast EBITDA multiples and 1.41 times RAB. Its earnings multiples are at the low end of the range, likely reflecting the capital intensive nature of the electricity distribution sector and listed investment fund structure (with minority discounts applied with respect to its equity accounted investments).

APA Group and Vector are considered less comparable as a result of their unregulated activities.

Conclusion

Transactions involving controlling interests in gas distribution assets have occurred at multiples in the range of 11.3 to 15.0 times historical EBITDA, 11.2 and 11.3 times forecast EBITDA and 1.23 and 1.59 times RAB.

The most comparable listed company, AusNet Services, is trading at minority multiples of 12.1 times historical EBITDA, 11.8 times forecast EBITDA and 1.46 times RAB.

Implied multiples of Multinet Gas

The value attributed to the business operations of Multinet Gas of $1,600 to $1,800 million implies the following multiples of EBITDA and RAB:

Table 53: Multinet Gas implied multiples

	Variable ($ million)	Value range	
		Low	High
Enterprise value range ($ million)		**1,600.0**	**1,800.0**
Multiple of EBITDA[1]			
FY16 (actual)	131.2	12.2	13.7
2016 (actual)[2]	138.5	11.6	13.0
FY17 (broker consensus)	136.0	11.8	13.2
FY18 (broker consensus)	144.2	11.1	12.5
FY19 (broker consensus)	149.0	10.7	12.1
RAB Multiple			
As at 31 December 2016 (actual)	1,175.3	1.36	1.53

Source: KPMG Corporate Finance analysis.
Notes:
1: EBITDA includes customer contributions.
2: 2016 EBITDA (actual) is the actual result for the calendar year ended 31 December 2016.

Since DUET has not released detailed earnings forecasts for FY17 or beyond, we have based the forecast multiples set out above on the median of broker consensus forecasts for Multinet Gas (refer to Appendix 3).

Multinet Gas' historical multiples are towards the high end of the transaction evidence and at or above the sharemarket evidence. This outcome is reasonable, taking into account the following:

- multiples for Multinet Gas include a premium for control, whereas those implied by sharemarket evidence (e.g. AusNet Services) do not
- multiples paid in recent transactions (e.g. Envestra) are generally higher than those paid in earlier transactions, likely reflecting the strong investor appetite for quality regulated utilities (in a low interest rate environment)
- Multinet Gas has a strong growth outlook as a result of high gas penetration rates in the Victorian residential market, the long term mains replacement program (due for completion in 2033) and regulatory framework that protects against changing consumption patterns, and
- observed trading multiples for gas distributors are higher than those for electricity infrastructure.

On this basis, the market based cross-check, in our view, supports the valuation of the Multinet Gas business derived under the primary DCF analysis.

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8.6.4 Net borrowings

Multinet Gas' net borrowings at 31 December 2016 are $1,058.2 million as set out below.

Table 54: Multinet Gas net borrowings

As at 31 December 2016 $ million	
Gross senior debt	1,063.1
Total borrowings	**1,063.1**
Net derivative financials instruments	1.8
Cash	(6.7)
Net borrowings	**1,058.2**

Source: DUET management.

Multinet Gas' borrowings primarily consists of floating and fixed rate senior debt. It enters into interest rate swaps to convert floating interest rates to fixed interest rates and effectively match the term of its regulatory determinations. Any debt denominated in foreign currencies are hedged into Australian dollars. The mark-to-market value of derivative financial instruments as at 31 December 2016 has been included in net borrowings for valuation purposes.

8.6.5 Other assets and liabilities

Multinet Gas' other assets and liabilities have been valued at nil. The value attributed to carried forward tax losses has been reflected in the cash flows.

8.7 Valuation of United Energy (66%)

8.7.1 Overview

KPMG Corporate Finance has assessed the value of DUET's 66% interest in the equity of United Energy to be in the range of $863 million to $1,172 million, as outlined in the table below. The valuation is based on the value attributed to 100% of United Energy's business operations, less net borrowings. An adjustment has been made to reflect DUET's 66% ownership interest in United Energy. A discount for lack of full control of 5% has been applied to the low end of the range of values.

Table 55: United Energy summary of value

$ millions	Section reference	Value range Low	Value range High
United Energy business operations (100%)	8.7.2 & 8.7.3	3,400.0	3,800.0
Net borrowings	8.7.4	(2,024.4)	(2,024.4)
Other net assets/(liabilities)	8.7.5	-	-
100% equity in United Energy		**1,375.6**	**1,775.6**
66% equity interest (pro rata control)		**907.9**	**1,171.9**
Discount for lack of full control (5%)	8.7.6	(45.4)	-
DUET's 66% interest in United Energy		**862.5**	**1,171.9**

Source: KPMG Corporate Finance analysis.

In assessing the value of United Energy's business operations, KPMG Corporate Finance has adopted a DCF analysis as the primary methodology. The value derived from the DCF analysis has been cross-checked using multiples of EBITDA and RAB.

The value exceeds the book value of DUET's 66% interest in the equity of United Energy at 31 December 2016 of $584.4 million.[74]

8.7.2 *Discounted cash flow analysis*

KPMG Corporate Finance developed a financial model based on United Energy's Cash Flow Model as provided by DUET. The DCF analysis uses the financial position of United Energy as at 31 December 2016 as the starting point from which nominal, after tax cash flows are projected to 31 December 2030 (a period of 14 years), covering the current and two subsequent regulatory periods. To reflect the perpetual nature of the distribution licence held by United Energy, a terminal value was assumed at the end of the forecast period based on capitalising an estimate of maintainable post-tax cash flows utilising a perpetual growth rate of 2% (which is equivalent to a multiple of 8.6 to 9.7 times forecast EBITDA or 1.05 to 1.19 times RAB as at 31 December 2030). Ungeared, after tax cash flows are discounted by a WACC in the range of 6.0% to 6.5% (refer to Appendix 5). A corporate tax rate of 30% has been utilised, however, the DCF analysis takes into account the benefit of using existing carried forward tax losses (a period of three years).

Scenario A assumes that regulatory parameters are aligned with the outcomes of the AER's regulatory determination for 2016 to 2020 and assume that United Energy is not successful in appealing aspects of the final decision.[75] The parameters for subsequent regulatory periods are based on United Energy's estimate of future regulatory returns, assuming that the pricing

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[74] Calculated as 66% of the aggregate of United Energy's $293.7 million equity and $591.7 million preference shares as at 31 December 2016.

[75] United Energy is appealing the AER's final decision on the inclusion of a gamma of 0.40.

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determinations are consistent with recent determinations by the AER.[76] A summary of the key assumptions underlying Scenario A is set out in Appendix 6.

Scenario A produces a NPV range for United Energy's business operations of $3,440 million to $3,832 million. KPMG Corporate Finance has developed a range of scenarios for United Energy based on potential changes in key variables:

- ***higher or lower return on RAB***: United Energy's revenue is predominantly regulated. The current regulatory period establishes the allowed revenue until 31 December 2020 (although as stated previously United Energy is appealing aspects of this determination). The regulatory regime has historically been predictable in nature and the consistent revenue decisions have allowed the regulated electricity distributors to sufficiently recover their capital and operating costs. However, the outcome of regulatory determinations can have a significant impact on cash flows and NPV outcomes. Scenario B reflects a 1% increase in the regulated rate of return and Scenario C reflects a 1% decrease in the rate of return
- ***successful regulatory appeal***: Unlike Scenario A, Scenario D assumes that the United Energy appeal is successful (i.e. a gamma of 0.25 from the commencement of the subsequent regulatory period)
- ***higher or lower operating expenditure and capital expenditure***: the current regulatory framework is designed to incentivise United Energy to pursue efficiency improvements in operating and capital expenditure. Due to the capital intensive nature of electricity distribution networks, operating and capital expenditure forecasts can have a significant impact on cash flows and NPV outcomes. Scenario E reflects a 10% increase in capital and operating expenditure (from 1 January 2021) and Scenario F reflects a 10% decrease in capital and operating expenditure (from 1 January 2021).

From 1 January 2016, distribution and metering revenue generated by United Energy is regulated under a Revenue Cap regime. This mechanism sets a revenue limit for each year of the regulatory period, which is then adjusted at the end of the year to account for any over or under recovery of the revenue limit. This manifests in increases (decreases) in the tariffs charged to customers in subsequent years. As a consequence, the NPV outcomes are not particularly sensitive to changes in volumes over the forecast period.

[76] In recent determinations for electricity distribution networks, the AER has adopted an equity beta of 0.7, gearing of 60%, a market risk premium of 6.5%, risk free rate based on a 10 year Government bond rate and gamma of 0.4.

These scenarios are summarised below.

Table 56: United Energy scenario analysis

Scenario	Description
Scenario A	Assumptions as set out in Appendix 6
Scenario B	Scenario A, except that regulatory returns are 1% higher from 1 January 2021
Scenario C	Scenario A, except that regulatory returns are 1% lower from 1 January 2021
Scenario D	Scenario A, except Competition Tribunal appeal of the gamma is successful (i.e. gamma in 0.25 from 1 January 2021)
Scenario E	Scenario A, except that capital and operating expenditure forecasts are 10% higher from 1 January 2021
Scenario F	Scenario A, except that capital and operating expenditure forecasts are 10% lower from 1 January 2021

Source: KPMG Corporate Finance analysis.

The output of the DCF analysis for a range of discount rates is summarised below.

Table 57: United Energy scenario analysis

			Discount rate		
Scenario	6.75%	6.50%	6.25%	6.00%	5.75%
A	3,275	3,440	3,625	3,832	4,068
B	3,602	3,788	3,995	4,229	4,493
C	2,955	3,100	3,262	3,445	3,651
D	3,353	3,523	3,713	3,926	4,168
E	3,099	3,256	3,432	3,630	3,854
F	3,403	3,575	3,766	3,981	4,224

Source: KPMG Corporate Finance analysis.

The range of values for each scenario (based on a discount rate of 6.0% to 6.5%) is illustrated in the chart on the following page.

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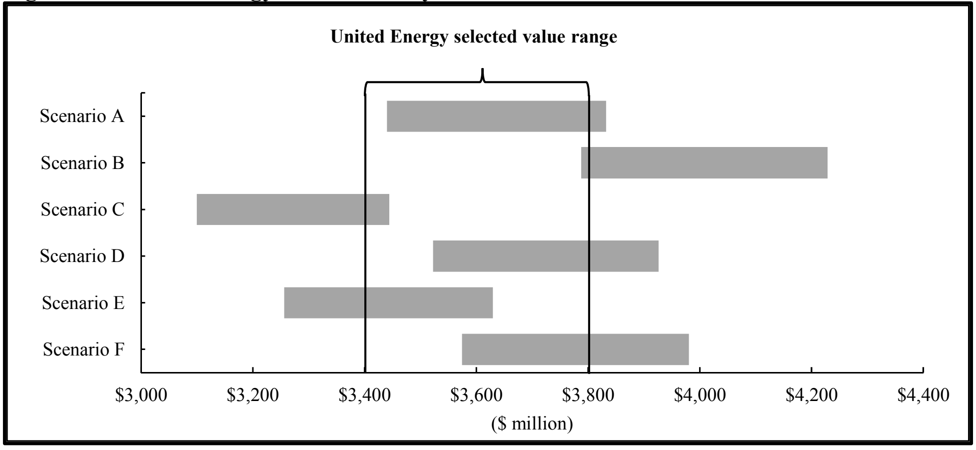
Figure 21: United Energy scenario analysis



Source: KPMG Corporate Finance analysis.

The NPV outcomes are highly sensitive to the determination of the regulatory return (Scenarios B and C. However, given the number of variables that are utilised in determining the regulatory return, it is difficult to assess which outcome is more likely.

There is minimal impact on value assuming that United Energy is successful in its appeal to the Australian Competition Tribunal (Scenario D) (i.e. a gamma of 0.25 applies from 1 January 2021). However, the final regulatory parameters that will apply from this period onwards will not become known until the end of the current regulatory period.

The model is sensitive to changes in operating and capital expenditure (Scenarios E and F), as increases or decreases in capital expenditure will impact the build-up of the RAB whilst increases or decreases in operating expenditure will impact United Energy's revenue requirement. Under the current efficiency benefit sharing scheme, United Energy can retain any operating expenditure underspend (relative to allowed benchmarks) for a total of five years, regardless of the year in which it underspends. Any capital expenditure underspend is retained until the end of the regulatory period, at which point the AER updates the RAB to include new capital expenditure invested during the period. However, under the regulatory regime the AER examines any overspend of capital expenditure relative to approved forecasts, with any amounts deemed inefficient to be excluded from the RAB. Whilst the allowed benchmarks are reset at the beginning of each regulatory period, the retention of the cost efficiencies result in a positive NPV impact.

Scenario A already incorporates a number of cost saving initiatives expected to deliver operating and capital expenditure outperformance and United Energy is a benchmark-efficient energy utility.

Accordingly, KPMG Corporate Finance has selected a value for the business operations of United Energy in the range of $3,400 million to $3,800 million, which corresponds to the NPV outcomes under Scenario A.

8.7.3 *Cross-check*

The multiples implied by the DCF analysis have been compared to multiples of EBITDA and RAB for transactions involving selected electricity distribution network businesses. These comparable multiples are summarised below and set out in detail in Appendix 7.

Transaction evidence

The following table sets out multiples of EBITDA and RAB implied by recent transactions involving electricity distribution assets.

Table 58: Transaction evidence

Announced	Target	Regul-ation[1]	Consid-eration[2] (millions)	EBITDA multiple[3] Historical	EBITDA multiple[3] Forecast	RAB multiple[4]
Electricity Infrastructure						
Sep-16	Ausgrid	F	$13,186.1	17.4x	na	1.49x
Nov-15	TransGrid	F	$4,892.0	14.7x	na	1.66x
May-13	SP AusNet Ltd.	F	$4,140.7	9.7x	na	1.48x
May-13	SPI (Australia) Assets Pty Ltd	F/U	$4,236.1	11.8x	na	1.72x
Nov-12	ElectraNet Pty Limited	F	$1,216.5	8.0x	na	1.34x

Source: KPMG Corporate Finance analysis.
Notes:
1. *F = full regulation, L = light regulation, U = unregulated.*
2. *Consideration is the implied equity value of the target on a 100% basis in Australian dollars.*
3. *Represents the enterprise value of the transaction divided by EBITDA, where enterprise value represents consideration plus net borrowings assumed and EBITDA is earnings before net interest, tax, depreciation, amortisation, other income and significant and non-recurring items.*
4. *Represents the enterprise value of the transaction divided by RAB.*

In relation to the transaction evidence presented above, we note the following:

- recent transactions involving electricity infrastructure assets have occurred at multiples in the range of 8.0 to 17.4 times historical EBITDA and 1.3 to 1.7 times RAB. Forecast EBITDA multiples are not typically available for transactions due to the lack of publicly available forecast data
- transaction multiples have increased in recent years, likely reflecting the strong investor appetite for quality regulated utilities (in a low interest rate environment)
- the high end of the range of comparable transaction multiples is represented by the acquisitions of Ausgrid, TransGrid and SPI (Australia). Ausgrid and TransGrid offered potential cost saving opportunities on privatisation, with Ausgrid slightly lower than TransGrid as a result of the FIRB blocking the potential sale of Ausgrid to the highest

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bidder. For SPI (Australia), it comprised a portfolio of regulated assets and generated a material portion of earnings from unregulated activities (20% EBITDA)

- the low end of the range of multiples is represented by the acquisitions of SP AusNet and ElectraNet. These acquisitions involved minority stakes (SP AusNet 19.9%; ElectraNet 41%) suggesting the purchase price may have incorporated a minority discount of some magnitude.

Sharemarket evidence

The table in Section 8.3 sets out multiples of EBITDA and RAB for listed comparable companies. The most comparable company is Spark Infrastructure, which is focused on electricity distribution networks in Victoria, South Australia and New South. It is trading at multiples of 9.5 times historical EBITDA, 9.3 times forecast EBITDA multiples and 1.41 times RAB. Its earnings multiples are at the low end of the range, likely reflecting the capital intensive nature of the electricity distribution sector and listed investment fund structure (with minority discount applied to its equity accounted investments).

Conclusion

Transactions of controlling interests in electricity distribution assets have occurred at multiples in the range of 11.8 to 17.4 times historical EBITDA and 1.49 and 1.72 times RAB.

The most comparable listed company, Spark Infrastructure, is trading at minority multiples of 9.5 times historical EBITDA, 9.3 times forecast EBITDA multiples and 1.41 times RAB.

Implied multiples of United Energy

The value attributed to the business operations of United Energy of $3,400 to $3,800 million implies the following multiples of EBITDA and RAB:

Table 59: United Energy implied multiples

	Variable ($ million)	Value range	
		Low	High
Enterprise value range ($ million)		**3,400.0**	**3,800.0**
Multiple of EBITDA[1]			
FY16 (actual)	382.0	8.9	9.9
2016 (actual)[2]	355.2	9.6	10.7
FY17 (broker consensus)	334.5	10.2	11.4
FY18 (broker consensus)	371.9	9.1	10.2
FY19 (broker consensus)	388.6	8.7	9.8
RAB Multiple			
As at 31 December 2016 (actual)	2,391.1	1.42	1.59

Source: KPMG Corporate Finance analysis.
Notes:
1: EBITDA is on a 100% basis and includes customer contributions.
2: 2016 EBITDA (actual) is the actual result for the calendar year ended 31 December 2016.

DUET has not released detailed earnings forecasts for FY17 or beyond. As a result, the forecast multiples set out above are based on the median of broker consensus forecasts for United Energy (refer to Appendix 3).

We consider the implied multiples of United Energy are reasonable, having regard to:

- its historical multiples are at or below the low end of the comparable transaction range which is consistent with:
  - lower opportunities for cost savings relative to Ausgrid and TransGrid
  - a lower proportion of unregulated activities relative to SPI (Australia) (20% of EBITDA is unregulated)
- relative to multiples for Spark Infrastructure, being the most comparable listed company, United Energy's multiple of historical EBITDA is consistent, while its forecast EBITDA multiple and multiple of RAB are high. This is appropriate as the multiples for Spark Infrastructure do not include a control premium.

On this basis, the market based cross check, in our view, supports the valuation of the United Energy business derived under the primary DCF analysis.

8.7.4 Net borrowings

United Energy's net borrowings at 31 December 2016 are $2,024.4 million as set out below.

Table 60: United Energy net borrowings

As at 31 December 2016 $ million	
Gross senior debt	2,161.3
Total borrowings	**2,161.3**
Net derivative financials instruments	(100.4)
Cash	(36.6)
Net borrowings	**2,024.4**

Source: DUET management.

United Energy's borrowings primarily consists of floating and fixed rate senior debt. It enters into interest rate swaps to convert floating interest rates to fixed interest rates and effectively match the term of its pricing determination (to 31 December 2020). Any debt denominated in foreign currencies are hedged into Australian dollars. The mark-to-market value of derivative financial instruments as at 31 December 2016 has been included in net borrowings for valuation purposes.

8.7.5 Other assets and liabilities

United Energy's other assets and liabilities have been valued at nil. The value attributed to carried forward tax losses has been reflected in the cash flows.

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8.7.6 Discount for lack of full control

DUET holds a 66% interest in United Energy and therefore, it does not enjoy the benefits of full control. KPMG Corporate Finance has assessed an appropriate discount to apply to DUET's interest in United Energy.

Minority interests are normally priced at a discount to pro rata control value to reflect:

- the lack of control. For the same reasons that a premium of control exists, a discount for lack of full control is recognised to account for a shareholder's inability to control the Board, resulting in an ability to make decisions about the strategic direction of the entity, a lack of control over the application of the cash flows of the entity and the dividend policy adopted, and
- the lack of marketability. This relates to the relative difficulty at which the investor can trade interests in the entity. In general, investors value marketability and would typically pay more for an asset that is readily marketable than for an otherwise identical asset that is not readily marketable or able to be liquidated. The lack of marketability is reflected in a discount to the estimated value of a minority interest.

The level of any applicable discount (in this regard we refer to the discount for lack of full control and lack of marketability jointly) is a complex and inherently subjective process, which is typically dependent on specific circumstances and may vary significantly depending on factors, particularly:

- the size of the stake held in the entity and whether it provides a strategic interest
- the nature and terms of any shareholder agreement, particularly governing control and pre-emptive rights
- the historic liquidity in the entity's shares and any mechanism available to facilitate this liquidity
- the level of dividends historically paid and expected
- the number and spread of shareholdings in the company, and
- the existence of potential buyers.

In this regard, we note the following in relation to United Energy:

- DUET holds a controlling interest in United Energy and has operational control
- under the shareholders agreement, all shareholder resolutions must be passed by ordinary resolution, except for decisions which are likely to materially impact a shareholder's investment in the business (such as issuing new shares, changing the capital structure of United Energy, changing or replacing the dividend policy, changing the nature of the business, amending the constitution, granting of certain securities over the shares, certain disposals of shares, etc.). These matters require a special majority resolution, which requires

approval by shareholders who between them hold not less than 81% of the total issued shares (which carry a right to vote) and SPIAA, provided it holds 10% or more of the total issued shares (which carry a right to vote). The United Energy business has operated effectively under the requirements of the shareholders agreement allowing DUET to effectively maximize the value of its investment in United Energy

- each party has a pre-emptive right to acquire the other party's direct ownership interest should that party wish to sell their investment to an unrelated party, and
- there has been an active market for strategic interests in utility assets in Australia as evidenced by the relatively high multiples paid in the recent past. Further, KPMG Corporate Finance has observed minimal to no discounts applied to pro rata control valuations of interests of between 50% and 100% in infrastructure assets that it regularly values.

Based on the factors outlined above, we consider any discount to be minimal and applied a discount for lack of full control of 5% only at the low end of the valuation range.

8.8 Valuation of Energy Developments

8.8.1 Overview

KPMG Corporate Finance has assessed the value of DUET's 100% interest in the equity of EDL to be in the range of $2,132 million to $2,332 million. The valuation reflects the value attributed to EDL's business operations, less net borrowings and surplus liabilities (net).

Table 61: EDL summary of value

$'000s (unless otherwise stated)	Section reference	Value range Low	Value range High
Value of EDL business operations	8.8.2 & 8.8.3	2,800.0	3,000.0
EDL net borrowings	8.8.4	(637.5)	(637.5)
50% interest in equity of Greek joint venture		22.2	22.2
Other assets/(liabilities) (net)	8.8.5	(52.9)	(52.9)
Value of DUET's 100% interest in EDL		**2,131.8**	**2,331.8**

Source: KPMG Corporate Finance analysis.
Note 1: 50% interest in equity of Greek joint venture is based on book value and is not material

In assessing the value of EDL's business operations, KPMG Corporate Finance has adopted a DCF analysis as a primary methodology. The value derived from the DCF analysis has been cross-checked based on multiples of EBITDA and MW.

The value exceeds the book value of Energy Developments at 31 December 2016 of $836.5 million.

8.8.2 Discounted cash flow analysis

The DCF analysis was based on a long-term financial model developed by KPMG Corporate Finance on the basis of the Cash Flow Models for EDL provided by DUET. Separate cash flow

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models have been developed for each of the primary geographic regions in which EDL operates (i.e. Australia, the United States and the United Kingdom). Cash flows have been prepared in local currencies and the NPV has been translated to Australian dollars based on exchange rates as at 31 December 2016.[77]

The DCF analysis uses as a starting point the financial position of EDL as at 31 December 2016 and projects nominal, after tax cash flows to 30 June 2032, a period of 15.5 years. A terminal value has been calculated by capitalising net after tax cash flows based on perpetual growth assumptions appropriate for EDL's operations in each of its regions, being Australia (2.5%[78]), the United States (2.0%[79]) and the United Kingdom (negative 4.0%, to reflect the mature market and declining gas production[80]).

Ungeared, after tax cash flows are discounted by a post-tax, nominal WACC that is appropriate for the region in which the businesses operate: 8.0% to 8.5% for Australia and 6.5% to 7.0% for the United States and the United Kingdom (refer to Appendix 5). The relevant corporate tax rate of each country has been utilised, however, the DCF analysis takes into account the benefit of using existing carried forward tax losses in the United States (over the first 9.5 years). EDL does not have tax losses in any other region.

Scenario A assumes that the RET in Australia ceases from 31 December 2030 and a carbon price is introduced in 2020 (which has implications for the WCMG business). Growth is included within Australia (greenfield and brownfield) and the United States (brownfield only) to reflect the pipeline of development opportunities, while the United Kingdom has declining capacity over the life of the model (and no greenfield opportunities).

EDL uses a number of third party electricity pricing forecasts for modelling black electricity revenues. In the short term (until 30 June 2020), both green and black electricity prices are based on forward curves as at 1 December 2016 for the relevant markets. Long-term electricity pricing assumptions (both black and green) have been developed by an independent technical expert with substantial experience in the provision of electricity pricing forecasts. The analysis takes into account changes in industry wide capacity, carbon pricing, regulatory schemes and market demand, which is appropriate for an analysis of electricity pricing. A summary of the key assumptions underlying Scenario A is set out in Appendix 6.

Scenario A produces a NPV range of $2,510 million to $2,778 million. KPMG Corporate Finance has analysed Scenario A to assess the sensitivity of the NPV outcomes to changes in the following variables:

- capacity factor: +/- 1%

[77] Exchange rates utilised are A$1=US$0.75, A$1=£0.59, A$=€0.69.

[78] Equivalent to a multiple of 7.5 to 8.2 times forecast EBITDA or 2.4 to 2.6 times MW as at 30 June 2032.

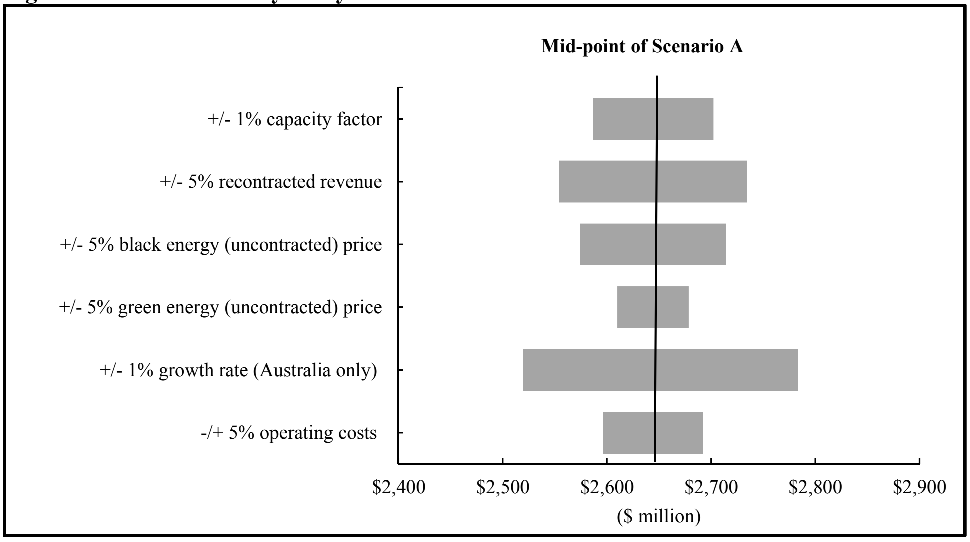
[79] Equivalent to a multiple of 9.2 to 10.2 times forecast EBITDA or 2.6 to 2.9 times MW as at 30 June 2032.

[80] Equivalent to a multiple of 9.1 to 9.5 times forecast EBITDA or 2.8 to 2.9 times MW as at 30 June 2032.

- recontracted revenue: +/- 5%
- black energy prices (uncontracted): +/- 5%
- green energy prices (uncontracted): +/- 5%
- annual growth in installed capacity (Australia only): +/- 1%
- operating costs: -/+ 5%

The output of this sensitivity analysis is summarised below.

Figure 22: EDL sensitivity analysis



Source: KPMG Corporate Finance analysis.

The chart above highlights the sensitivity of NPV outcomes to selected movements in a range of key commercial assumptions. The analysis indicates that:

- the NPV outcomes are most sensitive to changes in the growth rate for the Australian operations, which comprise the greatest share of EDL's earnings. EDL's ability to win new contracts and build new sites/expand current sites will be a key factor in this growth
- the NPV outcomes are more sensitive to the assumed pricing on renegotiation of electricity offtake contracts than to black or green electricity pricing as a majority of EDL's revenue is contracted under long term PPAs. However, we note that the model does not take into account the impact of hedging under CFDs, which would reduce the impact of movements in electricity prices in the short term. Black energy prices may be influenced by a range of factors such as weather patterns, economic and population growth, industrial growth, fuel prices and growth in generation capacity. Green energy prices may be influenced by the

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ability of operators to build new renewable energy sites to meet renewable energy targets as well as any changes to renewable energy schemes

- the NPV outcomes are reasonably sensitive to changes in capacity factor.[81] This can be influenced by changes in market demand and energy supplies (gas or wind). Changes in market demand will impact the market as a whole, as increases in the wholesale price will encourage other generation to come online. Cullerin Range is impacted by the wind profile at that site. The gas available at WCMG mine sites and landfill gas sites will directly impact the capacity factor of those sites and the revenues earned. Sites that earn green energy will have their revenues impacted by a change in the capacity factor, as the majority of this revenue will flow through to the bottom line (whether contracted or uncontracted), and
- NPV outcomes are less sensitive to changes in operating expenses.

KPMG Corporate Finance has developed a range of scenarios for EDL, based on potential changes in key variables (as indicated above):

- ***higher or lower capacity factor:*** as indicated above, NPV outcomes are sensitive to changes in the capacity factor across its sites. These are assumed to fluctuate between years based on the drivers mentioned above. However, over the longer term these are expected to even out across the portfolio. Therefore, we have not calculated a scenario based on capacity factor changes
- ***higher or lower black and green electricity prices:*** electricity prices will fluctuate over the short and medium term, however, EDL contracts a majority of revenue under PPAs and a substantial portion of electricity pricing exposure has been hedged using CFDs over one to three years. In the long term, extended periods of either lower prices or higher prices will likely encourage changes to grid-connected capacity (higher prices may encourage extra build while lower prices may lead to the mothballing of less competitive generation assets). As a result, we have not developed scenarios relating to changes in black and green electricity prices
- ***carbon price:*** electricity price forecasts underlying Scenario A assume that a carbon price is introduced in Australia in 2020. No scenario has been developed to illustrate the impact on NPV outcomes if a carbon price does not arise as a majority of EDL's revenue is generated under long term PPAs, which allow for the cost of carbon to be passed through to the end customer, with no impact on EDL's bottom line. Furthermore, not all of EDL's assets are liable to pay a carbon tax. In regard to the impact on black electricity prices, it is likely that an absence of a carbon price will lead to lower wholesale electricity prices and lower generation costs for those generators that pay a liability (such as WCMG)

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[81] Capacity factor refers to the ratio of actual output to potential output based on nameplate capacity.

- ***continuation of RET scheme:*** unlike in Scenario A, Scenario B includes a continuation of the RET in Australia after 31 December 2030
- ***greenfield opportunities in the United States***: EDL has a history of strong growth, both within Australia and in the United States. Scenario A assumes 4.5% annual growth in Australia over the forecast period, 4.13% growth in the United States over the forecast period and a decline in the United Kingdom. The assumed growth in Australia is primarily a result of greenfield opportunities and is supported by EDL's current Australian pipeline and its track record of winning and delivering on new projects. A decline in the United Kingdom is appropriate to reflect the decline in output over time from landfill sites and no greenfield opportunities. Growth in the United States reflects only brownfield opportunities, however, EDL has a pipeline of greenfield opportunities in the United States that are not reflected in Scenario A. Scenario C incorporates greenfield opportunities in the United States equivalent to an additional 8 MW of installed capacity per annum. Scenario D is an upside scenario which reflects the impact of both a continuation of the RET in Australia (Scenario B) and greenfield growth opportunities in the United States (Scenario C), and
- ***higher or lower prices on renewal of PPAs:*** as discussed, a majority of EDL's revenue is under long term contracts. Contracted prices could be higher or lower on renegotiation of the contracts. Scenario E incorporates a 10% increase in revenues upon recontracting, while Scenario F assumes a 10% reduction in revenues upon recontracting.

These scenarios are summarised below.

Table 62: EDL scenario analysis

Scenario	Description
Scenario A	Assumptions as set out in Appendix 6
Scenario B	Scenario A, except the RET scheme in Australia is continued past 31 December 2030
Scenario C	Scenario A, except greenfield growth is included within the United States business (8 MW extra growth per annum)
Scenario D	Scenario A, except the RET scheme in Australia is continued past 31 December 2030 and greenfield growth is continued within the United States business
Scenario E	Scenario A, except a 10% increase in recontracted revenue
Scenario F	Scenario A, except a 10% reduction in recontracted revenue

Source: KPMG Corporate Finance analysis.

The output of the DCF analysis for a range of discount rates is summarised on the following page.

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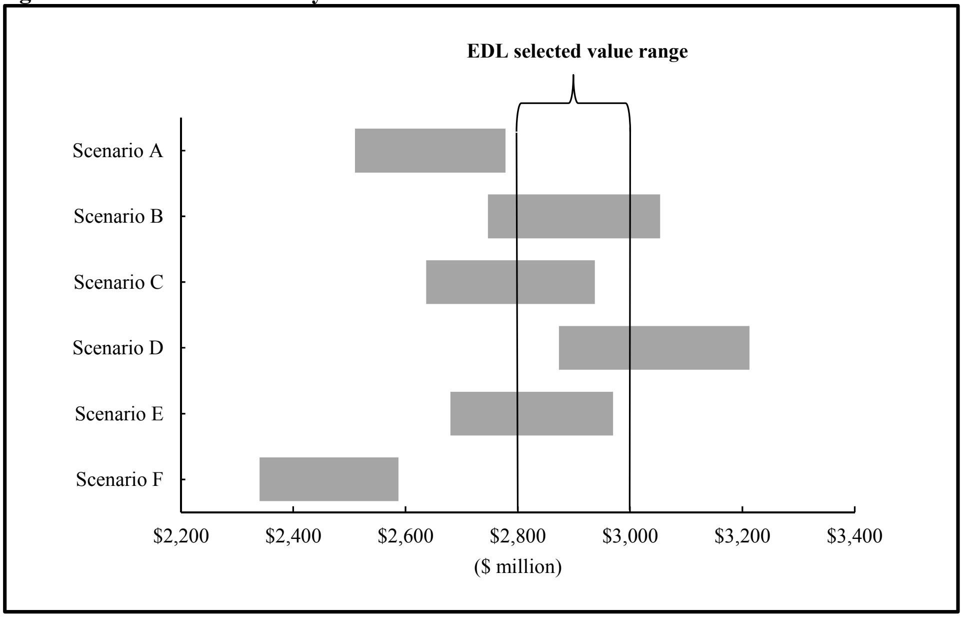
Table 63: EDL scenario analysis

	Discount rate[1]				
	+ 0.50%	+ 0.25%	0.00%	- 0.25%	- 0.50%
Scenario A	2,393	2,510	2,644	2,778	2,933
Scenario B	2,613	2,747	2,900	3,054	3,231
Scenario C	2,507	2,637	2,787	2,937	3,111
Scenario D	2,727	2,874	3,043	3,212	3,409
Scenario E	2,554	2,680	2,685	2,970	3,137
Scenario F	2,233	2,340	2,464	2,587	2,729

Source: KPMG Corporate Finance analysis.
Note 1: Discount rate relative to mid-point of KPMG Corporate Finance's range of discount rates.

