

Annual Report to the ACT Government 2016–17

Principal Registered Office

Level 5, ActewAGL House
40 Bunda Street
Canberra ACT 2600

Mitchell Operations Office

12 Hoskins Street
Mitchell ACT 2911

Postal address

Icon Water
GPO Box 366
Canberra ACT 2601

ACN: 069 381 960

ABN: 86 069 381 960

Talk to us

E talktous@iconwater.com.au

T (02) 6248 3111

 @iconwater

iconwater.com.au

Auditor

ACT Auditor-General's office

Solicitors

King & Wood Mallesons

Bankers

Commonwealth Bank of Australia

TTY for Hearing Impaired

133 677

Language assistance

13 14 50, 24 hours

للحصول على مساعدة لغوية، اتصل بالرقم أعلاه

如需语言方面的协助，请打上述号码

برای کمک زبانی به شماره بالا تلفن بزنید

மொழியெயர்ப்பாளர் உதவிக்கு மேலே உள்ள இலக்கத்தை அழையுங்கள்

Nếu cần thông dịch viên, hãy gọi đến số trên đây

© Icon Water Limited (Icon Water) 2017

This work is copyright. Excluding any use as permitted under the Copyright Act 1968, no part may be reproduced by any process without prior permission from Icon Water or its successors.

Requests and inquiries concerning reproduction rights should be directed to the Manager Customer and Community Affairs, Icon Water Limited, GPO Box 366, Canberra ACT 2601.

Information about Icon Water and an electronic version of this report can be found at iconwater.com.au.

Mr Andrew Barr MLA
Chief Minister
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2600

Dear Chief Minister

We are pleased to present Icon Water Limited's (Icon Water) 2016–2017 Annual Report.

The report has been prepared under section 6(1) of the *Annual Reports (Government Agencies) Act 2004* and in accordance with reporting requirements applicable to the corporation which are outlined in the Annual Report Directions. The report also includes information required under other applicable legislation including the *Corporations Act 2001* and Australian Accounting Standards.

Section 13 of the *Annual Reports (Government Agencies) Act 2004* requires that you present a copy of the Annual Report to the ACT Legislative Assembly within 15 weeks after the end of the financial year.

Icon Water, in undertaking fraud control, aligns itself with the Australian Standard 8001 – 2008 *Fraud and Corruption Control*.

To the best of our knowledge, the Annual Report is an honest and accurate account of the operations of Icon Water for the period 1 July 2016 to 30 June 2017 and that all material information has been included.

Yours sincerely



Ms Wendy Caird
Chair



John Knox
Managing Director

Contents

| | |
|--|-----------|
| Message from the board | 3 |
| Our organisation | 5 |
| Who we are | 7 |
| Our water and sewerage networks | 8 |
| Statement of Corporate Intent 2016–17 | 9 |
| Investments | 10 |
| Outlook 2017–18 | 11 |
| Key priorities for 2017–18 | 12 |
| Our people | 13 |
| Our corporate governance | 15 |
| Board and Executive remuneration | 21 |
| Organisational structure | 23 |
| Our people strategy | 23 |
| Staffing profile | 24 |
| Work health and safety | 25 |
| Aboriginal and Torres Strait Islander reporting | 26 |
| Our customers and community | 27 |
| Customer services | 29 |
| Community engagement | 29 |
| Community support program | 33 |
| Our performance | 35 |
| 2016–17 key performance outcomes | 37 |
| 2016–17 key service delivery outcomes | 38 |
| Our year in review | 39 |
| Ecologically sustainable development | 45 |
| Ecologically sustainable development | 47 |
| Accountability | 51 |
| Internal accountability | 53 |
| Risk and Assurance Committee | 54 |
| Internal audit | 54 |
| Territory records management | 55 |
| Risk management | 57 |
| Bushfire risk management | 57 |
| Emergency and continuity management | 57 |
| Fraud prevention | 58 |
| Public interest disclosure | 58 |
| Legal services directions | 58 |
| Human rights | 58 |
| Freedom of information | 59 |
| Ombudsman and ACT Auditor-General reports | 60 |
| Legislative assembly committee inquiries and reports | 60 |
| Financial management analysis | 62 |
| Financial management analysis | 63 |
| Financial reports | 67 |
| Icon Water Limited and Controlled Entities | 67 |
| Icon Retail Investments Limited | 67 |
| Icon Distribution Investments Limited | 67 |
| ActewAGL Joint Venture | 67 |
| Compliance | 69 |

Message from the board

Our strategic goal to be the premier, most trusted water utility represents an ambitious, long term outcome to be achieved through coordinated effort from across the organisation. Over 2016–17, Icon Water worked collaboratively and constructively with ACT Government, our customers and the community to provide the water and sewerage services that sustain and enhance the quality of life in the nation's capital and the Canberra region.

Governance

Following the ACT election in October 2016 we welcomed Mick Gentleman MLA as the new Voting Shareholder replacing Simon Corbell MLA.

We also had several changes to our Board over 2016–17, with the retirements of our Chair Dr Michael Easson AM in March 2017 and Dr Allan Hawke AC in November 2016.

Over many years, Dr Easson and Dr Hawke played key roles in Icon Water's major achievements, most notably significant organisational change, business transformation, the launch of our new brand and the construction of major water security projects including the enlarged Cotter Dam.

As a result of these vacancies, in March 2017 the Voting Shareholders appointed Wendy Caird as Chair and Carol Lilley as Deputy Chair. Rachel Peck was also reappointed for a further term in May 2017. These appointments ensure a continuation of experience and corporate knowledge on our Board. In July 2017 Abigail Goldberg and Brett Tucker will commence as non-executive directors.

Financial

Icon Water achieved strong financial results for the year with profit after tax of \$96.9m. Our 50% ownership of the ActewAGL joint venture continued to be a strong commercial investment with Icon Water receiving \$63.0m in cash distributions from ActewAGL during the year. Dividends paid to our shareholders totalled \$78.6m as well as income tax equivalent payments totalling \$44.3m. For 2016–17, the Voting Shareholders agreed to exclude gifted assets from the dividend policy.

Icon Water continued to invest in renewing its asset base to ensure service standards are maintained over the long term, which was a significant component of the \$105.2m capital expenditure program.

Commitment to our core values

Our core values of safety, excellence and openness have continued to drive our decision making and the interactions we have with our colleagues and the wider community.

Safety

The nature of our work means that we must always remain vigilant to identifying hazards and managing safety risks. We made a very important investment in our people and our business by rolling out a safety engagement program across the organisation. During the year, 337 employees (88%) attended a two-day program, with remaining staff to attend during 2017–18.

This training reflects the strong commitment of our Board and Executive in ensuring we maintain a safe workplace and contribute to a safe community.

Excellence

Icon Water is committed to providing a safe, secure and sustainable water supply for Canberra and the region. We are planning for the future and equipping ourselves to be able to respond to changes in climate, development, technology and population.

Water security is paramount and in July 2016, the Cotter Dam reached 100 per cent capacity for the first time.

As an asset-intensive company, the financial, environmental and social performance of our business is significantly influenced by how well our assets are managed across the asset lifecycle. Importantly, our community, customers, shareholders and regulators expect us to manage and operate these assets as efficiently as any comparable business.

In May 2017, Icon Water reached a significant milestone in our asset management journey by winning one of five 2017 Excellence Awards from the Asset Management Council. The award was for excellence in "demonstrating the balance between elements of cost, risk and performance to obtain a valuable solution for an asset".

Openness

Icon Water is committed to open communication and regular engagement with Government and our community.

In December 2016, the ACT Treasurer issued the terms of reference for the Independent Competition and Regulatory Commission (ICRC) review of Icon Water's water and sewerage prices for 2018–23. We provided our submission to the ICRC in June 2017. Our submission was strongly informed by our consultations with the community and key stakeholders.

Icon Water is continually engaging with the community on a range of topics. Various consultation has taken place in regard to liquid trade waste practices funding the infrastructure for new developments (Capital Contributions) and Icon Water's tariff structure. The introduction of a Community Consultative Forum has enabled us to engage more deeply with our community to better understand their values and priorities.

2017-18

In 2017–18, we will continue our focus on developing our people, improving our processes and replacing ageing information technology. Recognising the pivotal role of our frontline staff, we will ensure that our people are equipped with the skills, support and recognition to perform their roles.

The Board wishes to thank the executive, leadership group and all staff for their commitment and contribution during 2016–17. We look forward to working with the Icon Water team in continuing their invaluable work in serving the Canberra community in 2017–18.



Ms Wendy Caird
Chair



John Knox
Managing Director

Our organisation

Section

1



Who we are

Icon Water Limited (Icon Water) is an unlisted public company owned by the ACT Government. Icon Water has two Voting Shareholders: the ACT Chief Minister, Andrew Barr MLA and the Minister for the Environment and Heritage, Mick Gentleman MLA.

Icon Water supplies water and sewerage services to the ACT and bulk water to Queanbeyan. Our reliability, expertise and community focus allows us to continue to provide these essential services, which enhances quality of life.

We own and operate the ACT's network of dams, water treatment plants, sewage treatment plants, reservoirs, water and sewage pumping stations, mains and other related infrastructure. We consistently deliver safe drinking water and reliable sewerage services to a community of over 400,000 people.

As a Territory-owned corporation, Icon Water has four equally important objectives under the *Territory-owned Corporations Act 1990*:

- to operate at least as efficiently as any comparable business
- to maximise the sustainable return to the territory on its investment in Icon Water and ActewAGL in accordance with the performance targets in the Statement of Corporate Intent
- to show a sense of social responsibility by having regard to the interests of the community in which we operate, and by trying to accommodate and encourage those interests
- where our activities affect the environment, to effectively integrate environmental and economic considerations in decision-making processes.

These main objectives drive our strategic planning and the development of our strategic goal and business strategies.

Icon Water's Board, executive team and staff are committed to working together and with customers and the community, to ensure we continue providing services that sustain and enhance the quality of life in the nation's capital and surrounding region.



Our water and sewerage networks

Our water network

- 4 dams
- Total accessible dam capacity 277.8GL
- 2 water treatment plants at Mount Stromlo and Googong
- Average of 137ML of treated water each day
- Approx 172,000 connections to water
- 50GL of water treated per year
- Over 3,300km of water pipes
- 25 water pumping stations

Our sewer network

- 2 sewerage treatment plants
- Approx 171,500 connections to sewerage services
- Over 3,300km of sewer pipes
- 26 sewage pumping stations



Statement of Corporate Intent 2016–17

Icon Water's Statement of Corporate Intent 2016–17 to 2019–20 outlines Icon Water's core purpose, values, strategic goal and objectives. These guide our business and commitment to our shareholders and customers.

Core purpose

Icon Water's core purpose describes the fundamental reason we exist. The core purpose provides a stable reference point, inspires organisational change and reflects the idealistic motivation of staff to do their work. Our core purpose, to **sustain and enhance quality of life**, remains fixed while our business strategies and practices continually adapt to a changing environment.

Core values

Our core values reflect the valued behaviours which guide how we conduct our business and treat others. They are:

- **Safety** – accepting personal responsibility to ensure a safe workplace and contribute to a safe community.
- **Excellence** – involving the right people at the right time to get a result we can be proud of.
- **Openness** – building strong relationships by acting with integrity while being receptive to the views of others.

Strategic goal

Our strategic goal to be the premier, most trusted water utility, represents an ambitious, long term outcome to be achieved through coordinated collective effort from across the organisation.

To become premier and trusted we will constantly balance the short and long term interests of our customers and shareholders, seeking continual improvement in efficiency and sustainability.

Strategic objectives

Our strategic objectives represent medium term outcomes to be achieved through specific strategies and activities. They are:

- a culture that protects, engages and develops our people
- excellence in asset management
- sustainable financial returns and gearing
- meeting customer needs, exceeding customer expectations.

We have established performance indicators and targets for each of our strategic objectives and our 2016–17 performance against these are detailed at **Section 4 Our performance**.

Investments

Icon Water is a 50% owner of ActewAGL, a provider of electricity and gas services to the ACT and surrounding regional New South Wales centres.