The range of values for each scenario is illustrated in the chart below.

Figure 23: EDL scenario analysis



Source: KPMG Corporate Finance analysis.

The NPV outcomes are sensitive to adjustments in the RET. Removal or reduction to the RET in Australia is considered unlikely and in any case, the RET scheme would likely be 'grandfathered' for existing assets. Therefore, Scenario B is considered reasonable. However, an extension or expansion of the RET may influence both the development potential for renewable assets as well as REC prices in Australia, which is not reflected in the NPV outcomes for Scenario B.

Scenario A is considered conservative as it does not include greenfield growth opportunities in the United States. As EDL has a track record of delivering growth within the United States, both through acquisitions and greenfield developments, we have considered the upside potential of this growth in our analysis.

Scenario E and Scenario F show the impact on the NPV outcomes if the recontracted revenue is to reduce or increase materially. As market participants require a market rate of return on their investment, it is considered unlikely that a material decrease would eventuate. Similarly, an increase in returns would likely encourage other participants to enter the market over the long term.

In our view, the value for EDL needs to reflect the potential upside that exists within the business having regard to the inherent uncertainties. On this basis, KPMG Corporate Finance has selected a value for the business operations of EDL in the range of $2,800 million to $3,000 million (which overlaps with Scenarios B and C). We have not captured the full combined benefit of both Scenarios B and C (as reflected in Scenario D) as any combination of these scenarios is considered unlikely.

8.8.3 Cross-check

The multiples implied by the DCF analysis have been compared to multiples of EBITDA and MW of installed capacity for comparable listed entities and transactions involving selected electricity generation businesses. These multiples are summarised below and set out in detail in Appendix 7.

Transaction evidence

There are a number of recent transactions involving renewable energy generation in Australia, however, most of those transactions involve individual assets for which financial information is not publicly available. The following table sets out multiples of EBITDA and MW implied by recent transactions involving electricity generation assets, particularly renewable energy.

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Table 64: Transaction evidence

Announ-ced	Target	Fuel type[1]	Conside-ration[2] (million)	EBITDA multiple[3] Historical	EBITDA multiple[3] Forecast	MW multiple[4]
Australia						
Jun-16	Cullerin Range Wind Farm Pty Ltd	W	A$72.0	11.6x	na[5]	2.40x
Apr-16	Landfill Gas & Power Pty Ltd	LFG	na	9.0x	8.8x	2.10x
Dec-15	Pacific Hydro Pty Ltd	H/W	A$3,000.0	24.0x[7]	na	3.33x
Jul-15	Energy Developments Limited	WCMG/LFG	A$1,368.9	8.8x	8.3x	2.13x
Dec-14	Colongra Power Station	G	A$234.0	na	na	0.35x
Jun-14	Clarke Energy Australia Pty Ltd	LNG	A$23.0	na	na	0.77x
Apr-14	Envirogen Pty Ltd	WCMG	A$25.0	na	na	0.58x
Feb-14	Clarke Energy Australia Pty Ltd	LNG	A $21.0	na	na	1.00x
Feb-14	Macquarie Generation	C/G/S	A$1,415.0	6.7x	na	0.30x
Jul-13	Earing Energy Pty Ltd	C/H/W	A$659.0	na	na	0.20x
Sep-12	Solomon Power Station	D/G	US$318.0	na	na	2.45x
Jul-11	Energy Generation Pty Ltd	D/G	A$101.4	na	na	1.03x
Jun-11	25% of NewGen Braemar 2 Pty Ltd	G	A$263.9	na	na	0.51x
Jun-11	Emu Downs Wind Farm	W	A$171.0	10.5x	8.5x	2.14x
United Kingdom and Europe						
Oct-16	Infinis plc	LFG	£185.0	5.1x	na	2.61x
May-16	CHORUS Clean Energy AG	S/W	€295.5	14.9x	8.9x	3.24x
Nov-15	Enel Green Power S.p.A.	W/S/H/GT/B	€9,619.8	10.8x	9.5x	1.80x
Oct-15	Infinis Energy Limited (31.4%)	LFG	£555.0	8.1x	na	4.09x
Sep-15	Finerge-Gestão de Projectos S.A.	W	na	5.3x	na	1.54x
Jan-12	UK Landfill Gas Portfolio	LFG	£30.0	na	na	0.70x
May-10	Falck Renewables Wind Ltd	W	£342.5	4.1x	na	0.84x
United States and Canada						
Jul-15	Massachusetts Solar & Minnesota Wind	S/W	US$75.8	8.8x	na	2.35x
Jun-11	Capital Power Income LP	C/G/LFG/S/W	CA$1,096.9	12.3x	11.1x	1.33x
Feb-11	Cloudworks Energy Inc.	H	CA$177.8	23.9x[6]	na	0.94x
Apr-10	RRI Energy, Inc	C/G	US$1,337.6	5.8x	7.9x	0.17x

Source: S&P Capital IQ, Merger Market, Company announcements, Company financial statements, KPMG Corporate Finance analysis.

Notes:

1: B = Biomass, C = Coal, D = Diesel, G = Gas, H = Hydro, LFG = Landfill gas, LNG = Liquefied natural gas, S= Solar, WCMG = Waste coal mine gas, W = Wind.

2: Consideration is the equity value of the target on a 100% basis.

3: Represents enterprise value divided by EBITDA, where enterprise value is the implied value of the equity plus net debt and EBITDA is earnings before net interest, tax, depreciation and amortisation, significant and non-recurring items.

4: Represents the enterprise value divided by MW of installed capacity.

5: na = not available.

6: Cloudworks Energy Inc. had 800MW of total potential installed capacity as many projects were still under development.

In relation to the transaction evidence, the following is relevant:

- recent transactions involving electricity generation assets have occurred at multiples of MW of installed capacity in a wide range (0.2 to 4.1 times). The lower multiples usually reflect acquisitions of individual assets (rather than operating companies) or assets which have a limited remaining life (e.g. Macquarie Generation)
- DUET's acquisition of EDL was completed at multiples of 8.8 times historical EBITDA, 8.3 times forecast EBITDA and 2.2 times MW of installed capacity
- similar to EDL, the operations of CHORUS Clean Energy AG and Enel Green Power S.p.A. represent portfolios of clean energy generation assets. The transactions occurred at multiples of 10.8 to 14.9 times historical EBITDA, 8.9 to 9.5 times forecast EBITDA and 1.8 to 3.2 times MW of installed capacity, and
- other transactions generally represent the acquisition of assets rather than a diversified, clean energy portfolio with a track record of significant growth, similar to EDL. The nature of the assets that EDL owns, as well as the growth prospects, would demand a premium to those transactions.

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Sharemarket evidence

The following table sets out multiples of EBITDA and MW for listed comparable companies which have renewable energy generation.

Table 65: Sharemarket evidence

Company name	Fuel type[1]	Market Cap ($ million)[2]	EBITDA multiple[3] Historical	EBITDA multiple[3] Forecast	MW multiple[4]
Australia					
AGL Energy Limited	B/C/G/H/LFG/S/W	A$15,963	11.2	10.2	1.78
Origin Energy Limited	C/G/S/W	A$11,460	11.5	5.9	2.47
Infigen Energy	W	A$765	11.6	9.6	2.52
International Clean Energy					
Brookfield Renewable Partners	B/H/W	US$11,617	17.1	16.6	3.70
EDP Renováveis, S.A.	S/W	€5,406	8.2	7.5	1.40
Northland Power Inc.	S/T/W	CA$4,105	14.7	15.7	7.62
Mercury NZ Limited	H/GT	NZ$4,307	11.1	10.7	Na
Innergex Renewable Energy Inc.	H/S/W	CA$1,541	19.7	13.7	4.72
TerraForm Power, Inc.	S/W	US$1,068	12.1	12.5	2.73
International Diversified Energy					
NRG Energy, Inc.	C/G/N/S/W	US$5,290	8.8	8.8	0.64
Capital Power Corporation	C/G/S/W	CA$2,431	9.1	8.1	1.41
TransAlta Corporation	C/G/H/S/W	CA$2,044	7.5	7.5	0.84

Source: S&P Capital IQ, Merger Market, Company announcements, Company financial statements, KPMG Corporate Finance analysis.
Notes:
1: B = Biomass, C = Coal, D = Diesel, G = Gas, GT = Geothermal, H = Hydro, LFG = Landfill gas, LNG = Liquefied natural gas, S= Solar, WCMG = Waste coal mine gas, W = Wind.
2: Market capitalisation is calculated using closing prices on 27 February 2017.
3: EBITDA multiple is calculated as enterprise value divided by EBITDA, where enterprise value is market capitalisation plus net debt and EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income and significant and non-recurring items.
4: MW multiple is equal to enterprise value divided by MW of installed capacity.

In relation to the table above, the following is relevant:

- multiples are based on sharemarket prices and, therefore, do not include a control premium
- multiples are in a wide range:
  - the high end of this range is represented by Brookfield Renewable Partners L.P., Northland Power, Inc. and Innergex Renewable Energy, Inc. Similar to EDL, the generation portfolios of these entities are mainly focused on clean energy, however, the majority of their operations are not in Australia. Furthermore, Brookfield Renewable Partner and Northland Power are substantially larger than EDL
  - the low end of the range is represented by NRG Energy, Capital Power Corporation and TransAlta Corporation. These companies utilise a broad range of fuel sources and have a greater share of fossil fuels in their generation portfolios than EDL

  - the multiple for EDP Renovaveis S.A. is also low, likely reflecting that it mainly operates in countries with regulated energy prices, and
  - AGL and Origin are both diversified energy companies, with retail operations and gas fuelled generation and, therefore, are not comparable to EDL. Origin's relatively low forecast multiples reflect strong anticipated earnings from its upstream operations and forecast EBITDA may also include earnings from recent divestments.
- the remaining companies (Infigen Energy, Mercury NZ Limited and TerraForm Power, Inc.) are trading in the range of 11.1 to 12.1 times historical EBITDA and 9.6 to 12.5 times forecast EBITDA. The most comparable of these is Infigen, as it has numerous renewable energy assets in Australia. Infigen is trading at multiples of 11.6 times historical EBITDA, 9.6 times first forecast year EBITDA and 2.5 times MW of installed capacity. However, unlike EDL, the majority of Infigen's assets are wind farms. Infigen has a development pipeline of approximately 1,100MW across wind and solar.[82] Furthermore, Infigen would likely require large equity raisings to bring these developments to fruition, which differs to EDL's approach of typically pursuing mid-market developments which can be financed from its balance sheet, and
- MW multiples are in a wide range of 0.6 to 7.6 times. The high end of the range is represented by Northland, which has a significant growth pipeline under development. MW multiples are likely impacted by the extent of growth opportunities, as well as fuel type (i.e. those with higher fuel costs are likely to have a lower MW multiple. Wind and other renewable assets are likely to have a higher multiple due to a very low operating cost and higher initial capital cost). The most comparable companies, Infigen Energy, Mercury NZ Limited and TerraForm Power, Inc are trading at multiples in the range of 2.5 to 2.7 times MW of installed capacity.

Summary

The implied multiples are higher than those implied by DUET's acquisition of EDL in October 2015. Since this transaction:

- the EDL portfolio has increased from 900 MW to 933 MW of installed capacity. EDL has acquired Cullerin Range Wind Farm and Landfill Gas & Power, commenced development of Grosvenor 2 and pursued further development opportunities
- the price of LGCs in Australia has increased materially (to the point where they are near the penalty price)
- wholesale electricity prices in Australia have increased, and
- risk free rates have declined, reducing funding costs.

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[82] https://www.infigenenergy.com/our-business/development-pipeline.

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Each of these factors suggest a higher value (and multiples) may be appropriate for EDL, relative to the price paid by DUET in October 2015.

The acquisitions of CHORUS Clean Energy AG and Enel Green Power S.p.A. occurred at controlling multiples of 10.8 to 14.9 times historical EBITDA, 8.9 to 9.5 times forecast EBITDA and 1.8 to 3.2 times MW of installed capacity.

The most comparable listed renewable generation companies (Infigen Energy, Mercury NZ Limited and TerraForm Power, Inc) are trading at minority multiples in the range of 11.1 to 12.1 times historical EBITDA, 9.6 to 12.5 times forecast EBITDA and 2.5 to 2.7 times MW of installed capacity.

Implied Multiples

The value attributed to the business operations of EDL of $2,800 to $3,000 million implies the following multiples of EBITDA and MW:

Table 66: EDL implied multiples

	Variable ($ million)	Value range Low	Value range High
Enterprise value range ($ million)		**2,800.0**	**3,000.0**
Multiple of EBITDA[1]			
FY16 (actual)	230.6	12.1	13.0
2016 (actual)[2]	219.4	12.8	13.7
FY17 (broker consensus)	224.7	12.5	13.4
FY18 (broker consensus)	257.2	10.9	11.7
FY19 (broker consensus)	248.1	11.3	12.1
MW Multiple			
As at 31 December 2016 (actual)	932.8	3.0	3.2

Source: KPMG Corporate Finance analysis.
Notes:
1: EBITDA excludes approximately $2.2 million of income from equity accounted joint venture.
2: 2016 EBITDA (actual) is the actual result for the calendar year ended 31 December 2016.

DUET has not released detailed earnings forecasts for FY17 or beyond. Accordingly, the implied forecast multiples set out above are based on the median of broker consensus forecasts for EDL (refer to Appendix 3).

The implied multiples for EDL are above the multiples implied by DUET's acquisition of EDL in October 2015, which is appropriate, taking into account the growth in the business, increases in electricity prices and decreases in risk free rates since that date.

In addition, the implied multiples of EBITDA and MW of installed capacity for EDL are:

- consistent with sharemarket evidence for clean energy companies, taking into account that multiples based on sharemarket prices do not include a control premium, and

- towards the high end of (or slightly higher than) multiples implied by the acquisition of CHORUS Clean Energy AG and Enel Green Power S.p.A., which is not unreasonable, having regard to EDL's strong track record of growth across the business.

On this basis, the market based cross-check, in our view, supports the valuation of the EDL business derived under the primary DCF analysis.

8.8.4 Net borrowings

EDL's net borrowings at 31 December 2016 are $637.5 million as set out below.

Table 67: EDL net borrowings

As at 31 December 2016 $ million	
Gross senior debt	659.0
Less: EDL's share of debt in associate	(2.2)
Interest rate swaps (net)	26.9
Less: cash	(46.2)
Net borrowings	**637.5**

Source: DUET management.

EDL's borrowings primarily consists of floating rate senior debt. It enters into interest rate swaps to convert floating interest rates to fixed interest rates. The mark-to-market value of derivative financial instruments as at 31 December 2016 has been included in net borrowings for valuation purposes.

8.8.5 Other assets and liabilities

EDL has derivatives covering interest rates, foreign exchange and electricity CFDs. The impact of the foreign exchange and electricity CFD hedging instruments have not been included in the cash flows. Consequently, they have been included in other assets and liabilities. The cash flows relating to PPAs are included as contracted revenue within the DCF model and consequently, no mark-to-market adjustment is made for these contracts. The mark-to-market value of the foreign exchange forwards as at 31 December 2016 was $6.3 million and the electricity CFDs were ($59.2 million). These are set out below.

Table 68: EDL other assets and liabilities

As at 31 December 2016 $ million	
FX forwards (net)	6.3
Electricity CFDs (net)	(59.2)
Total	**(52.9)**

Source: DUET management.

**8.9 DUET Corporate Costs**

DUET's unallocated corporate costs are currently around $13.5 million per annum. Unallocated corporate costs represent the costs of running DUET's head office and include staff costs, fees to external service providers (audit, tax, registry), Directors' fees and other costs (custodian

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fees, travel, insurance, office costs). The valuations of DUET's assets do not include these corporate costs. Consequently, corporate costs have been considered separately.

A number of potential strategic and financial buyers of 100% of DUET could likely save all (or most) of DUET's head office corporate costs as each of DUET's operating companies has its own management team. Consequently, a nil value has been attributed to head office corporate costs.

8.10 DUET Corporate Net Cash/(Borrowings)

As at 31 December 2016, DUET had $297.3 million of corporate cash (including $5.5 million of restricted cash) and nil corporate borrowings.

Corporate cash has been reduced by:

- restricted cash of $5.5 million
- the amount of the interim distribution for FY17 (net of acceptances under the DRP Plan). The FY17 interim distribution of 9.25 cents was declared on 12 December 2016 and was paid on 16 February 2017. Securityholders representing approximately 45.4% of Securities on issue at the record date for the distribution (30 December 2016) elected to reinvest their distributions in new DUET Securities rather than receive cash, and
- cash payments to senior management for notional securities issued under the management incentive plans that will be crystallised on a change of control.

Table 69: Corporate net cash/(borrowings)

$ millions	As at 31 December 2016
Cash at corporate level	297.3
Less: restricted cash	(5.5)
Borrowing	-
FY17 interim distribution (net of acceptances under the DRP Plan)[1]	(122.9)
Cash payment for notional securities under management incentive plans[2]	(6.4)
Net cash	**162.5**

Source: KPMG Corporate Finance analysis.
Notes:
1: Calculated as 2,433,045,531 DUET Securities on issue at the record date times the 9.25 cent distribution times (1-45.4%).
2: Based on 2,128,142 notional Securities outstanding as at 31 December 2016 and total cash proceeds of $3.03.

8.11 DUET Corporate Other Assets and Liabilities

DUET has no material other assets and liabilities at a corporate level.

Appendix 1 – KPMG Corporate Finance Disclosures

Qualifications

The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Ian Jedlin and Sean Collins. Ian is a member of Chartered Accountants Australia and New Zealand, a Senior Fellow of the Financial Securities Institute of Australia and holds a Master of Commerce from the University of New South Wales. Sean is a Fellow of Chartered Accountants Australia and New Zealand, a Fellow of the Chartered Institute of Securities and Investments in the United Kingdom and holds a Bachelor of Commerce from the University of Queensland. Each has a significant number of years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Schemes are fair and reasonable to Securityholders and in the best interests of Securityholders. KPMG Corporate Finance expressly disclaims any liability to any DUET Securityholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Scheme Booklet or any other document prepared in respect of the Proposed Acquisition. Accordingly, we take no responsibility for the content of the Scheme Booklet as a whole or other documents prepared in respect of the Schemes.

We note that the forward-looking financial information prepared by the Company does not include estimates as to the potential impact of any future changes in taxation legislation in Australia, the United States, the United Kingdom or Greece. Future taxation changes are unable to be reliably determined at this time.

Independence

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of DUET for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Scheme Booklet to be issued to the Securityholders of DUET.

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Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

APES 225

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (APESB). KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently.

Appendix 2 – Sources of Information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- Product Disclosure Statement for the initial public offering of DUET (January 2004)
- Product Disclosure Statements for various entitlement offers undertaken by DUET
- various ASX company announcements
- various broker and analyst reports
- various press and media articles
- Audited Annual Reports for DUET, DBNGP, DDG, Multinet Gas and United Energy for the financial years ending 30 June 2013 to 30 June 2016
- Reviewed Financial Statements for DUET, DBNGP, DDG, Multinet Gas and United Energy for the six months ended 31 December 2016
- Management Information Reports for the years ending 30 June 2013 to 30 June 2016
- various regulatory determinations published by the AER and the ERA
- various industry reports prepared by the AEMO, the Bureau of Resources and Energy Economics, the AER and CER
- regulatory determinations from the AER and ERA for the DBNGP, Multinet Gas and United Energy
- CKI, PAH and CKP circulars and independent financial advisor reports in relation to the Proposed Acquisition
- financial information from Bloomberg, Thompson Financial Securities, Capital IQ and Connect 4, and
- non-financial information from the Australian Bureau of Statistics

Non-public information

- long-term financial models for each of the operating companies
- operating and maintenance contracts
- operating budgets and business plans for each of the operating companies
- debt information memorandums for each of the operating companies
- ratings reports prepared by Moody's Investor Services and Standard & Poor's, and
- other confidential information.

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In addition, we have had discussions with management of DUET and each of its operating companies and DUET's Directors and advisers.

Appendix 3 – Broker Consensus Forecasts

Other than distribution guidance, DUET has not released detailed earnings forecasts for FY17 or beyond. In order to provide an indication of the expected future financial performance of DUET and its operating segments, KPMG has also considered brokers' forecasts for DUET and its operating segments.

DUET is followed by 10 brokers. Macquarie and Morgan Stanley are acting as advisors to DUET and the Consortium, respectively, and, therefore, are restricted from providing forecasts. Another broker has not published forecasts since the release of FY16 results on 19 August 2016 and for this reason has also been excluded.

Six brokers have published reports for the DUET group after the release of the results for the six months ended 31 December 2016 on 17 February 2017. One of these brokers provided only revised earnings per share (EPS) forecasts, another did not provide forecast proportionate EBITDA (only consolidated EBITDA) and four have not provided proportionate revenue.

A summary of these broker forecasts for the DUET group is summarised as follows:

Table 70: Broker consensus forecasts ($ million except where indicated)

	Report	Proportionate Revenue			Proportionate EBITDA			Consolidated EBITDA			Consolidated EBIT			EPS (¢)			DPS (¢)		
Company	date	FY17	FY18	FY19	FY17	FY18	FY19	FY17	FY18	FY19	FY17	FY18	FY19	FY17	FY18	FY19	FY17	FY18	FY19
Broker 1	17/02/2017	1,372.6	1,405.7	1,436.1	882.2	912.8	936.1	1,001.0	1,040.0	1,071.0	551.0	579.0	603.0	8.1	8.6	9.0	18.5	19.0	19.2
Broker 2	17/02/2017	n/a	n/a	n/a	938.0	982.0	n/a	1,087.0	1,139.0	1,173.0	691.0	731.0	757.0	11.8	12.6	12.7	18.5	19.0	19.5
Broker 3	17/02/2017	1,489.8	1,577.4	1,619.8	881.0	951.0	979.5	992.4	1,091.9	1,127.1	537.5	655.7	692.0	8.2	12.5	13.1	18.5	19.0	19.5
Broker 4	17/02/2017	n/a	n/a	n/a	869.0	962.0	964.0	989.0	1,107.0	1,117.0	519.0	638.0	641.0	7.0	10.0	10.0	18.5	19.0	19.5
Broker 5	17/02/2017	n/a	n/a	n/a	n/a	n/a	n/a	1,050.3	1,082.0	1,111.2	643.7	663.5	688.2	7.9	8.6	9.1	18.5	19.0	19.0
Broker 6	17/02/2017	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	10.0	11.0	n/a	n/a	n/a	n/a
Minimum		**1,372.6**	**1,405.7**	**1,436.1**	**869.0**	**912.8**	**936.1**	**989.0**	**1,040.0**	**1,071.0**	**519.0**	**579.0**	**603.0**	**7.0**	**8.6**	**9.0**	**18.5**	**19.0**	**19.0**
Maximum		**1,489.8**	**1,577.4**	**1,619.8**	**938.0**	**982.0**	**979.5**	**1,087.0**	**1,139.0**	**1,173.0**	**691.0**	**731.0**	**757.0**	**11.8**	**12.6**	**13.1**	**18.5**	**19.0**	**19.5**
Average		**1,431.2**	**1,491.6**	**1,528.0**	**892.6**	**952.0**	**959.9**	**1,023.9**	**1,092.0**	**1,119.9**	**588.4**	**653.4**	**676.2**	**8.8**	**10.6**	**10.8**	**18.5**	**19.0**	**19.3**
Median		**1,431.2**	**1,491.6**	**1,528.0**	**881.6**	**956.5**	**964.0**	**1,001.0**	**1,091.9**	**1,117.0**	**551.0**	**655.7**	**688.2**	**8.2**	**10.5**	**10.0**	**18.5**	**19.0**	**19.5**

Source: Brokers' reports, KPMG Corporate Finance analysis.

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KPMG

A summary of broker forecasts for each of DUET's operating companies is provided below:

Table 71: Broker segment forecasts ($ million)

Company	Report date	DBP EBITDA (100%)			DDG EBITDA (100%)			United Energy EBITDA (100%)			Multinet Gas EBITDA (100%)			EDL EBITDA (100%)			Corporate EBITDA (100%)		
		FY17	FY18	FY19	FY17	FY18	FY19	FY17	FY18	FY19	FY17	FY18	FY19	FY17	FY18	FY19	FY17	FY18	FY19
Broker 1	17/02/2017	267.4	272.0	278.1	32.3	32.3	32.3	349.7	373.9	397.9	139.9	136.1	127.5	225.7	239.8	250.3	(13.9)	(14.3)	(14.6)
Broker 2	17/02/2017	n/a	n/a	n/a	n/a	n/a	n/a	374.2	393.9	n/a	142.0	149.0	n/a	267.0	286.0	n/a	(14.0)	(14.0)	n/a
Broker 3	17/02/2017	273.7	280.3	285.4	n/a	n/a	n/a	319.4	369.8	388.6	125.9	139.3	150.8	205.9	238.7	238.7	n/a	n/a	n/a
Broker 4	17/02/2017	286.0	303.0	304.0	31.0	34.0	34.0	309.1	309.1	331.8	132.0	156.0	149.0	228.0	279.0	271.0	(13.0)	(13.0)	(14.0)
Broker 5	17/02/2017	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Broker 6	17/02/2017	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Minimum		**267.4**	**272.0**	**278.1**	**31.0**	**32.3**	**32.3**	**309.1**	**309.1**	**331.8**	**125.9**	**136.1**	**127.5**	**205.9**	**238.7**	**238.7**	**(14.0)**	**(14.3)**	**(14.6)**
Maximum		**286.0**	**303.0**	**304.0**	**32.3**	**34.0**	**34.0**	**374.2**	**393.9**	**397.9**	**142.0**	**156.0**	**150.8**	**267.0**	**286.0**	**271.0**	**(13.0)**	**(13.0)**	**(14.0)**
Average		**275.7**	**285.1**	**289.2**	**31.7**	**33.2**	**33.2**	**338.1**	**361.7**	**372.8**	**135.0**	**145.1**	**142.4**	**231.7**	**260.9**	**253.3**	**(13.6)**	**(13.8)**	**(14.3)**
Median		**273.7**	**280.3**	**285.4**	**31.7**	**33.2**	**33.2**	**334.5**	**371.9**	**388.6**	**136.0**	**144.2**	**149.0**	**226.9**	**259.4**	**250.3**	**(13.9)**	**(14.0)**	**(14.3)**

Source: Brokers' reports, KPMG Corporate Finance analysis.

The following should be considered when reviewing the forecasts for DUET's operating companies:

- the level of detail provided differs between brokers. Of the six brokers that have published forecasts since the release of the financial results for the six months ended 31 December 2016:
  - two of those do not provide segment data
  - one broker does not provide separate EBITDA forecasts for DBP and DDG (but rather, combines them). Consequently, there are no EBITDA forecasts for DBP and DDG for this broker
  - another broker does not provide separate EBITDA forecasts for DDG and corporate (but rather, combines them). Consequently, there are no EBITDA forecasts for DDG and corporate for this broker
- the presentation of DUET's segment data varies widely between brokers and KPMG has made various adjustments in order to present earnings consistently. In particular:

- some brokers show segment EBITDA on a 100% basis, while others show segment EBITDA on a proportionate basis, which results in a different earnings forecast for United Energy. For those brokers that provide EBITDA for United Energy on a proportionate basis, KPMG Corporate Finance has made an adjustment (by grossing up proportionate earnings by DUET's 66% ownership interest) to reflect 100% ownership of United Energy83
- most brokers describe earnings as including customer contribution margins, while some describe earnings as excluding customer contributions. Multinet Gas and United Energy have material customer contribution margins in their historical earnings. Cash Flow Models for Multinet Gas and United Energy include forecast customer contribution margins and earnings for comparable listed companies also include customer contributions. As a result, we consider it is appropriate to include broker forecasts that include customer contribution margins. KPMG notes the difficulty in forecasting customer contribution margins and hence, it is unclear whether customer contribution margins have, in fact, been excluded from these forecasts. In this regard, we note that those brokers that describe earnings as excluding customer contribution margins usually have higher forecast EBITDA than those that include customer contributions. Consequently, EBITDA forecasts for these brokers have been included in the calculation of the median broker forecast for Multinet Gas and United Energy.

[83] The business operations of United Energy are valued on a 100% basis, prior to deducting net borrowings and other assets/(liabilities) and reflecting DUET's 66% ownership in United Energy.

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Appendix 4 – Overview of Valuation Methodologies

Discounted cash flow

Under a DCF approach, forecast cash flows are discounted back to the Valuation Date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the Valuation Date to give an overall value for the business.

In a DCF analysis, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically a forecast period of at least five years is required, although this can vary by industry and by sector within a given industry.

The rate at which the future cash flows are discounted (the Discount Rate) should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible valuation figure, the importance of the quality of the underlying cash flow forecasts is fundamental.

The Discount Rate most generally employed is the WACC, reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an Enterprise Value for the business. Alternatively, for some sectors it is more appropriate to apply an equity approach instead, applying a cost of equity to leveraged cash flows to determine equity value.

In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. This can be calculated using either a capitalisation of earnings methodology or the 'constant growth model', which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity.

Capitalisation of earnings

An earnings based approach estimates a sustainable level of future earnings for a business (maintainable earnings) and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Revenue, EBITDA, EBIT and NPAT.

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, multiples are generally reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by illiquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (100%) we would also reference the multiples achieved in recent mergers and acquisitions, where a control premium and breadth of purchaser interest are reflected.

An earnings approach is typically used to provide a market cross-check to the conclusions reached under a theoretical DCF approach or where the entity subject to valuation operates a mature business in a mature industry or where there is insufficient forecast data to utilise the DCF methodology.

Control premiums

It is generally acknowledged that, in order to acquire a 100% controlling interest in a company, the acquirer should pay a premium over and above the traded price of a minority or portfolio interest.

Observations from transaction evidence indicate that takeover premiums generally range from 20% to 35%[84] for completed takeovers depending on the individual circumstances. In transactions where it was estimated that the combined entity would be able to achieve significant synergies, the takeover premium was frequently estimated to be towards the high end of this range or greater.

In considering the evidence provided by actual transactions, it is important to recognise however that the observed premium for control is an outcome of the valuation process, not a determinant of value and that each transaction will reflect to varying degrees the outcome of a unique combination of factors, including:

- pure control premium in respect of the acquirer's ability to utilise full control over the strategy and cash flows of the target entity
- the level of synergies available to all acquirers, such as the removal of costs associated with the target being a listed entity and/or costs related to duplicated head office functions
- the expected costs to integrate and the uncertainties associated with timing of realising the targeted synergies
- synergistic or special value that may be unique to a specific acquirer
- the nature of the bidder i.e. financial investor vs trade participant
- the stake acquired in the transaction and the bidder's pre-existing securityholding in the target

[84] KPMG Corporate Finance analysis based on Mergerstat data for Australian transactions completed between 2001 and 2016, comparing the closing price of the target company one day prior to the takeover announcement to the final offer price.

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- the stage of the market cycle and the prevailing conditions of the economy and capital markets at the time of the transaction
- desire (or anxiety) for the acquirer to complete the transaction
- whether the acquisition is competitive, and
- the extent the target company's security price already reflects a degree of takeover speculation.

It is inappropriate however to apply an average premium without having regard to the circumstances of each case. In some situations there is no premium. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through an initial public offering. Accordingly, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

Net assets or cost based

Under a net assets or cost based approach, total value is based on the sum of the net asset value or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet. Net asset value is determined by marking every asset and liability on (and off) the entity's balance sheet to current market values.

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

Enterprise or equity value

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. revenue, EBITDA, EBITA or EBIT) or unleveraged free cash flow.

An equity value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. NPAT) or free cash flow, post debt servicing.

Appendix 5 – Discount Rate

Where cash flow forecasts consist of free cash flows to all providers of funding, the WACC is commonly employed as the basis for determining an appropriate discount rate. For the purposes of our DCF analysis, we have adopted the following discount rates for DUET's operating companies:

- DUET's energy infrastructure businesses 6.0% to 6.5%
- EDL's Australian operations 8.0% to 8.5%
- EDL's United States operations 6.5% to 7.0%
- EDL's United Kingdom operations 6.5% to 7.0%

We consider these rates appropriately reflect the expected return of a hypothetical prudent purchaser, based upon the perceived risks associated with each of DUET's operating companies.

The selection of the appropriate discount rate to apply to the forecast cash flows of any asset or business operation is fundamentally a matter of judgement rather than a precise calculated outcome. Whilst there is commonly adopted theory that provides a framework for the derivation of an appropriate discount rate, it is important to recognise that given the level of subjectivity involved, the calculated discount rate should be treated as guidance rather than objective truth. Furthermore, discount rate assessments need to consider both current market conditions and future expectations, and to the extent that there are any changes in conditions and expectations over time, an adjustment to the discount rate at a future point in time may be warranted.

In selecting appropriate discount rates to apply to DUET's operating companies, we have determined a nominal WACC to align with the forecast nominal ungeared cash flows being used to derive the resultant DCF values. A WACC represents an estimate of the weighted average required return from both debt holders and equity investors. The WACC is derived using the following formula:

$$\mathrm{WACC} = \mathrm{Wd} * \mathrm{Kd} * (1 - \mathrm{t}) + \left(\mathrm{We} * \mathrm{Ke} * \frac{1 - \mathrm{t}}{1 - \mathrm{t} * (1 - \gamma)}\right)$$

Table 72: WACC parameters

Parameter	Description
Kd	Pre-tax Cost of debt
Wd	Percentage of debt in capital structure
Ke	Pre-tax Cost of equity
We	Percentage of equity in capital structure
t	Company tax rate
ɣ	Gamma (The value of franking credits)

Source: *KPMG Corporate Finance analysis.*

The WACC calculation is typically based on assumptions that may not hold in practice, including:

- a constant optimal capital structure, and

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- interest payments on debt being tax deductible.

Cost of equity

The cost of equity can be derived using a modified Capital Asset Pricing Model as follows:

$Ke = Rf + \beta * (Rm - Rf) + \alpha$

Table 73: Cost of equity parameters

Parameter	Description
Rf	Risk free rate, representing the return on risk-free assets
Rm	Market rate of return, representing the expected average return on a market portfolio
(Rm - Rf)	Market risk premium, representing the excess return that a market portfolio is expected to generate over the risk free rate
β	Beta factor, being a measure of the systematic risk of a particular asset relative to the risk of a market portfolio
α	Specific risk factor, which may be included to compensate for risks which are not adequately captured in either the other discount rate parameters or the cash flows being discounted

Source: KPMG Corporate Finance analysis.

WACC – DUET's energy infrastructure businesses

Each of DUET's energy infrastructure businesses (DBP, DDG, Multinet Gas and United Energy) fundamentally share similar characteristics which support the application of a consistent base WACC being adopted across the entities:

- each business effectively holds a monopoly over the regions in which it serves and provides a utility service with barriers to entry for other substitute energy sources
- revenues are largely regulated or underpinned by long term contracts which reduces the volatility of the underlying cash flows
- the businesses operate solely in Australia, and
- the businesses generate cash flows in Australian dollar currency.

Whilst there are differences between the businesses such as (but not limited to) the tariff structure and exposure to volume risk (Price Cap vs Revenue Cap vs Contracted), which would typically warrant a specific risk adjustment for each business, these risks have been accounted for in the cash flows for each of the operating companies through a scenario analysis, with the resultant valuation based on a weighting towards the scenarios that best account for these asset specific risks. As a result, we have applied a consistent WACC across all of DUET's energy infrastructure businesses for the purposes of our analysis.