Icon Water has two subsidiary companies: Icon Distribution Investments Limited (IDIL) and Icon Retail Investments Limited (IRIL). Icon Water undertakes strategic planning activities on an annual basis to consider strategic challenges and emerging trends in relation to its energy investment.

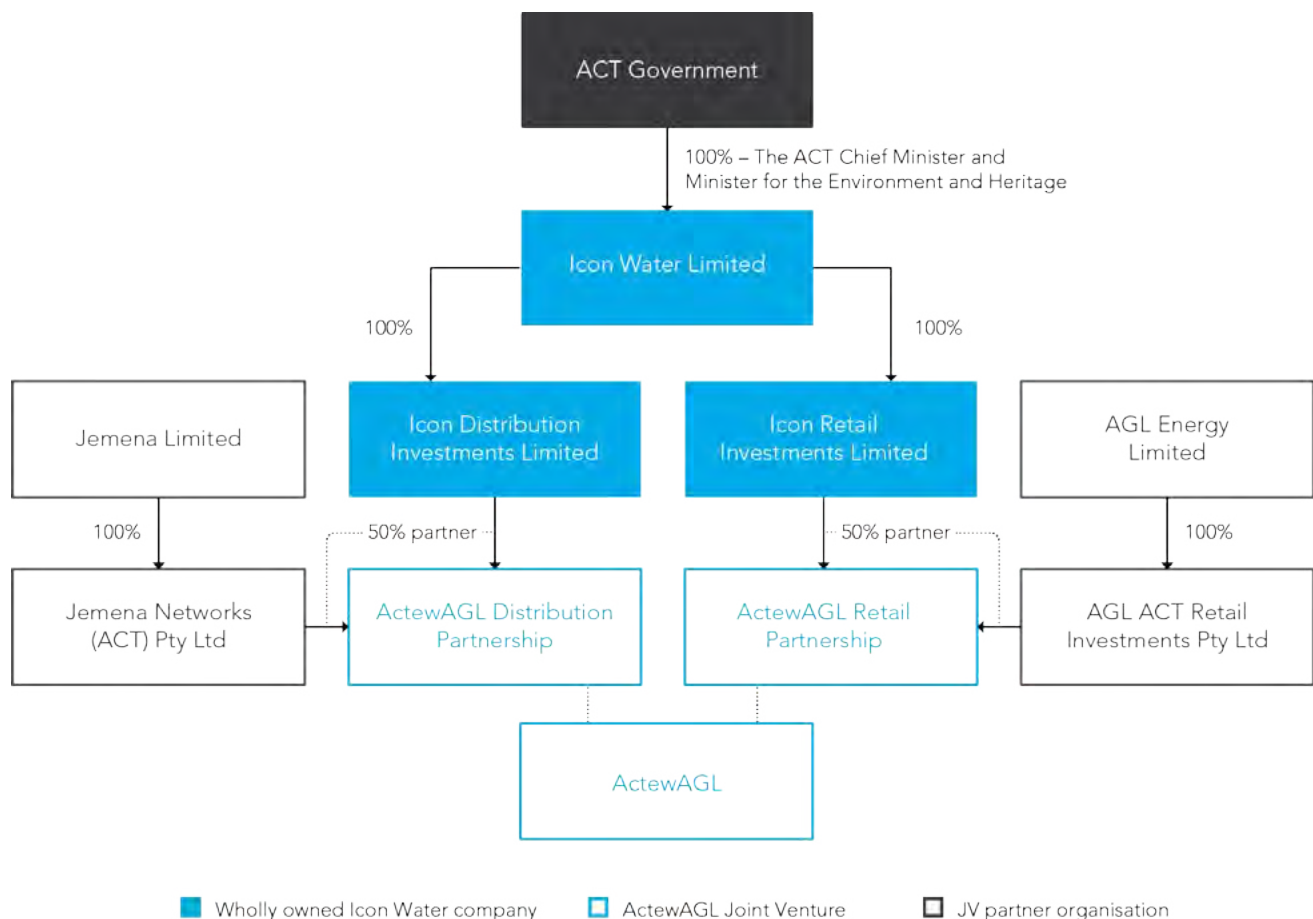
ActewAGL comprises two partnerships:

- ActewAGL Distribution (a partnership between IDIL and Jemena Networks (ACT) Pty Limited) – which owns and operates the electricity and gas distribution networks in the ACT and in certain adjacent regional centres
- ActewAGL Retail (a partnership between IRIL and AGL ACT Retail Investments Pty Limited) – which sells electricity and gas to its residential, commercial and government customers in the ACT and the surrounding region.

Members of the ActewAGL Joint Venture Partnerships Board as at 30 June 2017 were:

- Mr Paul Adams (Chair)
- Dr Thomas Parry (Deputy Chair)
- Ms Wendy Caird
- Mr John Knox
- Mr Sun Peng
- Ms Elisabeth Brinton

Details of ActewAGL’s financial performance for 2016–17 can be found in the Annexed Reports section. More information on ActewAGL can be found at actewagl.com.au.



Outlook 2017–18

Icon Water's Statement of Corporate Intent 2017–18 to 2020–21 was tabled in the ACT Legislative Assembly on 8 June 2017. This details our commitment to our shareholders, customers, community and our people and will guide our business in 2017–18.

Our core purpose



Our core values

Safety

Accepting personal responsibility to ensure a safe workplace and contribute to a safe community.



Excellence

Involving the right people at the right time to get a result we can be proud of.



Openness

Building strong relationships by acting with integrity while being receptive to the view of others.



Our strategic objectives

Meet customer needs and exceed customer expectations

Protect, engage and develop our people

Maximise value to customers by balancing cost, risk and performance

Deliver sustainable financial returns and gearing

Our strategic goal

The premier, most trusted water utility

Key priorities for 2017–18

Over the period 2017–18 to 2020–21, Icon Water will achieve its strategic objectives through seven strategies:

People strategy

Continuing our focus on developing our frontline leaders; and succession planning for executives and managers; implementing structured graduate and trainee programs; and building a diverse and inclusive workplace.

Work health and safety strategy

Finalising the development and commencing the implementation of a Just Culture framework; and developing and delivering operational risk management training to frontline staff.

Enterprise asset management strategy

Continuing the implementation of a works management system; building additional asset planning analytics and modelling tools; and continuing our costed maintenance plans that link to customer objectives.

Customer management strategy

Implementing a case management system; developing and delivering customer service training to our frontline staff; and undertaking a review of our customer and stakeholder needs.

Financial strategy

Introducing a water and sewerage capital contribution code; pursuing growth opportunities in Icon Water and ActewAGL.

Economic regulation strategy

Further improving our regulatory submission based on feedback from the community and regulator; communicating the outcome of the regulatory process to our customers.

ICT strategy

Implementing a cloud infrastructure; commencing migrating our field and office staff to a fully mobilised solution; and rolling out a best practice service catalogue that defines all our ICT support and management requirements.

Our people

Section

2



Our corporate governance

The Board

A number of statutes and the constitution of Icon Water Limited govern the activities of the company. At 30 June 2017, the Icon Water Board comprised six directors: five non-executive directors and one executive director. The Voting Shareholders determine the terms of appointment and remuneration of directors. Procedures for the appointment of directors are outlined in the *Territory-owned Corporations Act 1990* and the company's constitution.

The Board met eight times during the financial year (including the Annual General Meeting). Details of attendance at Board and Committee meetings are on page 7 in the Financial Reports.

There are two committees of the Icon Water Board: the Risk and Assurance Committee and the Remuneration Committee. At 30 June 2017 the Risk and Assurance Committee consisted of four directors and met five times during the financial year. The Board Remuneration Committee consisted of all the Board directors and met twice throughout the financial year.

At 30 June 2017 four directors sat on the boards of each of Icon Retail Investments Limited (IRIL) and Icon Distribution Investments Limited (IDIL). Further details on their Board membership and director attendance is within the Financial Reports.

Directors' profiles are outlined below:



Wendy Caird – Chair (from March 2017)
MAICD

Wendy Caird was first appointed to the Icon Water Board in December 2009, was appointed as Acting Deputy Chair of the Icon Water Board from 1 July 2013 and appointed as Deputy Chair in March 2014. Ms Caird's appointment term was extended in March 2017 when she was appointed as Chair of the Icon Water Board due to her extensive knowledge of Icon Water's business and experience on the ActewAGL Partnerships Board. Ms Caird is the Chair of Icon Water's Remuneration Committee, Chair of Icon Distribution Investments Limited and Icon Retail Investments Limited and a

Member of the ActewAGL Partnerships Board. She is also Chair of ActewAGL's Safety, Audit and Risk Committee.

Ms Caird has held a number of positions with Public Services International (France) including Co-chair Asia Pacific Region (1998–2002), a Member of the Executive Board (1997–2002), Global Director of the Quality Public Services campaign (2002–2006), and a Member of the Global Coordinating Committee of the 'Global Call to Action Against Poverty: (Make Poverty History)' campaign (2005–2006).

Ms Caird held a number of executive positions with the Community and Public Sector Union (Australia) from 1983, including as NSW Branch Secretary, until her appointment as National Secretary in 1993.

Ms Caird is a small business owner, the President of the Kangaroo Valley Community Association, and a member of both the Kangaroo Valley Tourist Association and Kangaroo Valley Environment Group.



Michael B Easson AM, Chair (retired in March 2017)
PhD, MSc, BA (Hons), FAICD, FRICS

Dr Michael Easson was Chair of Icon Water Board from March 2014 to March 2017. Prior to this, Dr Easson was Acting Chair of the Board from 1 July 2013, Deputy Chair from May 1996 and a Director since 1995. He was also Chair of Icon Distribution Investments Limited and Icon Retail Investments Limited, Chair of the ActewAGL Joint Venture Partnerships Board and Chair of the Icon Water Board's Remuneration Committee.

Dr Easson has served on some of Australia's largest infrastructure and property boards and is presently Chair of EG Funds Management with \$2.4 billion in assets under management and an executive director of the building technology and documentation business, Ridley & Co. Dr Easson is currently the Chair of the Association of Superannuation Funds of Australia (ASFA) and Chair of ASFA's Policy Committee.

Dr Easson has a PhD from the University of Melbourne, a PhD from the Australian Defence Force Academy of the University of NSW and a Master of Science Degree from the University of Oxford.

Dr Easson was appointed as a Member of the Order of Australia in 1998.



Carol Lilley - Deputy Chair (from March 2017)
BCom, FCA, CIA, CGAP, GAICD

Carol Lilley was appointed to the Icon Water Board in April 2013. She is Chair of Icon Water's Risk and Assurance Committee and a Member of the Remuneration Committee. Ms Lilley was appointed as Deputy Chair of the Boards of Icon Water Limited, Icon Distribution Investments Limited and Icon Retail Investments Limited in March 2017.

Ms Lilley is a full time independent Board Director and Audit Committee Member. She was a partner of PricewaterhouseCoopers Canberra (2004–2011) and has extensive experience in financial statement audit, internal audit and project and risk management, with a particular focus on government.

Ms Lilley is currently Chair of several ACT Government Directorate Audit Committees (Chief Minister, Treasury and Economic Development; Education; Environment, Planning and Sustainable Development). She also has various governance roles for Australian Government entities (member of the Department of Immigration and Border Protections and Australian Federal Police Audit Committees; Chair of National Film and Sound Archives Audit Committee, independent management assurer for the whole of government accounts, independent Board Member for Australian Financial Security Authority) as well as Chair of the Board of Instaclustr Pty Ltd.

Ms Lilley is a Graduate of the Australian Institute of Company Directors, Fellow of the Institute of Chartered Accountants, was a registered company auditor and is a certified internal auditor.



John Knox - Managing Director
BFA, FCPA, MAICD

John Knox was appointed to the Icon Water Board in March 2014. Mr Knox is a director on the Boards Icon Distribution Investments Limited and Icon Retail Investments Limited and a Member of Icon Water's Remuneration Committee. He is a Member of the ActewAGL Partnerships Board, the Water Services Association of Australia (WSAA) Board, the Chair of the WSAA Customer and Industry Leadership Committee and a member of the ACT and Region Catchment Management Coordination Group.

Mr Knox previously held the position of Chief Finance Officer of ActewAGL and has an extensive background in private sector commercial management.



Rachel Peck – Director
MBA, BEng (Civil) (Hons), FAICD

Rachel Peck was first appointed to the Icon Water Board in May 2011 and reappointed for a third term from May 2017 to ensure a continuation of experience and corporate knowledge for the effective functioning of the Board. Ms Peck is a Member of the Icon Water Board's Risk and Assurance Committee, Remuneration Committee and a Member of the Icon Distribution Investments Board and Icon Retail Investments Limited Board.

Ms Peck is Principal of peckvonhartel and is an Advisory Board Member of the Australian Futures Project. She is the former Deputy Chair of the Australian Tapestry Workshop, former Chair of the Canberra Business Chamber Planning and Infrastructure Taskforce, former Divisional Council Member of the Property Council of Australia (ACT) and former Interim Board Member for the founding of the Canberra International Arboretum.

Ms Peck attended the Australia 2020 Summit and in 2010 completed a Master of Business Administration at the Melbourne Business School. She was awarded a Future Leaders' Award in 2006 and was the Telstra ACT Young Business Woman of the Year in 2008. She is a Fellow of the Australian Institute of Company Directors.



Jennifer Goddard – Director
BCom (Hons)

Jennifer Goddard was appointed to the Icon Water Board in November 2011 and is a member of the Icon Water Board’s Risk and Assurance Committee and Remuneration Committee.

Ms Goddard is an independent non-executive director who has served on the boards of several Commonwealth and ACT Government organisations. She is currently a Member of the Audit Committee of the Murray-Darling Basin Authority.

During her prior twenty-five year career in the Australian Public Service, Ms Goddard held a number of senior roles in the Department of the Prime Minister and Cabinet (PM&C) and as an economic policy adviser in the Department of the Treasury. As a Deputy Secretary in PM&C, Ms Goddard advised the Prime Minister on a wide range of macroeconomic, industry, infrastructure, energy, water and environment policy matters and carried oversight responsibility for Federal Budget, Council of Australian Governments and Cabinet processes.



Dr Thomas Parry AM – Director
PhD, MEd, BEc (Hons)

Dr Thomas Parry was first appointed to the Icon Water Limited Board in November 2015 and is a member of the Icon Water Board’s Risk and Assurance Committee and Remuneration Committee. In March 2017 Dr Parry was also appointed as Deputy Chair of the ActewAGL Partnerships Board.

Dr Parry was Foundation Chair of the Australian Energy Market Operator (2008–2015), is the former Chair of First State Super Trustee Corporation (2000–2014) and former Chair of the Sydney Water Corporation (2006–2013).

From 2004-2009 he had several roles with Macquarie Bank and for the previous 12 years he was the Foundation Executive Chair of the Independent Pricing and Regulatory Tribunal of NSW (IPART), and its predecessor for Government Pricing Tribunal - the first utility regulator in Australia. He has been the Head of the School of Economics, University of New South Wales and Dean, Faculty of Commerce, University of Wollongong.

Dr Parry is currently Foundation Chair of Powering Australian Renewables Fund, a Director of ASX-Compliance (the regulatory arm of the Australian Securities Exchange), and a Director of Powerco New Zealand.

Dr Parry has extensive experience in corporate governance in the private and government sectors, regulatory and financial experience and substantial exposure to the water and energy industries.

Dr Parry has a Bachelor of Economics (Hons) and Masters of Economics from the University of Sydney and a PhD from the University of London (London School of Economics).

Dr Parry was awarded an Order of Australia (AM) in 2008.



Dr Allan Hawke AC, Director (retired in December 2016)
PhD (ANU), BSc (Hons), FAIM, FIPAA, FAICD

Dr Allan Hawke was first appointed to the Icon Water Board in December 2009 and is a Member of Icon Water’s Risk and Assurance Committee and Remuneration Committee.

Dr Hawke was Secretary of the Department of Veterans’ Affairs (1994–1996), Department of Transport and Regional Services (1996–1999) and the Department of Defence (1999–2002). He was Australian High Commissioner to New Zealand (2003–2006) and Chancellor of the Australian National University (2006–2009). He is a Director of Datacom, non-Executive Director of Lockheed Martin Australia, Chair of the Canberra Raiders Board, President of Barnardos Canberra, Member of the CEDA Board of Governors and Patron of ACT Cricket. Dr Hawke holds a Bachelor of Science degree with first class honours and is a Doctor of Philosophy (ANU).

He was awarded an Australian Centenary Medal in 2001 and appointed a Companion of the Order of Australia in 2010.



Abigail Goldberg – Director (appointed from 10 July 2017)
MBA (Executive), MA (Urban Design), BSc (TRP hon), FAICD

Abigail Goldberg was appointed to the Icon Water Board in July 2017. She is a member of the Icon Water Remuneration Committee, a member of the Icon Water Board's Risk and Assurance Committee, a Director of the Icon Retail Investments Limited Board as well as a Director of the Icon Distribution Investments Limited Board.

Ms Goldberg is a Non-Executive Director of Crown Lands Holiday Park Trust NSW, where she Chairs the Audit and Risk Committee, and Deputy Chair of Cemeteries and Crematoria NSW, where she Chairs the Industry Liaison Group. She was previously a Non-Executive Director of the Central Coast Water Corporation.

Ms Goldberg is one of the senior part-time Commissioners at the Planning Assessment Commission, the independent determination body responsible for major and state significant projects in NSW. She is an alternate for the NSW Joint Regional Planning Panels. She is Executive Chair of GoldbergBlaise, a boutique consultancy providing advice to the infrastructure, planning, housing, tourism and transport sectors, and an Associate of the Institute for Public Policy and Governance, University of Technology, Sydney.



Brett Tucker - Director (appointed from 10 July 2017)
BRurSc, Grad.Cert. Accounting and Finance, MAICD, Churchill Fellow

Mr Brett Tucker was appointed to the Icon Water Board in July 2017 and is a member of the Icon Water Remuneration Committee, a member of the Icon Water Board's Risk and Assurance Committee, a Director of the Icon Retail Investments Limited Board and a Director of the Icon Distribution Investments Limited Board.

Mr Tucker joins Icon Water with more than 25 years of experience working in the public and private sector as a director and chief executive in complex operating environments with financial responsibilities exceeding multi millions of dollars, predominantly in water resource management and agriculture.

Mr Tucker currently runs Blackwatch Consulting, a business providing high level strategy, governance and technical advice to government and private sector corporations, industry groups and project teams. He also is currently a Director of the Peter Cullen Trust and provides mentoring and coaching support to a number of Senior Managers and prospective industry leaders.

Brett was Chief Executive and Director of NSW State Water Corporation prior to its merger with the Sydney Catchment Authority in March 2014 to form WaterNSW. Prior to that he was the Managing Director of Murrumbidgee Irrigation Ltd, Australia's largest private rural water utility, and held a number of other roles in the water and rural sectors.

Mr Tucker holds an Honours Degree in Rural Science and a Graduate Certificate in Accounting and Finance. Brett was awarded a Churchill Fellowship in 1998 and is a Member of the Australian Institute of Company Directors.

Executive leadership team



L-R: Richard Spurrett, Jane Breaden, John Knox, Sam Sachse, Amanda Lewry, Ray Hezkial.

John Knox – Managing Director BFA, FCPA, MAICD

John Knox was appointed to the Icon Water Board in March 2014. Mr Knox is a director on the Boards of Icon Distribution Investments Limited and Icon Retail Investments Limited and a Member of Icon Water's Remuneration Committee. He is a Member of the ActewAGL Partnerships Board, the Water Services Association of Australia (WSAA) Board, the Chair of the WSAA Customer and Industry Leadership Committee and a member of the ACT and Region Catchment Management Coordination Group.

Mr Knox previously held the position of Chief Finance Officer of ActewAGL and has an extensive background in private sector commercial management.

Sam Sachse – Chief Financial Officer MAppFin, FCPA, GAICD

Sam Sachse is responsible for the overall financial management and advisory services of Icon Water and its investment in ActewAGL. Mr Sachse has extensive accounting and commercial experience in the water and energy sectors and holds a Master of Applied Finance and Bachelor of Accountancy. He is currently a member of the Water Services Association of Australia's Customer and Industry Leadership Committee. He is a Fellow of CPA Australia and Graduate of the Institute of Company Directors.

Jane Breaden – General Manager Business Services MSc, MMgsST, BBus, GCProfWrtg, GCPerfAudt

Jane Breaden was appointed as company secretary of Icon Water Limited, Icon Distribution Investments Limited and Icon Retail Investments Limited in July 2016. Ms Breaden previously held the role of alternate company secretary from July 2014. Ms Breaden joined Icon Water in 2014 and has extensive experience in project management, consulting and governance services in both the public and private sectors. Ms Breaden holds a Master of Science (Operations Research and Statistics), Master of Management Studies in Project Management, Bachelor of Business, Graduate Certificate in Professional Writing and a Graduate Certificate in Performance Audit.

Ray Hezkial – General Manager Project Delivery, Operations and Maintenance MBA, DipPM, B. Eng (Civil)

Ray Hezkial is a civil engineer with substantial experience in civil construction and road design, as well as water and sewerage operational management. Mr Hezkial joined Icon Water in 2003, and in his current role is responsible for managing Icon Water's capital works program, provision of network operations including water and sewage treatment plants and all aspects of day to day maintenance relating to the ACT's water and sewer reticulation systems. Prior to this, Mr Hezkial was the Project Manager for the enlarged Cotter Dam. Mr Hezkial has a Master of Business Administration, Diploma in Project Management, and Bachelor of Engineering (Civil).

Richard Spurrett – General Manager Strategic Projects and Technology

BSc, BEng, GDAppFin

Richard Spurrett is responsible for the delivery of the key elements of Icon Waters' strategic objectives. Mr Spurrett joined Icon Water in 2015 and has substantial experience in developing and aligning technically oriented organisations to better meet commercial and market needs. Mr Spurrett has a strong background in project management, information and engineering technology, organisational systems and business transitioning.

Mr Spurrett holds a Bachelor of Science, a Bachelor of Engineering (Electrical) and a post graduate Diploma in Applied Finance.

Amanda Lewry – General Manager Asset Management

MBT, B. Eng (Mech) Hons, GAICD

Amanda Lewry is responsible for asset management and operational planning functions for water and sewerage services to the ACT and Capital Region. Ms Lewry joined Icon Water in 2007 and has extensive experience in maintenance, operations and the delivery of capital projects in the water, mining, military and energy sectors. Ms Lewry has a Master of Business and Technology, holds a Bachelor of Engineering (Mechanical) and is a Graduate of the Australian Institute of Company Directors.

Company secretary

Jane Breaden

MSc, MMgsST, BBus, GCProfWrtg, GCPerfAudt

Jane Breaden, General Manager Business Services, was appointed as company secretary of Icon Water Limited, Icon Distribution Investments Limited and Icon Retail Investments Limited in July 2016. Ms Breaden previously held the role of alternate company secretary from July 2014.

Alison Pratt

B.Ec, LLB (Hons), GDLP

Alison Pratt, Manager Legal and Secretariat, was appointed deputy company secretary of Icon Water Limited, Icon Distribution Investments Limited and Icon Retail Investments Limited in August 2016. Prior to joining Icon Water in 2013, Ms Pratt worked in private commercial legal practice in Australia and the UK. Her legal experience includes advising clients from both the private and public sectors on corporate governance, property, environment, construction and planning. Ms Pratt holds a Bachelor of Economics, a Bachelor of Laws and a Graduate Diploma in Legal Practice.

Craig Richardson (resigned from the role of company secretary on 29 July 2016)

BA, MBA, MAICD

Craig Richardson was appointed company secretary of Icon Water Limited, Icon Distribution Investments Limited and Icon Retail Investments Limited in May 2014. Mr Richardson joined Icon Water in 1998, was previously the past president of the ACT's Australian Institute of Credit Management and the Governance and Operations Manager for the Water Security Major Projects. Mr Richardson holds a Bachelor of Arts and a Master of Business Administration and is a member of the Australian Institute of Company Directors.