KPMG Corporate Finance's rationale for the selection of each of the variables in developing a WACC for DUET's energy infrastructure businesses is discussed below.

Risk free rate

The risk free rate of return is the return on a risk free security, typically for a long-term period. In practice, long dated Government bonds are accepted as a benchmark for a risk free security. In Australia, the 10 year Commonwealth Government bond yield is commonly referenced, of which the current spot yield was 2.713% as at 31 January 2017.

However, since the global financial crisis in 2008, Government bond yields have remained low compared to long-term averages. Combined with market evidence which indicates that bond yields and the market risk premium are strongly inversely correlated, it is important that any assessment of the risk free rate should be made with respect to the position adopted in deriving the market risk premium. As we adopt a long term view on the market risk premium (rather than spot), it is also important to do the same with the risk free rate to ensure the combination of the risk free rate and market risk premium represents an appropriate return in the current investment environment.

Consequently, the risk free rate has been selected by reference to both the current spot yield and long term forecast yields on 10 year Australian Government bonds. We have adopted 4.0% as an appropriate risk free rate, which represents a blend of the spot rate and a forecast long-term bond yield of 4.753% (based on an average of long term bond yields sourced from Oxford Economics (5.106%) and BIS Shrapnel (4.400%).

Market Risk Premium

Consistent with our approach to the risk free rate, we applied a long term view in setting the market risk premium. A market risk premium of 6.0% is regarded as appropriate by KPMG Corporate Finance for the current long-term investment climate in Australia. Further, it is widely adopted by valuation practitioners in Australia as observed in a recent survey undertaken by KPMG Corporate Finance in 2015.

Beta

In selecting an appropriate beta to apply to DUET's energy infrastructure businesses, KPMG Corporate Finance has considered DUET's beta as well as betas for selected listed energy infrastructure businesses in Australia and New Zealand, as provided below.

Table 74: Betas and gearing for selected energy infrastructure businesses

Company name	Capital-isation million	Levered beta 2-year weekly	Unlever-ed beta 2-year weekly	Debt to equity 2-year avg	Debt to value 2-year avg	Levered beta 5-year monthly	Unlever-ed beta 5-year monthly	Debt to equity 5-year avg	Debt to value 5-year avg
DUET Group[1]	**A$5,718**	**0.59**	**0.33**	**116%**	**54%**	**0.64**	**0.32**	**145%**	**59%**
APA Group	A$9,327	0.86	0.56	76%	43%	0.94	0.61	79%	44%
AusNet Services Ltd	A$5,945	0.80	0.43	124%	55%	0.87	0.45	133%	57%
Spark Infrastructure Group	A$3,936	0.73	0.61	28%	22%	0.57	0.46	33%	25%
Vector Limited	NZ$3,256	0.66	0.42	77%	44%	0.48	0.30	83%	45%

Source: S&P Capital IQ, KPMG Corporate Finance analysis.
Notes:
1. *Data for DUET is as at 2 December 2016. Data for all other companies is as at 27 February 2017.*
2. *Shaded cells represent outliers which have a low level of statistical confidence.*

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In assessing an appropriate unlevered beta for DUET's energy infrastructure businesses, we have had regard to:

- DUET's unlevered beta is 0.33 over a two year period and 0.32 over a five year period. Its relatively low beta reflects the diversity of its earnings base across a number of regulated and contracted assets
- APA Group's unlevered betas (two year weekly of 0.56, five year monthly of 0.61) are at the upper end of the range which is consistent with its greater exposure to unregulated assets
- AusNet and Spark Infrastructure each own regulated utility businesses in Australia and have similar unlevered betas (circa 0.45), except for Spark Infrastructure's 2 year unlevered beta (0.61) which appears to be driven by the volatility associated with recent investment activity and regulatory determinations impacting its regulated assets over the last two years
- A majority of Vector's assets are unregulated (suggesting a higher beta), however its betas are low which appears driven by its limited free float (25%)
- almost all of the revenues for Multinet Gas and United Energy are regulated. Most of DBP's revenues are covered by long term contracts (with the remainder being regulated), with all tariffs (except for Alcoa) reverting to a regulated tariff from 1 January 2021, unless otherwise renegotiated. DDG's revenues are unregulated, however, are covered by long term contracts. As a result, the characteristics of these operating companies most closely resembles those of AusNet Services (which has a two year beta of 0.43 and a five year beta of 0.45), and
- recent AEMO and AER regulatory decisions, which have utilised a levered beta of 0.7.

Taking into account the factors detailed above, KPMG Corporate Finance has selected an ungeared asset beta range of between 0.40 and 0.45 for DUET's energy infrastructure businesses. Based on KPMG Corporate Finance's selected gearing in the range of 50% to 55%, this results in a levered beta in the range of 0.74 to 0.77. Whilst this is slightly higher than the levered beta adopted by the AER and ERA, this is offset at the WACC level by our slightly higher gearing assumption as referred below.

Gearing

In selecting an appropriate gearing ratio for DUET's energy infrastructure businesses, we have considered the gearing of comparable companies set out above, and the impact that gearing has on the credit rating of a business.

Spark Infrastructure is not considered to be comparable from a gearing perspective as its investments are all equity accounted. Accordingly, its proportionate share of net debt is not reflected on its balance sheet. Based on Spark Infrastructure's proportionate share of borrowings in investments as at 31 December 2016, its gearing is 51% on a net debt to value ratio.

Gearing ratios for the remaining comparable companies are in the range of 43% to 55% over a two year period and 44% to 57% over a five year period. Having regard to relevant comparable companies, we have applied a net debt to value ratio of 50% to 55%. This range is broadly consistent with DUET's current gearing ratio and the assumption of an investment grade rating being maintainable. Whilst this range is below the gearing ratio utilised in recent AER and ERA regulatory decisions (of 60%), it is offset at the WACC level by a slightly higher adopted levered beta as noted above.

Tax rate

We have adopted a corporate tax rate of 30% based on the Australian statutory corporate tax rate.

Company specific risk premium

As mentioned earlier, the specific risks of each of DUET's energy infrastructure businesses have been captured in a scenario analysis for each asset, with the resultant valuation based on a weighting towards the scenarios that best account for these asset specific risks. Accordingly, to avoid double counting, no allowance for company specific risk has been included in the determination of the discount rate.

Pre-tax cost of debt

We have adopted a long term, pre-tax cost of debt in the range of 5.8% to 6.3%. The long term cost of debt has been approximated by adding the credit risk spread between 5 year BBB (including BBB- and BBB+) rated Australian corporate bonds and 5 year Australian Government bonds (2.1%) to our long term risk free rate (4.0%) and subtracting the yield differential between 5 and 10 year bonds (negative 0.3%). The high end of the range (6.3%) includes an additional premium of 0.5% to reflect refinancing costs and credit rating sustainability risk. We referred to BBB rated corporate debt pricing on the basis that a rational investor would seek to maximise gearing in the business to a level at which it can maintain an investment grade rating.

Franking credits (Gamma)

The inclusion of franking credits when calculating the discount rate is subject to considerable debate. The AER and ERA currently consider franking credits when calculating total allowed revenue on the basis that franking credits provide value to certain investors who can utilise such credits to reduce their personal income tax liabilities.

However, in assessing the use of a gamma factor for DUET, we note:

- DUET has limited franking credits available to distribute, and
- most of DUET's energy infrastructure businesses are not expected to pay tax (and hence generate franking credits) for a number of years as a result of existing tax losses and accelerated depreciation.

Consequently, we have attributed no value for franking credits by assuming a nil value for gamma.

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WACC conclusion – DUET's energy infrastructure businesses

The selected parameters result in a calculated WACC for DUET's energy infrastructure businesses in the range of 6.1% to 6.5% as set out below.

Table 75: Selected WACC parameters for DUET's energy infrastructure businesses

	Parameter	Low	High
Cost of Equity			
Risk free rate:	Rf	4.0%	4.0%
Equity market risk premium:	EMRP	6.0%	6.0%
Ungeared beta		0.40	0.45
Tax rate		30.0%	30.0%
Gearing (debt/equity)		122%	100%
Geared beta	ß	0.74	0.77
Company specific risk premium (alpha)	α	0.0%	0.0%
Franking rebates utilised (gamma)	ɣ	0.0%	0.0%
Cost of equity (post tax)	**Ke**	**8.5%**	**8.6%**
Cost of Debt			
Base rate		4.0%	4.0%
Corporate Debt Margin	DM	1.8%	2.3%
All in rate (pre tax)		5.8%	6.3%
Tax rate	T	30.0%	30.0%
Cost of debt (post tax)	**Kd**	**4.1%**	**4.4%**
Capital Structure			
Estimated market value of equity as % of value	We	45%	50%
Estimated market value of debt as % of value	Wd	55%	50%
Post-tax WACC			
Calculated range		**6.1%**	**6.5%**
Midpoint		**6.29%**	
Selected range		**6.0%**	**6.5%**
Midpoint		**6.25%**	

Source: S&P Capital IQ, KPMG Corporate Finance analysis.

Based on the above analysis, KPMG Corporate Finance has selected a WACC to apply to the post tax, nominal cash flows of DUET's energy infrastructure businesses in the range of 6.0% to 6.5%.

WACC – Energy Developments

EDL has operations in Australia, the United States and United Kingdom, which generate cash flows in Australian dollars, US dollars, British pounds and Euros, respectively. KPMG Corporate Finance's rationale for the selection of the variables in developing an appropriate WACC for EDL's operations in each of these regions is discussed below.

Risk free rate

The risk free rate for Australia, the United States and the United Kingdom has been assessed with reference to both the current spot yield and long term forecast yields on long-term government bonds. More specifically:

- **Australia:** we have adopted 4.0% as an appropriate risk free rate, similar to the rate adopted for DUET's energy infrastructure assets
- **United States:** we have adopted 3.4% as an appropriate risk free rate, which represents a blend of the 30 year US Treasury constant maturity (3.05% as at 31 January 2017) and a forecast long term bond yield of 4.124% (sourced from Oxford Economics), and
- **United Kingdom:** we have adopted 3.1% as an appropriate risk free rate, representing a blend of the 20 year United Kingdom Government bond spot rate (2.2028% as at 31 January 2017), known as gilts, and a forecast long term bond yield of 4.100%[85] (sourced from Oxford Economics).

Market risk premium

Consistent with our approach to the risk free rate for Australia, the United States and the United Kingdom, we applied a long term view in setting the market risk premium for these countries. More specifically:

- **Australia:** a market risk premium of 6.0% was adopted, consistent with the rate assumed for DUET's energy infrastructure businesses
- **United States:** an analysis by KPMG Corporate Finance indicates a market risk premium of 6.0% for the United States, though based on a risk free rate derived from spot government bond yields. As we have adopted a blended approach in setting the risk free rate, we have adopted a longer term view for the market risk premium to ensure consistency. In this regard, we considered 5.5% as an appropriate market risk premium for the United States which aligns with the blended risk free rate of 3.4% assumed, and
- **United Kingdom:** we have adopted 5.0% as an appropriate market risk premium for the United Kingdom, which aligns with the blended risk free rate of 3.0% assumed.

Beta

In selecting an appropriate beta to apply to EDL's operations, KPMG Corporate Finance has considered betas for listed energy generation companies in Australia, North America and Europe, as provided on the following page.

[85] Average of 10 year and 30 year UK Gilts

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Table 76: Comparable company beta analysis – clean energy generation

Company name	Country	Market Cap AUDm	Levered beta 2-year	Unlevered beta 2-year	Debt to equity 2-year	Debt to value 2-year	Levered beta 5-year	Unlevered beta 5-year	Debt to equity 5-year	Debt to value 5-year
Australian										
AGL Energy Limited	Australia	15,963	0.74	0.63	23%	19%	0.67	0.57	24%	20%
Origin Energy Limited	Australia	11,460	1.69	1.04	89%	47%	0.91	0.65	59%	37%
Infigen Energy	Australia	765	0.70	0.30	189%	65%	0.71	0.22	308%	76%
International Clean Energy										
Brookfield Renewable Partners L.P.	Canada	11,524	0.98	0.72	47%	32%	0.34	0.25	50%	33%
EDP - Energias de Portugal, S.A.	Portugal	14,485	1.02	0.53	120%	55%	0.96	0.48	134%	57%
Northland Power Inc.	Canada	4,072	0.91	0.48	122%	55%	0.58	0.33	103%	51%
Mercury NZ Limited	New Zealand	4,042	1.01	0.85	27%	21%	n/a	n/a	n/a	n/a
Innergex Renewable Energy Inc.	Canada	1,529	0.98	0.47	147%	60%	0.56	0.28	133%	57%
TerraForm Power, Inc.	United States	1,388	1.37	0.85	104%	51%	n/a	n/a	n/a	n/a
International Diversified Energy										
NRG Energy, Inc.	United States	6,875	1.22	0.53	218%	69%	1.15	0.54	190%	65%
Capital Power Corporation	Canada	2,411	1.01	0.72	54%	35%	0.85	0.61	54%	35%
TransAlta Corporation	Canada	2,028	1.75	1.01	99%	50%	1.09	0.66	89%	47%

Source: S&P Capital IQ, KPMG Corporate Finance analysis.
Notes:
1. *Data for all comparable companies is as at 27 February 2017.*
2. *Shaded cells represent outliers which have a low level of statistical confidence.*

In assessing an appropriate unlevered beta for EDL, we have had regard to the following:

- unlevered betas for Origin Energy and TransAlta are significantly higher over the last two year period compared to the last five year period, which can be explained by Origin Energy's recent transformation, whilst TransAlta's earnings have been impacted by new regulatory policies for coal-fired energy plants imposed by the Canadian Government
- excluding the two year betas for Origin Energy and TransAlta, as well as the outliers which do not meet a minimum level of statistical confidence, results in the unlevered betas for the remaining comparable companies being in the range of 0.47 to 0.85 over a two year period and 0.48 to 0.66 over a five year period. The low end of the range is represented by:
  - AGL Energy, Brookfield Renewable Partners L.P., EDP – Energias de Portugal, S.A., Northland Power Inc. and NRG Energy, which are larger in size and are generally more diversified relative to EDL, and
  - Innergex's two year beta likely reflecting the relatively thin trading in the underlying shares.

After adjusting for these factors, the market evidence indicates unleveraged betas in the range of 0.60 to 0.85 would be appropriate for a clean energy generation business. To account for the significant portion of EDL's revenues being generated under long term PPAs, combined with the use of CFDs to hedge electricity price exposure, KPMG Corporate Finance has selected an ungeared asset beta range between 0.70 and 0.75 for EDL.

Gearing

In selecting an appropriate gearing ratio to apply to EDL, we have considered the gearing of comparable companies set out above. Gearing ratios[86] for the comparable companies are in the range of 19% to 55% over a two year period and 20% to 51% over a five year period. In this regard, we have applied a net debt to value ratio in the range of 30% to 35%.

Tax rate

Based on KPMG analysis of the long term statutory corporate tax rate for Australia, the United States and the United Kingdom, the applicable tax rates are 30%, 40% and 17% respectively. We note that the current tax rate in the United Kingdom is 20%, however, the government has committed to reducing it to 19% from 1 April 2017 and to 17% from 1 April 2020.

Company specific premium

Similar to DUET's energy infrastructure businesses, we have adjusted for company specific risks via a scenario analysis whereby the resultant valuation for EDL was weighted towards scenarios which best reflected the specific risks attributable to EDL. On this basis, no company specific risk adjustment was included in the discount rate.

Pre-tax cost of debt

The Australian long-term cost of debt range of 5.8% to 6.3% has been approximated by adding the spread of BBB rated (including BBB- and BBB+) Australian Corporate bonds over Australian Government bonds to our long-term risk free rate.

Similarly, the United States and United Kingdom long-term cost of debt (US: 4.5% to 5.0%, UK: 4.1% to 4.6%) has been approximated by adding the spread of BBB rated (including BBB- and BBB+) US Corporate bonds and BBB rated (including BBB- and BBB+) UK non-financial bonds over respective government bonds to our long-term risk free rate.

The selected cost of debt range represents an 'all-in' rate, including an allowance for upfront/refinance costs.

Franking credits (Gamma)

We have adopted a nil value for franking credits. In forming this view, we have considered:

- DUET has limited franking credits to distribute
- in Australia, franking credits cannot be used by international acquirers of DUET. However, the benefits of imputation do not necessarily result in Australian investors offering higher prices than their overseas counterparts as a consequence

[86] Excluding outliers. Net debt to value ratio.

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- the United States does not operate under a dividend imputation tax system, and
- the United Kingdom operates a partial dividend imputation tax system, however this is not representing a true dividend imputation tax system as the tax credits provided are not linked to the corporate tax paid.

WACC conclusion - EDL

KPMG Corporate Finance has utilised the following parameters in calculating an appropriate WACC to apply to EDL's post tax, nominal cash flows for each of the regions in which it operates.

Table 77: Selected WACC parameters for EDL's business operations

	Parameter	Australia	United States	United Kingdom
Cost of Equity				
Risk free rate:	Rf	4.0%%	3.4%	3.1%
Equity market risk premium:	EMRP	6.0%%	5.5%	5.0%
Ungeared beta		0.70-0.75	0.70-0.75	0.70-0.75
Tax rate		30.0%	40.0%	17.0%
Gearing (debt/equity)		53.8%-42.9%	53.8%-42.9%	53.8%-42.9%
Geared beta	ß	0.96-0.98	0.93-0.94	1.01-1.02
Inflation delta + country risk premium	CRP	0.0%	0.0%	0.0%
Company specific risk premium (alpha)	α	0.0%	0.0%	0.0%
Franking rebates utilised (gamma)	γ	0.0%	0.0%	0.0%
Cost of equity (post tax)	**Ke**	**9.8%-9.9%**	**8.5%-8.6%**	**8.2%-8.2%**
Cost of Debt				
Base rate		4.0%	3.4%	3.1%
Corporate debt margin	DM	1.8%-2.3%	1.1%-1.6%	1.0%-1.5%
All in rate (pre-tax)		5.8%-6.3%	4.5%-5.0%	4.1%-4.6%
Tax Rate	T	30.0%	40.0%	17%
Cost of debt (post tax)	**Kd**	**4.1%-4.4%**	**2.7%-3.0%**	**3.4%-3.8%**
Capital Structure				
Market value of equity as % of value	We	65%-70%	65%-70%	65%-70%
Market value of debt as % of value	Wd	35%-30%	35%-30%	35%-30%
Post-tax WACC				
Calculated range		**7.8%-8.3%**	**6.5%-6.9%**	**6.5%-6.9%**
Midpoint		**8.03%**	**6.70%**	**6.70%**
Selected range		**8.0%-8.5%**	**6.5%-7.0%**	**6.5%-7.0%**
Midpoint		**8.25%**	**6.75%**	**6.75%**

Source: KPMG Corporate Finance analysis, S&P Capital IQ.

Appendix 6 – Cash Flow Assumptions

Economic assumptions

- CPI is forecast bearing in mind the RBA's long term target of 2% to 3% and with reference to short term median inflation forecast sourced from Bloomberg and long term estimates from Oxford Economics and BIS Shrapnel. CPI is forecast to gradually increase from 2.0% in FY17 to 2.5% in FY21 and beyond, and
- the risk free rate is calculated with reference to Australian government securities with a ten year term to maturity.

Assumptions common to DUET's energy infrastructure operating companies

- a discount rate of 6.0 to 6.5% is applied to nominal ungeared after-tax cash flows (refer to Appendix 5)
- a corporate tax rate of 30%
- mid-period discounting, which assumes that forecast cash flows are received evenly throughout the year
- no significant changes in legislation or in the policies or procedures of regulatory bodies other than for DBP, where it is assumed the regulator will change from the ERA to the AER by the next regulatory reset date (1 January 2021), and
- no acquisitions or divestments occur.

DBP DCF Model Assumptions

General assumptions

The following general assumptions have been made in the DBP DCF model:

- a forecast period of 15 years (until 30 June 2031), which covers four regulatory periods (including the current regulatory period), and
- a terminal value has been applied, based on a Gordon Growth Model, utilising a perpetual growth rate of 0.5%, reflecting an anticipated decline in RAB as the DBNGP is depreciated.

Operational assumptions

The key operational assumptions underlying Scenario A are set out below:

- pricing under original Standard Shipper Contracts remains on the regulated tariff while renegotiated Standard Shipper Contracts remain on the negotiated tariff until 1 January 2021. From 1 January 2021, all revenues (other than for Alcoa) revert to the regulated tariff
- the current Access Arrangement determination period ends on 31 December 2020 and DBP is not successful in its appeal to the Australian Competition Tribunal (which includes in relation to gamma)

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- for subsequent determination periods, regulated revenues have been modelled using the building block approach. That is, revenue us the sum of:
  - the rate of return multiplied by the starting period RAB
  - regulatory allowed operating expenditure
  - regulatory depreciation, based on the straight-line method, and
  - tax payable less an allowance for the implied value of imputation credits.
- regulated revenue is translated into a Reference Tariff based on forecast contracted capacity for the regulatory period
- between regulatory periods, tariffs are adjusted for inflation and amended for changes in debt margins, which are assumed to remain flat each instrument is refinanced
- regulation of the DBNGP is transferred to the AER by the next regulatory reset date (1 January 2021). Regulatory parameters are aligned with recent determinations by the AER for gas transmission pipelines (that is, an equity beta of 0.7, gearing of 60%, a market risk premium of 6.5%, risk free rate based on a 10 year Australian Government bond rate and gamma of 0.25)
- regulated revenues remain under a Price Cap
- RAB is calculated by taking the start of regulatory period RAB, allowing for inflation, adding capital expenditure and subtracting straight-line depreciation and any disposals
- in the current regulatory period, an allowance is made for DBP's history of performance relative to operating expenditure
- operating costs (including DBP corporate costs, fuel costs and insurance) are estimated with reference to the regulatory decision in the short term and in the long term are assumed to grow at CPI
- growth capital expenditure is $0.8 million in FY17 and is nil thereafter. SIB capital expenditure p.a. is $29.2 million
- depreciation reflects tax depreciation for cash flow purposes; and,
- tax losses are utilised throughout the forecast period. DBG is forecast to commence paying taxes in FY22.

DDG DCF Model Assumptions

General assumptions

The following general assumptions have been made in the DDG Model:

- a forecast period of 30 years (until FY46)
- a terminal value has been applied, as some existing operations and maintenance contracts are expected to continue long term and be supplemented by additional projects, and

- the terminal value is based on a Gordon Growth Model, utilising a perpetual growth rate of 2.50% which is in line with long term inflation forecasts in Australia.

Operational assumptions

The key operational assumptions underlying Scenario A are set out below:

- revenue is predominately sourced from Wheatstone Ashburton West Pipeline, Fortescue River Gas Pipeline and Tubridgi Gas Storage Facility
- revenue has been forecast with reference to contracted arrangements and no revenue is forecast beyond existing contracts, other than that described below for Tubridgi Gas Storage Facility and operations and maintenance contracts:
  - Wheatstone Ashburton West Pipeline generates revenue until 31 December 2045 as per its 30 year contract with Chevron. No extension options are assumed to be utilised
  - Fortescue River Gas Pipeline generates revenue until 31 December 2035, reflecting the 20 year take-or-pay contract between the Joint Venture and a Fortescue Metals Group subsidiary
  - Tubridgi Gas Storage Facility generates revenue until the period ending 31 December 2040. The majority of revenue relates to a 10 year storage agreement with CP Mining. It is also assumed that CP Mining takes up one 5 year extension option, albeit at reduced capacity. Additional customers purchase up to 23.8% of capacity until 30 June 2036
  - management's forecasts for Operations and Maintenance's revenue are adopted up until 3 June 2026, after which it grows by CPI over the remainder of the forecast period, and
  - Ashburton Onslow Gas Pipeline is forecast to generate operations and maintenance revenue over the forecast period, reflecting its 20 year contract with Horizon Power and assumed exercise of two 5 year extension options.
- operating costs are estimated on a project by project basis, where individual major projects, and cost initiatives impact on operating costs are separately identified in the short to medium term
- capital expenditure predominately relates to growth capital expenditure associated with the Tubridgi Gas Storage Facility (approximately $69 million). No other growth projects have been forecast. SIB capital expenditure is $2.7 million on average each year
- depreciation reflects tax depreciation for cash flow purposes
- tax is paid at the DIHL level, however, for the purposes of the valuation group revenue losses are utilised throughout the forecast period. On this basis, DDG is forecast to commence paying taxes in FY20
- the contingent liability related to the contractor claim filed by Monadelphous has been accounted for in the cash flow forecasts, and

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- a decommissioning provision for Wheatstone Ashburton West Pipeline and Fortescue River Gas Pipeline has been included in the period ending 31 December 2045 and 31 December 2035 respectively.

Multinet Gas DCF Model Assumptions

General assumptions

The following general assumptions have been made in the Multinet Gas DCF Model:

- a forecast period of 16 years (until 31 December 2032), which covers four regulatory periods (including the regulatory period ending 31 December 2017), and
- a terminal value has been applied, based on a Gordon Growth Model, utilising a perpetual growth rate of 1.5%.

Operational assumptions

The key operational assumptions underlying Scenario A are set out below:

- the current regulatory determination period ends on 31 December 2017
- for the forthcoming regulatory determination, the regulatory parameters are aligned with Multinet Gas' estimate of the likely outcome of the AER's pricing determination for 2018 to 2022, for which draft submissions were made in December 2016
- the estimate of the allowed rate of return in the pricing determination for 2018 to 2022 has been utilised in subsequent determination periods, with adjustments to the risk free rate (based on the forecast BBSW and spread to the 10 year Government bond rate)
- the DCF model assumes that a Revenue Cap will apply from 1 January 2018, in line with Multinet Gas' draft submission
- for subsequent determination periods, regulated revenues have been modelled using the building block approach. That is, revenue is the sum of:
  - the rate of return multiplied by the starting period RAB
  - regulatory allowed operating expenditure
  - regulatory depreciation, based on the straight-line method
  - any efficiency carryover (applicable to operating expenditure only), and
  - tax payable less an allowance for the implied value of imputation credits.
- RAB is calculated by taking the start of regulatory period RAB, allowing for inflation, adding capital expenditure and subtracting straight-line depreciation and any disposals
- allowance is made for Multinet Gas' history of performance relative to operating expenditure and capital expenditure regulatory targets
- an Efficiency Carryover Mechanism allowance is allowed for in the current distribution determination period

- growth capital expenditure is estimated to total $1.3 billion, while maintenance capex averages $4.63 million per year over the forecast period
- operating expenditure is estimated to total $1.12 billion over the forecast period. From 2026, operating costs are assumed to remain flat
- depreciation reflects tax depreciation for cash flow purposes, and
- tax is paid at the DueCo tax consolidated group level and for the purposes of the valuation the existing carried forward tax losses are utilised throughout the forecast period. On this basis, Multinet Gas is not forecast to pay tax into perpetuity.

United Energy DCF Model Assumptions

General assumptions

The following general assumptions have been made in the United Energy DCF Model:

- a forecast period of 14 years (until 31 December 2030), which covers three regulatory periods, and
- a terminal value has been applied, based on a Gordon Growth Model, utilising a perpetual growth rate of 2.0%.

Operational assumptions

The key operational assumptions underlying Scenario A are set out below:

- the current Access Arrangement is in place until 31 December 2020. A gamma of 0.4 has been utilised, which assumes that United Energy's appeal of the regulatory decision and the application of a gamma of 0.25 is unsuccessful
- for subsequent determination periods, tariffs continue to be based on a Revenue Cap
- future regulated revenues have been modelled using the building block approach. That is, revenue us the sum of:
  - the rate of return multiplied by the starting period RAB
  - regulatory allowed operating expenditure
  - regulatory depreciation, based on the straight-line method, and
  - tax payable less an allowance for the implied value of imputation credits.
- the rate of return has been determined by reference to the AER final decision released in May 2016. On this basis, it is assumed that the equity beta is 0.7, gearing ratio is 60% and the market risk premium is 6.5%. The risk free rate is update at the commencement of each regulatory period based on the forecast BBSW and spread to the 10 year Government bond rate)
- RAB is calculated by taking the start of regulatory period RAB, allowing for inflation, adding capital expenditure and subtracting straight-line depreciation and any disposals

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- allowance is made for United Energy's history of performance relative to operating expenditure and capital expenditure regulatory targets
- an Efficiency Carryover Mechanism allowance is allowed for in the current distribution determination period
- growth and maintenance capital expenditure is estimated to total $2.22 billion and $897.4 million over the forecast period, respectively
- operating expenditure is estimated to total $4.29 billion over the forecast period. From 2026, operating costs are assumed to remain flat
- depreciation reflects tax depreciation for cash flow purposes, and
- existing carried forward tax losses are utilised throughout the forecast period. United Energy is forecast to commence paying taxes in 2019.

EDL DCF Model Assumptions

Cash flows for each of the following businesses have been modelled separately:

- Australia (waste coal mine gas, remote energy, landfill gas and renewables)
- United States (landfill gas)
- United Kingdom (landfill gas), and

The cash flows for each business unit have been discounted in their domestic currencies and converted into Australian dollars at the spot exchange rate as at 31 December 2016 (A$1=US$0.75, A$1=£0.59). The Greek business (landfill gas) has been valued based on EDL's share of the book value of the asset, which is converted into Australian dollars at the spot exchange rate as at 31 December 2016 (A$=€0.69).

Revenue

- revenue is mostly contracted under PPAs over the short-to-medium term
- the uncontracted revenue (mostly long-term) is estimated using forecast production and black and green prices
- the forecast black and green prices over the long-term have been prepared by an independent industry expert. EDL management has confirmed that the prices included within the model reflect those in the report, and
- all green revenue is forecast to end when the relevant schemes end in Australia (i.e. the Australian RET expires on 31 December 2030).

Operating expenditure and capital expenditure

- cash flows include SIB capital expenditure as well as operating expenditure of approximately $762.5 million and approximately $3,976.5 million over the forecast period, and

- from FY21 onwards carbon costs are assumed to be included for the larger WCMG projects (those with production of over 25 tonnes of CO_2 per annum). In forecasting electricity prices the independent industry expert included for a recovery of the carbon costs, resulting in a full recovery of the carbon costs and a small margin on the LFG projects, as these do not have any carbon costs. EDL passes the carbon costs for the remote energy projects directly onto the client.

Growth

- the Australian business has a history of growth and growth has been included. To determine the growth applicable, KPMG Corporate Finance has considered the pipeline of projects provided by EDL and determined an applicable growth rate for capacity (4.5% per annum over the period of FY18 to FY32). The growth projects have been modelled using the following assumptions:
  - Australia:
    - revenue of $100 per MWh
    - capacity factor of 44%
    - growth capital expenditure of $2 million per MW
    - SIB capital expenditure of $5,000 per annum per MW of installed capacity
    - EBITDA margin of 75%, and
    - asset depreciation on a 15 year straight-line basis.
  - the United States includes only brownfield growth within Scenario A (4.13% per annum over the period of FY18 to FY32) and no extra growth has been considered
  - no growth is included in the United Kingdom or Greece, as no expanding gas fields are expected in either of these countries (i.e. the United Kingdom has declining gas fields and once a landfill is closed, typically another 30 years' worth of gas can be extracted).

Tax losses

- tax losses of $US112.9 million have been included in the United States business, which is utilised, until FY25. However, as the United States business is limited in the use of tax losses, it should be noted that from the first half of FY18 the United States business starts partially paying taxes again
- refer to the table below for the general inputs in DCF for Scenario A:

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Table 78: Summary of inputs

Region	Currency of cash flows	Spot exchange rate (per A$1)	Tax rate	WACC Low	WACC High	Terminal growth rate	Average capacity growth (MW)
Australia	A$	n/a	30%	8.0%	8.5%	2.5%	4.22%
United States	US$	US$0.75	34%	6.5%	7.0%	2.0%	4.13%
United Kingdom	£	£0.59	17%[1]	6.5%	7.0%	(3%)	(3.78%)

Source: KPMG Corporate Finance analysis.
Note 1: applicable rate for FY20 onwards.

Appendix 7 – Market Evidence

Transaction evidence - Australian energy transmission and distribution

The following table sets out a summary of transactions involving gas transmission pipelines and gas and electricity distribution networks since March 2010.

Table 79: Transaction evidence – Australian energy transmission and distribution

Announ -ced	Target	Regula -tion[1]	Consider-ation[2] (millions)	EBITDA multiple[3] Historical	EBITDA multiple[3] Forecast	RAB multiple[4]	EV to book value
Gas Transmission Pipelines							
May-16	Mortlake Pipeline	U	$245.0	n/a[5]	14.4x	n/a	n/a
Mar-16	Dampier Bunbury Pipeline	F	$1,025.0	10.6x	11.1x	0.94x	1.08x
Mar-16	Ethane Pipeline Income Fund	L	$130.3	9.3x	10.5x	n/a	1.96x
Dec-14	Wallumbilla Gladstone Pipeline	U	$6,014.2	n/a	13.1x	n/a	n/a
Apr-13	Moomba Adelaide Pipeline System[6]	U	$400.6	11.5x	12.5x	n/a	n/a
Dec-11	Hastings Diversified Utilities Fund[7]	L	$1,609.7	24.7x	n/a	n/a	1.47x
Jul-11	Tasmanian Gas Pipeline Pty Ltd.	U	$200.0	7.8x	n/a	n/a	0.95x
Jun-11	Dampier Bunbury Pipeline	F	$840.0	9.9x	11.1x	0.95x	0.60x
Jun-11	Amadeus Gas Pipeline	F	$63.0	2.6x	4.6x	0.68x	n/a
Nov-10	South East Australia Gas Pty Ltd.	U	$273.3	n/a	11.0x	n/a	n/a
Mar-10	Berwyndale to Wallumbilla Pipeline	U	$82.6	n/a	n/a	n/a	n/a
Gas Distribution Networks							
May-14	Envestra Limited	F	$2,371.8	11.3x	11.2x	1.59x	1.28x
Dec-11	APT Allgas Energy Pty Limited	F	$547.7	15.0x	n/a	1.23x	n/a
Jun-11	WA Gas Networks Pty Ltd	F	$291.5	9.8x	9.0x	1.19x	1.01x
Jun-11	Multinet Group Holdings Pty. Ltd.	F	$149.3	7.9x	7.8x	1.13x	0.96x
Oct-10	Country Energy Gas Networks	F	$108.6	n/a	11.3x	1.26x	n/a
Electricity Distribution Networks							
Sep-16	Ausgrid	F	$13,186.1	17.4x	n/a	1.49x	1.66x
Nov-15	TransGrid	F	$4,892.0	14.7x	n/a	1.66x	2.09x
May-13	SP AusNet Ltd.	F	$4,140.7	9.7x	n/a	1.48x	0.93x
May-13	SPI (Australia) Assets Pty Ltd	F/U	$4,236.1	11.8x	n/a	1.72x	0.96x
Nov-12	ElectraNet Pty Limited	F	$1,216.5	8.0x	n/a	1.34x	1.06x

Source: S&P Capital IQ, Merger Market, Company Announcements, Company financial statement; AER, KPMG Corporate Finance analysis.

Notes:

1: F = full regulation, L = light regulation, U = unregulated.

2: Consideration is the equity value of the target on a 100% basis and is presented in Australian dollars.

3: Represents enterprise value divided by EBITDA, where enterprise value is the consideration plus assumed net borrowings and EBITDA is earnings before net interest, tax, depreciation, amortisation, other income and significant and non-recurring items.

4: Represents enterprise value divided by RAB.

5: n/a = not available.

6: Performance from 9 October 2012 to 1 May 2013, annualised.