Lisa Quinn (resigned from the role of company secretary on 5 August 2016)

DipMan, GAICD

Lisa Quinn, Manager Customer and Community Affairs, was appointed alternate company secretary of Icon Water Limited in June 2015. Ms Quinn joined Icon Water in 2009 and is a customer service and complaints management professional with over 25 years' experience managing all facets of customer service, communications and corporate service functions. Ms Quinn holds a Diploma of Management, is a Graduate of the Australian Institute of Company Directors and a director of the Society of Consumer Affairs Professionals (SOCAP).

Board and executive remuneration

The voting shareholders determine the remuneration for Directors. The Board meets as the Remuneration Committee to discuss remuneration issues for the Managing Director. Board Committee members and Directors of Icon Distribution Investments Limited and Icon Retail Investments Limited are not remunerated.

Table 2.1: Board and Executive remuneration table 2016–17

| Name and Position | Short-term employee benefits \$ | | Superannuation \$ | Long-term employee benefits – long service leave \$ | Termination benefits \$ | Total \$ |
|---|--|------------------------------|----------------------|---|----------------------------|----------------|
| | Salary, fees and short-term compensated absences | Non- monetary benefits | | | | |
| Dr Michael Easson AM Non-Executive Chair (retired) | 55,385 | - | 7,200 | - | - | 62,585 |
| Wendy Caird Non-Executive Chair | 53,760 | 500 | 6,989 | - | - | 61,012 |
| Carol Lilley Non-Executive Deputy Chair | 40,276 | 500 | 5,236 | - | - | 46,012 |
| John Knox Managing Director | 684,965 | - | 33,788 | 28,569 | - | 747,322 |
| Rachel Peck Non-Executive Director | 38,631 | 550 | 5,022 | - | - | 44,203 |
| Jennifer Goddard Non-Executive Director | 38,631 | - | 5,022 | - | - | 43,653 |
| Dr Thomas Parry AM Non-Executive Director | 38,556 | - | 5,012 | - | - | 43,568 |
| Dr Allan Hawke AC Non-Executive Director (retired) | 17,144 | - | 2,229 | - | - | 19,373 |

Table 2.1: Board and Executive remuneration table 2016–17 (cont.)

| Name and Position | Short-term employee benefits \$ | | Superannuation \$ | Long-term employee benefits – long service leave \$ | Termination benefits \$ | Total \$ |
|---|--|-----------------------|-------------------|---|-------------------------|------------------|
| | Salary, fees and short-term compensated absences | Non-monetary benefits | | | | |
| Jane Breaden General Manager Business Services | 339,526 | - | 35,758 | - | - | 375,284 |
| Ray Hezkial General Manager Project Delivery, Operations and Maintenance | 359,232 | 1,621 | 30,115 | 11,841 | - | 402,809 |
| Amanda Lewry General Manager Asset Management | 353,739 | 805 | 30,115 | 10,487 | - | 395,146 |
| Sam Sachse Chief Financial Officer | 353,446 | - | 30,115 | 11,498 | - | 395,059 |
| Richard Spurrett General Manager Strategic Projects & Technology | 333,044 | - | 46,616 | - | - | 379,660 |
| Total | 2,706,335 | 3,976 | 243,217 | 62,395 | - | 3,015,923 |

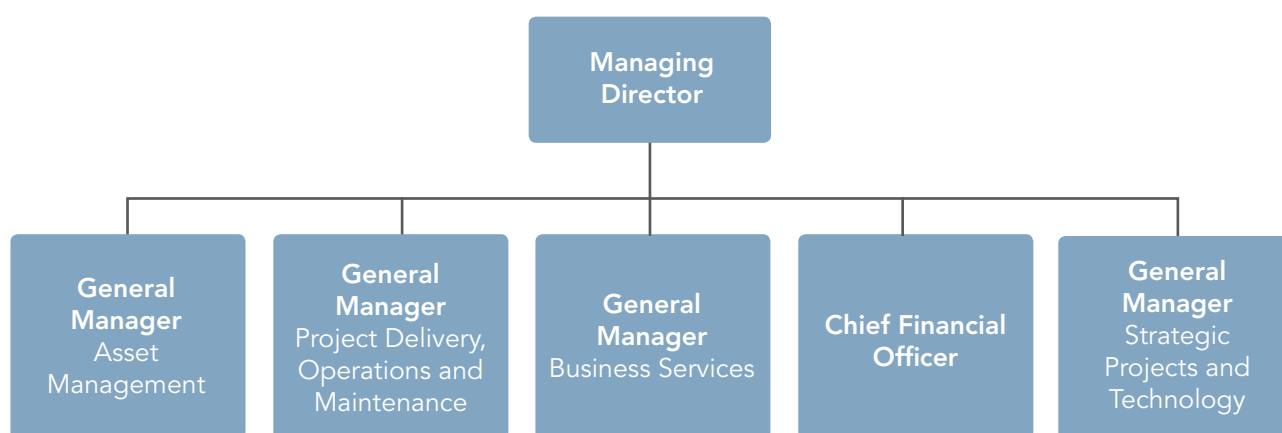
Notes:

1. Dr Michael Easson AM ceased holding office of Chair of Icon Water on 17 March 2017.
2. Wendy Caird became chair of Icon Water on 17 March 2017, replacing Dr Michael Easson AM.
3. Carol Lilley became Deputy Chair of Icon Water on 17 March 2017, replacing Wendy Caird.
4. Dr Allan Hawke AC ceased holding office of director of Icon Water on 6 December 2016.
5. Amanda Lewry ceased employment on 30 June 2017 as General Manager Asset Management. Ms Lewry's annual leave entitlements of \$15,745 were not paid as at 30 June 2017.
6. KMP disclosure within the Financial Statements includes the remuneration of all persons who are identified as being a KMP in the financial period, for the time they held a KMP position. In 2016-2017, there were 13 KMP for Icon Water, 8 of these KMPs were directors of Icon Water or its subsidiaries. The top 5 KMP other than directors, are disclosed individually to reflect the requirements of the Territory-owned Corporations Act 1990.
7. No KMP's reached 7 years of service in 2016-2017.

Organisational structure

Icon Water's organisational structure is comprised of five groups, each led by an executive.

- Asset Management
- Project Delivery, Operations and Maintenance
- Finance
- Business Services
- Strategic Projects and Technology



Our people strategy

Icon Water's People Strategy focusses on four fundamental areas of people management: diversity and inclusion, leadership, performance and development and planning and analysing talent.

Icon Water's stated commitment to diversity and inclusion is as follows:

Icon Water is committed to creating a diverse workforce, with particular emphasis on gender balance, where all employees have the opportunity to contribute meaningfully and develop professionally in a respectful and supportive working environment. Icon Water adheres firmly to the principle of merit based selection and will work to ensure this is rigorously applied, removing any artificial barriers or impediments—including job design and unconscious bias—that may currently exist.

A number of initiatives stemming from this commitment have been implemented or are currently underway including:

- compulsory values and behaviours training focussing on Icon Water's core values of safety, excellence and openness
- the launch of a women's professional networking and development forum, Inspire Collective
- development and implementation of programs for graduates and trainees
- targeted recruitment initiatives to attract more female applicants into non-traditional roles
- training in unconscious bias awareness and inclusive leadership.

The People Strategy was reviewed at the end of the 2016–17 financial year. A new three year strategy will be implemented from 1 July 2017.

Staffing profile

At 30 June 2017 staffing numbers totalled 385.3 (FTE).

Table 2.2: Staff profile by employment type and gender

| | Female | Male | Total |
|-------------------------------------|--------|--------|---------|
| Full time equivalent | 80.24 | 293.69 | 385.3 |
| Headcount | 84 | 294 | 378 |
| % of workforce (based on headcount) | 22.22% | 77.78% | 100.00% |

Table 2.3: Staff profile by employment category and gender (headcount)

| Employment category | Female | Male | Total |
|---------------------|-----------|------------|------------|
| Casual | 0 | 0 | 0 |
| Permanent full-time | 65 | 281 | 346 |
| Permanent part-time | 10 | 2 | 12 |
| Temporary full-time | 7 | 11 | 18 |
| Temporary part-time | 2 | 0 | 2 |
| Total | 84 | 294 | 378 |

Table 2.4: Staff profile by age groups and gender (headcount)

| Employment category | Female | Male | Total |
|---------------------|-----------|------------|------------|
| 20-29 | 12 | 16 | 28 |
| 30-39 | 40 | 74 | 114 |
| 40-49 | 23 | 95 | 118 |
| 50-59 | 8 | 73 | 81 |
| 60 and over | 1 | 36 | 37 |
| Total | 84 | 294 | 378 |

Table 2.5: Staff profile by average years of service by gender (headcount)

| | Female | Male | Total |
|--------------------------|--------|-------|-------|
| Average years of service | 6.95 | 12.51 | 11.28 |

Table 2.6: Staff profile by equity and diversity groups (headcount)

| | Number | Percentage |
|---------------------------------------|-----------|---------------|
| Aboriginal and Torres Strait Islander | 4 | 1.06% |
| Culturally and linguistically diverse | 28 | 7.41% |
| People with disability | 7 | 1.85% |
| Total | 39 | 10.23% |

Work health and safety

Safety is one of Icon Water’s core values, which underpins our strategic goal of being the premier, most trusted water utility. Icon Water is committed to operating and continually improving an effective Safety Management System (SMS) that conforms to AS/NZS 4801:2001 *Occupational health and safety management systems – Specification with guidance for use*, to achieve organisational objectives and support compliance with legal obligations including the *Work Health and Safety Act 2011 (ACT)*.

The Safety Branch provides centralised support to our corporate and operational areas. Two safety business partners assist with the delivery of key initiatives across the business. Two additional Safety Business Partners assist operational leaders in safety management and provide expert advice.

Notifiable safety incidents reduced from six (2015–16) to four (2016–17). The number of all incidents and near misses recorded increased from 324 in 2015–16 to 402 in 2016–17, an increase of 24.1 per cent. A general focus was applied to incident and near miss reporting during 2016–17 which accounts for the overall increase in incidents reported. Lost time injuries decreased from seven to six while serious injuries increased from four to five during the year.

There is one health and safety committee that comprise 15 elected Health and Safety Representatives across the business.

Icon Water continues to be certified to AS/NZS 4801:2001 *Occupational health and safety management systems – Specification with guidance for use*. Significant progress has been made in reviewing and developing safety documentation. Notable documents developed relate to confined space, working at height and incident reporting and investigation.

The safety engagement and mental health projects of the Work Health and Safety Strategy (WHSS) have continued. The safety engagement program was delivered to 88% of workers via 22 training sessions. The program was very well received with overwhelmingly positive feedback provided by participants. The initial roll out of the safety engagement program will be complete in August 2017. Safety engagement sessions will be held periodically to capture new starters within the business.

Key areas of the mental health initiative that have been completed include survey and focus group sessions. A range of initiatives commenced to ensure Icon Water remains a mentally health workplace. Awareness sessions were run to educate workers and reduce the stigma associated with mental health. These sessions also encouraged workers to speak up about mental health.

A program to identify and prevent musculoskeletal injuries was delivered to employees in our Maintenance Services Branch. This involved classroom and field based activities to identify work practices that posed a risk of workers developing musculoskeletal injuries. Evaluation of work activities has commenced to identify improvements to work practices to prevent these injuries.

Effective early intervention continues to be a central component of the care and management of injured and ill employees. Early intervention delivers a tangible benefit to employees as medical intervention occurs very early resulting in better return to work outcomes and lower claim levels.

Aboriginal and Torres Strait Islander reporting

Icon Water encourages and promotes cultural awareness and diversity.

We value and protect the rich Aboriginal culture of the Canberra region. Aboriginal heritage items and places exist on land and waterways under the management of Icon Water. Training and procedures are provided to staff to identify and protect items of cultural heritage significance. When undertaking design and construction of major infrastructure, we perform heritage assessments in consultation with representative Aboriginal organisations, where relevant, to ensure we avoid and minimise impacts on Aboriginal cultural heritage sites and artefacts.

In 2017, all branch managers participated in inclusive leadership training. This 10 week program was focussed on creating an inclusive culture and providing managers with the tools and resources to enable an inclusive workplace. Furthermore, all supervisors and team leaders participated in unconscious bias awareness training as part of the Leadership programs offered at Icon Water.

Our Community Support Program provides financial and in-kind assistance to organisations that provide valuable community support services and programs, and various community activities which provide and encourage community access and participation. This commitment derives from our strategic objectives, community expectations and our social responsibility under the *Territory Owned Corporations Act 1990*. In 2016–17 we provided financial support for the NAIDOC By Lake celebrations and the Queanbeyan/Canberra Koori Knockout competition. Further details are available in **section 3** of this report.

Our customers and community



Customer services

During 2016–17, Icon Water has undertaken market research to understand the needs, values and expectations of our customers and the community.

The three most valued aspects of Icon Water's services by the Canberra community are reliability of supply, quality of drinking water and our customer interface. Overall satisfaction with our services is steady at 89%.

Icon Water is committed to focusing on improvement in service delivery. In particular, the availability of online application processes to meet the needs of our business and professional customers.

Community engagement

Community engagement, consultation and having a customer focus is an increasing priority for Icon Water. Icon Water has continued to carry out a broad range of engagement and educational activities with all segments across the ACT region and surrounding. These activities aimed to communicate the importance of maintaining the integrity of Icon Water's assets, how to avoid causing environmental damage including around catchment areas, and other behavioural activities that can potentially cost the business—and ultimately the community.

In 2016–17, Icon Water continued consultation on a range of topics including liquid trade waste practices, funding the infrastructure for new developments, Icon Water's tariff structure, and preferences between service levels and price.

Consultation sought to gather customer feedback to inform the content for Icon Water's Price Proposal to the Independent Competition and Regulatory Commission for the 2018–23 period. Throughout the financial year, educational activities, resources and other relevant information were provided to ensure our customers understood the impact of their feedback.

In 2016–17, Icon Water continued to engage with the community on topics including the urban water cycle and Canberra's water and sewerage network; the quality of our drinking water; drain care responsibilities and the significant role Icon Water plays in managing the challenges of Canberra's location and maintaining this pristine region.

Infrastructure and network education

Every year, Icon Water provides the community, particularly through schools and community organisations, with direct access to and information about our network of infrastructure. This continues to be performed largely through tailored guided tours, presentations to interested groups and sharing knowledge and information face to face and through various mediums and channels (including website, Twitter and YouTube).

Cotter Dam Discovery Trail, treatment plant, asset tours and presentations

The Cotter Dam Discovery Trail remains the top drawcard for school groups to understand how the urban water cycle works in Canberra and the role that Icon Water plays. This content is also offered as an in-school or group presentation. Icon Water also provides tours of treatment plants on request. Since July 2016, 2763 people have undertaken one of these tours or presentations representing primary and high school audiences, community groups, tertiary and industry groups and international delegations.

Heritage week public tour

Icon Water participated in the Canberra and region Heritage festival in April 2017. To celebrate 50 years since the commissioning of the Mount Stromlo Water Treatment Plant, Icon Water facilitated two public tours of the plant and explored how drinking water treatment has changed over time. The tour recognised how Icon Water responded to the 2003 bushfires. Approximately 60 people attended from the Canberra community.

Googong Dam source water protection education and engagement strategy

Googong Dam allows for restricted recreation in order to protect its place as a drinking water source. Planned population increase to the Googong township nearby has created the need to reinforce the rules of recreation at the reservoir and to build ownership by the new residents of the area. A detailed strategy has been developed with several short, medium and long term objectives to ensure that the water quality of the Googong Dam is not compromised with increasing recreational use. Local government agencies such as the ACT Parks and Conservation Services are also involved in the strategy.

Digital strategy

Icon Water continued to develop our digital strategy to ensure customers can easily access and understand important information, communications and educational material. The strategy drives consistency across communications, using channels and formats that are best received by the relevant demographics. These include web content, video clips, social media and downloadable resources.

This financial year we focussed on improving transparency by providing a broader range of information to the community. Of particular note, a website was developed to communicate the Price Proposal for 2018–23 including the economic process involved in determining the price of water and sewerage—a first for Icon Water and one of the first for utilities nationally. You can visit this website at ourprices.iconwater.com.au. This has provided ACT residents with a better understanding of the importance and role of our water and sewerage networks—economically and environmentally across the ACT region.

Community consultation

The Icon Water Community Consultative Forum was established in June 2016 as an advisory body. The forum is made up of community representatives who provide us with advice on customer and consumer interests in relation to our business. The forum enables two-way, open communication between Icon Water and community councils, customer representatives, environmental and community organisations. During 2016–17 a total of 6 meetings were held.

Details of the community consultation, engagement and education programs undertaken during the reporting period are outlined below.

Table 3.1: Community consultation, engagement and education programs

| Project | Consultation Process (tools used) | Groups or Individuals consulted | Approx. number of people | Outcome |
|--|---|---|--------------------------|--|
| Cotter Dam Discovery Trail and Treatment Plants school education program | <ul style="list-style-type: none"> Education about water resources In school presentations School tours of Cotter Dam Discovery Trail | ACT and interstate primary and secondary schools | 3,300+ | Raise awareness of water supply, sustainability, and conservation in Canberra via education of science, history, and environment learning outcomes |
| Source Water Protection program | <ul style="list-style-type: none"> Participation in committee meetings Participation at community events Support for community-based water quality and engagement roles Website | ACT region residents, community groups, landholders | 50+ | Relationship building, information sharing, raising community awareness with regard to water quality protection issues |

Table 3.1: Community consultation, engagement and education programs (cont.)

| Project | Consultation Process (tools used) | Groups or Individuals consulted | Approx. number of people | Outcome |
|---|--|--|--------------------------|---|
| Icon Water community engagement and awareness program | <ul style="list-style-type: none"> ▪ Participation at local exhibitions such as the Canberra Show, Million Paws Walks, Gungahlin Community Festival, Convoy for Cancer ▪ Participation in OzWater conference ▪ Community group talks ▪ Advertising ▪ Articles in publications ▪ Flyers and leaflets ▪ Twitter (social media) ▪ YouTube (social media) ▪ Website ▪ Media releases | ACT residents and visitors. Interstate water industry operators and local trade community. Web users | 150,000+ | Relationship and awareness building. Knowledge of services available |
| Murrumbidgee to Googong (M2G) Water Transfer Scheme | <ul style="list-style-type: none"> ▪ Environmental Reference Group meetings ▪ Field visit ▪ Newsletters/email updates ▪ On-ground response to concerns raised by stakeholders | Burra landholders and stakeholder groups | 50+ | Relationship building, two-way information exchange on M2G operations, compliance with licence requirements |
| Branding awareness and engagement | <ul style="list-style-type: none"> ▪ Public relations and media ▪ Inclusions in billing collateral ▪ Radio and press advertising ▪ Website ▪ Stakeholder engagement activities ▪ Sponsorship engagement | | 50,000+ | |

Table 3.1: Community consultation, engagement and education programs (cont.)

| Project | Consultation Process (tools used) | Groups or Individuals consulted | Approx. number of people | Outcome |
|------------------------------|--|--|--|--|
| Community Consultative Forum | <ul style="list-style-type: none"> ▪ Deliberative engagement ▪ Market research ▪ Water perception survey ▪ Tariff survey | Youth Coalition, Council of the Ageing, Multicultural and Indigenous Affairs, SEE-Change, Molonglo Catchment Management Group, ACT Property Council, North Canberra Community Council, Gungahlin Community Council, Tuggeranong Community Council, University of Canberra, Canberra Business Chamber, Disability ACT, ACTCOSS. | Representatives of 13 community groups | Relationship and awareness building, two-way information exchange. |

Community support program

Icon Water's Community Support Program (the CSP) is designed to maximise returns to the community and benefits to the organisation. The CSP provides financial and in-kind assistance to organisations that provide valuable community support services and programs, and various community activities which provide and encourage community access and participation.

The CSP has two primary objectives:

- To meet the objectives under the *Territory-owned Corporation Act 1990*, 'to show a sense of social responsibility by having regard to the interests of the community in which we operate and by trying to accommodate and encourage those interests'.
- To complement and progress the organisation's goals as described in the Statement of Corporate Intent by providing a focussed and efficient CSP that promotes our brand and meets our commitment to the community.

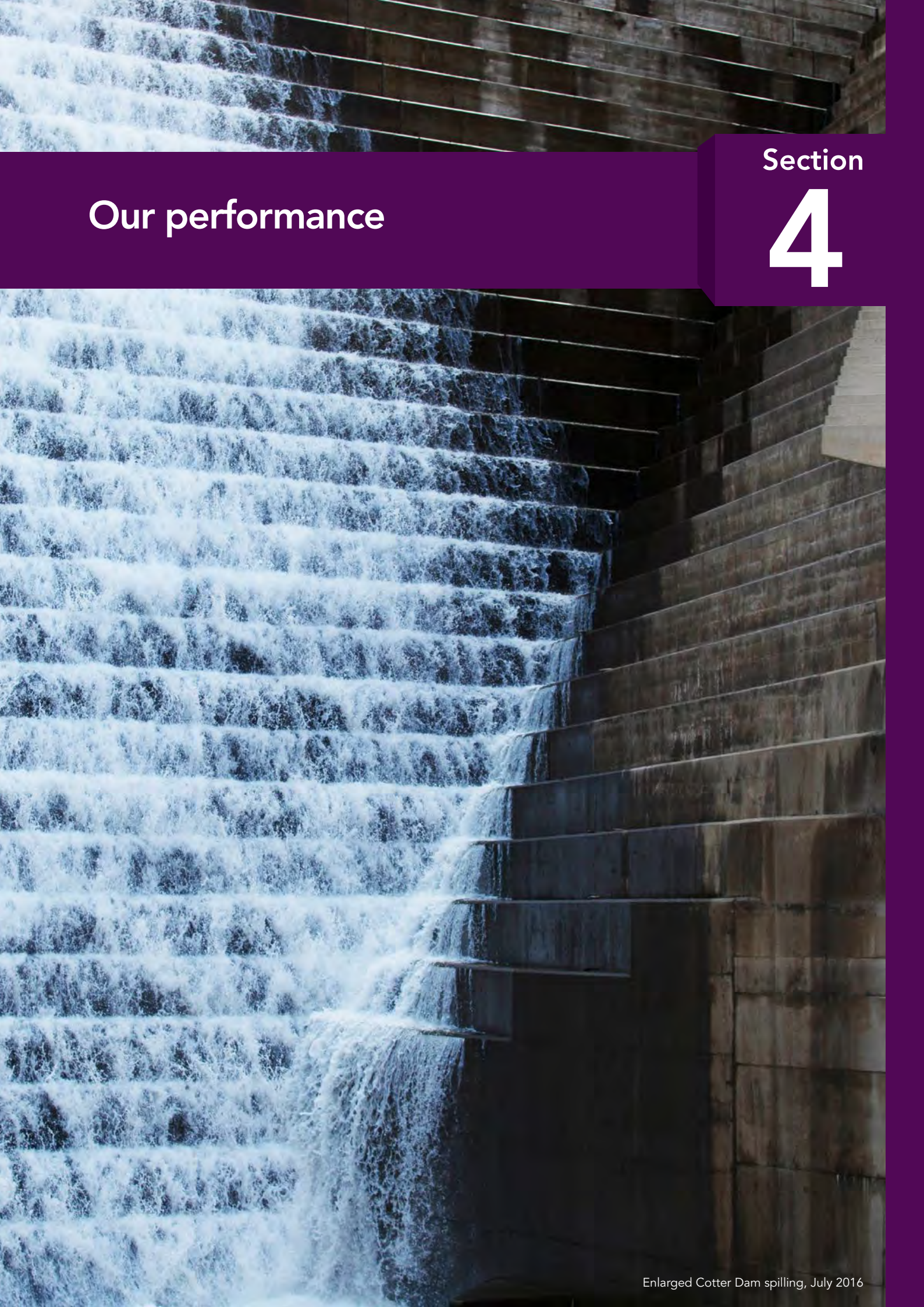
Guidelines used for assessment of funding applications are published on our website. During 2016–17, we committed \$452,770 to sponsorships and donations through 48 groups, individuals and organisations (see Table 3.2).