7: Calculated based on earnings for Epic Energy only.

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A brief description of the selected comparable transactions is provided below.

Gas Transmission Pipelines

Acquisition of Mortlake Pipeline by APA Group Limited and The Retail Employees Superannuation Trust (REST) (together, SEA Gas)

On 20 May 2016, Origin Energy announced that it had agreed to sell Mortlake Pipeline to a partnership (SEA Gas) owned by APA Group and REST for cash consideration of $245 million. The Mortlake Pipeline is unregulated and is located in southern Victoria. It supplies gas from the offshore Otway Basin to the 550 MW Mortlake Power Station. The transaction was part of Origin Energy's asset divestment program which sought to offload non-core assets, designed to alleviate pressure on the firm's balance sheet from ongoing oil price weakness and focus the company on two core businesses of energy markets and integrated gas. As part of the transaction, Origin Energy secured long-term gas transportation and storage services on the pipeline.

Acquisition of remaining 20% interest in the Dampier to Bunbury Natural Gas Pipeline (DBNGP) by DUET Group Limited

On 31 March 2016, DUET announced that it had agreed to acquire the remaining 20% interest in DBP from Alcoa for cash consideration of $205 million. To fund the acquisition, DUET launched a fully underwritten $200 million capital raising via a placement and a non-underwritten stapled security purchase plan. A requirement of the transaction was for Alcoa to maintain its current access to approximately 30% of the DBGNP transmission capacity in order to supply its three alumina refineries in Western Australia. DBN provides gas transportation to the state's south west and the Pilbara, connecting from Dampier to Bunbury. It is regulated by the ERA of Western Australia and is a core business for DUET.

Acquisition of Ethane Income Pipeline Fund (Moomba Sydney Pipeline) by APA Group

On 7 March 2016, APA Group announced an offer to acquire the remaining 93.2% interest in Ethane Pipeline Income Fund for cash consideration of $130 million. Ethane Pipeline Income Fund is an investment vehicle that owns the Moomba to Sydney Ethane Pipeline. The pipeline is externally managed by APA Group, which also provides operation and maintenance services to the fund. The Moomba Sydney Pipeline is a 1,300 km bi-directional pipeline that connects Wilton and Moomba. It is unregulated, other than the section connecting Marsden and Wilton, which is lightly covered. The fund had a long term contract in place with Qenos Pty Ltd (Qenos), which expires in 2030, however provides the right for Qenos to terminate the contract after 1 January 2019 with 12 months notice.

Acquisition of Queensland Curtis LNG (QCLNG) Pipeline (Wallumbilla to Gladstone Pipeline) by APA Group

On 10 December 2014, APA Group announced that it had entered into a binding agreement to acquire the QCLNG Pipeline from BG Group plc for cash consideration of US$4.6 billion (approximately AUD$5.6 billion). The QCLNG pipeline, now known as the Wallumbilla Gladstone Pipeline, is an uncovered, high pressure pipeline that is 543 km in length, connecting the Surat Basin gas fields to the QCLNG export facility and is unregulated. APA Group was one of a number of reported bidders. The pipeline had significant contracted revenue linked to US inflation and was expected to generate EBITDA of US$390 million in FY16.

Acquisition of Moomba Adelaide Pipeline System by QIC Global Infrastructure

On 12 April 2013, QIC Global Infrastructure agreed to acquire Moomba Adelaide Pipeline System (MAPS) from APA Group for $401 million in cash. The sale was a result of the Australian Competition and Consumer Commission (ACCC)'s requirement for APA Group to divest MAPS as part of its approval of APA Group's acquisition of HDUF. MAPS is a 1,184 km pipeline system that connects the South Australian market from Moomba to Adelaide and is unregulated.

Acquisition of Hastings Diversified Utilities Fund by APA Group

On 14 December 2011, APA Group offered to acquire the remaining 79.29% interest that it did not already own in HDUF for a combination of cash, scrip and subordinated notes for total consideration of $1.7 billion. HDUF was an energy infrastructure investment fund. The fund owned 100% of Epic Energy, which owned and operated 4 unregulated gas transmission pipelines in Queensland and South Australia including

- South West Queensland Pipeline: linking Moomba to APA Group's Roma to Brisbane pipeline
- Moomba to Adelaide Pipeline System
- South East Pipeline System: linking the Katnook gas plant to the SEA Gas pipeline, and
- Pilbara Pipeline System: linking Carnarvon Basin gas fields to Karratha, Port Headland and Pilbara mining operations.

The fund sold at high earnings multiples because of strong expected growth and the strategic location of the pipelines.

Acquisition of Tasmanian Gas Pipeline Pty Ltd by Palisade Investment Partners

On 18 July 2011, Palisade Investment Partners Limited, a subsidiary of Pinnacle Investment Group, entered into an agreement to acquire Tasmanian Gas Pipeline Pty Ltd (Tasmanian Gas Pipeline) from WestNet Infrastructure Group for $200 million in cash. The Tasmanian Gas Pipeline was constructed in 2003 to connect Tasmania to Victoria. The pipeline is 734 km in length and is unregulated.

Acquisition of 20% stake in Dampier Bunbury Pipeline by DUET

On 27 June 2011, DUET Group announced that it had entered into a conditional agreement to acquire an additional 20% interest in DBP for cash consideration of $168 million, taking its stake to 80%. The minority acquisition was part of a broader transaction involving the acquisition of WA Gas Networks and the minority acquisition of Multinet Group. DBP was Western Australia's principal gas transmission pipeline. It connected the natural gas reserves of

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the Carnarvon and Browse basins to customers in Perth and nearby regions. The pipeline is regulated by the ERA.

Acquisition of Amadeus Gas Pipeline by APA Group

On 16 June 2011, APA Group announced that it had agreed to acquire Amadeus Gas Pipeline for $63 million cash. The Amadeus Gas Trust has leased the pipeline since 1986 from a consortium of financial institutions. NT Gas, as Trustee for the Amadeus Gas Trust, has also managed and operated the pipeline since 1986. APA Group held a 96% interest in the Amadeus Gas Trust and NT Gas and acquired the pipeline when the trust's lease ended. The 38 PJ high pressure pipeline transports gas to Darwin, Katherine, Alice Springs and a number of remote mining sites. APA Group entered into a 22 year take-or-pay haulage contract with the Northern Territory Power and Water Authority, who also have the option to extend the contract another 15 years. The pipeline is regulated by the AER. Historical earnings multiples are based off information released in the 2011-2016 Access Arrangements and forecast multiples utilise forecast's in the AER's draft decision 2011-2016 Access Arrangement as it was publically available prior to the announcement. While the RAB multiple is low, it is less meaningful for the acquisition as the haulage contract negates the regulatory determinations.

Acquisition of minority interest in SEA Gas Pipeline by APA Group and REST

On 11 November 2010, APA Group and Retail Employees Superannuation Trust announced an agreement to acquire the remaining 33.3% stake in SEA Gas Pipeline for $92.5 million cash, plus a working capital adjustment. The acquisition came about from APA Group exercising its pre-emptive right over party of seller's (International Power) interest increasing its overall stake to 50%. On 2 March 2011, final consideration paid to shareholders was disclosed to be $91 million. The SEA Gas Pipeline was commissioned in 2004 and provided a transmission link between Victoria and South Australia. The pipeline covers 680 km and is unregulated.

Acquisition of Berwyndale to Wallumbilla Pipeline by APA Group

On 19 March 2010, APA Group announced an agreement to acquire Berwyndale to Wallumbilla Pipeline from AGL Energy for $82.6 million cash. The Berwyndale to Wallumbilla Pipeline is an unregulated, 112 km, 16-inch pipeline that transports gas from the Surat Basin to the Wallumbilla hub in Queensland. Berwyndale to Wallumbilla Pipeline had only been operational since April 2009 and was deemed non-core to AGL Energy's integrated business strategy, as AGL Energy secured a competitively priced, long term gas transportation agreement to use the pipeline as part of the transaction. The gas transportation agreement had an option for increased capacity and the option to increase the term of the agreement up to 10 years.

Gas Distribution Networks

Acquisition of 82.54% of Envestra Limited (Australian Gas Networks) by CKI consortium

On 8 May 2014, a consortium including PAH made an offer to acquire the remaining 82.54% interest in Envestra for $2.4 billion cash. The consortium's offer was superior to the previous, unsolicited offer by APA Group to acquire the 66.95% stake it did not own in Envestra. APA Group cancelled the transaction when the special Board committee of Envestra unanimously recommended the offer from the consortium. Envestra was a gas distributor that operated regulated networks in South Australia, Victoria, New South Wales and Queensland with over 1.2 million customers. The high implied RAB multiple is likely due to the competitive bidding process.

Acquisition of APT Allgas Energy by Marubeni Corporation and RREEF Infrastructure

On 14 December 2011, APA Group announced that it was selling down its interest in APT Allgas Energy Pty Limited into an APA Group minority owned unlisted investment vehicle. Marubeni Corporation and RREEF Infrastructure each acquired 40% of the new unlisted investment vehicle for a total cash consideration of $477 million. APT Allgas Energy is a fully regulated gas distributor that operates in south-east Queensland. At time of announcement, APT Allgas Energy had 2,475 km of delivery pipelines and 468 km of high-pressure pipelines that connected to approximately 80,000 households.

Acquisition of WA Gas Networks by ATCO Group

On 27 June 2011, DUET announced that it signed an agreement to sell its 25.9% in WA Gas Networks Pty Ltd to ATCO Group. ATCO Group acquired 100% ownership for approximately $1.0 billion cash, which included the repayment of $80 million of DUET's SOLA debt in WA Gas Networks. In addition to operating a reticulated LPG system in Albany, WA Gas Networks distributes gas in Perth, Geraldton, Mandurah, Bunbury, Capel, Busselton, and Kalgoorlie and is fully regulated.

Acquisition of 20.1% stake in Multinet Group Holdings Pty Ltd by DUET Group

On 27 June 2011, DUET Group announced that it had signed a conditional agreement to acquire the remaining 20.1% stake in the fully regulated Multinet Gas. DUET paid total consideration of $30 million in cash. Multinet Gas is a Victorian gas distribution company that serviced the eastern and south-eastern suburbs of Melbourne through its 1,940 square kilometres of mains. Multinet Gas distributed 34.8 PJ of gas in the half year to 30 December 2010.

Acquisition of Country Energy Gas Networks by Envestra Limited

On 26 October 2010, Envestra announced that its wholly owned subsidiary Envestra Transmission Pty Limited had entered into an agreement to acquire Country Energy Gas Networks Pty Limited from Country Energy for $110 million in cash, funded by existing reserves, dividend reinvestment plan proceeds and a loan facility. Country Energy Gas Networks is a gas distributor that operated regulated and unregulated networks predominately in Wagga Wagga. It also owned 65km of transmission pipelines. The unregulated network generated $4 million per annum by delivering 1.4 PJ of gas per annum through 480 km of mains to 6,600 users. The regulated network generated $10 million per annum by delivering 1.6 PJ per annum through 680 km of mains to 19,500 users. 70% of the acquisition price related to the regulated assets, which implied a RAB multiple 1.26 times.

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Electricity Distribution Networks

99 year lease of Ausgrid by IFM and AustralianSuper

On 23 September 2016, IFM Investors Pty Ltd and AustralianSuper Pty Ltd Announced they had agreed to acquire a 50.4% stake in a 99 year lease of Ausgrid from the New South Wales State Government. Ausgrid is an electricity distributor and transmitter that services approximately 1.7 million customers in the Sydney, Central Coast, and Hunter regions of New South Wales. The electricity network comprises: a sub-transmission system of 33kV, 66kV, and 132kV assets; a high-voltage distribution system of 5kV and 11kV assets; and, a low-voltage system of 240V and 415V assets. While it was a competitive bidding process, the implied RAB multiple was lower than recent transactions due to the Foreign Investment Review Board blocking the potential sale to Chinese investors.

99 year lease of TransGrid by consortium including Hastings Funds Management and Spark Infrastructure Group

On 24 November 2015, a consortium including Hastings Funds Management and Spark Infrastructure Group entered into a 99 year lease of the assets of TransGrid from the New South Wales State Government for $10.3 billion cash. TransGrid was the owner and operator of the largest electricity network in the NEM. Fully regulated, it operated in New South Wales and the Australian Capital Territory. The high implied RAB multiple was likely due to the expected solid asset base growth and opportunities to cost out.

Acquisition of 19.9% of SP AusNet by State Grid International Development Limited (State Grid International Development)

On 17 May 2013, Singapore Power International Pte Ltd that it had entered into an agreement to sell a 19.9% stake in SP AusNet Ltd. to State Grid International Development for $824 million cash. The transaction resulted in a loss of control, with Singapore Power International's total stake decreasing from 51.0% to 31.1%. In a related bid State Grid International Development announced it had agreed to acquire SPI (Australia) Assets. On 20 December 2013, the Federal Treasurer of Australia approved the transaction upon the condition that at least 50% of the Board members to be appointed by State Grid International Development Limited to the Boards of SP AusNet and Jemena are Australian citizens that ordinarily reside in Australia. SPI owns three regulated assets: electricity transmission, electricity distribution and gas distribution. It also owns the non-regulated Select Solutions Group Pty Ltd, which provides specialist utility related metering, monitoring and asset management services. In the financial year ended 2012, Select Solutions EBITDA was $16.5 million and regulated EBITDA was $890.6 million. The high implied RAB multiple is likely a due the strategic value (if not control value) associated with losing control and also a reflection of expected high RAB growth rates.

Acquisition of 60% of SPI (Australia) by State Grid International Development

On 17 May 2013, State Grid International Development announced that it had entered into an agreement with Singapore Power International Pte Ltd to acquire its 60% stake in SPI (Australia) Assets Pty. Ltd for $2.9 billion cash. The transaction was subject to approval from the Foreign Investment Review Board, which was granted on 20 December 2013 on the condition that at least half the State Grid International Development appointed Board members of SP AusNet and Jemena were Australia citizens who ordinarily reside in Australia. SPI (Australia) Assets owns:

- wholly-owned regulated assets, Jemena Gas Networks and Jemena Electricity. Jemena Gas Networks serves over 1 million customers in Sydney and Jemena Electricity serve over 300,000 customers in Melbourne
- partially-owned regulated assets, which includes 50% of ActewAGL Distribution, the electricity and gas distribution network in the ACT, and United Energy Distribution, an electricity distributor in Melbourne
- wholly-owned unregulated assets, which includes Zinfra, a utility infrastructure services provider; a recycled water scheme in New South Wales; and, gas transmission pipeline in Victoria, New South Wales and Queensland, and
- The high RAB multiple is likely due to the large proportion of unregulated assets, with unregulated EBITDA accounting for approximately 20% of total EBITDA in the year ended 31 March 2013.

Acquisition of 41.1% of ElectraNet by State Grid Corporation China

On 28 November 2012, State Grid Corporation of China entered into an agreement to acquire a 41.1% stake in ElectraNet Pty Ltd. from the Queensland Government for $500 million cash. ElectraNet is headquartered in Adelaide and owns and operates an electricity transmission network in South Australia. The asset is fully regulated by the AER.

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DUET Company Limited, DUET Finance Limited and DUET Investment Holdings Limited
Independent Expert's Report and Financial Services Guide
7 March 2017

Transaction evidence – electricity generation

The following table sets out a summary of recent transactions involving electricity generation assets that utilise similar fuel sources those used by EDL's portfolio.

Table 80: Transaction evidence – electricity generation

Announced	Target	Fuel type[1]	Consideration[2] (million)	EBITDA multiple[3] Historical	EBITDA multiple[3] Forecast	MW multiple[4]
Australia						
Jun-16	Cullerin Range Wind Farm Pty Ltd	W	A$72.0	11.6x	n/a[5]	2.40x
Apr-16	Landfill Gas & Power Pty Ltd	LFG	n/a	9.0x	8.8x	2.10x
Dec-15	Pacific Hydro Pty Ltd.	H/W	A$3,000.0	24.0x[7]	n/a	3.33x
Jul-15	Energy Developments Limited	WCMG/LFG	A$1,368.9	8.8x	8.3x	2.13x
Dec-14	Delta Electricity (Colongra)	G	A$234.0	n/a	n/a	0.35x
Jun-14	Clarke Energy Australia Pty Ltd	LNG	A$23.0	n/a	n/a	0.77x
Apr-14	Envirogen Pty Ltd	WCMG	A$25.0	n/a	n/a	0.58x
Feb-14	Clarke Energy Australia Pty Ltd	LNG	A$21.0	n/a	n/a	1.00x
Feb-14	Macquarie Generation	C/G/S	A$1,415.0	6.7x	n/a	0.30x
Jul-13	Earing Energy Pty Ltd	C/H/W	A$659.0	n/a	n/a	0.20x
Sep-12	Fortescue Metals Group (Solomon)	D/G	US$318.0	n/a	n/a	2.45x
Jul-11	Energy Generation Pty Ltd	D/G	A$101.4	n/a	n/a	1.03x
Jun-11	NewGen Braemar 2 Pty Ltd. (25%)	G	A$263.9	n/a	n/a	0.51x
Jun-11	Emu Downs Wind Farm	W	A$171.0	10.5x	8.5x	2.14x
United Kingdom and Europe						
Oct-16	Infinis plc	LFG	£185.0	5.1x	n/a	2.61x
May-16	CHORUS Clean Energy AG	S/W	€295.5	14.9x	8.9x	3.24x
Nov-15	Enel Green Power S.p.A.	W/S/H/GT/B	€9,619.8	10.8x	9.5x	1.80x
Oct-15	Infinis Energy Limited (31.4%)	LFG	£555.0	8.1x	n/a	4.09x
Sep-15	Finerge-Gestão de Projectos	W	n/a	5.3x	n/a	1.54x
Jan-12	UK Landfill Gas Portfolio	LFG	£30.0	n/a	n/a	0.70x
May-10	Falck Renewables Wind Ltd	W	£342.5	4.1x	n/a	0.84x
United States and Canada						
Jul-15	Massachusetts Solar & Minnesota	S/W	US$75.8	8.8x	n/a	2.35x
Jun-11	Capital Power Income LP	C/G/LFG/S/W	CA$1,096.9	12.3x	11.1x	1.33x
Feb-11	Cloudworks Energy Inc.	H	CA$177.8	23.9x[7]	n/a	0.94x
Apr-10	RRI Energy, Inc.	C/G	US$1,337.6	5.8x	7.9x	0.17x

Source: S&P Capital IQ, Merger Market, Company Announcements, Company financial statements, KPMG Corporate Finance analysis. Notes continued on next page

Notes:

1: B = Biomass, C = Coal, D = Diesel, G = Gas, H = Hydro, LFG = Landfill gas, LNG = Liquefied natural gas, S= Solar, WCMG = Waste coal mine gas, W = Wind.

2: Consideration is the equity value of the target on a 100% basis.

3: Represents the enterprise value divided by EBITDA where enterprise value is consideration plus net debt and EBITDA is earnings before net interest, tax, depreciation and amortisation.

4: Represents the enterprise value divided by MW of installed capacity.

5: n/a = not available.

6: Cloudworks Energy Inc. had 800MW of total potential installed capacity as many projects were still under development.

7: Considered outliers.

A brief description of the selected comparable transactions is provided below.

Australia

Acquisition of Cullerin Range Wind Farm Pty Ltd by Energy Developments Limited (30 MW – wind)

On 17 June 2016, EDL announced the acquisition of Cullerin Range Wind Farm Pty Ltd from Origin Energy for cash consideration of $72 million. The Cullerin Range Wind Farm is located in New South Wales and has an installed capacity of 30 MW. As part of the transaction, EDL entered into an offtake agreement with Origin Energy.

Acquisition of Landfill Gas & Power Pty Ltd by Energy Developments Limited (10 MW – landfill gas)

On 22 April 2016, EDL announced the acquisition of Landfill Gas & Power Pty Ltd. Details of the consideration are not publically available. Landfill Gas & Power Pty Ltd is a producer and provider of landfill gas and operates two landfill sites in Perth at Tamala Park (5 MW) and Red Hill (4 MW), and a diesel peaking power station at Kalamunda (1 MW).

Acquisition of Pacific Hydro Pty Ltd by State Nuclear Power Technology Corporation (900 MW – hydro and wind)

On 16 December 2015, the Chinese State owned company State Nuclear Power Technology Corporation announced the acquisition of Pacific Hydro Pty Ltd for a consideration of $3,000 million. Pacific Hydro Pty Ltd operated 19 wind farms and hydropower dams in Australia, Brazil and Chile with a combined installed capacity of 900 MW.

Acquisition of Energy Developments Limited by DUET Group (900 MW - remote energy, landfill gas and WCMG)

On 20 July 2015, DUET announced the acquisition of EDL for cash consideration of $1,369 million. At the time of acquisition, EDL was a remote energy and clean energy provider, with approximately 900 MW of installed capacity in Australia, the United States, the United Kingdom and Greece.

Acquisition of Colongra peaking plant by Snowy Hydro Limited (667 MW – gas)

On 29 December 2014, Snowy Hydro Limited announced the acquisition of the Colongra peaking plant, from the NSW Government-owned company, Delta Electricity, for $234 million. The Colongra peaking plant is the largest gas-fired generation plant in New South Wales with an installed capacity of 667 MW at the time of acquisition. The strategic rationale for the acquisition was to diversify revenue.

Acquisition of Clarke Energy (Australia) Pty Ltd assets by Energy Developments Limited (30 MW – WCMG)

On 30 June 2014, EDL announced the acquisition of 30 MW of WCMG assets from Clarke Energy (Australia) Pty Ltd's (Clarke Energy) for a cash consideration of $23 million. The

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consideration included a deferred payment and the assets were to be leased back to Clarke Energy for 12 months from July 2014, with the potential for an extension.

Acquisition of Envirogen Pty Limited assets by Energy Developments Limited (43 MW – WCMG)

On 11 April 2014, EDL entered into a conditional agreement to acquire Envirogen Pty Ltd's (Envirogen) 43 MW WCMG business, comprising of four power stations, from Hastings Fund Management Limited and The Infrastructure Fund (both are funds managed by Hastings Management Pty Ltd, a subsidiary of Westpac Banking Corporation). The assets were located in Queensland and New South Wales (states in which EDL had existing operations) and supplied clean energy to global miners such as Vale and Glencore Xstrata. At the time of the acquisition, EDL's installed WCMG generation capacity exceeded 200 MW.

Acquisition of Clarke Energy (Australia) Pty Ltd assets by Energy Developments Limited (21 MW – WCMG)

On 24 February 2014, EDL announced the acquisition of generation assets with an installed capacity of 21 MW, from Clarke Energy for $21 million cash. Under the terms of the contract the coal seam gas (CSG) assets were acquired by EDL and then leased back to Clarke Energy for an initial term of 12-18 months from December 2014. The lease period was amendable subject to a change in operational needs.

Acquisition of Macquarie Generation assets by AGL Energy Limited (4,690 MW – coal, gas and solar)

On 2 February 2014, AGL Energy announced the acquisition of the assets of Macquarie Generation, the largest electricity producer in New South Wales, from the New South Wales Government for $1.4 billion cash. The assets acquired included Bayswater (2,640 MW) and Liddell black coal-fired power stations (2,000 MW), the Hunter Valley Gas Turbines (50 MW) and the Liddell solar thermal project, all of which are located in the Upper Hunter Valley in New South Wales.

Acquisition of Eraring Energy Pty Limited by Origin Energy Limited (3,300 MW – coal, wind and hydro)

On 1 July 2013, Origin Energy announced it had completed the acquisition of New South Wales Government owned Eraring Energy Pty Limited (Eraring Energy) for cash consideration of $50 million and $609 million in scrip it had already paid to the New South Wales Government under an existing GenTrader agreement. Eraring Energy's assets included 2,880 MW of coal generation and 240 MW of hydro generation.

Acquisition of Solomon Power Station by TransAlta Corporation (125 MW – duel fuel; gas and diesel)

On 4 September 2012, TransAlta Corporation announced the acquisition of the Fortescue Metals Group Limited's Solomon Power Station for cash consideration of US$318 million. Solomon Power Station had an installed capacity of 125 MW and had dual-fuel capability, with the turbines being able to operate on either diesel or natural gas. The strategic rationale for acquisition was to further expand TransAlta Corporation's energy business in Western Australia.

Acquisition of Energy Generation Pty Ltd by Energy Developments Limited (98 MW – remote energy)

On 18 July 2011, EDL announced the acquisition of Energy Generation Pty Ltd in a cash consideration of $101 million. Energy Generation Pty Ltd was a subsidiary of Wesfarmers Kleenheat Gas Pty Ltd and had approximately 98 MW of installed capacity which provided power to Australian mine sites and remote communities using a combination of diesel and gas fired power stations.

Acquisition of 25% of NewGen Braemar 2 Pty Ltd by Arrow (Southern Generation) Pty Ltd (519 MW – gas)

On 30 June 2011, Arrow (Southern Generation) Pty Ltd (Arrow Energy) acquired a non-controlling stake in NewGen Braemar 2 Pty Ltd from ERM Power Limited. NewGen Braemar 2 is located in Queensland and is a 519 MW open-cycle gas generation unit as well as a 110 km high pressure gas pipeline network.

Acquisition of Emu Downs Wind Farm by APA Group (80 MW – wind)

On 23 June 2011, APA Group announced the acquisition of the 80 MW Emu Downs Wind Farm located in WA from Griffin Group for $179 million in cash. The transaction included a 130 MW development opportunity on an adjacent site and was underpinned by a 20 year contract to sell electricity to the Western Australian Government owned retailer, the Electricity Generation and Retail Corporation (trading as Synergy).

United Kingdom and Europe

Acquisition of Infinis plc by 3i Infrastructure plc by 3i Infrastructure plc (301 MW – landfill gas)

On 31 October 2016, 3i Infrastructure plc announced the acquisition of Infinis plc for £185 million ($297.0 million) cash. Infinis plc generates and sells electricity from gas collected from landfill sites in the United Kingdom. Infinis plc was the landfill gas business of Infinis Group which also generates energy through onshore wind. As at June 30 2016, Infinis plc had 121 operating sites and 7 outsourced sites across the UK and had installed capacity of 301MW. The acquisition was part of a strategy to bolster 3i Infrastructure plc's existing portfolio.

Acquisition of 94.4% of CHORUS Clean Energy AG by Capital Stage AG (273 MW – wind and solar)

On 30 May 2016, Capital Stage AG announced the acquisition of CHORUS Clean Energy AG for €300 million ($455 million). CHORUS Clean Energy AG owns and operates solar and wind energy plants in Europe. The company generates and distributes electricity to energy suppliers and governments. The acquisition was part of a move to expand Capital Stage AG's asset management business in lieu of an additional institutional fund to invest in renewable plants in Europe.

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Acquisition of remaining 33.7% of Enel Green Power S.p.A. by Enel S.p.A. (10,470 MW – wind, solar, hydroelectric, geothermal and biomass)

On 18 November 2015, Enel S.p.A. announced the acquisition of the remaining 33.7% interest in Enel Green Power S.p.A. (Enel Green Power) for scrip consideration of €3.2 billion ($4.9 billion). Enel Green Power generates electricity from renewable resources (including wind, solar, hydroelectric, geothermal and biomass) in Europe, the Americas, Asia and Africa. As of December 31, 2015, it operated 713 plants with an installed capacity of 10,470 megawatts.

Acquisition of 31.4% of Infinis Energy plc by Monterey Capital II S.à r.l (589 MW – wind, landfill gas)

On 22 October 2015, Monterey Capital II S.à r.l (Monterey) made an offer to acquire the remaining 31.4% stake in Infinis Energy plc for approximately £185 million in cash ($297.0 million). Infinis Energy plc is a landfill gas and onshore wind energy producer which develops, constructs and operates renewable power plants in the UK. Monterey is a subsidiary of Terra Firma Capital Partners Limited. The offer was below Infinis Energy plc's IPO of two years prior and was recommended by management due to the changing regulatory and political environment and reduction in power prices. The sell down was subsequent to a disposal of the company's non-core hydro business to allow the group to focus on its onshore wind business.

Acquisition of Finerge-Gestão de Projectos Energéticos, S.A. by First State Wind Energy Investments S.A. (642 MW – wind, solar, hydro, geothermal, biomass)

On 29 September 2015, First State Wind Energy Investments S.A. (First State) announced the acquisition of Finerge-Gestão de Projectos Energéticos, S.A. (Finerge) from Enel Green Power Espana SL for €900 million ($1.3 billion) cash and included repayment of a shareholder loan to Finerge. Finerge operates wind farms and co-generation plants to produce and distribute electricity. Finerge's stable, in-feed tariff regimes offered long-term stability to First State's diversified infrastructure portfolio.

Acquisition of UK Landfill Gas Portfolio by Capital Dynamics AG (64 MW – gas)

On 18 January 2012, Capital Dynamics AG announced the acquisition of a UK Landfill Gas Portfolio for £30.0 million ($44.9 million) in cash. The portfolio consisted of 35 landfill gas sites in the United Kingdom which had installed capacity of 64 MW. The portfolio was underpinned by long-term sales contracts with government agencies and energy retailers. The strategic rationale for the acquisition was the stable cash flow provided by the target assets and furthering Capital Dynamic AG's diversification into clean energy.

Acquisition of Falck Renewables Wind Ltd by Actelios SpA (400 MW – wind)

On 28 May 2010, Actelios SpA (Actelios) announced the acquisition of Falck Renewables Wind Ltd from Falck Energy SA and management for approximately €340 million ($500 million) in scrip. Falck Renewables Wind Ltd develops, owns, and operates wind energy projects in Europe. Actelios is Falck Group's biomass, photovoltaic and waste-to-energy arm and the demerger of Falck Renewables Wind Ltd was part of a strategy to increase Actelios' geographic and technological diversification.

United States and Canada

Acquisition of solar and wind assets by TransAlta Corporation (71MW – solar and wind)

On 27 July 2015, TransAlta Corporation announced the acquisition of 21 MW of solar projects in Massachusetts and a 50 MW wind facility in Minnesota from Rockland Capital LLC for US$118 million in cash. Both assets were supported by long term (20 to 30 years) PPAs. The acquisition was TransAlta Corporation's first move into solar energy and supported its strategy of growing its renewable energy business.

Acquisition of Capital Power Income LP by Atlantic Power (1,400 MW – coal, gas, landfill gas, solar and wind)

On 20 June 2011, Atlantic Power announced the acquisition of Capital Power Income for CA$1,978.5 million in cash and shares. At the time of the transaction, Capital Power Income LP wholly owned 19 power generation assets in the United States and Canada, with a combined installed capacity of 1,400 MW. The strategic rationale behind the transaction is for Atlantic Power to generate stable cash flows as well as extending its portfolio, through acquisitions, to maintain its dividends payout ratio.

Acquisition of Cloudworks Energy Inc. by Innergex Renewable Energy Inc (75 MW – hydroelectric)

On 14 February 2011, Innergex Renewable Energy Inc. announced the acquisition of Cloudworks Energy Inc. (Cloudworks) for approximately CA$191 million which was financed with a CA$166 million public share issuance and a CA$39 million private placement of common shares. Cloudworks is a power producer that develops, constructs, and operates run-of-river hydroelectric generation projects in British Colombia, Canada. Cloudworks' portfolio included of a 50.01% interest in six run-of-river hydroelectric facilities (150 MW), run-of-river hydroelectric projects under development with 40-year PPA and full ownership of run-of-river hydroelectric projects in various stages of development (75.6 MW) and with a potential aggregate installed capacity of over 800 MW.

Merger of RRI Energy, Inc. and Mirant Corporation (14,000 MW and 10,700 MW respectively – coal and gas)

On 11 April 2010, Mirant Corporation and RRI Energy, Inc. announced their intention to merge and operate under the new name GenOn Energy. The Mirant shareholders will own approximately 54% of the combined entity whereas the RRI Energy, Inc. shareholders will own approximately 46%. GenOn Energy will have an installed capacity of 24,700 MW.

Sharemarket evidence - Australian energy transmission and distribution companies

The following table sets out the market metrics for listed companies that are engaged in energy transmission and distribution in Australia and New Zealand (Vector Limited).

Table 81: Sharemarket evidence – Australian energy transmission and distribution

Company	Regulation[1]	Market Cap ($ million)[2]	EBITDA multiple[3] Historical	EBITDA multiple[3] Forecast year 1	EBITDA multiple[3] Forecast year 2	EBIT multiple[4] Historical	EBIT multiple[4] Forecast year 1	EBIT multiple[4] Forecast year 2	EV to Book Value[5]	RAB multiple[6]
APA Group[7]	U	A$9,327	13.2	13.2	12.8	21.4	21.5	20.7	1.40	Nmf[8]
AusNet Services Ltd	F	A$5,945	12.1	11.8	11.7	18.4	19.0	19.0	1.21	1.46
Spark Infrastructure[9]	F	A$3,936	9.5	9.3	9.1	15.3	14.4	14.0	1.27	1.41
Vector Limited[10]	P	NZ$3,256	11.8	10.2	10.0	20.5	16.4	16.1	1.20	1.91

Source: S&P Capital IQ, Merger Market, Company Announcements, Company financial statements, KPMG Corporate Finance analysis

Notes:

1. *U=Unregulated, F=Fully regulated, P=Partial regulation.*
2. *Market capitalisation is calculated using closing prices on 27 February 2017 and is provided in local currency.*
3. *EBITDA multiple is calculated by dividing Enterprise by EBITDA. The Enterprise Value is the market capitalisation plus net debt, preferred equity, and minority interest, which is then adjusted for investments accounted for using the equity method. EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income and significant and non-recurring items.*
4. *EBIT multiple is calculated by dividing Enterprise by EBIT. EBIT is earnings before net interest, tax, investment income and significant and non-recurring items.*
5. *Represents enterprise value divided by the book value of enterprise value, calculated as the book value of equity plus net debt less equity accounted investments (where applicable).*
6. *RAB multiple is calculated by dividing Enterprise Value by RAB.*
7. *APA Group's EBITDA and EBIT was adjusted for share of net profits of associates and joint ventures using the equity method.*
8. *nmf = not meaningful. APA Group's RAB multiple is not meaningful as only 4 of its assets are regulated*
9. *Spark Infrastructure Group's earnings multiples were calculated on a proportionally consolidated basis. Its EV to Book Value multiple were adjusted for its shareholder loan notes. See company description for further details.*
10. *Vector Limited's EBITDA and EBIT was adjusted for discontinuing operations, as it sold Vector Gas on 20 April 2016.*

A brief description of the selected comparable companies is provided below:

APA Group

APA Group is primarily focussing on long distance gas transportation and also provides asset management services. It is Australia's largest gas infrastructure business, with over 15,000 km of gas transmission pipelines, 28,000 km of gas mains, and 1.3 million gas consumer connections. It business segments include:

- Energy Infrastructure, which includes APA Group's pipelines, gas storage assets, gas compression assets, wind farm, and power stations. It wholly or majority owns 22 pipeline groups, four of which are fully regulated: Roma Brisbane Pipeline, Central Ranges Pipeline, Victorian Transmission System, and Amadeus Gas Pipeline
- Asset Management, which provides commercial, operating services and operating services to its energy investments, and
- Energy Investments, which includes APA Group's strategic stakes in investments vehicles that contain energy infrastructure assets.

APA Group's high multiples reflect the stability of its high proportion of regulated and contracted earnings; the scale of its business, which allow it to generate finance and operating efficiencies; and, strong growth opportunities, with management noting at a recent investor day that they are targeting $4 to $7 billion (2016 real) of growth capex between FY2016 and FY2030. APA Group's RAB multiple is not meaningful as only 4 of its assets are regulated.

AusNet Services Limited

AusNet Services is a Victorian energy delivery infrastructure business, with operations in both electricity and gas delivery and a variety of unregulated activities. Its segments include:

- Electricity Distribution ($936.6 million FY16 revenue), which has a high voltage network of approximately 50,000 km that serves 690,000 customers
- Gas Distribution ($188.8 million), which has 9,400 kilometres of gas mains that serving approximately 660,000 customers across Central and Western Victoria
- Electricity Transmission ($625.8 million), which carries electricity from power generators to electricity distributors over its transmission network of 6,500 km and 13,000 high voltage towers, and
- Select Solutions ($20.3 million), which provides specialist utility related metering, monitoring and asset management services.

AusNet trades at approximately a 45% premium to its RAB and it earnings multiples are in line with its peers, despite a recent decrease in its largest segment's earnings. Electricity distribution revenues fell by 13.8% in 1HY17, primarily attributed to 2016-2020 Electricity Distribution Price Review reset that resulted in a 5.7% decrease in tariffs and 42.9% decline in metering revenue. The decrease in electricity distribution earnings is offset by expected savings from a burgeoning efficiency and expected growth in its asset base, with management forecasting RAB growth of 3% per annum until 2020 and targeting a contracted asset base of $1 billion by 2021.

Spark Infrastructure Group

Spark Infrastructure Group is a specialist infrastructure fund that invests in regulated energy businesses in Australia. The fund holds minority stakes in:

- Victoria Power Networks (49.00% equity), which as a consolidated entity distributes electricity in Victoria. The consolidated entity's subsidiaries include Powercor Australia Ltd and CitiPower Group, which have 768,000 and 326,000 customers respectively
- SA Power Networks (49.00%), which is the sole distributor of electricity in South Australia. It services over 850,000 residential and commercial customers, and
- Transgrid (15.01%), which is the largest high-voltage transmission network in the National Electricity Market with approximately 3 million customers in New South Wales and the Australian Capital Territory.

The implied earnings multiples for Spark Infrastructure Group have been calculated using the proportionality consolidated earnings of its equity accounted investments and making

A Annexure A – Independent Expert's Report continued

adjustments to enterprise value to account for its proportionate share of debt. RAB multiples are calculated using Spark's proportionate share of RAB. In addition, as Spark Infrastructure Group is a stapled security (each unit in Spark Infrastructure Trust is stapled to one Loan Note issued by Spark Infrastructure Trust), its Shareholder Loan Notes have been treated as equity when calculating the Unlevered Net Assets and Levered Net Assets. Spark Infrastructure Group trades at a discount to its peers likely due to the market applying a Listed Investment Fund discount and minority discount.

Vector Limited

Vector Limited is an integrated energy infrastructure company located in New Zealand. It operates gas and electricity distribution business; cogenerates, retails and stores natural gas and LPG; and, provides metering services and solutions for new energy technologies. It has 654,375 electricity and gas connections and transported 8,414 GWh of electricity and 13.9 PJ of gas in FY16. Vector Limited sold Vector Gas on 20 April 2016 for $952.5 million. Vector Gas owned non-Auckland gas distribution business and Vector Limited's only gas transmission asset. Vector's high RAB multiples are due to the significant proportion of unregulated activities, which generated approximately 30% of EBITDA in FY16.

Sharemarket evidence – clean energy generation

The following table sets out the market metrics for listed companies engaged in clean energy generation.

Table 82: Sharemarket evidence – clean energy generation

Company name	Fuel type[1]	Market Cap ($ million)[2]	EBITDA multiple[3] Historical	EBITDA multiple[3] Forecast year 1	EBITDA multiple[3] Forecast year 2	EBIT multiple[4] Historical	EBIT multiple[4] Forecast year 1	EBIT multiple[4] Forecast year 2	MW multiple[5]
Australia									
AGL Energy Limited	B/C/G/H/LF G/S/W	A$15,963	11.2	10.2	9.4	15.8	13.7	12.2	1.78
Origin Energy Limited	C/G/S/W	A$11,460	11.5	5.9	4.6	18.8	13.4	9.6	2.47
Infigen Energy	W	A$765	11.6	9.6	10.6	20.4	15.0	17.4	2.52
International Clean Energy									
Brookfield Renewable Partners	B/H/W	US$11,617	17.1	16.6	16.9	33.6	31.6	32.1	3.70
EDP Renováveis, S.A.	S/W	€5,406	8.2	7.5	7.1	19.2	17.4	15.3	1.40
Northland Power Inc.	S/T/W	CA$4,105	14.7	15.7	11.7	22.4	23.5	18.2	7.62
Mercury NZ Limited	H/GT	NZ$4,307	11.1	10.7	10.7	16.0	18.7	16.7	n/a
Innergex Renewable Energy Inc.	H/S/W	CA$1,541	19.7	13.7	13.4	33.8	21.1	19.8	4.72
TerraForm Power, Inc.	S/W	US$1,068	12.1	12.5	11.8	38.2	30.6	23.2	2.73
International Diversified Energy									
NRG Energy, Inc.	C/G/N/S/W	US$5,290	8.8	8.8	8.4	10.1	16.3	14.0	0.64
Capital Power Corporation	C/G/S/W	CA$2,431	9.1	8.1	7.7	16.0	18.7	16.7	1.41
TransAlta Corporation	C/G/H/S/W	CA$2,044	7.5	7.5	7.5	20.8	20.1	20.8	0.84

Source: S&P Capital IQ, Merger Market, Company Announcements, Company financial statements, KPMG Corporate Finance analysis.
Notes:
1: B = Biomass, C = Coal, D = Diesel, G = Gas, GT = Geothermal, H = Hydro, LFG = Landfill gas, LNG = Liquefied Natural Gas, S= Solar, WCMG = Waste coal mine gas, W = Wind.
2: Market capitalisation is calculated using closing prices on 27 February 2017 and is displayed in local currency.
3: EBITDA multiple is calculated by dividing Enterprise by EBITDA. The Enterprise Value is the market capitalisation plus net debt, preferred equity, and minority interest, which is then adjusted for investments accounted for using the equity method. EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income and significant and non-recurring items.
4: EBIT multiple is calculated by dividing Enterprise by EBIT. EBIT is earnings before net interest, tax, investment income and significant and non-recurring items.
5: MW multiple is equal to enterprise value divided by installed capacity in megawatts (MW) as at 27 February 2017.

In relation to the above analysis the following should be noted:

- each of the Australian entities has a 30 June year end while all of the international companies have a 31 December year end, and
- all of the companies listed above are focused on renewable energy with the exception of AGL Energy and Origin Energy, which are integrated energy companies that generate electricity from both fossil and renewable energy sources and also have retail and upstream gas operations.

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A brief description of the selected comparable companies is provided below:

AGL Energy Limited (10,409 MW – thermal, gas, coal, hydro, solar, landfill gas and biomass)

AGL Energy operates as an integrated energy company in Australia. It is engaged in the wholesale and retail of gas, electricity, solar and energy related products and services to approximately 3.7 million customers. It has operations in Queensland, South Australia, New South Wales and Victoria. Its power generation portfolio includes base load, peaking and intermediate generation plants that source energy from thermal generation, coal and natural gas, as well as renewable sources (hydro, wind, solar, landfill gas, and biomass). It has announced that it will close all of its coal fired plants by 2050. The company has a total generation capacity of more than 10,000 MW and is one of the largest renewable energy providers in Australia. In FY16 AGL launched its Broken Hill and Nyngan solar plant, which is the largest solar photovoltaic power plant in Australia. In July 2016 AGL also co-founded the Powering Australian Renewables Fund with the private equity arm of QIC Limited. The fund will have $1 billion of funds, of which $200 million will be contributed by AGL, available to invest in approximately 1,000 MW of large scale renewable energy projects.

Origin Energy Limited (6,000 MW – gas, coal, wind, hydro, solar and cogeneration)

Origin Energy is an integrated energy company that is engaged in exploration, production, generation and the sale of energy in Australia, New Zealand and internationally. It is the leading energy retailer in Australia, with close to a 30% market share of electricity customer accounts in Australia's eastern and southern states. Origin Energy currently owns and operates electricity generating assets, largely fossil fuel generation, with a combined installed capacity of approximately 6,000 MW. In December 2016, Origin announced a strategy to focus on its Energy Markets business and a simplified Integrated Gas business, and made the decision to divest its conventional upstream business supplying Australian and New Zealand domestic markets, through an IPO. In August 2015, Origin divested its 53.09% interest in Contact Energy and used the proceeds to repay $1.4 billion of debt. Origin has announced a demerger of its conventional upstream energy business (~$1.8 billion) which is expected to take place through an ASX listing in 2017. The move is part of an effort to deleverage the group's balance sheet and to focus on its energy retail operations and integrated gas unit which includes the Australia Pacific LNG project in Queensland (APLNG). APLNG is expected to ramp up in the next 3 forecast years and is driving the increase in forecast EBITDA.

Infigen Energy (557 MW – wind and solar)

Infigen Energy develops, owns and operates renewable energy generation assets in Australia which have an installed capacity of 557 MW. Its portfolio includes six wind farms and a solar farm which are located in New South Wales, South Australia and Western Australia. It has a development pipeline of approximately 1,100 MW of installed capacity comprising seven wind farms and four solar power projects in Western Australia, South Australia, New South Wales and Queensland.

Brookfield Renewable Partners L.P. (10,700 MW – hydro, wind, biomass and gas)

Brookfield Renewable Partners L.P. (Brookfield Renewable Partners) owns a portfolio of renewable power generation assets which have 10,700 MW of installed capacity in North America (5,901 MW), Brazil (1,142 MW), Colombia (3,032 MW) and Europe (587 MW). Approximately 88% of installed capacity is hydroelectric generation and the remaining 11% is wind generation. Brookfield Renewable Partners owns and manages over 260 renewable energy assets, including hydroelectric, wind, biomass and natural gas-fired plants.

EDP Renováveis S.A. (9,637 MW – wind, solar)

EDP Renováveis S.A. (EDP) operates wind farms and solar plants to generate and deliver electricity. EDP manages a portfolio of projects in Europe, the US, Canada, and Brazil and develops projects. In Europe, it operates 7 different projects with two offshore projects in pipeline development and another under construction. In North America, it operates two projects, has a project under construction and another in the pipeline with a purchase price agreement. In Brazil, it has one project under operation, has one project under construction and another in the pipeline with a purchase price agreement. 70% of its installed capacity is generated from projects in Spain and Portugal, however, most of its growth has been from the US (66% in 2015). EDP operates as a subsidiary of EDP-Energias de Portugal, S.A.

Northland Power Inc. (1,394 MW – thermal, wind, solar, hydro and biomass)

Northland Power Inc. develops, builds, owns, and operates power generation projects primarily in Canada and Europe. The company identifies four main operating segments being thermal, renewable (excluding offshore wind), offshore wind, and managed. The managed business segment includes all investment income and administration income. Northland generates electricity from thermal, wind, solar, hydro, and biomass power plants. It also sells steam and natural gas. The company owns, or has interests, in power producing facilities with a total capacity of 1,394 MW. Further, Northland has a 60% equity stake in Gemini, a 600 MW offshore wind development project, and an 85% equity stake in Nordsee One, a 332 MW offshore wind development project, both located in the North Sea, as well as a 400 MW hydro facility in Ontario which is currently under development.

Mercury NZ Limited (MW n/a – hydro, geothermal)

Mercury N Limited generates and sells electricity from renewable sources in New Zealand to retail customers. It also provides electricity retailers with metering infrastructure and sells solar power packages. It operates nine hydro generation stations on the Waikato River which produces approximately 10% of New Zealand's electricity. It also operates five geothermal generation stations New Zealand's central North Island which, not dependent on the weather, operates with a steady base-load that runs at full capacity approximately 95% of the time and accounts for about 7% of total electricity supply.

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Innergex Renewable Energy Inc. (909 MW – wind and solar)

Innergex Renewable Energy Inc. (Innergex) operates as a renewable power producer in North America and France. The company develops, owns and operates hydroelectric facilities, wind farms and solar farms. In April 2016, Innergex completed the acquisition of a portfolio of seven operating wind facilities located in France. Innergex holds interests in 48 operating facilities with an installed capacity of 909 MW, including 29 hydroelectric facilities (of which 28 are located in Canada and one in the United States), 16 wind farms (of which seven are located in Canada and nine in France), and one solar farm located in Canada. Currently, Innergex has two projects under construction, which have a total installed capacity of 71.2 MW.

TerraForm Power, Inc. (2,987 MW – solar and wind)

TerraForm Power, Inc. (TerraForm) owns and operates a generation portfolio comprising solar (48%) and wind projects (52%) located in the United States, Canada, the United Kingdom, and Chile. TerraForm's current installed capacity is approximately 2,987 MW, of which approximately 80% is from projects located in the United States.

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PART TWO – FINANCIAL SERVICES GUIDE

Dated 7 March 2017

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by KPMG Financial Advisory Services (Australia) Pty Ltd **ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) **(KPMG Corporate Finance)** and Mr. Ian Jedlin as an authorised representative of KPMG Corporate Finance, authorised representative number 404177 and Sean Collins as an authorised representative of KPMG Corporate Finance, authorised representative number 404189 **(Authorised Representative)**.

This FSG includes information about:

- KPMG Corporate Finance and its Authorised Representative and how they can be contacted
- the services KPMG Corporate Finance and its Authorised Representative are authorised to provide
- how KPMG Corporate Finance and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and the compensation arrangements that KPMG Corporate Finance has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Corporate Finance.
This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Corporate Finance and the Authorised Representative are authorised to provide

KPMG Corporate Finance holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investment schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products.
The Authorised Representative is authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

KPMG Corporate Finance and the Authorised Representative's responsibility to you

KPMG Corporate Finance has been engaged by DUET Group (Client) to provide general financial product advice in the form of a Report to be included in Notice of Meeting and Explanatory Memorandum (Document) prepared by DUET Group in relation to the proposal from Cheung Kong Infrastructure Holdings Limited (Transaction).
You have not engaged KPMG Corporate Finance or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representative are acting for any person other than the Client.
KPMG Corporate Finance and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Corporate Finance has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.
You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.
You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Corporate Finance may receive and remuneration or other benefits received by our representatives

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate

A Annexure A – Independent Expert's Report continued

Finance $650,000 for preparing the Report. KPMG Corporate Finance and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.
KPMG Corporate Finance officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership).
KPMG Corporate Finance's representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.
Further details may be provided on request.

Referrals

Neither KPMG Corporate Finance nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Corporate Finance is controlled by and operates as part of the KPMG Partnership. KPMG Corporate Finance's directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Corporate Finance and the Authorised Representative and not by the KPMG Partnership.
From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.
Over the past two years, the KPMG Partnership has received nil professional fees from DUET, Cheung Kong Infrastructure Holdings Limited, Power Asset Holdings and CK Hutchison Holdings Limited, fees of $0.1 million from Cheung Kong Property Holdings Limited and $2.6 million from companies in which Cheung Kong Infrastructure Holdings Limited and Power Asset Holdings hold interests (SA Power Networks and Australian Gas Networks Limited). None of those services have related to the transaction or alternatives to the transaction.
No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.
Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.
Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:
Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001
Telephone: 1800 367 287
Facsimile: (03) 9613 6399 Email: info@fos.org.au.
The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Corporate Finance or the Authorised Representative using the contact details:
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A division of KPMG Financial Advisory Services (Australia) Pty Ltd
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B

ANNEXURE B – SCHEMES OF ARRANGEMENT

B Annexure B – Schemes of Arrangement

Scheme of Arrangement pursuant to section 411 of the *Corporations Act 2001* (Cth)

Between

DUET Finance Limited (ACN 108 014 062) of Level 14, 20 Martin Place, Sydney NSW 2000 (***Target***).

And

Each holder of Target Shares recorded in the Target Register as at the Record Date (other than each holder of Excluded Securities) (each a ***Scheme Shareholder*** and together the ***Scheme Shareholders***).

Recitals

A Target is a public company limited by shares incorporated in Australia, and is part of a quadruple-stapled group known as 'DUET' that is listed on ASX.

B DUET comprises:

(a) DUET Investment Holdings Limited (ACN 120 456 573) (***DIHL***);

(b) DUET Company Limited (ACN 163 100 061) (***DUECo***);

(c) Target (ACN 108 014 062); and

(d) DUET Finance Trust (ARSN 109 363 135) (***DFT***) in respect of which Target is the responsible entity,

and ***DUET*** means all of them, or any one or more of them as the context requires.

C Bidco is a company incorporated in Australia, all of the shares in which are indirectly owned or controlled by Cheung Kong Property Holdings Limited (***CKP***), Cheung Kong Infrastructure Holdings Limited (***CKI***) and Power Assets Holdings Limited (***PAH***).

D DUET, Bidco, CKP, CKI and PAH have entered into a Scheme Implementation Agreement dated 14 January 2017 (the ***Scheme Implementation Agreement***) pursuant to which:

(a) Target has agreed to propose the Scheme to Target Shareholders;

(b) DIHL has agreed to propose the DIHL Scheme to holders of DIHL Shares;

(c) DUECo has agreed to propose the DUECo Scheme to holders of DUECo Shares;

(d) Target in its capacity as responsible entity of DFT has agreed to propose the Trust Scheme to holders of DFT Units; and

(e) each of DUET and Bidco has agreed to take certain steps to give effect to the DUET Schemes.

E As the Target Shares, DIHL Shares, DUECo Shares and DFT Units are stapled to each other, the Scheme Implementation Agreement contemplates that the DUET Schemes are to be inter-conditional and be implemented at the same time.

F If the Scheme becomes Effective, then:

(a) all of the Scheme Shares and all of the rights and entitlements attaching to them on the Implementation Date will be transferred to Bidco simultaneously with the transfer to Bidco of all of the DIHL Scheme Shares, DUECo Scheme Shares and DFT Scheme Units under the other DUET Schemes; and

(b) the Scheme Consideration will be provided to the Scheme Shareholders in accordance

with the terms of the Scheme and the Deed Poll; and

(c) Target will enter the name and address of Bidco in the Target Register as the holder of all of the Scheme Shares.

G By executing the Scheme Implementation Agreement, Target has agreed to propose and implement the Scheme, and Bidco has agreed to assist with that proposal and implementation, on and subject to the terms of the Scheme Implementation Agreement.

H Bidco and CKP, CKI and PAH have entered into the Deed Poll for the purpose of covenanting in favour of the Scheme Shareholders that it will observe and perform the obligations contemplated of it under the DUET Schemes, and (in the case of CKP, CKI and PAH (acting severally, each in its Relevant Proportion as defined in the Scheme Implementation Agreement) that it will procure that Bidco performs the obligations contemplated of it under the DUET Schemes.

It is agreed as follows.

1 Definitions and interpretation

1.1 Definitions

In this document, unless the context requires otherwise:

Bidco means CK William Australia Bidco Pty Ltd (ACN 613 693 182).

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the ASX operated by it.

ASX Listing Rules means the official listing rules of ASX.

Business Day means any day that is each of the following:

(a) a Business Day within the meaning given in the ASX Listing Rules; and

(b) a day that banks are open for business in Sydney, Australia.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement Pty Limited (ABN 49 008 504 532).

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Supreme Court of New South Wales or such other court of competent jurisdiction as Bidco and DUET may agree in writing.

Deed Poll means the deed poll executed on or about the date of this agreement by Bidco, CKP, CKI and PAH in favour of the Scheme Participants.

DFT Constitution means the constitution establishing DFT dated 26 June 2003, as amended from time to time.

DFT Scheme Units means the DFT Units on issue as at the Record Date other than the Excluded Securities.

DFT Unit means one fully paid ordinary unit in DFT.

DIHL Scheme means a scheme of arrangement under Part 5.1 of the Corporations Act between DIHL and holders of DIHL Scheme Shares under which Bidco acquires all of Scheme Shares, as contemplated by the Scheme Implementation Agreement.

DIHL Scheme Shares means the DIHL Shares on issue as at the Record Date other than the Excluded Securities.

B Annexure B – Schemes of Arrangement continued

DIHL Share means a fully paid ordinary share issued in the capital of DIHL.

DUECo Scheme means a scheme of arrangement under Part 5.1 of the Corporations Act between DUECo and holders of DUECo Scheme Shares under which Bidco acquires all of the DUECo Scheme Shares, as contemplated by the Scheme Implementation Agreement.

DUECo Scheme Shares means the DUECo Shares on issue as at the Record Date other than the Excluded Securities.

DUECo Share means a fully paid ordinary share issued in the capital of DUECo.

DUET Schemes means the Scheme, DIHL Scheme, DUECo Scheme and Trust Scheme.

DUET Scheme Security means a DUECo Scheme Share, Scheme Share, DIHL Scheme Share and DFT Scheme Unit collectively.

DUET Security means a DUECo Share, Target Share, DIHL Share and DFT Unit collectively.

Effective means, when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act in relation to the Scheme but in any event no time before an office copy of the order of the Court is lodged with ASIC.

Effective Date means the date on which the Scheme becomes Effective.

End Date means 30 June 2017, or such later date as Bidco and DUET may agree in writing.

Excluded Security means a Target Share, DUECo Share, Target Share, DIHL Share or DFT Unit (as applicable) held by any person on behalf of, or for the benefit of, Bidco, a Guarantor or any of their respective Related Bodies Corporate.

Guarantor Shareholder Approvals has the meaning given in the Scheme Implementation Agreement.

Guarantors means CKP, CKI and PAH.

Implementation Date means the date that is five Business Days after the Record Date, or such other date as DUET and Bidco may agree in writing.

Permitted DUET Distributions means:

(a) a distribution and dividend payable to holders of DUET Securities for the 6 month period ending 31 December 2016 of no more than 9.25 cents payable either in cash per DUET Security or in accordance with the distribution and dividend reinvestment plan in place as at the date of the Scheme Implementation Agreement;

(b) a dividend or dividends payable to holders of DUET Securities in accordance with clause 6.1(b) of the Scheme Implementation Agreement; and

(c) a distribution payable to holders of DUET Securities in accordance with clause 6.3 of the Scheme Implementation Agreement.

Record Date means 7.00pm on the date that is five Business Days after the Effective Date, or such other date as may be agreed in writing between Bidco and DUET.

Registered Address means, in relation to a Scheme Shareholder, the address of that Scheme Shareholder shown in the Target Register as at the Record Date.

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between Target and the Scheme Shareholders as set out in this document, subject to any alterations or conditions made or required by the Court and agreed to by Bidco and DUET (such agreement not to be unreasonably withheld or delayed) made or required by the Court under section 411(6) of the Corporations Act and agreed to by DUET and Bidco.

Scheme Consideration means, in respect of each DUET Scheme Security, a cash amount of $3 less the amount by which any Special Distribution determined by Target in accordance with clause 6.1 of the Scheme Implementation Agreement, when added to the per-DUET Security value of any Permitted DUET Distribution determined to be made pursuant to clause 6.3 of the Scheme Implementation Agreement, exceeds 3 cents per DUET Scheme Security, net of any payment made to the Australian Taxation Office in accordance with Subdivision 14-D of Schedule 1 of the *Taxation Administration Act 1953 (Cth)* in respect of the acquisition of the relevant DUET Scheme Security.

Scheme Meeting means the meeting of Target Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act in relation to the Scheme, and includes any adjournment or postponement of that meeting.

Scheme Orders means the orders of the Court made under section 411(4)(b) of the Corporations Act (and if applicable, section 411(6) of the Corporations Act) in relation to the Scheme.

Scheme Shares means Target Shares on issue as at the Record Date other than the Excluded Securities.

Scheme Transfer means, in relation to each Scheme Shareholder, a proper instrument of transfer of their Scheme Shares for the purpose of section 1071B of the Corporations Act, which may be a master transfer of all or part of all of the Scheme Shares.

Second Court Date means the first day of hearing of an application made to the Court for orders pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Special Distribution means the distribution (expressed on a per DUET Security basis and prior to any withholding being made) to be made in accordance with clause 6.1(a) of the Scheme Implementation Agreement and clause 10.9 of the DFT Constitution.

Target Register means the register of members of Target maintained by or on behalf of Target in accordance with section 168(1) of the Corporations Act.

Target Share means an issued fully paid ordinary share in the capital of Target.

Target Shareholder means a person who is registered in the Target Register as a holder of Target Shares.

Target Share Registry means Computershare Investor Services Pty Ltd (ACN 078 279 277) or any replacement share registry services provider to Target.

Trust Account means an Australian dollar denominated trust account operated by Target (or by the Target Share Registry on behalf of Target) as trustee for the Scheme Shareholders.

Trust Scheme means an arrangement under which Bidco acquires all of the DFT Scheme Units facilitated by amendments to the DFT constitution, as contemplated by the Scheme Implementation Agreement.

1.2 Interpretation

(a) Headings are for convenience only and do not affect interpretation.

(b) Mentioning anything after includes, including, for example, or similar expressions, does not limit what else might be included.

(c) The following rules apply unless the context requires otherwise.

(i) The singular includes the plural, and the converse also applies.

(ii) A gender includes all genders.

B Annexure B – Schemes of Arrangement continued

(iii) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.

(iv) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.

(v) A reference to a clause is a reference to a clause of this document.

(vi) A reference to an agreement or document (including a reference to this document) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this document or that other agreement or document.

(vii) A reference to writing includes any method of representing or reproducing words, figures, drawings or symbols in a visible and tangible form.

(viii) A reference to a person includes the person's successors, permitted substitutes and permitted assigns (and, where applicable, the person's legal personal representatives).

(ix) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.

(x) A reference to *dollars* or *$* is to Australian currency.

(xi) Words and phrases not specifically defined in this document have the same meanings (if any) given to them in the Corporations Act.

(xii) A reference to time is to Sydney, Australia time.

(xiii) If the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing must be done on the immediately succeeding Business Day.

2 Conditions

2.1 Conditions Precedent

The Scheme is conditional upon, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

(a) as at 8.00am on the Second Court Date each of the conditions precedent set out in clause 3.1 of the Scheme Implementation Agreement (other than the condition precedent relating to the approval of the Court set out in clause 3.1(h) of the Scheme Implementation Agreement) has been satisfied or waived in accordance with the Scheme Implementation Agreement;

(b) as at 8.00am on the Second Court Date, neither the Scheme Implementation Agreement nor the Deed Poll has been terminated in accordance with its terms;

(c) the Court makes orders approving the Scheme under section 411(4)(b) of the Corporations Act, including with such alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to Bidco and DUET (each acting reasonably);

(d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme as are acceptable to Bidco and DUET (each acting reasonably) have been satisfied or waived; and

(e) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving the Scheme to come into effect, pursuant to section 411(10) of the Corporations Act on or before the End Date.

2.2 Lapsing

The Scheme will lapse and be of no further force or effect if:

(a) the Effective Date does not occur on or before the End Date; or

(b) the Scheme Implementation Agreement or the Deed Poll is terminated in accordance with its terms unless Target, Bidco and each Guarantor otherwise agree in writing.

3 Scheme becoming Effective

Subject to clause 2.2, the Scheme will take effect on and from the Effective Date.

4 Implementation of Scheme

(a) If the conditions precedent in clause 2.1 are satisfied or waived, Target must lodge with ASIC, in accordance with section 411(10) of the Corporations Act, an office copy of the Scheme Orders as soon as practicable after, and in any event by no later than 5.00pm on the first Business Day after, the day on which the Scheme Orders are entered, or such other date as agreed by Target and Bidco.

(b) On the Implementation Date, subject to Bidco having satisfied its obligations in clause 5.2, all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to Bidco, without the need for any further act by any Scheme Shareholder (other than acts performed by Target or any of its directors and officers as attorney and agent for Scheme Shareholders under the Scheme), by:

(i) Target delivering to Bidco for execution duly completed (and, if necessary, stamped) Scheme Transfers to transfer all of the Scheme Shares to Bidco, duly executed by Target (or any of its directors and officers) as the attorney and agent of each Scheme Shareholder as transferor under clause 8.3;

(ii) Bidco executing the Scheme Transfers as transferee and delivering them to Target for registration; and

(iii) Target, immediately after receipt of the Scheme Transfers under clause 4(b)(ii), or the transfer being effected under section 1074D of the Corporations Act (as the case may be) entering, or procuring the entry of, the name and address of Bidco in the Target Register as the holder of all of the Scheme Shares.

(c) The transfer of all of the Scheme Shares to Bidco in accordance with clause 4(a) must occur simultaneously with:

(i) the transfer to Bidco of all of the DIHL Scheme Shares under the DIHL Scheme;

(ii) the transfer to Bidco of all of the DUECo Scheme Shares under the DUECo Scheme; and

(iii) the transfer to Bidco of all of the Trust Scheme Units under the Trust Scheme.

5 Scheme Consideration

5.1 Entitlement to Scheme Consideration

Subject to the terms of the Scheme, each Scheme Shareholder will be entitled to the Scheme Consideration for each Scheme Share held by that Scheme Shareholder.

B Annexure B – Schemes of Arrangement continued

5.2 Deposit of Scheme Consideration

Bidco must, by no later than the Business Day before the Implementation Date:

(a) deposit (or procure the deposit) in cleared funds into the Trust Account an amount equal to the aggregate amount of the Scheme Consideration payable to Scheme Shareholders provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Bidco's account; and

(b) provide written confirmation to Target of that deposit.

5.3 Payment to Scheme Shareholders

(a) On the Implementation Date, subject to Bidco having satisfied its obligations in clause 5.2, Target must pay or procure the payment, from the Trust Account, to each Scheme Shareholder the Scheme Consideration as that Scheme Shareholder is entitled under this clause 5.

(b) The obligations of Target under clause 5.3(a) will be satisfied by Target (in its absolute discretion):

(i) where a Scheme Shareholder has, before the Record Date, made a valid election in accordance with the requirements of the Target Share Registry to receive dividend payments from Target by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or

(ii) otherwise, whether or not the Scheme Shareholder has made an election referred to in clause 5.3(b)(i), dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Shareholder by prepaid post to their Registered Address (as at the Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.4).

(c) If, following satisfaction of Bidco's obligations under clause 5.2 but prior to the occurrence of all of the events described in clause 4, the Scheme lapses under clause 2.2(b):

(i) Target must immediately repay (or cause to be repaid) to or at the direction of Bidco the funds that were deposited in the Trust Account plus any interest on the amounts deposited (less bank fees and other charges);

(ii) the obligation to transfer Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, to Bidco under clause 4 will immediately cease;

(iii) Bidco must return the Scheme Transfers, if provided pursuant to clause 4; and

(iv) Target is no longer obliged to enter, or procure the entry of, the name of Bidco in the Target Register in accordance with clause 4.

5.4 Joint holders

In the case of Scheme Shares held in joint names:

(a) any cheque required to be sent under the Scheme will be made payable to the joint holders and sent to either, at the sole discretion of Target, the holder whose name appears first in the Target Register as at the Record Date or to the joint holders; and

(b) any other document required to be sent under the Scheme, will be forwarded to either, at the sole discretion of Target, the holder whose name appears first in the Target Register as at the Record Date or to the joint holders.

5.5 Cancellation and re-issue of cheques

(a) Target may cancel a cheque issued under this clause 5 if the cheque:

(i) is returned to Target or the Target Share Registry; or

(ii) has not been presented for payment within 6 months after the date on which the cheque was sent.

(b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Target or the Target Share Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), Target must reissue a cheque that was previously cancelled under clause 5.5(a).

5.6 Fractional entitlements

Where the calculation of the Scheme Consideration to be paid to a Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, that fractional entitlement will be rounded down to the nearest whole cent.

5.7 Unclaimed monies

(a) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).

(b) Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of Bidco.

5.8 Remaining monies (if any) in Trust Account

To the extent that, following satisfaction of Target's obligations under the other provisions of this clause 5 and provided Bidco has by that time acquired the Scheme Shares in accordance with the Scheme, there is a surplus in the Trust Account, then subject to compliance with applicable laws, the other terms of the Scheme, the Deed Poll and the Scheme Implementation Agreement, that surplus (less any bank fees and related charges) shall be paid by Target (or the Target Share Registry on Target's behalf) to Bidco.

6 Dealings in Target Shares

6.1 Dealings in Target Shares by Scheme Shareholders

For the purpose of establishing the persons who are Scheme Shareholders, dealings in Target Shares will be recognised by Target provided that:

(a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Target Register as the holder of the relevant Target Shares by the Record Date; and

(b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Target Share Registry by 5.00pm on the day which is the Record Date at the place where the Target Register is located (in which case Target must register such transfers or transmission applications before 7.00pm on that day),

and Target will not accept for registration, nor recognise for the purpose of establishing the

B Annexure B – Schemes of Arrangement continued

persons who are Scheme Shareholders nor for any other purpose (other than to transfer to Bidco pursuant to the Scheme and any subsequent transfers by Bidco and its successors in title), any transfer or transmission application in respect of Target Shares received after such times, or received prior to such times but not in actionable or registrable form (as appropriate).

6.2 Target Register

(a) Target will, until the Scheme Consideration has been provided and the name and address of Bidco has been entered in the Target Register as the holder of all of the Scheme Shares, maintain, or procure the maintenance of, the Target Register in accordance with this clause 6, and the Target Register in this form and the terms of the Scheme will solely determine entitlements to the Scheme Consideration. As from the Record Date (and other than for Bidco following the Implementation Date), each entry in the Target Register as at the Record Date relating to Scheme Shares will cease to have any effect other than as evidence of the entitlements of Scheme Shareholders to the Scheme Consideration in respect of those Scheme Shares.

(b) As soon as possible on or after the Record Date, and in any event within one Business Day after the Record Date, Target will ensure that details of the names, Registered Addresses and holdings of Target Shares for each Scheme Shareholder as shown in the Target Register are available to Bidco in the form Bidco reasonably requires.

6.3 Effect of share certificates and holding statements

As from the Record Date (and other than for Bidco following the Implementation Date), all share certificates and holding statements for Scheme Shares (other than statements of holding in favour of Bidco or any Excluded Shareholders) will cease to have effect as documents of title in respect of those Scheme Shares.

6.4 No disposals after Record Date

If the Scheme becomes Effective, each Scheme Shareholder, and any person claiming through that Scheme Shareholder, must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after 5.00pm on the Record Date other than to Bidco in accordance with the Scheme and any subsequent transfers by Bidco and its successors in title.

7 Suspension and termination of quotation of Target Shares

(a) Target must apply to ASX for suspension of trading of Target Shares on ASX with effect from the close of business on the Effective Date.

(b) Target must apply to ASX for termination of official quotation of Target Shares on ASX and the removal of Target from the official list of ASX with effect from the Business Day immediately following the Implementation Date, or from such later date as may be determined by Bidco.

8 General provisions

8.1 Further assurances

(a) Each Scheme Shareholder and Target will do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it.

(b) Without limiting Target's other powers under the Scheme, Target has power to do all things that it considers necessary or desirable to give effect to the Scheme and the Scheme Implementation Agreement.

8.2 Scheme Shareholders' agreements and consents

Each Scheme Shareholder:

(a) irrevocably agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, to Bidco in accordance with the terms of the Scheme; and

(b) acknowledges and agrees that the Scheme binds Target and all Scheme Shareholders (including those that did not attend the Scheme Meeting or did not vote at that meeting or voted against the Scheme at that Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of Target; and

(c) irrevocably consents to Target and Bidco doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it,

without the need for any further act by that Scheme Shareholder.