Table 3.2: Community Support Program

| No | Name | Purpose | Amount \$ |
|---------------------|---|--|-----------|
| Sponsorships | | | |
| 1 | Lifeline Canberra | Organisation sponsorship | 50,000 |
| 2 | Canberra Symphony Orchestra | Shell Prom 2017 and Symphony by the River 2017 event sponsorship | 50,000 |
| 3 | Canberra Area Theatre Awards | Major Award sponsorship 2016 & 2017 | 50,000 |
| 4 | Menslink | Organisation sponsorship | 35,000 |
| 5 | Water Industry Operations Association Australia | NSW/ACT WIOA 2017 Conference sponsorship | 33,000 |
| 6 | Pro Music Inc. | Canberra International Music Festival sponsorship | 20,000 |
| 7 | Karinya House Home for Mothers and Babies Inc. | Organisation sponsorship | 18,000 |
| 8 | Master Plumbers Association | Organisation sponsorship | 15,000 |
| 9 | ACT Eden Monaro Cancer Support Group | Cancer Convoy event sponsorship | 10,000 |
| 10 | Barnados Australia | Canberra Golf Day sponsorship | 10,000 |
| 11 | Breast Cancer Network Australia | Pink Lady Lunch sponsorship | 10,000 |
| 12 | Physical Activity Foundation Ltd | Organisation sponsorship | 10,000 |
| 13 | RSPCA Canberra | Million Paws Walk sponsorship | 10,000 |
| 14 | Newborn Intensive Care Foundation | Bake for Babies sponsorship | 8,000 |
| 15 | Royal Life Saving ACT | Day at the Lake sponsorship | 8,000 |
| 16 | BDW Special Events Pty Ltd | Chief Minister's Inclusion Awards sponsorship | 7,500 |
| 17 | Australian Water Association | ACT Water Matters conference sponsorship | 6,600 |
| 18 | Ronald McDonald House | Gala Dinner sponsorship | 5,000 |
| 19 | The Salvation Army | Christmas Carols concert sponsorship | 5,000 |
| 20 | National Botanical Gardens | Summer Sounds concert sponsorship | 5,000 |

Table 3.2: Community Support Program (cont.)

| No | Name | Purpose | Amount \$ |
|------------------|--|--|------------------|
| 21 | ACT Camp Quality | Gala Dinner sponsorship | 5,000 |
| 22 | Snowy Hydro South Care | Christmas Gala sponsorship | 5,000 |
| 23 | Tuggeranong Valley Rugby League Football Club | Organisation sponsorship | 5,000 |
| 24 | Artists Society of Canberra Inc. | Opening event sponsorship | 5,000 |
| 25 | Queanbeyan/Canberra Koori Knockout Competition | Organisation sponsorship | 5,000 |
| 26 | Tuggeranong Netball Association | TNA Turns Pink sponsorship | 5,000 |
| 27 | Tara Costigan Foundation | Gala Ball sponsorship | 5,000 |
| 28 | Canberra Amateur Swim Club | Organisation sponsorship | 4,000 |
| 29 | Veterans Motorcycle Club Federal Chapter | Poker Run sponsorship | 4,000 |
| 30 | Persian Australian Community Association | Classical music concert sponsorship | 3,630 |
| 31 | North Canberra Gungahlin Cricket Club | Organisation sponsorship | 3,000 |
| 32 | Hands Across Canberra | Business lunch sponsorship | 2,800 |
| 33 | Communities at Work | Celebrate Gungahlin festival sponsorship | 2,500 |
| 34 | Charles Conder Parents and Citizens Committee | Healthy Cookbook sponsorship | 2,500 |
| 35 | Conservation Council ACT | World Environment Dinner sponsorship | 2,500 |
| 36 | Queanbeyan Blues Masters | Organisation sponsorship | 2,000 |
| 37 | Woodlands and Wetlands Trust | World Wetlands Day sponsorship | 2,000 |
| 38 | Community Services Directorate; West Belconnen Child and Family Centre | NAIDOC by the Lake sponsorship | 1,500 |
| 39 | Kids in Care | Organisation sponsorship | 1,000 |
| Donations | | | |
| 40 | National Multicultural Festival | Organisation donation | 5,000 |
| 41 | Jerrabomberra Volunteer Rural Fire Brigade | Organisation donation | 4,800 |
| 42 | Mitchell Organic Community Garden | Organisation donation | 3,000 |
| 43 | Ronald McDonald House Canberra | Organisation donation | 2,640 |
| 44 | Juvenile Diabetes Research Foundation One Ride to Cure | Organisation donation | 2,000 |
| 45 | Sids n Kids | Organisation donation | 1,000 |
| 46 | Salvation Army | Organisation donation | 1,000 |
| 47 | Snowy Hydro South Care | Organisation donation | 500 |
| 48 | St Vincent de Paul – CEO Sleep out | Organisation donation | 300 |
| Total | | | \$452,770 |



Section

4

Our performance

2016–17 key performance outcomes

For each strategic objective within our Statement of Corporate Intent 2016–17, we have established performance indicators and targets to monitor and report on their achievement.

The table below provides our performance outcomes for 2016–17.

Table 4.1: 2016–17 key performance outcomes

| Strategic objectives | Performance indicator | Targets (30 June 2017) | Results 2016–17 |
|----------------------|--|---|--|
| People | Timely implementation of related strategies | WHS and people strategies are implemented in accordance with plan | Achieved |
| | Serious Injury Frequency Rate (SIFR) | <6 serious injuries per million hours worked | 6.4 |
| | Staff engagement | 54% ¹ of staff surveyed are moderately–highly engaged | 49% |
| Asset management | Timely implementation of enterprise asset management initiatives | Asset management enhancement initiatives are implemented and assessed as competent against the asset management framework | Achieved |
| | Service delivery performance | Achievement of service delivery targets for water, sewerage, customer satisfaction and environment and sustainability | Partially achieved (refer to table 4.2) |
| Customer | Effective complaints management | A meaningful response to 100% of complaints within 20 business days ² | 100% |
| | Customer satisfaction | 90% of annual survey participants are satisfied with our overall service | 89% |
| | Effective stakeholder relationship management | 100% of projects have a stakeholder engagement plan | 100% |
| Financial | Return to government | \$71.77m (profits available for dividends) | \$79.28m |
| | Earnings Before Interest and Tax (Water) | \$105.0m | \$102.4m |
| | Capital expenditure | +/- 5% of \$111.1m | \$105.2m |
| | Gearing | <55.5% | 54.98% |
| | Energy use and costs | Demonstrated reductions in business as usual energy use and costs | Achieved |

¹ This being the Australian and New Zealand average for utilities.

² As required by the Consumer Protection Code

2016–17 key service delivery outcomes

Table 4.2: 2016–17 key service delivery outcomes

| Service delivery measures | | Industry 2014–15 average | Target 2016–17 | Results 2016–17 |
|--|---|--------------------------|-------------------|------------------|
| Water | | | | |
| Quality | Compliance with routine monitoring against the Public Health (Drinking Water) Code of Practice 2007 (ACT) (%) | n/a | 100 | 100 |
| | Number of zones where drinking water microbiological compliance is achieved (%) | 99.9 | 100 | 100 |
| Reliable supply | Water main breaks (per 100km of water main) | 22 | 20-25 | 15 |
| | Average duration of an unplanned interruption – water (minutes) | 129 | 111-150 | 130 |
| | Frequency of unplanned interruption – water (per 1000 properties) | 149 | 63-127 | 90 |
| | Real losses (litres/service connection/day) | 69 | 59-73 | 79 ³ |
| | Water volume ⁴ to meet demand (ML/day) | n/a | 140-300 | 137 |
| Sewerage | | | | |
| Sewerage mains breaks and chokes (per 100km sewer main) | | 31 | 40-66 | 50 |
| Property connection sewer breaks and chokes (per 1000 properties) | | 6 | 8-15 | 10 |
| Average sewerage interruption (minutes) | | 180 | 37-44 | 34 |
| Customer satisfaction | | | | |
| Water quality complaints (per 1000 properties) | | 1.7 | 0.9-2.0 | 1.0 |
| Water service complaints (per 1000 properties) | | 0.5 | 1.0-2.0 | 2.5 ⁵ |
| Sewerage service complaints (per 1000 properties) | | 0.6 | 1.0-2.0 | 0.9 |
| Billing and account complaints – water and sewerage (per 1000 properties) | | 0.7 | 0.1-1.5 | 0.4 |
| Total water and sewerage complaints (per 1000 properties) | | 3.7 | 3.5-5.0 | 4.8 |
| Environment and sustainability | | | | |
| Compliance with environmental flow requirements, licence requirements and environmental authorisations (%) | | n/a | 100 | 100 |
| Net greenhouse gas emissions (net CO ₂ equivalent per 1000 connected water properties) | | n/a | <257 ⁶ | 262 ⁷ |
| Sustainability infrastructure scorecard is incorporated into all capital projects over \$50,000 (%) | | n/a | 100 | 100 |
| Operational resource use and waste reduction ⁸ | | n/a | TBD ⁴ | |
| ▪ Material disposed to landfill (tonnes) | | | | 9,024 |
| ▪ Paper (ream) | | | | 2,727 |
| ▪ Water use (kL) | | | | 109,891 |
| Percentage of biosolids reused (%) ⁹ | | 106 | 100 | 100 |
| Recycled water (percent of effluent recycled) | | 15 | 11-13 | 13 |

³ Variance due to change in billing system

⁴ Volume is the total production by the water treatment plants and supply through the water supply system

⁵ Increase in water service complaints due to full scale delivery of the 2016-17 water meter upgrade program

⁶ Representing a reduction year on year

⁷ Increase in fuel and diesel usage at LMWQCC due to capital works and operations occurring during 2016–17

⁸ Operational resource use refers to consumption of chemicals, water, paper and generation of waste

⁹ Percentage of biosolids reused may be greater than 100% if a utility is reusing stockpiles of biosolids

Our year in review

Sewerage operations

Icon Water achieved the following results for compliance with the respective Environmental Authorisations.

| | |
|---|-------|
| Lower Molonglo Water Quality Control Centre | 98.9% |
| North Canberra Water Reuse Scheme** | 100% |
| Uriarra Sewage Treatment Plant | 100% |

**note North Canberra Water Reuse Scheme is not currently operational

Wet conditions during Spring 2016 caused inflow to the sewerage network to be higher than expected. In early September, inflows to the Lower Molonglo Water Quality Control Centre (LMWQCC) were up to 2.5 times the average. This caused 41ML of effluent to be bypassed over the storage dam spillway and the discharge of partially treated effluent to the Molonglo River downstream.

Licence compliance with the Environmental Authorisation was maintained during the event except for effluent chlorine which exceeded the average daily allowable concentration on two days. The incident was managed internally and involved reporting to the ACT Environment Protection Authority, ACT Health and NSW regulators.

Significant capital works investment at LMWQCC has been undertaken over the past 12 months with a number of assets and functional areas upgraded or overhauled. The aim of the ongoing program is to improve capacity, stabilise operational performance and ensure the plant continues to achieve compliance with the Environmental Authorisation.

The new Liquid Waste Reveal Facility was constructed and commissioned. This facility is located at LMWQCC and replaced the existing discharge point at Coppins Crossing, which was located within the Molonglo development scheme.

The resource recovery agreement for the LMWQCC Agri ash product is in negotiation with the NSW Environment Protection Authority. The outcome will ensure continued reuse of inert ash, which is generated through the incineration process at LMWQCC, as an agricultural product within the region.

An Environmental Authorisation was negotiated with the ACT Environment Protection Authority for the Cotter Effluent Absorption Facility, and an Environmental Management Plan developed to support activities at the site.

Icon Water continues to seek to improve performance with regard to sewer blockages. This year work was undertaken using advanced data analytics to analyse the performance of the sewerage network to determine the appropriate investment for those assets. This work was recognised nationally when Icon Water won a prestigious award in the 2017 Asset Management Council's Excellence awards. The results of the work have informed the planned maintenance programs for 2017–18.

Water operations

Canberra Airport rainfall for the reporting period totalled 613.8mm, which was an increase from the previous 12 month period of 603.6mm due to a wet winter and spring—a number of significant rainfall events occurred between July and September 2016. Icon Water's combined dam capacity was at 84% of the total 278GL volume at the end of June 2017, a small increase on the 83% capacity recorded at the end of June 2016.

The Cotter Dam overflowed for the first time since completion of the new dam and combined dam storage levels are healthy.

Canberra's long term water future is very secure following major investments in source water infrastructure coupled with reductions in demand. Since water restrictions were removed in November 2010, per capita water consumption in Canberra and Queanbeyan has consistently been 35–40% below consumption levels experienced before the introduction of water restrictions in 2002. This is one of the largest sustained water use reductions per capita in Australia.

Drinking water quality

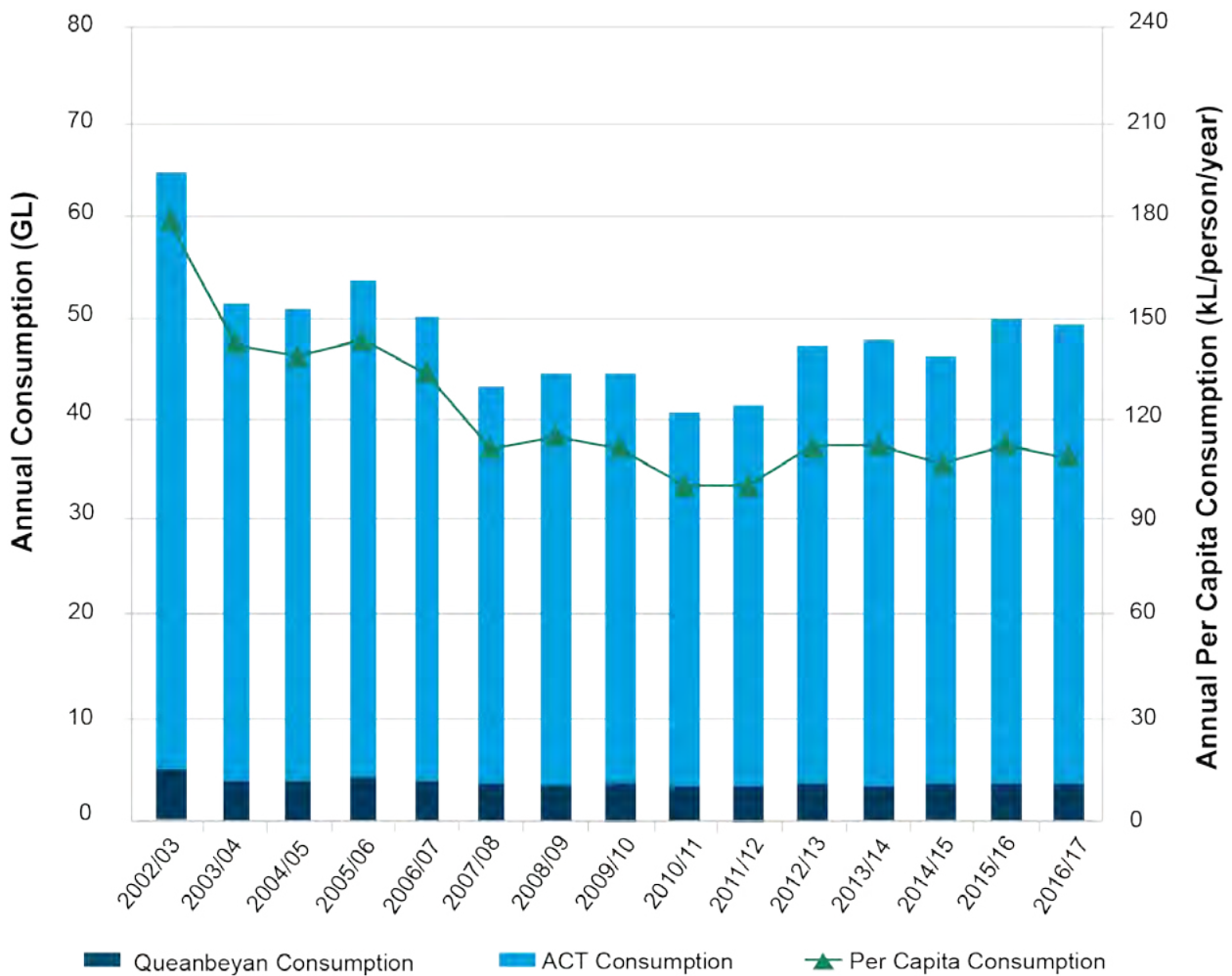
Icon Water conducts a continual and comprehensive water quality monitoring program across its supply and distribution systems and uses this data to ensure water quality. Testing of the quality of water was undertaken in accordance with the Australian Drinking Water Guidelines (2011) and the Public Health (Drinking Water) Code of Practice (2007) (the Code). There were eight notifiable events to ACT Health as per the Code during the year.

Icon Water maintained third-party certification of its Hazard Analysis and Critical Control Point (HACCP) based risk management system for water quality management in 2016–17 and achieved a rating of Excellence in HACCP and Goods Manufacturing Process (GMP).

Icon Water also published its Annual Drinking Water Quality Report 2015–16 in accordance with the Code in October 2016 (the report is available at iconwater.com.au). The 2016–17 report will be published in October 2017.

Icon Water won the ‘taste test’ for best drinking water in the NSW/ACT region, with the award presented at the Water Industry Operators Association conference, held in Canberra in April 2017.

Figure 4.1: Annual water consumption for the ACT and Queanbeyan



Asset management

Icon Water is the custodian of a large portfolio of assets including:

- 3,300km of sewerage pipes
- 26 sewage pumping stations
- 2 sewage treatment plants
- 48 water reservoirs
- 3,300km of water pipes
- 25 water pumping stations
- 2 water treatment plants
- 4 dams

These assets support our community access to water and sewerage services, enhancing the quality of life in the nation's capital. The assets represent a vast investment of over \$2.0 billion built up over many decades. Failure of these assets could potentially have dramatic and far-reaching consequences for the community we serve. The efficient management of these assets is integral to Icon Water maintaining safe, reliable and cost effective services.

During 2016–17 Icon Water reviewed its Asset Management (AM) policy, strategy and plans to align with the relevant international standard.

The AM policy broadly outlines the principles and mandated requirements for undertaking AM across Icon Water in a systematic and coordinated way, consistent with our corporate intent.

The AM strategy details the major AM processes that are used to translate shareholder and stakeholder needs into prudent and efficient action plans and strategies.

The AM plans collectively outline the asset activities and programs for each asset type and resources that are applied to provide a defined level of service in the most reliable and cost effective way.

We are committed to being recognised as an organisation that strives for excellence in asset management. We have continued to implement our Business Transformation Program which aligns people, process and technology initiatives more closely with our business strategy and vision. Substantial changes to the operational technology information systems to underpin our asset management strategic objective were scoped and supported in 2016–17 with implementation of this modernisation scheduled in 2017–18.

Our progress towards the strategic goal of excellence in asset management resulted in Icon Water being nominated for, and winning a prestigious award for our data analytics work.

Murrumbidgee to Googong water transfer scheme

The Murrumbidgee to Googong (M2G) Water Transfer scheme involves pumping water from the Murrumbidgee River within the ACT and transferring it via a 12km pipeline to Burra Creek (in NSW). From there it flows approximately 13km to the Googong Dam.

Canberra experienced the worst drought in its recorded history during the 1997–2009 Millennium Drought period. Canberra's storage levels dropped to 30% (62GL) in 2007 and level three water restrictions were imposed on the ACT and Queanbeyan communities for several years. This resulted in a program of major water security projects to enhance supply in the event that the drought continued, as well as ensure preparedness for future severe droughts. This included construction of the M2G pipeline.

The M2G system has three operating modes: operating, standby, or suspension. Since commissioning in 2011, the system has been in standby mode, and has been regularly operated in order to exercise and maintain the pipeline and associated assets. Operation of the system is dependent on climate conditions, rainfall, and river flows.

Icon Water holds a pipelines licence in relation to M2G, issued by the NSW Government under the *Pipelines Act 1967*. A management plan for the ongoing operation and management of the licence has been approved by the NSW Government. Compliance with the management plan is regularly audited.

The M2G scheme remains an important asset for ACT water security during future drought periods. It will be used to ensure that our system can withstand events similar to the Millennium Drought. During normal and wet periods it is unlikely that the M2G will be required to operate for water supply purposes.

Icon Water is investigating the optimum solution to minimise ongoing costs for the M2G set pipeline asset, given that the ACT is currently in a position of high level of water security.

The outcome of this investigation will be a long term management plan for the M2G scheme.

Capital works and major infrastructure

Lower Molonglo Water Quality Control Centre – Renewal and Upgrade Program

The Lower Molonglo Water Quality Control Centre (LMWQCC) was constructed in the 1970s. A such, significant components of the plant are now in the process of replacement or upgrading. Major projects currently being undertaken include:

- **Aeration System Renewal** – The aeration system is a fundamental element of the sewage treatment process aimed at sustaining biological treatment. This project is replacing end of life mechanical equipment with new technology. Work on the project is well progressed with procurement of major equipment (aerators and drive systems), civil works completed and building works to commence in July-September 2017. The project is due for completion in October-December 2018.
- **Solids Handling** – The solids handling project is renewing the sludge processing component at the head of the treatment plant. Work commenced on this project this year and will continue through to completion which is forecast for October-December 2019.
- **Liquid Waste Facility** – The liquid waste facility is purpose built for the safe disposal of trade waste and other appropriate, truck transported waste into the treatment process at LMWQCC. The facility was completed and commissioned this year.

Disinfection System Renewals – Mount Stromlo and Googong Water Treatment Plants

The disinfection system renewal project will replace chlorine dosing systems at both Icon Water treatment plants. In addition to replacing current infrastructure that is approaching end of life with new and more reliable technology, the dosing system will be converted to gas instead of liquid to improve operator safety. The project commenced construction at Googong Water Treatment Plant (WTP) in April 2017 with commissioning expected to occur in July 2017, after which works will commence at the Mt Stromlo site.

Water Network Electrical, Instrumentation, Monitoring and Control Renewal

The Water Network Electrical, Instrumentation, Monitoring and Control (EIMC) project will replace ageing real-time control and monitoring equipment at 93 separate sites including pump stations, reservoirs and valve farms in the water network system. This program of work covers approximately 50 per cent of all water network sites. Condition assessments and scope of works definition were completed this year as well as the commencement of concept design work. Designs will be completed during 2018 with construction works scheduled for commencement within the same year. Project works will be undertaken progressively over a four year period.

Mount Stromlo Mini Hydro

The Stromlo mini hydro project recently replaced a 630kW generator and improved the degree of electrical protection of the equipment itself. Commissioning was successfully undertaken in May and the unit has been consistently producing energy generated from the raw water being supplied to the treatment plant.

Sewer Mains and Water Mains Rehabilitation Programs 2016–17

The Water and Sewer Mains Rehabilitation programs seek to replace old and damaged pipelines in the water and sewer networks to maintain the reliability of water supply and wastewater services for the Canberra community.

This year saw a continuation of these rolling annual programs with approximately 7km of water mains replaced and 20km of sewer main rehabilitation undertaken. The majority of this work used pipe bursting and relining technologies which enabled the renewal of assets without the need for open trench excavation, minimising disruption to the Canberra community.

Water Meter and Domestic Service Upgrade Program

This year saw a continuation of the annual 20mm water meter and service upgrade program. A total of 6467 meters were replaced during the year.

Research, development and innovation

Icon Water funds and provides in-kind support for a range of research and development projects aimed at addressing organisational and industry risks related to the provision of water and wastewater services.

The program includes working in partnership with locally based and national universities, and industry through the Water Services Association of Australia (WSAA). These relationships provide access to research organisations such as Cooperative Research Centres, Water Research Australia (WaterRA), the Water Environment Research Foundation (WERF), the Smart Water Fund and the Australian Research Council (ARC).

During 2016–17, Icon Water continued to participate in the WSAA Technology Advisory Group convened by Isle Utilities to explore and provide feedback on opportunities for new technologies or services to be introduced into the water industry through collaborative trials.