8.3 Appointment of Target as attorney for implementation of Scheme

Each Scheme Shareholder, without the need for any further act by that Scheme Shareholder, irrevocably appoints Target as that Scheme Shareholder's agent and attorney for the purpose of:

(a) doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it, including the effecting of a valid transfer or transfers (or the execution and delivery of any Scheme Transfers) under clause 4(b)(i); and

(b) enforcing the Deed Poll against Bidco and each Guarantor who has executed the Deed Poll,

and Target accepts such appointment. Target, as agent and attorney of each Scheme Shareholder, may sub delegate its functions, authorities or powers under this clause 8.3 to all or any of its directors and officers (jointly, severally, or jointly and severally).

8.4 Warranty by Scheme Shareholders

Each Scheme Shareholder is deemed to have warranted to Bidco, and, to the extent enforceable, to have appointed and authorised Target as that Scheme Shareholder's agent and attorney to warrant to Bidco, that all of their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) will, at the time of the transfer of them to Bidco pursuant to the Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Shares (together with any rights and entitlements attaching to those Scheme Shares) to Bidco pursuant to the Scheme. Target undertakes in favour of each Scheme Shareholder that it will provide such warranty, to the extent enforceable, to Bidco on behalf of that Scheme Shareholder.

8.5 Title to Scheme Shares

Bidco will be beneficially entitled to the Scheme Shares transferred to it under the Scheme pending registration by Target of the name and address of Bidco in the Target Register as the holder of the Scheme Shares.

B Annexure B – Schemes of Arrangement continued

8.6 Appointment of Bidco as attorney for Scheme Shares

(a) From the time that Bidco has satisfied its obligations in clause 5.2 until Bidco is registered in the Target Register as the holder of all Scheme Shares, each Target Shareholder:

(i) without the need for any further act by that Target Shareholder, irrevocably appoints Bidco as its proxy to (and irrevocably appoints Bidco as its agent and attorney for the purpose of appointing any director or officer of Bidco as that Target Shareholder's proxy and, where appropriate, its corporate representative to):

(A) attend shareholders' meetings of Target;

(B) exercise the votes attaching to Target Shares registered in the name of the Target Shareholder; and

(C) sign any Target Shareholders' resolution;

(ii) must take all other action in the capacity of a Target Shareholder as Bidco reasonably directs; and

(iii) acknowledges and agrees that in exercising the powers referred to in clause 8.6(a), Bidco and any person nominated by Bidco under clause 8.6(a) may act in the best interests of Bidco as the intended registered holder of the Scheme Shares.

(b) From the time that Bidco has satisfied its obligations in clause 5.2 until Bidco is registered in the Target Register as the holder of all Scheme Shares, no Target Shareholder may attend or vote at any meetings of Target Shareholders or sign any Target Shareholders' resolution (whether in person, by proxy or by corporate representative) other than under this clause 8.6.

8.7 Alterations and conditions to Scheme

If the Court proposes to approve the Scheme subject to any alterations or conditions, Target may, by its counsel or solicitors, and with the prior written consent of Bidco, consent on behalf of all persons concerned, including each Target Shareholder, to those alterations or conditions.

8.8 Enforcement of Deed Poll

Target undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against:

(a) Bidco; and

(b) each Guarantor who has executed the Deed Poll,

on behalf of and as agent and attorney for the Scheme Shareholders.

8.9 Consent

Each of the Scheme Shareholders consents to Target doing all things necessary or incidental to the implementation of this Scheme, whether on behalf of the Scheme Shareholders, Target or otherwise.

8.10 Notices

Where a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to Target, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Target's registered office or by the Target Share Registry, as the case may be.

8.11 Duty

Bidco will pay all duty (including stamp duty and any related fines, penalties and interest) payable on or in connection with the transfer by Scheme Shareholders of the Scheme Shares to Bidco pursuant to the Scheme.

8.12 Governing law and jurisdiction

This document is governed by the laws of New South Wales. Each party submits to the non-exclusive jurisdiction of courts exercising jurisdiction there and courts of appeal from them in connection with matters concerning this document. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

B Annexure B – Schemes of Arrangement continued

Scheme of Arrangement pursuant to section 411 of the *Corporations Act 2001* (Cth)

Between

DUET Investment Holdings Limited (ACN 120 456 573) of Level 14, 20 Martin Place, Sydney NSW 2000 (***Target***).

And

Each holder of Target Shares recorded in the Target Register as at the Record Date (other than each holder of Excluded Securities) (each a ***Scheme Shareholder*** and together the ***Scheme Shareholders***).

Recitals

A Target is a public company limited by shares incorporated in Australia, and is part of a quadruple-stapled group known as 'DUET' that is listed on ASX.

B DUET comprises:

(a) Target (ACN 120 456 573);

(b) DUET Company Limited (ACN 163 100 061) (***DUECo***);

(c) DUET Finance Limited (ACN 108 014 062) (***DFL***); and

(d) DUET Finance Trust (ARSN 109 363 135) (***DFT***) in respect of which DFL is the responsible entity,

and ***DUET*** means all of them, or any one or more of them as the context requires.

C Bidco is a company incorporated in Australia, all of the shares in which are indirectly owned or controlled by Cheung Kong Property Holdings Limited (***CKP***), Cheung Kong Infrastructure Holdings Limited (***CKI***) and Power Assets Holdings Limited (***PAH***).

D DUET, Bidco, CKP, CKI and PAH have entered into a Scheme Implementation Agreement dated 14 January 2017 (the ***Scheme Implementation Agreement***) pursuant to which:

(a) Target has agreed to propose the Scheme to Target Shareholders;

(b) DUECo has agreed to propose the DUECo Scheme to holders of DUECo Shares;

(c) DFL has agreed to propose the DFL Scheme to holders of DFL Shares;

(d) DFL in its capacity as responsible entity of DFT has agreed to propose the Trust Scheme to holders of DFT Units; and

(e) each of DUET and Bidco has agreed to take certain steps to give effect to the DUET Schemes.

E As the Target Shares, DUECo Shares, DFL Shares and DFT Units are stapled to each other, the Scheme Implementation Agreement contemplates that the DUET Schemes are to be inter-conditional and be implemented at the same time.

F If the Scheme becomes Effective, then:

(a) all of the Scheme Shares and all of the rights and entitlements attaching to them on the Implementation Date will be transferred to Bidco simultaneously with the transfer to Bidco of all of the DUECo Scheme Shares, DFL Scheme Shares and DFT Scheme Units under the other DUET Schemes; and

(b) the Scheme Consideration will be provided to the Scheme Shareholders in accordance

with the terms of the Scheme and the Deed Poll; and

(c) Target will enter the name and address of Bidco in the Target Register as the holder of all of the Scheme Shares.

G By executing the Scheme Implementation Agreement, Target has agreed to propose and implement the Scheme, and Bidco has agreed to assist with that proposal and implementation, on and subject to the terms of the Scheme Implementation Agreement.

H Bidco and CKP, CKI and PAH have entered into the Deed Poll for the purpose of covenanting in favour of the Scheme Shareholders that it will observe and perform the obligations contemplated of it under the DUET Schemes, and (in the case of CKP, CKI and PAH (acting severally, each in its Relevant Proportion as defined in the Scheme Implementation Agreement) that it will procure that Bidco performs the obligations contemplated of it under the DUET Schemes.

It is agreed as follows.

1 Definitions and interpretation

1.1 Definitions

In this document, unless the context requires otherwise:

Bidco means CK William Australia Bidco Pty Ltd (ACN 613 693 182).

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the ASX operated by it.

ASX Listing Rules means the official listing rules of ASX.

Business Day means any day that is each of the following:

(a) a Business Day within the meaning given in the ASX Listing Rules; and

(b) a day that banks are open for business in Sydney, Australia.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement Pty Limited (ABN 49 008 504 532).

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Supreme Court of New South Wales or such other court of competent jurisdiction as Bidco and DUET may agree in writing.

Deed Poll means the deed poll executed on or about the date of this agreement by Bidco, CKP, CKI and PAH in favour of the Scheme Participants.

DFL Scheme means a scheme of arrangement under Part 5.1 of the Corporations Act between DFL and holders of DFL Scheme Shares under which Bidco acquires all of the DFL Scheme Shares, as contemplated by the Scheme Implementation Agreement.

DFL Scheme Shares means the DFL Shares on issue as at the Record Date other than the Excluded Securities.

DFL Share means a fully paid ordinary share issued in the capital of DFL.

DFT Constitution means the constitution establishing DFT dated 26 June 2003, as amended from time to time.

DFT Scheme Units means the DFT Units on issue as at the Record Date other than the Excluded Securities.

B Annexure B – Schemes of Arrangement continued

DFT Unit means one fully paid ordinary unit in DFT.

DUECo Scheme means a scheme of arrangement under Part 5.1 of the Corporations Act between DUECo and holders of DUECo Scheme Shares under which Bidco acquires all of the DUECo Scheme Shares, as contemplated by the Scheme Implementation Agreement.

DUECo Scheme Shares means the DUECo Shares on issue as at the Record Date other than the Excluded Securities.

DUECo Share means a fully paid ordinary share issued in the capital of DUECo.

DUET Schemes means the Scheme, DUECo Scheme, DFL Scheme and Trust Scheme.

DUET Scheme Security means a DUECo Scheme Share, DFL Scheme Share, Scheme Share and DFT Scheme Unit collectively.

DUET Security means a Target Share, DUECo Share, DFL Share and DFT Unit collectively.

Effective means, when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act in relation to the Scheme but in any event no time before an office copy of the order of the Court is lodged with ASIC.

Effective Date means the date on which the Scheme becomes Effective.

End Date means 30 June 2017, or such later date as Bidco and DUET may agree in writing.

Excluded Security means a Target Share, DUECo Share, DFL Share or DFT Unit (as applicable) held by any person on behalf of, or for the benefit of, Bidco, a Guarantor or any of their respective Related Bodies Corporate.

Guarantor Shareholder Approvals has the meaning given in the Scheme Implementation Agreement.

Guarantors means CKP, CKI and PAH.

Implementation Date means the date that is five Business Days after the Record Date, or such other date as DUET and Bidco may agree in writing.

Permitted DUET Distributions means:

(a) a distribution and dividend payable to holders of DUET Securities for the 6 month period ending 31 December 2016 of no more than 9.25 cents payable either in cash per DUET Security or in accordance with the distribution and dividend reinvestment plan in place as at the date of the Scheme Implementation Agreement;

(b) a dividend or dividends payable to holders of DUET Securities in accordance with clause 6.1(b) of the Scheme Implementation Agreement; and

(c) a distribution payable to holders of DUET Securities in accordance with clause 6.3 of the Scheme Implementation Agreement.

Record Date means 7.00pm on the date that is five Business Days after the Effective Date, or such other date as may be agreed in writing between Bidco and DUET.

Registered Address means, in relation to a Scheme Shareholder, the address of that Scheme Shareholder shown in the Target Register as at the Record Date.

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between Target and the Scheme Shareholders as set out in this document, subject to any alterations or conditions made or required by the Court and agreed to by Bidco and DUET (such agreement not to be unreasonably withheld or delayed) made or required by the Court under section 411(6) of the Corporations Act and agreed to by DUET and Bidco.

Scheme Consideration means, in respect of each DUET Scheme Security, a cash amount of $3 less the amount by which any Special Distribution determined by DFL in accordance with clause 6.1 of the Scheme Implementation Agreement, when added to the per-DUET Security value of any Permitted DUET Distribution determined to be made pursuant to clause 6.3 of the Scheme Implementation Agreement, exceeds 3 cents per DUET Scheme Security, net of any payment made to the Australian Taxation Office in accordance with Subdivision 14-D of Schedule 1 of the *Taxation Administration Act 1953 (Cth)* in respect of the acquisition of the relevant DUET Scheme Security.

Scheme Meeting means the meeting of Target Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act in relation to the Scheme, and includes any adjournment or postponement of that meeting.

Scheme Orders means the orders of the Court made under section 411(4)(b) of the Corporations Act (and if applicable, section 411(6) of the Corporations Act) in relation to the Scheme.

Scheme Shares means the Target Shares on issue as at the Record Date other than the Excluded Securities.

Scheme Transfer means, in relation to each Scheme Shareholder, a proper instrument of transfer of their Scheme Shares for the purpose of section 1071B of the Corporations Act, which may be a master transfer of all or part of all of the Scheme Shares.

Second Court Date means the first day of hearing of an application made to the Court for orders pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Special Distribution means the distribution (expressed on a per DUET Security basis and prior to any withholding being made) to be made in accordance with clause 6.1(a) of the Scheme Implementation Agreement and clause 10.9 of the DFT Constitution.

Target Register means the register of members of Target maintained by or on behalf of Target in accordance with section 168(1) of the Corporations Act.

Target Share means an issued fully paid ordinary share in the capital of Target.

Target Shareholder means a person who is registered in the Target Register as a holder of Target Shares.

Target Share Registry means Computershare Investor Services Pty Ltd (ACN 078 279 277) or any replacement share registry services provider to Target.

Trust Account means an Australian dollar denominated trust account operated by Target (or by the Target Share Registry on behalf of Target) as trustee for the Scheme Shareholders.

Trust Scheme means an arrangement under which Bidco acquires all of the DFT Scheme Units facilitated by amendments to the DFT constitution, as contemplated by the Scheme Implementation Agreement.

1.2 Interpretation

(a) Headings are for convenience only and do not affect interpretation.

(b) Mentioning anything after includes, including, for example, or similar expressions, does not limit what else might be included.

(c) The following rules apply unless the context requires otherwise.

  (i) The singular includes the plural, and the converse also applies.

  (ii) A gender includes all genders.

B Annexure B – Schemes of Arrangement continued

(iii) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.

(iv) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.

(v) A reference to a clause is a reference to a clause of this document.

(vi) A reference to an agreement or document (including a reference to this document) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this document or that other agreement or document.

(vii) A reference to writing includes any method of representing or reproducing words, figures, drawings or symbols in a visible and tangible form.

(viii) A reference to a person includes the person's successors, permitted substitutes and permitted assigns (and, where applicable, the person's legal personal representatives).

(ix) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.

(x) A reference to *dollars* or *$* is to Australian currency.

(xi) Words and phrases not specifically defined in this document have the same meanings (if any) given to them in the Corporations Act.

(xii) A reference to time is to Sydney, Australia time.

(xiii) If the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing must be done on the immediately succeeding Business Day.

2 Conditions

2.1 Conditions Precedent

The Scheme is conditional upon, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

(a) as at 8.00am on the Second Court Date each of the conditions precedent set out in clause 3.1 of the Scheme Implementation Agreement (other than the condition precedent relating to the approval of the Court set out in clause 3.1(h) of the Scheme Implementation Agreement) has been satisfied or waived in accordance with the Scheme Implementation Agreement;

(b) as at 8.00am on the Second Court Date, neither the Scheme Implementation Agreement nor the Deed Poll has been terminated in accordance with its terms;

(c) the Court makes orders approving the Scheme under section 411(4)(b) of the Corporations Act, including with such alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to Bidco and DUET (each acting reasonably);

(d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme as are acceptable to Bidco and DUET (each acting reasonably) have been satisfied or waived; and

(e) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving the Scheme to come into effect, pursuant to section 411(10) of the Corporations Act on or before the End Date.

2.2 Lapsing

The Scheme will lapse and be of no further force or effect if:

(a) the Effective Date does not occur on or before the End Date; or

(b) the Scheme Implementation Agreement or the Deed Poll is terminated in accordance with its terms unless Target, Bidco and each Guarantor otherwise agree in writing.

3 Scheme becoming Effective

Subject to clause 2.2, the Scheme will take effect on and from the Effective Date.

4 Implementation of Scheme

(a) If the conditions precedent in clause 2.1 are satisfied or waived, Target must lodge with ASIC, in accordance with section 411(10) of the Corporations Act, an office copy of the Scheme Orders as soon as practicable after, and in any event by no later than 5.00pm on the first Business Day after, the day on which the Scheme Orders are entered, or such other date as agreed by Target and Bidco.

(b) On the Implementation Date, subject to Bidco having satisfied its obligations in clause 5.2, all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to Bidco, without the need for any further act by any Scheme Shareholder (other than acts performed by Target or any of its directors and officers as attorney and agent for Scheme Shareholders under the Scheme), by:

  (i) Target delivering to Bidco for execution duly completed (and, if necessary, stamped) Scheme Transfers to transfer all of the Scheme Shares to Bidco, duly executed by Target (or any of its directors and officers) as the attorney and agent of each Scheme Shareholder as transferor under clause 8.3;

  (ii) Bidco executing the Scheme Transfers as transferee and delivering them to Target for registration; and

  (iii) Target, immediately after receipt of the Scheme Transfers under clause 4(b)(ii), or the transfer being effected under section 1074D of the Corporations Act (as the case may be) entering, or procuring the entry of, the name and address of Bidco in the Target Register as the holder of all of the Scheme Shares.

(c) The transfer of all of the Scheme Shares to Bidco in accordance with clause 4(a) must occur simultaneously with:

  (i) the transfer to Bidco of all of the DUECo Scheme Shares under the DUECo Scheme;

  (ii) the transfer to Bidco of all of the DFL Scheme Shares under the DFL Scheme; and

  (iii) the transfer to Bidco of all of the Trust Scheme Units under the Trust Scheme.

B Annexure B – Schemes of Arrangement continued

5 Scheme Consideration

5.1 Entitlement to Scheme Consideration

Subject to the terms of the Scheme, each Scheme Shareholder will be entitled to the Scheme Consideration for each Scheme Share held by that Scheme Shareholder.

5.2 Deposit of Scheme Consideration

Bidco must, by no later than the Business Day before the Implementation Date:

(a) deposit (or procure the deposit) in cleared funds into the Trust Account an amount equal to the aggregate amount of the Scheme Consideration payable to Scheme Shareholders provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Bidco's account; and

(b) provide written confirmation to Target of that deposit.

5.3 Payment to Scheme Shareholders

(a) On the Implementation Date, subject to Bidco having satisfied its obligations in clause 5.2, Target must pay or procure the payment, from the Trust Account, to each Scheme Shareholder the Scheme Consideration as that Scheme Shareholder is entitled under this clause 5.

(b) The obligations of Target under clause 5.3(a) will be satisfied by Target (in its absolute discretion):

(i) where a Scheme Shareholder has, before the Record Date, made a valid election in accordance with the requirements of the Target Share Registry to receive dividend payments from Target by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or

(ii) otherwise, whether or not the Scheme Shareholder has made an election referred to in clause 5.3(b)(i), dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Shareholder by prepaid post to their Registered Address (as at the Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.4).

(c) If, following satisfaction of Bidco's obligations under clause 5.2 but prior to the occurrence of all of the events described in clause 4, the Scheme lapses under clause 2.2(b):

(i) Target must immediately repay (or cause to be repaid) to or at the direction of Bidco the funds that were deposited in the Trust Account plus any interest on the amounts deposited (less bank fees and other charges);

(ii) the obligation to transfer Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, to Bidco under clause 4 will immediately cease;

(iii) Bidco must return the Scheme Transfers, if provided pursuant to clause 4; and

(iv) Target is no longer obliged to enter, or procure the entry of, the name of Bidco in the Target Register in accordance with clause 4.

5.4 Joint holders

In the case of Scheme Shares held in joint names:

(a) any cheque required to be sent under the Scheme will be made payable to the joint holders and sent to either, at the sole discretion of Target, the holder whose name appears first in the Target Register as at the Record Date or to the joint holders; and

(b) any other document required to be sent under the Scheme, will be forwarded to either, at the sole discretion of Target, the holder whose name appears first in the Target Register as at the Record Date or to the joint holders.

5.5 Cancellation and re-issue of cheques

(a) Target may cancel a cheque issued under this clause 5 if the cheque:

(i) is returned to Target or the Target Share Registry; or

(ii) has not been presented for payment within 6 months after the date on which the cheque was sent.

(b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Target or the Target Share Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), Target must reissue a cheque that was previously cancelled under clause 5.5(a).

5.6 Fractional entitlements

Where the calculation of the Scheme Consideration to be paid to a Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, that fractional entitlement will be rounded down to the nearest whole cent.

5.7 Unclaimed monies

(a) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).

(b) Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of Bidco.

5.8 Remaining monies (if any) in Trust Account

To the extent that, following satisfaction of Target's obligations under the other provisions of this clause 5 and provided Bidco has by that time acquired the Scheme Shares in accordance with the Scheme, there is a surplus in the Trust Account, then subject to compliance with applicable laws, the other terms of the Scheme, the Deed Poll and the Scheme Implementation Agreement, that surplus (less any bank fees and related charges) shall be paid by Target (or the Target Share Registry on Target's behalf) to Bidco.

6 Dealings in Target Shares

6.1 Dealings in Target Shares by Scheme Shareholders

For the purpose of establishing the persons who are Scheme Shareholders, dealings in Target Shares will be recognised by Target provided that:

(a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Target Register as the holder of the relevant Target Shares by the Record Date; and

(b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Target Share Registry by 5.00pm on the day which is the

B Annexure B – Schemes of Arrangement continued

Record Date at the place where the Target Register is located (in which case Target must register such transfers or transmission applications before 7.00pm on that day),

and Target will not accept for registration, nor recognise for the purpose of establishing the persons who are Scheme Shareholders nor for any other purpose (other than to transfer to Bidco pursuant to the Scheme and any subsequent transfers by Bidco and its successors in title), any transfer or transmission application in respect of Target Shares received after such times, or received prior to such times but not in actionable or registrable form (as appropriate).

6.2 Target Register

(a) Target will, until the Scheme Consideration has been provided and the name and address of Bidco has been entered in the Target Register as the holder of all of the Scheme Shares, maintain, or procure the maintenance of, the Target Register in accordance with this clause 6, and the Target Register in this form and the terms of the Scheme will solely determine entitlements to the Scheme Consideration. As from the Record Date (and other than for Bidco following the Implementation Date), each entry in the Target Register as at the Record Date relating to Scheme Shares will cease to have any effect other than as evidence of the entitlements of Scheme Shareholders to the Scheme Consideration in respect of those Scheme Shares.

(b) As soon as possible on or after the Record Date, and in any event within one Business Day after the Record Date, Target will ensure that details of the names, Registered Addresses and holdings of Target Shares for each Scheme Shareholder as shown in the Target Register are available to Bidco in the form Bidco reasonably requires.

6.3 Effect of share certificates and holding statements

As from the Record Date (and other than for Bidco following the Implementation Date), all share certificates and holding statements for Scheme Shares (other than statements of holding in favour of Bidco or any Excluded Shareholders) will cease to have effect as documents of title in respect of those Scheme Shares.

6.4 No disposals after Record Date

If the Scheme becomes Effective, each Scheme Shareholder, and any person claiming through that Scheme Shareholder, must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after 5.00pm on the Record Date other than to Bidco in accordance with the Scheme and any subsequent transfers by Bidco and its successors in title.

7 Suspension and termination of quotation of Target Shares

(a) Target must apply to ASX for suspension of trading of the Target Shares on ASX with effect from the close of business on the Effective Date.

(b) Target must apply to ASX for termination of official quotation of the Target Shares on ASX and the removal of Target from the official list of ASX with effect from the Business Day immediately following the Implementation Date, or from such later date as may be determined by Bidco.

8 General provisions

8.1 Further assurances

(a) Each Scheme Shareholder and Target will do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it.

(b) Without limiting Target's other powers under the Scheme, Target has power to do all things that it considers necessary or desirable to give effect to the Scheme and the Scheme Implementation Agreement.

8.2 Scheme Shareholders' agreements and consents

Each Scheme Shareholder:

(a) irrevocably agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, to Bidco in accordance with the terms of the Scheme; and

(b) acknowledges and agrees that the Scheme binds Target and all Scheme Shareholders (including those that did not attend the Scheme Meeting or did not vote at that meeting or voted against the Scheme at that Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of Target; and

(c) irrevocably consents to Target and Bidco doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it,

without the need for any further act by that Scheme Shareholder.

8.3 Appointment of Target as attorney for implementation of Scheme

Each Scheme Shareholder, without the need for any further act by that Scheme Shareholder, irrevocably appoints Target as that Scheme Shareholder's agent and attorney for the purpose of:

(a) doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it, including the effecting of a valid transfer or transfers (or the execution and delivery of any Scheme Transfers) under clause 4(b)(i); and

(b) enforcing the Deed Poll against Bidco and each Guarantor who has executed the Deed Poll,

and Target accepts such appointment. Target, as agent and attorney of each Scheme Shareholder, may sub delegate its functions, authorities or powers under this clause 8.3 to all or any of its directors and officers (jointly, severally, or jointly and severally).

8.4 Warranty by Scheme Shareholders

Each Scheme Shareholder is deemed to have warranted to Bidco, and, to the extent enforceable, to have appointed and authorised Target as that Scheme Shareholder's agent and attorney to warrant to Bidco, that all of their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) will, at the time of the transfer of them to Bidco pursuant to the Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Shares (together with any rights and entitlements attaching to those Scheme Shares) to Bidco pursuant to the Scheme. Target undertakes in favour of each Scheme Shareholder that it will provide such warranty, to the extent enforceable, to Bidco on behalf of that Scheme Shareholder.

8.5 Title to Scheme Shares

Bidco will be beneficially entitled to the Scheme Shares transferred to it under the Scheme pending registration by Target of the name and address of Bidco in the Target Register as the

B Annexure B – Schemes of Arrangement continued

holder of the Scheme Shares.

8.6 Appointment of Bidco as attorney for Scheme Shares

(a) From the time that Bidco has satisfied its obligations in clause 5.2 until Bidco is registered in the Target Register as the holder of all Scheme Shares, each Target Shareholder:

(i) without the need for any further act by that Target Shareholder, irrevocably appoints Bidco as its proxy to (and irrevocably appoints Bidco as its agent and attorney for the purpose of appointing any director or officer of Bidco as that Target Shareholder's proxy and, where appropriate, its corporate representative to):

(A) attend shareholders' meetings of Target;

(B) exercise the votes attaching to the Target Shares registered in the name of the Target Shareholder; and

(C) sign any Target Shareholders' resolution;

(ii) must take all other action in the capacity of a Target Shareholder as Bidco reasonably directs; and

(iii) acknowledges and agrees that in exercising the powers referred to in clause 8.6(a), Bidco and any person nominated by Bidco under clause 8.6(a) may act in the best interests of Bidco as the intended registered holder of the Scheme Shares.

(b) From the time that Bidco has satisfied its obligations in clause 5.2 until Bidco is registered in the Target Register as the holder of all Scheme Shares, no Target Shareholder may attend or vote at any meetings of Target Shareholders or sign any Target Shareholders' resolution (whether in person, by proxy or by corporate representative) other than under this clause 8.6.

8.7 Alterations and conditions to Scheme

If the Court proposes to approve the Scheme subject to any alterations or conditions, Target may, by its counsel or solicitors, and with the prior written consent of Bidco, consent on behalf of all persons concerned, including each Target Shareholder, to those alterations or conditions.

8.8 Enforcement of Deed Poll

Target undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against:

(a) Bidco; and

(b) each Guarantor who has executed the Deed Poll,

on behalf of and as agent and attorney for the Scheme Shareholders.

8.9 Consent

Each of the Scheme Shareholders consents to Target doing all things necessary or incidental to the implementation of this Scheme, whether on behalf of the Scheme Shareholders, Target or otherwise.

8.10 Notices

Where a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to Target, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Target's registered office or by the Target Share Registry, as the case may be.

8.11 Duty

Bidco will pay all duty (including stamp duty and any related fines, penalties and interest) payable on or in connection with the transfer by Scheme Shareholders of the Scheme Shares to Bidco pursuant to the Scheme.

8.12 Governing law and jurisdiction

This document is governed by the laws of New South Wales. Each party submits to the non-exclusive jurisdiction of courts exercising jurisdiction there and courts of appeal from them in connection with matters concerning this document. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

B Annexure B – Schemes of Arrangement continued

Scheme of Arrangement pursuant to section 411 of the *Corporations Act 2001* (Cth)

Between

DUET Company Limited (ACN 163 100 061) of Level 14, 20 Martin Place, Sydney NSW 2000 (***Target***).

And

Each holder of Target Shares recorded in the Target Register as at the Record Date (other than each holder of Excluded Securities) (each a ***Scheme Shareholder*** and together the ***Scheme Shareholders***).

Recitals

A Target is a public company limited by shares incorporated in Australia, and is part of a quadruple-stapled group known as 'DUET' that is listed on ASX.

B DUET comprises:

(a) DUET Investment Holdings Limited (ACN 120 456 573) (***DIHL***);

(b) Target;

(c) DUET Finance Limited (ACN 108 014 062) (***DFL***); and

(d) DUET Finance Trust (ARSN 109 363 135) (***DFT***) in respect of which DFL is the responsible entity,

and ***DUET*** means all of them, or any one or more of them as the context requires.

C Bidco is a company incorporated in Australia, all of the shares in which are indirectly owned or controlled by Cheung Kong Property Holdings Limited (***CKP***), Cheung Kong Infrastructure Holdings Limited (***CKI***) and Power Assets Holdings Limited (***PAH***).

D DUET, Bidco, CKP, CKI and PAH have entered into a Scheme Implementation Agreement dated 14 January 2017 (the ***Scheme Implementation Agreement***) pursuant to which:

(a) Target has agreed to propose the Scheme to Target Shareholders;

(b) DIHL has agreed to propose the DIHL Scheme to holders of DIHL Shares;

(c) DFL has agreed to propose the DFL Scheme to holders of DFL Shares;

(d) DFL in its capacity as responsible entity of DFT has agreed to propose the Trust Scheme to holders of DFT Units; and

(e) each of DUET and Bidco has agreed to take certain steps to give effect to the DUET Schemes.

E As the DIHL Shares, Target Shares, DFL Shares and DFT Units are stapled to each other, the Scheme Implementation Agreement contemplates that the DUET Schemes are to be inter-conditional and be implemented at the same time.

F If the Scheme becomes Effective, then:

(a) all of the Scheme Shares and all of the rights and entitlements attaching to them on the Implementation Date will be transferred to Bidco simultaneously with the transfer to Bidco of all of the DIHL Scheme Shares, Scheme Shares, DFL Scheme Shares and DFT Scheme Units under the other DUET Schemes; and

(b) the Scheme Consideration will be provided to the Scheme Shareholders in accordance

with the terms of the Scheme and the Deed Poll; and

(c) Target will enter the name and address of Bidco in the Target Register as the holder of all of the Scheme Shares.

G By executing the Scheme Implementation Agreement, Target has agreed to propose and implement the Scheme, and Bidco has agreed to assist with that proposal and implementation, on and subject to the terms of the Scheme Implementation Agreement.

H Bidco and CKP, CKI and PAH have entered into the Deed Poll for the purpose of covenanting in favour of the Scheme Shareholders that it will observe and perform the obligations contemplated of it under the DUET Schemes, and (in the case of CKP, CKI and PAH (acting severally, each in its Relevant Proportion as defined in the Scheme Implementation Agreement) that it will procure that Bidco performs the obligations contemplated of it under the DUET Schemes.

It is agreed as follows.

1 Definitions and interpretation

1.1 Definitions

In this document, unless the context requires otherwise:

Bidco means CK William Australia Bidco Pty Ltd (ACN 613 693 182).

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the ASX operated by it.

ASX Listing Rules means the official listing rules of ASX.

Business Day means any day that is each of the following:

(a) a Business Day within the meaning given in the ASX Listing Rules; and

(b) a day that banks are open for business in Sydney, Australia.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement Pty Limited (ABN 49 008 504 532).

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Supreme Court of New South Wales or such other court of competent jurisdiction as Bidco and DUET may agree in writing.

Deed Poll means the deed poll executed on or about the date of this agreement by Bidco, CKP, CKI and PAH in favour of the Scheme Participants.

DFL Scheme means a scheme of arrangement under Part 5.1 of the Corporations Act between DFL and holders of DFL Scheme Shares under which Bidco acquires all of the DFL Scheme Shares, as contemplated by the Scheme Implementation Agreement.

DFL Scheme Shares means the DFL Shares on issue as at the Record Date other than the Excluded Securities.

DFL Share means a fully paid ordinary share issued in the capital of DFL.

DFT Constitution means the constitution establishing DFT dated 26 June 2003, as amended from time to time.

DFT Scheme Units means the DFT Units on issue as at the Record Date other than the Excluded Securities.

B Annexure B – Schemes of Arrangement continued

DFT Unit means one fully paid ordinary unit in DFT.

DIHL Scheme means a scheme of arrangement under Part 5.1 of the Corporations Act between DIHL and holders of DIHL Scheme Shares under which Bidco acquires all of DFL Scheme Shares, as contemplated by the Scheme Implementation Agreement.

DIHL Scheme Shares means the DIHL Shares on issue as at the Record Date other than the Excluded Securities.

DIHL Share means a fully paid ordinary share issued in the capital of DIHL.

DUET Schemes means the Scheme, DIHL Scheme, DFL Scheme and Trust Scheme.

DUET Scheme Security means a Scheme Share, DFL Scheme Share, DIHL Scheme Share and DFT Scheme Unit collectively.

DUET Security means a Target Share, DFL Share, DIHL Share and DFT Unit collectively.

Effective means, when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act in relation to the Scheme but in any event no time before an office copy of the order of the Court is lodged with ASIC.

Effective Date means the date on which the Scheme becomes Effective.

End Date means 30 June 2017, or such later date as Bidco and DUET may agree in writing.

Excluded Security means a Target Share, DFL Share, DIHL Share or DFT Unit (as applicable) held by any person on behalf of, or for the benefit of, Bidco, a Guarantor or any of their respective Related Bodies Corporate.

Guarantor Shareholder Approvals has the meaning given in the Scheme Implementation Agreement.

Guarantors means CKP, CKI and PAH.

Implementation Date means the date that is five Business Days after the Record Date, or such other date as DUET and Bidco may agree in writing.

Permitted DUET Distributions means:

(a) a distribution and dividend payable to holders of DUET Securities for the 6 month period ending 31 December 2016 of no more than 9.25 cents payable either in cash per DUET Security or in accordance with the distribution and dividend reinvestment plan in place as at the date of the Scheme Implementation Agreement;

(b) a dividend or dividends payable to holders of DUET Securities in accordance with clause 6.1(b) of the Scheme Implementation Agreement; and

(c) a distribution payable to holders of DUET Securities in accordance with clause 6.3 of the Scheme Implementation Agreement.

Record Date means 7.00pm on the date that is five Business Days after the Effective Date, or such other date as may be agreed in writing between Bidco and DUET.

Registered Address means, in relation to a Scheme Shareholder, the address of that Scheme Shareholder shown in the Target Register as at the Record Date.

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between Target and the Scheme Shareholders as set out in this document, subject to any alterations or conditions made or required by the Court and agreed to by Bidco and DUET (such agreement not to be unreasonably withheld or delayed) made or required by the Court under section 411(6) of the Corporations Act and agreed to by DUET and Bidco.

Scheme Consideration means, in respect of each DUET Scheme Security, a cash amount of $3 less the amount by which any Special Distribution determined by DFL in accordance with clause 6.1 of the Scheme Implementation Agreement, when added to the per-DUET Security value of any Permitted DUET Distribution determined to be made pursuant to clause 6.3 of the Scheme Implementation Agreement, exceeds 3 cents per DUET Scheme Security, net of any payment made to the Australian Taxation Office in accordance with Subdivision 14-D of Schedule 1 of the *Taxation Administration Act 1953 (Cth)* in respect of the acquisition of the relevant DUET Scheme Security.

Scheme Meeting means the meeting of Target Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act in relation to the Scheme, and includes any adjournment or postponement of that meeting.

Scheme Orders means the orders of the Court made under section 411(4)(b) of the Corporations Act (and if applicable, section 411(6) of the Corporations Act) in relation to the Scheme.

Scheme Shares means the Target Shares on issue as at the Record Date other than the Excluded Securities.

Scheme Transfer means, in relation to each Scheme Shareholder, a proper instrument of transfer of their Scheme Shares for the purpose of section 1071B of the Corporations Act, which may be a master transfer of all or part of all of the Scheme Shares.

Second Court Date means the first day of hearing of an application made to the Court for orders pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Special Distribution means the distribution (expressed on a per DUET Security basis and prior to any withholding being made) to be made in accordance with clause 6.1(a) of the Scheme Implementation Agreement and clause 10.9 of the DFT Constitution.

Target Register means the register of members of Target maintained by or on behalf of Target in accordance with section 168(1) of the Corporations Act.

Target Share means an issued fully paid ordinary share in the capital of Target.

Target Shareholder means a person who is registered in the Target Register as a holder of Target Shares.

Target Share Registry means Computershare Investor Services Pty Ltd (ACN 078 279 277) or any replacement share registry services provider to Target.

Trust Account means an Australian dollar denominated trust account operated by Target (or by the Target Share Registry on behalf of Target) as trustee for the Scheme Shareholders.

Trust Scheme means an arrangement under which Bidco acquires all of the DFT Scheme Units facilitated by amendments to the DFT constitution, as contemplated by the Scheme Implementation Agreement.

1.2 Interpretation

(a) Headings are for convenience only and do not affect interpretation.

(b) Mentioning anything after includes, including, for example, or similar expressions, does not limit what else might be included.

(c) The following rules apply unless the context requires otherwise.

   (i) The singular includes the plural, and the converse also applies.

   (ii) A gender includes all genders.

(iii) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.

(iv) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.

(v) A reference to a clause is a reference to a clause of this document.

(vi) A reference to an agreement or document (including a reference to this document) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this document or that other agreement or document.

(vii) A reference to writing includes any method of representing or reproducing words, figures, drawings or symbols in a visible and tangible form.

(viii) A reference to a person includes the person's successors, permitted substitutes and permitted assigns (and, where applicable, the person's legal personal representatives).

(ix) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.

(x) A reference to *dollars* or *$* is to Australian currency.

(xi) Words and phrases not specifically defined in this document have the same meanings (if any) given to them in the Corporations Act.

(xii) A reference to time is to Sydney, Australia time.

(xiii) If the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing must be done on the immediately succeeding Business Day.

2 Conditions

2.1 Conditions Precedent

The Scheme is conditional upon, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

(a) as at 8.00am on the Second Court Date each of the conditions precedent set out in clause 3.1 of the Scheme Implementation Agreement (other than the condition precedent relating to the approval of the Court set out in clause 3.1(h) of the Scheme Implementation Agreement) has been satisfied or waived in accordance with the Scheme Implementation Agreement;

(b) as at 8.00am on the Second Court Date, neither the Scheme Implementation Agreement nor the Deed Poll has been terminated in accordance with its terms;

(c) the Court makes orders approving the Scheme under section 411(4)(b) of the Corporations Act, including with such alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to Bidco and DUET (each acting reasonably);

(d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme as are acceptable to Bidco and DUET (each acting reasonably) have been satisfied or waived; and

(e) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving the Scheme to come into effect, pursuant to section 411(10) of the Corporations Act on or before the End Date.

2.2 Lapsing

The Scheme will lapse and be of no further force or effect if:

(a) the Effective Date does not occur on or before the End Date; or

(b) the Scheme Implementation Agreement or the Deed Poll is terminated in accordance with its terms unless Target, Bidco and each Guarantor otherwise agree in writing.

3 Scheme becoming Effective

Subject to clause 2.2, the Scheme will take effect on and from the Effective Date.

4 Implementation of Scheme

(a) If the conditions precedent in clause 2.1 are satisfied or waived, Target must lodge with ASIC, in accordance with section 411(10) of the Corporations Act, an office copy of the Scheme Orders as soon as practicable after, and in any event by no later than 5.00pm on the first Business Day after, the day on which the Scheme Orders are entered, or such other date as agreed by Target and Bidco.

(b) On the Implementation Date, subject to Bidco having satisfied its obligations in clause 5.2, all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to Bidco, without the need for any further act by any Scheme Shareholder (other than acts performed by Target or any of its directors and officers as attorney and agent for Scheme Shareholders under the Scheme), by:

(i) Target delivering to Bidco for execution duly completed (and, if necessary, stamped) Scheme Transfers to transfer all of the Scheme Shares to Bidco, duly executed by Target (or any of its directors and officers) as the attorney and agent of each Scheme Shareholder as transferor under clause 8.3;

(ii) Bidco executing the Scheme Transfers as transferee and delivering them to Target for registration; and

(iii) Target, immediately after receipt of the Scheme Transfers under clause 4(b)(ii), or the transfer being effected under section 1074D of the Corporations Act (as the case may be) entering, or procuring the entry of, the name and address of Bidco in the Target Register as the holder of all of the Scheme Shares.

(c) The transfer of all of the Scheme Shares to Bidco in accordance with clause 4(a) must occur simultaneously with:

(i) the transfer to Bidco of all of the DIHL Scheme Shares under the DIHL Scheme;

(ii) the transfer to Bidco of all of the DFL Scheme Shares under the DFL Scheme; and

(iii) the transfer to Bidco of all of the Trust Scheme Units under the Trust Scheme.

5 Scheme Consideration

5.1 Entitlement to Scheme Consideration

Subject to the terms of the Scheme, each Scheme Shareholder will be entitled to the Scheme Consideration for each Scheme Share held by that Scheme Shareholder.

B Annexure B – Schemes of Arrangement continued

5.2 Deposit of Scheme Consideration

Bidco must, by no later than the Business Day before the Implementation Date:

(a) deposit (or procure the deposit) in cleared funds into the Trust Account an amount equal to the aggregate amount of the Scheme Consideration payable to Scheme Shareholders provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Bidco's account; and

(b) provide written confirmation to Target of that deposit.

5.3 Payment to Scheme Shareholders

(a) On the Implementation Date, subject to Bidco having satisfied its obligations in clause 5.2, Target must pay or procure the payment, from the Trust Account, to each Scheme Shareholder the Scheme Consideration as that Scheme Shareholder is entitled under this clause 5.

(b) The obligations of Target under clause 5.3(a) will be satisfied by Target (in its absolute discretion):

(i) where a Scheme Shareholder has, before the Record Date, made a valid election in accordance with the requirements of the Target Share Registry to receive dividend payments from Target by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or

(ii) otherwise, whether or not the Scheme Shareholder has made an election referred to in clause 5.3(b)(i), dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Shareholder by prepaid post to their Registered Address (as at the Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.4).

(c) If, following satisfaction of Bidco's obligations under clause 5.2 but prior to the occurrence of all of the events described in clause 4, the Scheme lapses under clause 2.2(b):

(i) Target must immediately repay (or cause to be repaid) to or at the direction of Bidco the funds that were deposited in the Trust Account plus any interest on the amounts deposited (less bank fees and other charges);

(ii) the obligation to transfer Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, to Bidco under clause 4 will immediately cease;

(iii) Bidco must return the Scheme Transfers, if provided pursuant to clause 4; and

(iv) Target is no longer obliged to enter, or procure the entry of, the name of Bidco in the Target Register in accordance with clause 4.

5.4 Joint holders

In the case of Scheme Shares held in joint names:

(a) any cheque required to be sent under the Scheme will be made payable to the joint holders and sent to either, at the sole discretion of Target, the holder whose name appears first in the Target Register as at the Record Date or to the joint holders; and

(b) any other document required to be sent under the Scheme, will be forwarded to either, at the sole discretion of Target, the holder whose name appears first in the Target Register as at the Record Date or to the joint holders.

5.5 Cancellation and re-issue of cheques

(a) Target may cancel a cheque issued under this clause 5 if the cheque:

(i) is returned to Target or the Target Share Registry; or

(ii) has not been presented for payment within 6 months after the date on which the cheque was sent.

(b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Target or the Target Share Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), Target must reissue a cheque that was previously cancelled under clause 5.5(a).

5.6 Fractional entitlements

Where the calculation of the Scheme Consideration to be paid to a Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, that fractional entitlement will be rounded down to the nearest whole cent.

5.7 Unclaimed monies

(a) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).

(b) Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of Bidco.

5.8 Remaining monies (if any) in Trust Account

To the extent that, following satisfaction of Target's obligations under the other provisions of this clause 5 and provided Bidco has by that time acquired the Scheme Shares in accordance with the Scheme, there is a surplus in the Trust Account, then subject to compliance with applicable laws, the other terms of the Scheme, the Deed Poll and the Scheme Implementation Agreement, that surplus (less any bank fees and related charges) shall be paid by Target (or the Target Share Registry on Target's behalf) to Bidco.

6 Dealings in Target Shares

6.1 Dealings in Target Shares by Scheme Shareholders

For the purpose of establishing the persons who are Scheme Shareholders, dealings in Target Shares will be recognised by Target provided that:

(a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Target Register as the holder of the relevant Target Shares by the Record Date; and

(b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Target Share Registry by 5.00pm on the day which is the Record Date at the place where the Target Register is located (in which case Target must register such transfers or transmission applications before 7.00pm on that day),

and Target will not accept for registration, nor recognise for the purpose of establishing the

B Annexure B – Schemes of Arrangement continued

persons who are Scheme Shareholders nor for any other purpose (other than to transfer to Bidco pursuant to the Scheme and any subsequent transfers by Bidco and its successors in title), any transfer or transmission application in respect of Target Shares received after such times, or received prior to such times but not in actionable or registrable form (as appropriate).

6.2 Target Register

(a) Target will, until the Scheme Consideration has been provided and the name and address of Bidco has been entered in the Target Register as the holder of all of the Scheme Shares, maintain, or procure the maintenance of, the Target Register in accordance with this clause 6, and the Target Register in this form and the terms of the Scheme will solely determine entitlements to the Scheme Consideration. As from the Record Date (and other than for Bidco following the Implementation Date), each entry in the Target Register as at the Record Date relating to Scheme Shares will cease to have any effect other than as evidence of the entitlements of Scheme Shareholders to the Scheme Consideration in respect of those Scheme Shares.

(b) As soon as possible on or after the Record Date, and in any event within one Business Day after the Record Date, Target will ensure that details of the names, Registered Addresses and holdings of Target Shares for each Scheme Shareholder as shown in the Target Register are available to Bidco in the form Bidco reasonably requires.

6.3 Effect of share certificates and holding statements

As from the Record Date (and other than for Bidco following the Implementation Date), all share certificates and holding statements for Scheme Shares (other than statements of holding in favour of Bidco or any Excluded Shareholders) will cease to have effect as documents of title in respect of those Scheme Shares.

6.4 No disposals after Record Date

If the Scheme becomes Effective, each Scheme Shareholder, and any person claiming through that Scheme Shareholder, must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after 5.00pm on the Record Date other than to Bidco in accordance with the Scheme and any subsequent transfers by Bidco and its successors in title.

7 Suspension and termination of quotation of Target Shares

(a) Target must apply to ASX for suspension of trading of the Target Shares on ASX with effect from the close of business on the Effective Date.

(b) Target must apply to ASX for termination of official quotation of the Target Shares on ASX and the removal of Target from the official list of ASX with effect from the Business Day immediately following the Implementation Date, or from such later date as may be determined by Bidco.

8 General provisions

8.1 Further assurances

(a) Each Scheme Shareholder and Target will do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it.

(b) Without limiting Target's other powers under the Scheme, Target has power to do all things that it considers necessary or desirable to give effect to the Scheme and the Scheme Implementation Agreement.

8.2 Scheme Shareholders' agreements and consents

Each Scheme Shareholder:

(a) irrevocably agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, to Bidco in accordance with the terms of the Scheme; and

(b) acknowledges and agrees that the Scheme binds Target and all Scheme Shareholders (including those that did not attend the Scheme Meeting or did not vote at that meeting or voted against the Scheme at that Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of Target; and

(c) irrevocably consents to Target and Bidco doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it,

without the need for any further act by that Scheme Shareholder.

8.3 Appointment of Target as attorney for implementation of Scheme

Each Scheme Shareholder, without the need for any further act by that Scheme Shareholder, irrevocably appoints Target as that Scheme Shareholder's agent and attorney for the purpose of:

(a) doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it, including the effecting of a valid transfer or transfers (or the execution and delivery of any Scheme Transfers) under clause 4(b)(i); and

(b) enforcing the Deed Poll against Bidco and each Guarantor who has executed the Deed Poll,

and Target accepts such appointment. Target, as agent and attorney of each Scheme Shareholder, may sub delegate its functions, authorities or powers under this clause 8.3 to all or any of its directors and officers (jointly, severally, or jointly and severally).

8.4 Warranty by Scheme Shareholders

Each Scheme Shareholder is deemed to have warranted to Bidco, and, to the extent enforceable, to have appointed and authorised Target as that Scheme Shareholder's agent and attorney to warrant to Bidco, that all of their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) will, at the time of the transfer of them to Bidco pursuant to the Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Shares (together with any rights and entitlements attaching to those Scheme Shares) to Bidco pursuant to the Scheme. Target undertakes in favour of each Scheme Shareholder that it will provide such warranty, to the extent enforceable, to Bidco on behalf of that Scheme Shareholder.

8.5 Title to Scheme Shares

Bidco will be beneficially entitled to the Scheme Shares transferred to it under the Scheme pending registration by Target of the name and address of Bidco in the Target Register as the holder of the Scheme Shares.

B Annexure B – Schemes of Arrangement continued

8.6 Appointment of Bidco as attorney for Scheme Shares

(a) From the time that Bidco has satisfied its obligations in clause 5.2 until Bidco is registered in the Target Register as the holder of all Scheme Shares, each Target Shareholder:

(i) without the need for any further act by that Target Shareholder, irrevocably appoints Bidco as its proxy to (and irrevocably appoints Bidco as its agent and attorney for the purpose of appointing any director or officer of Bidco as that Target Shareholder's proxy and, where appropriate, its corporate representative to):

(A) attend shareholders' meetings of Target;

(B) exercise the votes attaching to the Target Shares registered in the name of the Target Shareholder; and

(C) sign any Target Shareholders' resolution;

(ii) must take all other action in the capacity of a Target Shareholder as Bidco reasonably directs; and

(iii) acknowledges and agrees that in exercising the powers referred to in clause 8.6(a), Bidco and any person nominated by Bidco under clause 8.6(a) may act in the best interests of Bidco as the intended registered holder of the Scheme Shares.

(b) From the time that Bidco has satisfied its obligations in clause 5.2 until Bidco is registered in the Target Register as the holder of all Scheme Shares, no Target Shareholder may attend or vote at any meetings of Target Shareholders or sign any Target Shareholders' resolution (whether in person, by proxy or by corporate representative) other than under this clause 8.6.

8.7 Alterations and conditions to Scheme

If the Court proposes to approve the Scheme subject to any alterations or conditions, Target may, by its counsel or solicitors, and with the prior written consent of Bidco, consent on behalf of all persons concerned, including each Target Shareholder, to those alterations or conditions.

8.8 Enforcement of Deed Poll

Target undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against:

(a) Bidco; and

(b) each Guarantor who has executed the Deed Poll,

on behalf of and as agent and attorney for the Scheme Shareholders.

8.9 Consent

Each of the Scheme Shareholders consents to Target doing all things necessary or incidental to the implementation of this Scheme, whether on behalf of the Scheme Shareholders, Target or otherwise.

8.10 Notices

Where a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to Target, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Target's registered office or by the Target Share Registry, as the case may be.

8.11 Duty

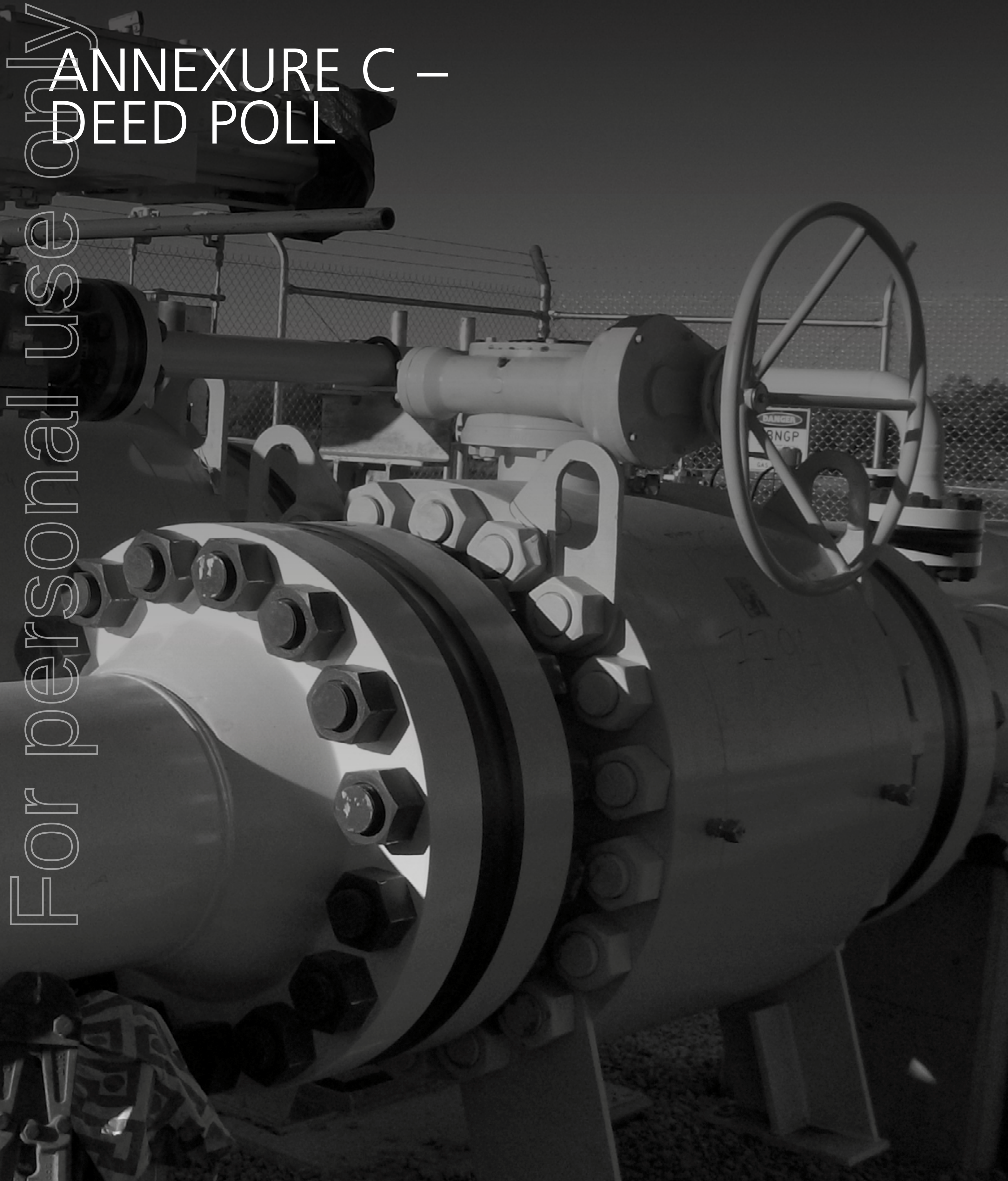
Bidco will pay all duty (including stamp duty and any related fines, penalties and interest) payable on or in connection with the transfer by Scheme Shareholders of the Scheme Shares to Bidco pursuant to the Scheme.

8.12 Governing law and jurisdiction

This document is governed by the laws of New South Wales. Each party submits to the non-exclusive jurisdiction of courts exercising jurisdiction there and courts of appeal from them in connection with matters concerning this document. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

C

ANNEXURE C – DEED POLL



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C Annexure C – Deed Poll continued

Deed Poll

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Contents

This Deed Poll is made on 1 March 2017

Parties

1 **CK William Australia Bidco Pty Ltd** (ACN 613 693 182) of c/o King & Wood Mallesons, Governor Phillip Tower, Level 61, 1 Farrer Place, Sydney NSW 2000 (***Bidco***).

2 **Cheung Kong Property Holdings Limited** of 7th Floor, Cheung Kong Center, 2 Queen's Road, Central, Hong Kong (***CKP***).

3 **Cheung Kong Infrastructure Holdings Limited** of 12/F Cheung Kong Center, 2 Queen's Rd, Central, Hong Kong (***CKI***).

4 **Power Assets Holdings Limited** of Rooms 1913-1914, 19/F Hutchison House, 10 Harcourt Road, Central, Hong Kong (***PAH***).

(CKP CKI and PAH are collectively the ***Guarantors*** and each a ***Guarantor***).

In favour of

Each Scheme Participant

Recitals

A Bidco, the Guarantors, DUET Company Limited (ACN 163 100 061), DUET Investment Holdings Limited (ACN 120 456 573) and DUET Finance Limited (ACN 108 014 062) (in its personal capacity and as responsible entity of the DUET Finance Trust (ARSN 109 363 135)), have entered into a Scheme Implementation Agreement dated 14 January 2017 (the ***SIA***).

B DUET has agreed in the SIA to propose the Company Schemes and the Trust Scheme (collectively, the ***Schemes***), pursuant to which, subject to the satisfaction or waiver of certain conditions precedent, Bidco will acquire all of the DUET Scheme Securities from Scheme Participants for the Scheme Consideration.

C In accordance with the SIA, Bidco and each Guarantor is entering into this Deed Poll for the purpose of providing various covenants (acting severally in their Relevant Proportions) in favour of the Scheme Shareholders.

It is agreed as follows.

1 Definitions and interpretation

1.1 Definitions

Terms defined in the SIA have the same meaning in this Deed Poll, unless the context requires otherwise.

1.2 Interpretation

The provisions of clause 1.2 of the SIA form part of this Deed Poll as if set out in full in this Deed Poll, and on the basis that references to 'this Deed' in that clause are references to 'this Deed Poll'.

2 Nature of Deed Poll

Bidco and each Guarantor acknowledges that:

(a) this Deed Poll may be relied on and enforced by any Scheme Participant in accordance with its terms, even though the Scheme Participants are not party to it; and

C Annexure C – Deed Poll continued

(b) under each Scheme, each Scheme Participant appoints a DUET entity as its agent and attorney to enforce this Deed Poll against the Guarantors and Bidco on behalf of that Scheme Participants.

3 Several obligations

Notwithstanding anything else in this Deed Poll, each Guarantor's liability under this Deed Poll is several and is equal to its ***Relevant Proportion*** at any given time (being as set out in the second column of the table below) for all obligations and liabilities of the Guarantors under this Deed Poll.

Guarantor	Guarantor's Relevant Proportion
CKP	***CKP's Relevant Proportion*** is 100% less CKI's Relevant Proportion less PAH's Relevant Proportion
CKI	***CKI's Relevant Proportion*** is: • if the Guarantor Shareholder Approvals with respect to CKP and CKI are obtained - such percentage as notified by CKP and CKI in writing to DUET; • otherwise – 0%.
PAH	***PAH's Relevant Proportion*** is: • if the Guarantor Shareholder Approvals with respect to PAH are obtained - such percentage as notified by CKP and PAH in writing to DUET; • otherwise – 0%.

4 Conditions precedent and termination

4.1 Conditions precedent

The obligations of Bidco and each Guarantor under this Deed Poll are subject to the Schemes becoming Effective.

4.2 Termination

If the SIA is terminated in accordance with its terms before the Effective Date or the Schemes lapse and become of no further force or effect or do not become Effective on or before the End Date, the obligations of Bidco and each Guarantor under this Deed Poll will automatically terminate and the terms of this Deed Poll will be of no further force or effect, unless DUET, Bidco and each Guarantor otherwise agree in writing.

4.3 Consequences of termination

If this Deed Poll is terminated under clause 4.2, then, in addition and without prejudice to any other rights, powers or remedies available to it:

(a) Bidco and each Guarantor is released from its obligations under this Deed Poll, except those obligations under clause 10.6; and

(b) each Scheme Participant retains any rights, powers or remedies that Scheme Participant has against Bidco and each Guarantor in respect of any breach of its obligations under this Deed Poll that occurred before termination of this Deed Poll.

5 Schemes obligations of Bidco and Guarantors

(a) Bidco covenants in favour of each Scheme Participant that it will observe and perform all obligations contemplated of it under and in accordance with each Scheme, including the relevant obligations relating to the provision of the Scheme Consideration.

(b) Each Guarantor severally covenants in its Relevant Proportion in favour of each Scheme Participant that it will procure that Bidco observes and performs all obligations contemplated of it under and in accordance with each Scheme, including the relevant obligations relating to the provision of the Scheme Consideration.

6 Representations and warranties

Bidco and each Guarantor makes the following representations and warranties with respect to itself only.

(a) It is a corporation validly existing under the laws of its place of incorporation.

(b) It has the power to enter into and perform its obligations under this Deed Poll and to carry out the transactions contemplated by this Deed Poll.

(c) It has taken all necessary corporate action to authorise the entry into this Deed Poll and has taken or will take all necessary corporate action to authorise the performance of this Deed Poll.

(d) This Deed Poll is its valid and binding obligation enforceable in accordance with its terms.

(e) The execution and performance by it of this Deed Poll and each transaction contemplated by this Deed Poll did not, and will not, violate in any respect a provision of:

(i) a law, judgment, ruling, order or decree binding on it;

(ii) its constitution; or

(iii) any other document or agreement that is binding on it or any of its Subsidiaries.

7 Exculpation

(a) Subject to clause 7(b), if:

(i) a Guarantor provides Bidco with its Relevant Proportion of the funding necessary for Bidco to provide the Scheme Consideration to Scheme Participants; and

(ii) uses all reasonable endeavours to procure that Bidco complies with its obligations under this Deed Poll by exercising any rights available to it under the Consortium Arrangements,

then that Guarantor will have no further liability under this Deed Poll.

(b) The Guarantors and Bidco agree that they will take all steps necessary to ensure that if any Guarantor contributes its Relevant Proportion of the funding necessary for Bidco to provide the Scheme Consideration to the Scheme Participants, then the amount contributed will be retained by Bidco until such time as Bidco has discharged in full its obligations in relation to the provision of the Scheme Consideration in accordance with each Scheme and this Deed Poll.

8 Continuing obligations

This Deed Poll is irrevocable and, subject to clause 4, remains in full force and effect until the earlier of:

(a) Bidco and each Guarantor having fully performed its obligations under this Deed Poll; and

(b) termination of this Deed Poll under clause 4.

9 Further assurances

Bidco and each Guarantor must, on its own behalf and, to the extent authorised by any of the Schemes, on behalf of each Scheme Participant, do all things and execute all deeds,

C Annexure C – Deed Poll continued

instruments, transfers or other documents as may be necessary or desirable to give full effect to the provisions of this Deed Poll and the transactions contemplated by it.

10 General

10.1 Notices

Any notice, demand, consent or other communication (a ***Notice***) given or made under this Deed Poll:

(a) must be in writing and signed by the sender or a person duly authorised by the sender;

(b) must be delivered to the intended recipient by prepaid post (if posted to an address in another country, by registered airmail) or by hand, email or fax to the physical address, email address or fax number (as applicable) below or the physical address, email address or fax number (as applicable) last notified by the intended recipient to the sender:

(i)	to Bidco:	Address: c/o King & Wood Mallesons, Governor Phillip Tower, Level 61, 1 Farrer Place, Sydney NSW 2000 Email: David.Eliakim@au.kwm.com and Louis.Chiam@au.kwm.com Fax: +61 2 9296 3999 Attention: David Eliakim and Louis Chiam
(ii)	to CKP:	Address: 7th Floor, Cheung Kong Center, 2 Queen's Road, Central, Hong Kong Email: N/A Fax: +852 2128 8001 Attention: Company Secretary With a copy (for information purposes) to David.Eliakim@au.kwm.com and Louis.Chiam@au.kwm.com (by email)
(iii)	to CKI:	Address: 12/F Cheung Kong Center, 2 Queen's Rd, Central, Hong Kong Email: victor.luk@cki.com.hk Fax: +852 2501 4550 Attention: Group General Counsel With a copy (for information purposes) to David.Eliakim@au.kwm.com and Louis.Chiam@au.kwm.com (by email)
(iv)	to PAH:	Address: Rooms 1913-1914, 19/F Hutchison House, 10 Harcourt Road, Central, Hong Kong Email: alexng@powerassets.com Fax: +852 2503 5512

Attention: Group Legal Counsel and Company Secretary

With a copy (for information purposes) to David.Eliakim@au.kwm.com and Louis.Chiam@au.kwm.com (by email)

(c) will be conclusively taken to be duly given or made:

(i) in the case of delivery in person, when delivered;

(ii) in the case of delivery by post, 3 Business Days after the date of posting (if posted to an address in the same country) or 7 Business Days after the date of posting (if posted to an address in another country);

(iii) in the case of delivery by email, the earlier of:

(A) the time that the sender receives an automated message from the intended recipient's information system confirming delivery of the email;

(B) the time that the email is first opened or read by the intended recipient, or an employee or officer of the intended recipient; and

(C) two hours after the time the email is sent (as recorded on the device from which the sender sent the email) unless the sender receives, during that two hour period, an automated message that the email has not been delivered; and

(iv) in the case of fax, on receipt by the sender of a transmission control report from the despatching machine showing the relevant number of pages and the correct destination fax number or name of recipient and indicating that the transmission has been made without error,

but if the result is that a Notice would be taken to be given or made on a day that is not a business day in the place to which the Notice is sent or at a time that is later than 5.00pm (in the place to which the Notice is sent), it will be conclusively taken to have been duly given or made at 9.00am (in the place to which the Notice is sent) on the next business day in that place.

10.2 No waiver

No failure to exercise nor any delay in exercising any right, power or remedy by Bidco or any Guarantor or by any Scheme Participant operates as a waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver of any right, power or remedy on one or more occasions does not operate as a waiver of that right, power or remedy on any other occasion, or of any other right, power or remedy. A waiver is not valid or binding on the person granting that waiver unless made in writing.

10.3 Remedies cumulative

The rights, powers and remedies of Bidco, each Guarantor and each Scheme Participant under this Deed Poll are in addition to, and do not exclude or limit, any right, power or remedy provided by law or equity or by any agreement.

C Annexure C – Deed Poll continued

10.4 Amendment

No amendment or variation of this Deed Poll is valid or binding unless:

(a) either:

(i) before the Second Court Date, the amendment or variation is agreed to in writing by Bidco, each Guarantor and DUET (which such agreement may be given or withheld without reference to or approval by any DUET Securityholder); or

(ii) on or after the Second Court Date, the amendment or variation is agreed to in writing by Bidco, each Guarantor and DUET (which such agreement may be given or withheld without reference to or approval by any DUET Securityholder), and is approved by the Court; and

(b) Bidco and each Guarantor enter into a further deed poll in favour of the Scheme Participants giving effect to that amendment or variation and in which, among other things and where applicable, each Guarantor's obligations will be several and in its Relevant Proportions.

10.5 Assignment

(a) The rights and obligations of Bidco and each Guarantor and of each Scheme Participant under this Deed Poll are personal. They cannot be assigned, encumbered or otherwise dealt with at law and in equity and no person may attempt, or purport, to do so without the prior consent of Bidco, each Guarantor and DUET.

(b) Any purported dealing in contravention of clause 10.5(a) is valid.

10.6 Costs and duty

(a) Bidco and each Guarantor must bear their own costs arising out of the negotiation, preparation and execution of this Deed Poll.

(b) Bidco must, and each Guarantor must procure that Bidco does:

(i) pay all duty (including stamp duty and any fines, penalties and interest) payable on or in connection with this Deed Poll and any instrument executed under or any transaction evidenced by this Deed Poll; and

(ii) indemnify each Scheme Participant on demand against any liability for that duty (including any related fines, penalties and interest).

10.7 Governing law and jurisdiction

(a) This Deed Poll is governed by the laws of New South Wales.

(b) Bidco and each Guarantor submits to the non-exclusive jurisdiction of courts exercising jurisdiction there in connection with matters concerning this Deed Poll.

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Deed Poll

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Execution pages

Executed and delivered as a Deed.

Executed as a deed in accordance with section 127 of the *Corporations Act 2001* by **CK William Australia Bidco Pty Ltd**:

Director Signature	Director/Secretary Signature
Andrew John Hunter	Ip Tak Chuen, Edmond
Print Name	Print Name

SEALED with the **COMMON SEAL** of **CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED** (長江基建集團有限公司) and signed by Ip Tak Chuen, Edmond and Andrew John Hunter duly authorised by resolution of director(s) in the presence of:

Signature of witness

NG Gerald Tzy Yu
Solicitor, Hong Kong SAR

Name of witness (block letters)

Address of witness

12/F Cheung Kong Center
2 Queen's Road Central
Hong Kong

C Annexure C – Deed Poll continued

Deed Poll

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SEALED with the COMMON SEAL of POWER ASSETS HOLDINGS LIMITED (電能實業有限公司) and SIGNED by

and

duly authorised by resolution of directors in the presence of:

....
Signature of witness

....
Name of witness (block letters)

....
Address of witness

....

SEALED with the COMMON SEAL of CHEUNG KONG PROPERTY HOLDINGS LIMITED (長江實業地產有限公司) a company incorporated in Cayman Islands, and SIGNED by
Kam Hing Lam
and
Ip Tak Chuen, Edmond
duly authorised by resolution of director(s) in the presence of / whose signature(s) is/are verified by:-

....
Signature of witness

CHEUNG YUEN SANG
Solicitor
Hong Kong SAR

....
Name of witness (block letters)

....
Address of witness

....

page 8

Deed Poll

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SEALED with the **COMMON SEAL** of **POWER ASSETS HOLDINGS LIMITED (電能實業有限公司)** and SIGNED by
Tsai Chao Chung, Charles
and
Wan Chi Tin
duly authorised by resolution of directors in the presence of:

....

Signature of witness

Ng Wai Cheong, Alex..............................

Name of witness (block letters)

....

Address of witness
Rooms 1913-1914,
19th Floor, Hutchison House,
10 Harcourt Road,
Hong Kong

SEALED with the **COMMON SEAL** of **CHEUNG KONG PROPERTY HOLDINGS LIMITED (長江實業地產有限公司)** a company incorporated in Cayman Islands, and SIGNED by

and

duly authorised by resolution of director(s) in the presence of / whose signature(s) is/are verified by:-

....

Signature of witness

....

Name of witness (block letters)

....

Address of witness

....

D

ANNEXURE D – DFT CONSTITUTION AMENDMENTS

DUET Finance Limited

Amending the Constitution for DUET Finance Trust

Supplemental Deed

Allens
Deutsche Bank Place
Corner Hunter and Phillip Streets
Sydney NSW 2000 Australia
Tel +61 2 9230 4000
Fax +61 2 9230 5333
www.allens.com.au

D Annexure D – DFT Constitution Amendments continued

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Contents

This Deed is made on [*] 2017

Party

1 **DUET Finance Limited** (ACN 108 014 062) as responsible entity of DUET Finance Trust of Level 14, 20 Martin Place, Sydney NSW 2000 (the ***Trustee***).

Recitals

A The Trustee is the responsible entity of the trust known as DUET Finance Trust (ARSN 109 363 135) (the ***Trust***).

B The Trust has been registered pursuant to section 601EB of the Corporations Act 2001 (Cth) (the ***Corporations Act***) as a managed investment scheme.

C The Units of the Trust are quoted and traded on the ASX.

D DUET, Bidco and others have agreed, by executing a scheme implementation agreement dated 14 January 2017 (the ***Scheme Implementation Agreement***), to propose and implement the Scheme and schemes of arrangement under Part 5.1 of the Corporations Act in respect of DUECo, DFL and DIHL.

E The Constitution must be amended to facilitate the Scheme.

F Section 601GC(1)(a) of the Corporations Act provides that the Constitution may be amended by special resolution of the Members.

G Under clause 23.1 of the Constitution, the Constitution may be amended by resolution and the Trustee may give effect to the modification by executing a supplemental deed.

H The Trustee proposes to execute this Supplemental Deed and lodge it with the Australian Securities and Investments Commission (***ASIC***) to modify the Constitution, as set out in this Supplemental Deed, to give effect to the resolution to modify the Constitution that was passed by Members at a meeting held on [*] 2017.

It is declared as follows.

1 Definitions and Interpretation

1.1 Definitions

In this Supplemental Deed including the Recitals, the following definitions apply unless the context otherwise requires. Capitalised terms used in this but not otherwise defined have the meaning given in the Constitution.

ASIC has the meaning given to that term in Recital H.

Bidco means CK William Australia Bidco Pty Ltd (ACN 613 693 182).

Constitution means the trust deed dated 26 June 2003 constituting the Trust, as amended from time to time.

Corporations Act has the meaning given to that term in Recital B.

DFL means DUET Finance Limited (ACN 108 014 062).

DIHL means DUET Investment Holdings Limited (ACN 120 456 573).

DUECo means DUET Company Limited (ACN 163 100 061).

D Annexure D – DFT Constitution Amendments continued

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DUET means DUECo, DFL in its personal capacity as responsible entity of the Trust, and DIHL.

Effective Time means the date on and time at which a copy of this Supplemental Deed is, or the modifications set out in it are, lodged with ASIC under section 601GC(2) of the Corporations Act.

Scheme means the arrangement set out in the Scheme Implementation Agreement under which Bidco acquires all of the Units on issue as at the Record Date from the Members and facilitated by the amendments to the Constitution set out in this Supplemental Deed.

Scheme Implementation Agreement has the meaning given to that term in Recital D.

Trust has the meaning given to that term in Recital A.

1.2 Interpretation

Clause 30.2 (Interpretation) of the Constitution applies to this Supplemental Deed as if set out in this Supplemental Deed, except that references to 'constitution' are reference to this Supplemental Deed.

2 Benefit of this Supplemental Deed

This Supplemental Deed is made by the Trustee with the intent that the benefit of this Supplemental Deed shall enure to the benefit of Members, jointly and severally.

3 Conditions

This Supplemental Deed is conditional upon, and will have no force of effect until, the satisfaction of each of the conditions precedent stipulated in clause 2.1 of the Company Schemes (as defined in the Scheme Implementation Agreement).

4 Amendments to Constitution

With effect from the Effective Time, the Constitution is amended in the manner set out in Schedule 1.

5 No Resettlement

The Trustee confirms that it is not by this Supplemental Deed intending to:

(a) resettle or re-declare the trust declared under the Constitution; or

(b) cause the transfer, vesting or accruing of any property comprising the assets of the Trust in any person.

6 Governing Law and Jurisdiction

This Supplemental Deed is governed by the laws of Victoria. In relation to it and related non-contractual matters each party irrevocably submits to the non-exclusive jurisdiction of courts with jurisdiction there, and waives any right to object to the venue on any ground.

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Executed and delivered as a Deed Poll in Sydney

Each attorney executing this Deed states that he or she has no notice of revocation or suspension of his or her power of attorney.

Executed and Delivered by and on behalf of **DUET Finance Limited** in its capacity as responsible entity of DUET Finance Trust by its attorney under power of attorney in the presence of:

Witness Signature	Attorney Signature
Print Name	Print Name

D Annexure D – DFT Constitution Amendments continued

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Schedule 1

Amendments to the Constitution for DUET Finance Trust

The Constitution is amended as following:

1 Clause 30.1

In clause 30.1 the following definitions are inserted in alphabetical order:

Bidco means CK William Australia Bidco Pty Ltd (ACN 613 693 182).

Bidco Deed Poll means the deed poll executed by Bidco and the Guarantors in favour of the Scheme Unit Holders.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement Pty Limited (ABN 49 008 504 532).

DIHL means DUET Investment Holdings Limited (ACN 120 456 573)

DIHL Scheme means a scheme of arrangement under Part 5.1 of the Corporations Act between DIHL and holders of DIHL Scheme Shares under which Bidco acquires all of DIHL Scheme Shares, as contemplated by the Scheme Implementation Agreement.

DIHL Scheme Share means the DIHL Shares on issue as at the Record Date other than the Excluded Securities.

DIHL Share means a fully paid ordinary share issued in the capital of DIHL.

DUECo means DUET Company Limited (ACN 163 100 061)

DUECo Scheme means a scheme of arrangement under Part 5.1 of the Corporations Act between DUECo and holders of DUECo Scheme Shares under which Bidco acquires all of the DUECo Scheme Shares, as contemplated by the Scheme Implementation Agreement.

DUECo Scheme Share means the DUECo Shares on issue as at the Record Date other than the Excluded Securities.

DUECo Share means a fully paid ordinary share issued in the capital of DUECo.

DUET means DUECo, DIHL and the Trustee in its personal capacity and as responsible entity of the Trust.

DUET Scheme Security means a DUECo Scheme Share, Trustee Scheme Share, DIHL Scheme Share and Scheme Unit collectively.

DUET Security means a DUECo Share, Trustee Share, DIHL Share and Unit collectively.

Effective Date means the date on and time at which the supplemental deed making amendments to this Constitution to facilitate the Scheme, take effect pursuant to section 601GC(2) of the Corporations Act.

Guarantors means:

(a) Cheung Kong Property Holdings Limited of 7th Floor, Cheung Kong Center, 2 Queen's Road, Central, Hong Kong;

(b) Cheung Kong Infrastructure Holdings Limited of 12/F Cheung Kong Center, 2 Queen's Rd, Central, Hong Kong; and

(c) Power Assets Holdings Limited of Rooms 1913-1914, 19/F Hutchison House, 10 Harcourt Road, Central, Hong Kong.

Implementation Date means the date that is three Scheme Business Days after the Record Date, or such other date as DUET and Bidco agree in writing.

Permitted DUET Distributions means:

(a) a distribution and dividend payable to holders of DUET Securities for the 6 month period ending 31 December 2016 of no more than 9.25 cents payable either in cash per DUET Security or in accordance with the distribution and dividend reinvestment plan in place as at the date of the Scheme Implementation Agreement;

(b) a dividend or dividends payable to holders of DUET Securities in accordance with clause 6.1(b) of the Scheme Implementation Agreement; and

(c) a distribution payable to holders of DUET Securities in accordance with clause 6.3 of the Scheme Implementation Agreement.

Record Date means 7.00pm on the date that is five Scheme Business Days after the Effective Date, or such other date as DUET and Bidco agree in writing.

Registered Address means, in relation to a Scheme Unit Holder, the address of that Scheme Unit Holder shown on the Register as at the Record Date.

Registry means Computershare Investor Services Pty Ltd (ACN 078 279 277) or any replacement share registry services provider to the Trustee.

Scheme means the arrangement under which Bidco acquires all of the Scheme Units from the Scheme Unit Holders, facilitated by the amendments to the Constitution set out in this Supplemental Deed.

Scheme Business Day means:

(a) a Business Day as defined in the Listing Rules; and

(b) a week day on which trading banks are open for business in Sydney, Australia.

Scheme Consideration means, in respect of each DUET Scheme Security, a cash amount of $3 less the amount by which any Special Distribution determined by the Trustee in accordance with clause 6.1 of the Scheme Implementation Agreement, when added to the per-DUET Security value of any Permitted DUET Distribution determined to be made pursuant to clause 6.3 of the Scheme Implementation Agreement, exceeds 3 cents per DUET Scheme Security, net of any payment made to the Australian Taxation Office in accordance with Subdivision 14-D of Schedule 1 of the *Taxation Administration Act 1953 (Cth)* in respect of the acquisition of the relevant DUET Scheme Security.

Scheme Implementation Agreement means the agreement of that name between DUET, Bidco and the Guarantors in respect of the proposal and implementation of the Scheme, the Trustee Scheme, the DUECo Scheme and the DIHL Scheme.

Scheme Meeting means the meeting of Members held on [*] 2017 for the purpose of, inter alia, voting on the Scheme Resolutions.

Scheme Resolutions means resolutions of Members to approve the Scheme, being:

(a) an ordinary resolution approving for all purposes, including item 7 of section 611 of the Corporations Act, the acquisition by Bidco of all the Scheme Units; and

(b) a special resolution for the purpose of section 601GC(1) of the Corporations Act to approve amendments to the Constitution to facilitate the implementation of the Scheme.

Scheme Transfers means, for each Scheme Unit Holder, a proper instrument of transfer of their Scheme Units for the purpose of section 1071B of the Corporations Act (which may be a master transfer of all or part of all of the Scheme Units).

D Annexure D – DFT Constitution Amendments continued

Scheme Unit means a Unit on issue as at the Record Date.

Scheme Unit Holder means a person registered in the Register as a holder of one or more Scheme Units as at the Record Date.

Special Distribution means the distribution (expressed on a per DUET Security basis and prior to any withholding being made) to be made in accordance with clause 6.1(a) of the Scheme Implementation Agreement and clause 10.9 of the Constitution.

Trust Account means an Australian dollar denominated trust account operated by the Trustee (or by the Registry on behalf of the Trustee) as trustee for Scheme Unit Holders

Trustee Scheme means a scheme of arrangement under Part 5.1 of the Corporations Act between the Trustee and holders of Trustee Scheme Shares under which Bidco acquires all of the Trustee Scheme Shares, as contemplated by the Scheme Implementation Agreement.

Trustee Scheme Share means the Trustee Shares on issue as at the Record Date other than the Excluded Securities.

Trustee Share means a fully paid ordinary share issued in the capital of the Trustee.

2 Clause 31

A new clause 31 is inserted immediately after clause 30 of the Constitution as set out below:

31 Scheme

Implementation of the Scheme

31.1 Each Scheme Unit Holder and the Trustee must do all things and execute all deeds, instruments, transfers or other documents as the Trustee considers are necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it.

31.2 Without limiting the Trustee's other powers under this clause 31, the Trustee has power to do all things that it considers necessary or desirable to give effect to the Scheme and the Scheme Implementation Agreement.

31.3 Subject to the Corporations Act, the Trustee, the other DUET entities, Bidco, the Guarantors, or any of their respective directors, officers, employees or associates, may do any act, matter or thing described in or contemplated by this clause 31 even if they have an interest (financial or otherwise) in the outcome.

31.4 This clause 31:

(a) binds the Trustee and all of the Members (including those who do not attend the Scheme Meeting, those who do not vote at the Scheme Meeting and those who vote against the Scheme Resolutions); and

(b) to the extent of any inconsistency, overrides the other provisions of this Constitution (but, for the avoidance of doubt, remains subject to the Corporations Act and the Listing Rules).

Entitlement to Scheme Consideration

31.5 Each Scheme Unit Holder will be entitled to receive the Scheme Consideration for each Scheme Unit held by that Scheme Unit Holder.

Deposit of Scheme Consideration

31.6 Bidco must, by no later than the Business Day before the Implementation Date:

(a) deposit (or procure the deposit) in cleared funds into the Trust Account an amount equal to the aggregate amount of the Scheme Consideration payable to Scheme Unit Holders provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Bidco's account; and

(b) provide written confirmation to the Trustee of that deposit.

Payment to Scheme Unit Holders

31.7 On the Implementation Date, subject to Bidco having satisfied its obligations in clause 31.6, the Trustee must pay or procure the payment, from the Trust Account, to each Scheme Unit Holder the Scheme Consideration as that Scheme Unit Holder is entitled under clause 31.5.

31.8 The obligations of the Trustee under clause 31.7 will be satisfied by the Trustee (in its absolute discretion):

(a) where a Scheme Unit Holder has, before the Record Date, made a valid election in accordance with the requirements of the Registry to receive dividend payments from the Trustee by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or

(b) otherwise, whether or not the Scheme Unit Holder has made an election referred to in paragraph (a), dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Unit Holder by prepaid post to their Registered Address (as at the Record Date), such cheque being drawn in the name of the Scheme Unit Holder (or in the case of joint holders, in accordance with the procedures set out in clause 31.10).

31.9 If, following satisfaction of Bidco's obligations under clause 31.6 but prior to the occurrence of all of the events described in clause 2.1 of the Company Schemes (as defined in the Scheme Implementation Agreement), the Scheme lapses under clause 31.33:

(a) the Trustee must immediately repay (or cause to be repaid) to or at the direction of Bidco the funds that were deposited in the Trust Account plus any interest on the amounts deposited (less bank fees and other charges);

(b) the obligation to transfer Scheme Units, together with all rights and entitlements attaching to the Scheme Units as at the Implementation Date, to Bidco under clause 31.16 will immediately cease;

(c) Bidco must return the Scheme Transfers, if provided pursuant to clause 31.16(b); and

(d) the Trustee is no longer obliged to enter, or procure the entry of, the name of Bidco in the Register in accordance with clauses 31.17 to 31.22.

Joint holders

31.10 In the case of Scheme Units held in joint names:

(a) any cheque required to be sent under the Scheme will be made payable to the joint holders and sent to either, at the sole discretion of the Trustee, the holder whose name appears first in the Register as at the Record Date or to the joint holders; and

D Annexure D – DFT Constitution Amendments continued

(b) any other document required to be sent under the Scheme, will be forwarded to either, at the sole discretion of the Trustee, the holder whose name appears first in the Register as at the Record Date or to the joint holders.

Fractional entitlements

31.10A Where the calculation of the Scheme Consideration to be paid to a Scheme Unit Holder would result in the Scheme Unit Holder becoming entitled to a fraction of a cent, that fractional entitlement will be rounded down to the nearest whole cent.

Cancellation and re-issue of cheques

31.11 The Trustee may cancel a cheque issued under this clause 31 if the cheque:

(a) is returned to the Trustee or the Registry; or

(b) has not been presented for payment within 6 months after the date on which the cheque was sent.

31.12 During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Unit Holder to the Trustee or the Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), the Trustee must reissue a cheque that was previously cancelled under clause 31.11.

Unclaimed monies

31.13 The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).

31.14 Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of Bidco.

Remaining monies (if any) in Trust Account

31.15 To the extent that, following satisfaction of the Trustee's obligations under clause 31.6 and provided Bidco has by that time acquired the Scheme Units in accordance with the Scheme, there is a surplus in the Trust Account, then subject to compliance with applicable laws, the other terms of the Scheme, the Bidco Deed Poll and the Scheme Implementation Agreement, that surplus (less any bank fees and related charges) shall be paid by the Trustee (or the Registry on the Trustee's behalf) to Bidco.

Transfer of Scheme Units to Bidco

31.16 On the Implementation Date, subject to Bidco having provided the Scheme Consideration in the manner contemplated by the Scheme Implementation Agreement and clause 31.6, and Bidco having provided the Trustee with written confirmation of that having occurred all of the Scheme Units, together with all rights and entitlements attaching to the Scheme Units as at the Implementation Date, will be transferred to Bidco, without the need for any further act by any Scheme Unit Holder (other than acts performed by the Trustee (or any of its directors and officers appointed as sub-attorneys and/or agents of the Trustee) as attorney and/or agent for Scheme Unit Holders under the Scheme), by:

(a) the Trustee delivering to Bidco for execution duly completed and, if necessary, stamped Scheme Transfers to transfer all of the Scheme Units to Bidco, duly executed by the Trustee (or any of its directors and officers appointed as sub-attorneys and/or agents of the Trustee) as the attorney and/or agent of each Scheme Unit Holder as transferor under clause 31.24;

(b) Bidco immediately executing the Scheme Transfers as transferee and deliver them to the Trustee for registration; and

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(c) the Trustee, immediately after receipt of the Scheme Transfers under paragraph (b), entering, or procure the entry of, the name and address of Bidco in the Register as the holder of all of the Scheme Units.

31.16A The transfer of all of the Scheme Shares to Bidco in accordance with clause 31.16 must occur simultaneously with:

(i) the transfer to Bidco of all of the DIHL Scheme Shares under the DIHL Scheme;

(ii) the transfer to Bidco of all of the DUECo Scheme Shares under the DUECo Scheme; and

(iii) the transfer to Bidco of all of the DFL Scheme Shares under the DFL Scheme.

Dealings in Units

31.17 For the purpose of establishing the persons who are Scheme Unit Holders and determining entitlements to the Scheme Consideration, dealings in Units will only be recognised if:

(a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant Units by the Record Date; and

(b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Registry by 5:00pm on the day which is the Record Date at the place where the Register is located (in which case the Trustee must register such transfer or transmission application before 7:00pm on that day),

and the Trustee will not accept for registration, nor recognise for any purpose (including the purpose of establishing the persons who are Scheme Unit Holders) other than to transfer to Bidco pursuant to this clause 31 and any subsequent transfers by Bidco or its successors in title, any transfer or transmission application in respect of Units received after the Record Date, or received prior the Record Date but not in actionable or registrable form (as appropriate).

31.18 The Trustee will, until the Scheme Consideration has been provided and the name and address of Bidco have been entered in the Register as the holder of all of the Scheme Units, maintain, or procure the maintenance of, the Register in accordance with clauses 31.17 to 31.21. The Register immediately after registration of registrable transfers or transmission applications of the kind referred to in clause 31.17(b) will solely determine the persons who are Scheme Unit Holders and their entitlements to the Scheme Consideration. As from the Record Date (and other than for Bidco following the Implementation Date), each entry in the Register as at the Record Date relating to Scheme Units will cease to have any effect other than as evidence of the entitlements of Scheme Unit Holders to the Scheme Consideration in respect of the Scheme Units.

3.18A As soon as possible on or after the Record Date, and in any event within one Business Day after the Record Date, the Trustee will ensure that details of the names, Registered Addresses and holdings of Scheme Units for each Scheme Unit Holder as shown in the Register are available to Bidco in the form Bidco reasonably requires.

31.19 Other than Bidco and its successors in title (after registration of Bidco in respect of all Scheme Units under clause 31.16(d)), no Scheme Unit Holder (or any person purporting to claim through them) may deal with Scheme Units in any way after the Record Date except as set out in clauses 31.17 to 31.21, and any attempt to do so will have no effect.

D Annexure D – DFT Constitution Amendments continued

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31.20 Other than in respect of Bidco (after registration of Bidco in respect of all Scheme Units under clause 31.16(d)), from the Record Date, all certificates and holding statements (as applicable) for Scheme Units as at the Record Date will cease to have any effect as evidence of title, and each entry on the Register as at the Record Date will cease to have any effect other than as evidence of the entitlements of Scheme Unit Holders to the Scheme Consideration.

31.21 If the Scheme becomes Effective, each Scheme Unit Holder, and any person claiming through that Scheme Unit Holder, must not dispose of or purport or agree to dispose of any Scheme Units or any interest in them, after 5,00pm on the Record Date other than to Bidco in accordance with the Scheme and any subsequent transfers by Bidco and its successors in title.

Covenants by Members

31.23 Each Scheme Unit Holder :

(c) acknowledges that this clause 31 binds the Trustee and all of the Members from time to time (including those who do not attend the Scheme Meeting, do not vote at the Scheme Meeting or vote against the Scheme Resolutions);

(d) irrevocably agrees to the transfer of their Scheme Units, together with all rights and entitlements attaching to those Scheme Units, to Bidco in accordance with the terms of the Scheme, without the need for any further act by that Scheme Unit Holder;

(e) agrees to the modification or variation (if any) of the rights attaching to their Scheme Units arising from this clause 31, without the need for any further act by that Scheme Unit Holder ;

(f) irrevocably consents to the Trustee and Bidco doing all things and executing all deeds, instruments, transfers or other documents (including the Scheme Transfers) as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it, without the need for any further act by that Scheme Unit Holder; and

(g) agrees to provide to the Trustee such information as the Trustee may reasonably require to comply with any law in respect of the Scheme and the transactions contemplated in this clause 31, including information required to meet obligations under the *Anti-Money Laundering and Counter Terrorism Financing Act 2006* (Cth).

Appointment of the Trustee as attorney and as agent for implementation of Scheme

31.24 Each Scheme Unit Holder, without the need for any further act by that Member, irrevocably appoints the Trustee as that Member's attorney and as that Member's agent for the purpose of:

(a) doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it, including effecting a valid transfer or transfers of the Scheme Units to Bidco under clause 31.16, including executing and delivering any Scheme Transfers; and

(b) enforcing the Bidco Deed Poll against Bidco,

and the Trustee accepts such appointment. The Trustee, as attorney and as agent of each Member, may sub-delegate its functions, authorities or powers under this clause 31.24 to all or any of its directors and officers (jointly, severally, or jointly and severally). Each Member indemnifies the Trustee and each of its directors and officers against all losses, liabilities, charges, costs and expenses arising from the exercise of powers under this clause 31.24.

Appointment of Bidco as attorney and as agent for Scheme Units

31.25 From the time that Bidco has satisfied its obligations in clause 31.6 until Bidco is registered in the Register as the holder of all Scheme Units, each Scheme Unit Holder:

(a) without the need for any further act by that Scheme Unit Holder, irrevocably appoints the Trustee as it its attorney and as its agent (and directs the Trustee in such capacity) to irrevocably appoint Bidco as its sole proxy and, where applicable, corporate representative, for the purpose of:

(i) attending Member meetings;

(ii) exercising the votes attaching to the Units registered in the name of the Member in the Register; and

(iii) signing any Members' resolution;

(b) must take all other action in the capacity of a Member for the purposes of facilitating the Scheme as Bidco reasonably directs; and

(c) acknowledges and agrees that in exercising the powers referred to in article 31.25(a), Bidco and any person nominated by Bidco under clause 31.25(a) may act in the best interests of Bidco as the intended registered holder of the Scheme Units.

31.26 From the time that Bidco has satisfied its obligations in clause 31.6 until Bidco is registered in the Register as the holder of all Scheme Units, no Member may attend or vote at any meetings of Unit Holders or sign any Unit Holders' resolution (whether in person, by proxy or by corporate representative) other than under clause 31.25.

31.27 The Trustee undertakes in favour of each Member that it will appoint the Chairman of Bidco (or other nominee of Bidco) as the Members' proxy or, where applicable, corporate representative in accordance with clause 31.25.

Status of Scheme Units

31.28 To the extent permitted by law, the Scheme Units transferred to Bidco under clause 31.16 will be transferred free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise.

31.29 Each Scheme Unit Holder is deemed to have warranted to Bidco, and, to the extent enforceable, to have appointed and authorised the Trustee as that Scheme Unitholder's agent and attorney to warrant to Bidco, that all of their Scheme Unit any rights and entitlements attaching to those Scheme Unit) will, at the time of the transfer of them to Bidco pursuant to the Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Unit (together with any rights and entitlements attaching to those Scheme Unit) to Bidco pursuant to the Scheme. The Trustee undertakes in favour of each Scheme Unit Holder that it will provide such warranty, to the extent enforceable, to Bidco on behalf of that Scheme Unit Holder.

D Annexure D – DFT Constitution Amendments continued

31.30 Bidco will be beneficially entitled to the Scheme Units transferred to it under clause 31.16 pending registration by the Trustee of the name and Registered Address of Bidco in the Register as the holder of the Scheme Units.

Suspension and termination of quotation of Units

31.31 The Trustee must apply to ASX for suspension of trading of the Units on ASX with effect from the close of business on the Effective Date.

31.32 The Trustee must apply to ASX for termination of official quotation of the Units on ASX and the removal of the Trust from the official list of the ASX with effect from the Scheme Business Day immediately following the Implementation Date, or from such later date as may be determined by Bidco.

Lapsing

31.33 Clause 31 (except clause 31.9) will lapse and have no further force or effect if the Company Schemes (as defined in the Scheme Implementation Agreement) lapse in accordance with clause 2.2 of each of the Company Schemes.

Notices

31.34 Where a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to the Trustee, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at the Trust's registered office or by the Registry, as the case may be.

Costs and stamp duty

31.35 Subject to clause 31.36, each of Bidco and the Trustee will pay their share of the costs of the Scheme in accordance with the Scheme Implementation Agreement. The Trustee may pay or be reimbursed for such costs out of the Assets.

31.36 Bidco will pay all stamp duty (including fines, penalties and interest) payable on or in connection with the transfer by Scheme Unit Holders of the Scheme Units to Bidco pursuant to the Scheme.

Limitation of liability

31.37 Without limiting clause 18 but subject to the Corporations Act, the Trustee will not have any liability of any nature whatsoever to Members, beyond the extent to which the Trustee is actually indemnified out of the Assets, arising, directly or indirectly, from the Trustee doing or refraining from doing any act (including the execution of a document), matter or thing pursuant to or in connection with the implementation of the Scheme.

E

ANNEXURE E – NOTICES OF SCHEME MEETINGS

Notice of DFL Scheme Meeting

DUET Finance Limited (ACN 108 014 062)

Important Notice: The Scheme Resolutions set out in this Notice of Meeting should be read with the Scheme Booklet. Terms and expressions used in this Notice of Meeting have, unless otherwise defined, the same meanings as set out in the Scheme Booklet.

Notice is given that, by order of the Supreme Court of New South Wales made on 8 March 2017, a meeting of the shareholders of DUET Finance Limited (ACN 108 014 062) (the **Company**) will be held at 11.00am Sydney time on Friday, 21 April 2017 at The Mint, 10 Macquarie Street, Sydney to transact the following business:

SPECIAL BUSINESS

Resolution 1 – DFL Scheme Resolution

To consider, and if thought fit, to pass as a special resolution:

That subject to and conditional on:

- DUET Securityholders passing each other Scheme Resolution (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting);
- the Supreme Court of New South Wales confirming that DFT RE would be justified in acting on the Trust Scheme Resolutions (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting) and in doing all things and taking all steps necessary to put the Trust Scheme (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting) into effect;
- the DFL Scheme (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting) being approved by the Supreme Court of New South Wales under section 411(4)(b) of the *Corporations Act 2001* (Cth) (with or without modification as approved by the Court);
- the DIHL Scheme (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting) being approved by the Supreme Court of New South Wales under section 411(4)(b) of the *Corporations Act 2001* (Cth) (with or without modification as approved by the Court); and
- the DUECo Scheme (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting) being approved by the Supreme Court of New South Wales under section 411(4)(b) of the *Corporations Act 2001* (Cth) (with or without modification as approved by the Court),

pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the arrangement proposed between the Company and the holders of its fully paid ordinary shares, designated the 'DFL Scheme', (the terms of which are contained in and more particularly set out in the Scheme Booklet) is agreed to, with or without modification as approved by the Supreme Court of New South Wales.

BY ORDER OF THE BOARD OF DUET FINANCE LIMITED

Leanne Pickering
Company Secretary
8 March 2017

Notice of DIHL Scheme Meeting

DUET Investment Holdings Limited (ACN 120 456 573)

Important Notice: The Scheme Resolutions set out in this Notice of Meeting should be read with the Scheme Booklet. Terms and expressions used in this Notice of Meeting have, unless otherwise defined, the same meanings as set out in the Scheme Booklet.

Notice is given that, by order of the Supreme Court of New South Wales made on 8 March 2017, a meeting of the shareholders of DUET Investment Holdings Limited (ACN 120 456 573) (the **Company**) will be held at 11.00am Sydney time on Friday, 21 April 2017 at The Mint, 10 Macquarie Street, Sydney to transact the following business:

SPECIAL BUSINESS

Resolution 1 – DIHL Scheme Resolution
To consider, and if thought fit, to pass as a special resolution:

That subject to and conditional on:

- DUET Securityholders passing each other Scheme Resolution (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting);
- the Supreme Court of New South Wales confirming that DFL RE would be justified in acting on the Trust Scheme Resolutions (as defined in the Scheme Booklet incorporating the Notice of DIHL Meeting convening this meeting) and in doing all things and taking all steps necessary to put the Trust Scheme (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting) into effect;
- the DFL Scheme (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting) being approved by the Supreme Court of New South Wales under section 411(4)(b) of the *Corporations Act 2001* (Cth) (with or without modification as approved by the Court);
- the DIHL Scheme (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting) being approved by the Supreme Court of New South Wales under section 411(4)(b) of the *Corporations Act 2001* (Cth) (with or without modification as approved by the Court); and
- the DUECo Scheme (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting) being approved by the Supreme Court of New South Wales under section 411(4)(b) of the *Corporations Act 2001* (Cth) (with or without modification as approved by the Court),

pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the arrangement proposed between the Company and the holders of its fully paid ordinary shares, designated the 'DIHL Scheme', (the terms of which are contained in and more particularly set out in the Scheme Booklet) is agreed to, with or without modification as approved by the Supreme Court of New South Wales.

BY ORDER OF THE BOARD OF DUET INVESTMENT HOLDINGS LIMITED

Leanne Pickering
Company Secretary
8 March 2017

Notice of DUECo Scheme Meeting

DUET Company Limited (ACN 163 100 061)

Important Notice: The Scheme Resolutions set out in this Notice of Meeting should be read with the Scheme Booklet. Terms and expressions used in this Notice of Meeting have, unless otherwise defined, the same meanings as set out in the Scheme Booklet.

Notice is given that, by order of the Supreme Court of New South Wales made on 8 March 2017, a meeting of the shareholders of DUET Company Limited (ACN 163 100 061) (the **Company**) will be held at 11.00am Sydney time on Friday, 21 April 2017 at The Mint, 10 Macquarie Street, Sydney to transact the following business:

SPECIAL BUSINESS

Resolution 1 – DUECo Scheme Resolution

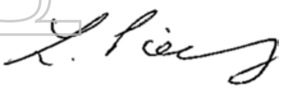
To consider, and if thought fit, to pass as a special resolution:

That subject to and conditional on:

- DUET Securityholders passing each other Scheme Resolution (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting);
- the Supreme Court of New South Wales confirming that DFL RE would be justified in acting on the Trust Scheme Resolutions (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting) and in doing all things and taking all steps necessary to put the Trust Scheme (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting) into effect;
- the DFL Scheme (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting) being approved by the Supreme Court of New South Wales under section 411(4)(b) of the *Corporations Act 2001* (Cth) (with or without modification as approved by the Court);
- the DIHL Scheme (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting) being approved by the Supreme Court of New South Wales under section 411(4)(b) of the *Corporations Act 2001* (Cth) (with or without modification as approved by the Court); and
- the DUECo Scheme (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting) being approved by the Supreme Court of New South Wales under section 411(4)(b) of the *Corporations Act 2001* (Cth) (with or without modification as approved by the Court),

pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the arrangement proposed between the Company and the holders of its fully paid ordinary shares, designated the 'DUECo Scheme', (the terms of which are contained in and more particularly set out in the Scheme Booklet) is agreed to, with or without modification as approved by the Supreme Court of New South Wales.

BY ORDER OF THE BOARD OF DUET COMPANY LIMITED



Leanne Pickering
Company Secretary
8 March 2017

Notice of Trust Scheme Meeting

DUET Finance Trust (ACN 109 363 135)

Important Notice: The Scheme Resolutions set out in this Notice of Meeting should be read with the Scheme Booklet. Terms and expressions used in this Notice of Meeting have, unless otherwise defined, the same meanings as set out in the Scheme Booklet.

DUET Finance Limited (ACN 108 014 062) gives notice that a meeting of the securityholders of DUET Finance Trust (ARSN 109 363 135) (the **Trust**) will be held at 11.00am Sydney time on Friday, 21 April 2017 at The Mint, 10 Macquarie Street, Sydney to transact the following business:

SPECIAL BUSINESS

Resolution 1 – Approval of amendments to Trust Constitution
To consider, and if thought fit, to pass as a special resolution:

That subject to and conditional on:

- DUET Securityholders passing each other Scheme Resolution (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting);
- the Supreme Court of New South Wales confirming that DFL RE would be justified in acting on the Trust Scheme Resolutions (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting) and in doing all things and taking all steps necessary to put the Trust Scheme (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting) into effect;
- the DFL Scheme (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting) being approved by the Supreme Court of New South Wales under section 411(4)(b) of the *Corporations Act 2001* (Cth) (with or without modification as approved by the Court);
- the DIHL Scheme (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting) being approved by the Supreme Court of New South Wales under section 411(4)(b) of the *Corporations Act 2001* (Cth) (with or without modification as approved by the Court);
- the DUECo Scheme (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting) being approved by the Supreme Court of New South Wales under section 411(4)(b) of the *Corporations Act 2001* (Cth) (with or without modification as approved by the Court); and
- DUET Securityholders passing Resolution 2 in the Notice of Meeting convening this meeting,

*for the purposes of section 601GC(1)(a) of the Corporations Act 2001 (Cth) and for all other purposes, the DFT Constitution is amended in accordance with the provisions of the supplemental deed poll in the form tabled at the meeting and initialled by the Chairman of the meeting for the purposes of identification (**the DFT Constitution Supplemental Deed**), and the responsible entity of DUET Finance Trust is authorised to execute and lodge the DFT Constitution Supplemental Deed with the Australian Securities and Investments Commission.*

Resolution 2 – Approval of acquisition
To consider, and if thought fit, to pass as an ordinary resolution:

That subject to and conditional on:

- DUET Securityholders passing each other Scheme Resolution (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting);
- the Supreme Court of New South Wales confirming that DFL RE would be justified in acting on the Trust Scheme Resolutions (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting) and in doing all things and taking all steps necessary to put the Trust Scheme (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting) into effect;
- the DFL Scheme (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting) being approved by the Supreme Court of New South Wales under section 411(4)(b) of the *Corporations Act 2001* (Cth) (with or without modification as approved by the Court);
- the DIHL Scheme (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting) being approved by the Supreme Court of New South Wales under section 411(4)(b) of the *Corporations Act 2001* (Cth) (with or without modification as approved by the Court);
- the DUECo Scheme (as defined in the Scheme Booklet incorporating the Notice of Meeting convening this meeting) being approved by the Supreme Court of New South Wales under section 411(4)(b) of the *Corporations Act 2001* (Cth) (with or without modification as approved by the Court); and
- DUET Securityholders passing Resolution 1 in the Notice of Meeting convening this meeting,

the Trust Scheme (as defined in the Scheme Booklet containing the Notice of Meeting convening this meeting) be approved and, in particular, the acquisition by CK William Australia Bidco Pty Ltd of a relevant interest in all the DFT Units existing as at the Record Date pursuant to the Trust Scheme be approved for all purposes including for the purposes of item 7 section 611 of the Corporations Act 2001 (Cth), and the responsible entity of DUET Finance Trust be authorised to do all things which it considers necessary, desirable or reasonably incidental to give effect to the Trust Scheme.

BY ORDER OF THE BOARD OF DUET FINANCE LIMITED

Leanne Pickering
Company Secretary
8 March 2017

Corporate Directory

ISSUERS OF THE SCHEME BOOKLET

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Shirley In't Veld
Simon Perrott
Emma Stein
Stewart Butel
Jack Hamilton

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DUET Company Limited

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DUET Finance Limited in its personal capacity and as responsible entity of DUET Finance Trust

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FINANCIAL ADVISERS TO DUET

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DUET GROUP

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