The following research and technology projects continued or were completed during 2016–17:

- 'Risk-based regulation of wet weather sewer overflows' – a national project facilitated by WSAA to establish a risk based decision making framework for the management of overflows and engagement with regulators.
- Development of 'Climate Change Adaptation Guidelines for water utilities' – a project with WaterRA and WSAA industry members to investigate climate change risks to water utilities and identify suitable strategies to build resilience.
- Contribution to the ARC Linkage project lead by the University Of Canberra Institute Of Applied Ecology titled 'Diagnostic river health indicators via macroinvertebrate traits'. This project will develop methods to identify causes of ecological condition in flowing water, and input to a local aquatic macroinvertebrate barcode reference library for common macroinvertebrate species collected from ACT rivers, thus improving bio assessment required for Icon Water's monitoring programs.
- Participation in a WSAA coordinated project to investigate and assess a range of benefits, opportunities and constraints for decentralised treatment options, based on 12 industry case studies.
- Commenced collaboration with several utilities on a WSAA project to understand the performance of pipe linings and develop innovative solutions to pipe linings on critical pipes. This will also include improving methods of in-situ investigation through the use of sensors and improved inspection technologies.
- Collaborative local technology trials were commenced such as a Smart Water Network trial with ActewAGL, a Smart Standpipe trial with Skilltech, and an investigation of eco tabs with a technology company Oceanic Bio to treat fats, oils and greases accumulation in sewer pump stations.

During the year, Icon Water received the ACT Branch Australian Water Association (AWA) Infrastructure Project Innovation Award, and was a nominee for the national award, in recognition of the innovative furnace dynamic modelling project developed in the previous year.

Business transformation

The organisation has continued progressing towards enhancing our future long term capability and our ability to provide quality services for our customers at a sustainable price. To date the significant effort has focused on our people and processes. While this focus will continue, the emphasis moving forward is enhancing information communications and technology (ICT) as a key enabler. To ensure we have an integrated and streamlined ICT capability across the business we have commenced:

- renewing core operational systems to improve security and performance
- integrating mobility capability to increase operational efficiency
- adding new business and asset analytical systems to drive data-driven decision-making
- making better use of cloud infrastructure to reduce costs.

Supporting the roll-out of system functionality will be the continuation of activities to refine our operational 'target state', and identification of the new people capabilities required.

Economic regulation

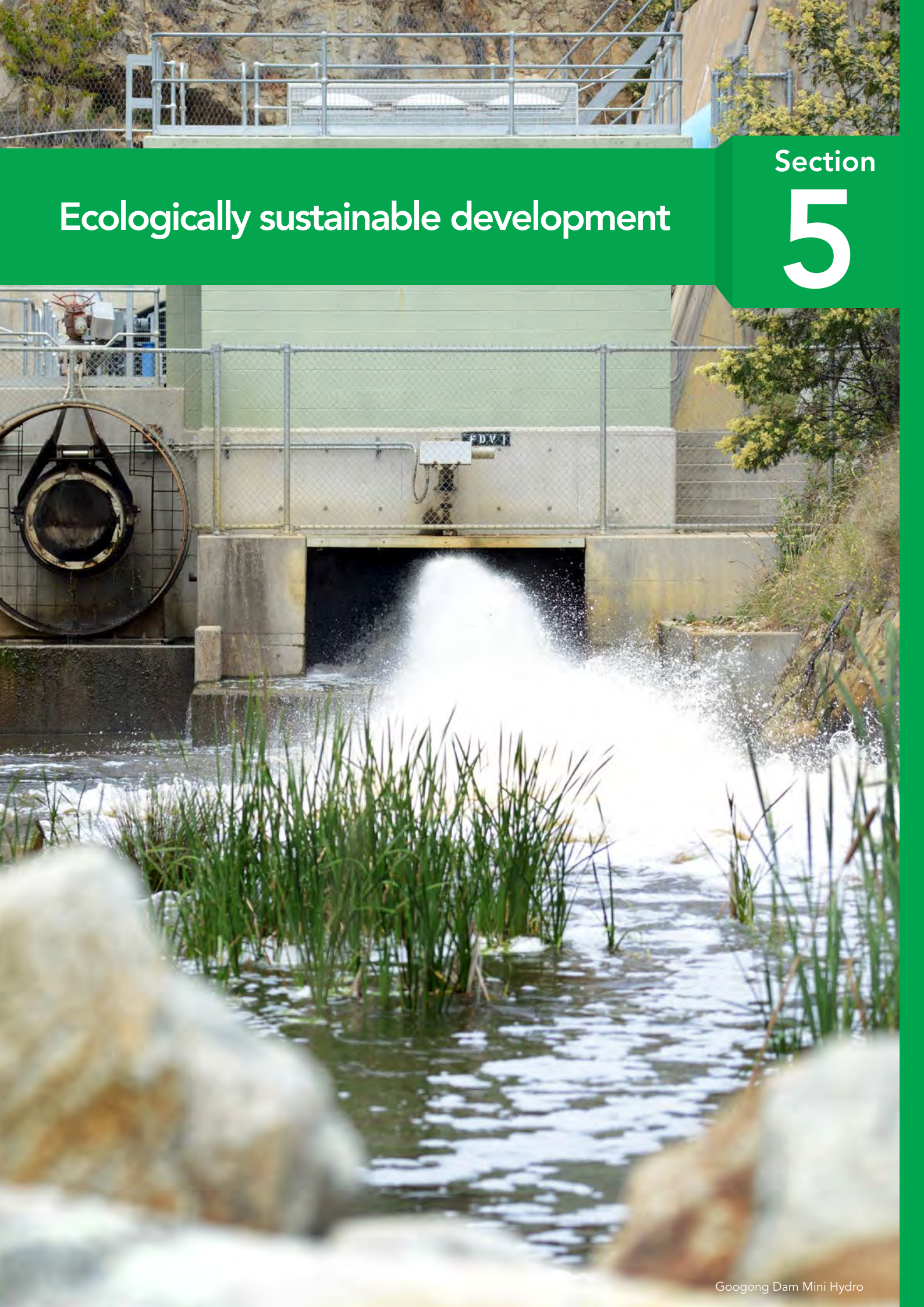
The prices that Icon Water charges for water and sewerage services in the ACT are regulated by the Independent Competition and Regulatory Commission (ICRC).

On 1 July 2016, Icon Water implemented prices in accordance with the Substituted Price Direction made by the Industry Panel in April 2015 following its review of the ICRC's Price Direction for the period 1 July 2013 to 30 June 2019.

In 2016–17, water prices rose by about 0.4 per cent compared to 2015–16, with charges for sewerage services increasing by 1.2 per cent. As a result of the price adjustments, the annual water and sewerage bill for a typical Canberra household rose by less than 1 per cent or around \$8.50.

Icon Water participated in a review of tariff structures for water and sewerage services during 2016–17, making two submissions to the ICRC. These submissions reflected the views of our customers obtained from surveys and input provided by the Icon Water community consultative forum. Icon Water's response to the ICRC's draft report submitted in November 2016, stated that the current water tariff structure is no longer cost reflective and that gradual rebalancing of the water tariff over a long period would benefit the community as a whole.

On 30 June 2017 Icon Water presented its main submission to the ICRC's review of water and sewerage prices for the five-year regulatory period that will begin on 1 July 2018. Icon Water's main submission followed the ACT Government's release of Terms of Reference for the price review on 13 December 2016 and an information request delivered to Icon Water by the ICRC on 4 January 2017. The customer impact of Icon Water's proposal to the ICRC will result in an increase to the combined water and sewerage bill in line with forecast inflation for the five year regulatory period. The main submission proposed a measured and gradual rebalancing of the water tariff through a combination of an increase in the fixed component of the water supply charge and a decrease in the second tier tariff for water charges.



Ecologically sustainable development

Section

5

Ecologically sustainable development

Icon Water has a strong commitment to environmental management and sustainability. We have an Environmental Management System (EMS) certified to the international standard ISO14001 and implemented a suite of environmental and sustainability programs in 2016–17 in line with our EMS and sustainability framework.

These programs have been delivered by a team of professionals qualified in the fields of environmental science, engineering and sustainability. During 2016–17, Icon Water undertook environmental assessments for a range of activities and projects, and sought regulatory approvals for 52 activities. In addition to management of activities, site specific Environmental Management Plans (EMPs) were also developed for the Lower Molonglo Water Quality Control Centre (LMWQCC) and the Cotter Effluent Absorption Facility, in accordance with Environmental Authorisations issued for these treatment facilities under the ACT *Environment Protection Act 1997*.

Icon Water complied with all environmental flow requirements, project conditions of approval, authorisations, licences and agreement requirements during 2016–17. A new Site Management Agreement (SMA) was signed between Icon Water and the ACT Conservator of Flora and Fauna under the *Nature Conservation Act 2014 (ACT)*. The SMA sets out requirements for notification and conduct of activities on Icon Water leased and public lands of the ACT to ensure ongoing protection of the environment in the provision of water and sewage services.

Programs aimed at energy and carbon management have continued with a particular focus on improving energy efficiency and increasing our renewable energy portfolio. In 2016–17 Icon Water upgraded the Stromlo mini-hydro system with the installation of a new generator, and finalised arrangements to generate revenue from the Googong mini-hydro system. We also commenced an asset development project to assess feasibility for further renewable energy generation, through photo voltaic solar arrays across several Icon Water sites. These and other projects will help Icon Water realise cost savings, energy efficiencies and reduce greenhouse gas emissions.

Carbon offset plantations continued to be managed and 18,750 Gold Standard Carbon offset certificates were retired to meet our commitment to offset emissions associated with the water security infrastructure. In July 2016, trees were planted on 70 hectares of carbon offset land owned by Icon Water to contribute to the Federal Government's 20 million trees initiative to reduce Australia's emissions.

Icon Water developed a sustainability scorecard tool in 2014 to integrate ecologically sustainable development principles into its capital project planning. This tool was enhanced in 2016–17 to ensure a greater consideration and inclusion of sustainability outcomes in our capital works projects. The scorecard was used as input to options analysis for 170 technical reviews of capital and major maintenance projects during 2016–17.

A sustained effort has been made to provide research and management actions to protect the threatened Macquarie Perch in the Cotter Reservoir (in partnership with ACT and Commonwealth regulators). In 2016–17 a two year conservation research project commenced, involving acoustic tagging of fish in the Cotter Dam and Cotter River. The project has already provided valuable information about fish behaviour to inform management actions. Ongoing fish management activities include creating fish habitats and fishways, clearing river barriers and undertaking fish monitoring. Results of Icon Water's fish monitoring program confirmed successful spawning of the Macquarie Perch in the 2016–17 spawning season.

As a major contributor to water resource planning in the ACT and region, Icon Water participated in the ACT and Region Catchment Management Coordination Group and supported the development of the ACT and Region Catchment Strategy and the stormwater education and behavioural change program. Icon Water partnered with the ACT Government in funding the WaterWatch program in the Upper Murrumbidgee and Southern ACT catchments. We also worked with ACT Government to implement the recommendations of the Auditor General's audit on the restoration of the Lower Cotter Catchment.

Icon Water has continued to deliver a comprehensive environmental monitoring program including activities in the Cotter Environmental Flow Plan, Cotter Dam Fish Management Plan and Below Dams Ecological Monitoring Program. All Murrumbidgee to Googong (M2G) pipeline environmental management plans were revised and updated to reflect improved scientific understanding of environmental impacts, address independent audit findings and to realise administrative and financial efficiencies.

Icon Water successfully implemented its Bushfire Operations Plan 2016–17. Key activities related to removal of vegetation to reduce the risk that fire could pose to assets, operations, staff and public safety.

Table 5.1: Sustainable development performance – current and previous financial year

| Indicator as at 30 June | Unit | Current FY | Previous FY | Percentage change |
|---|---------------------------|------------|-------------|-------------------|
| Staff and area | | | | |
| Staff | FTE | 373.9 | 385.3 | -3.0 |
| Stationary energy usage | | | | |
| Electricity use | Kilowatt hours | 34,394,893 | 33,096,608 | 3.9 |
| Renewable electricity use | Kilowatt hours | 1,505,852 | 321,422 | 368.5 |
| Natural gas use | Megajoules | 1,431,426 | 1,288,955 | 11.1 |
| Transport fuel usage | | | | |
| Total number of vehicles | Number | 133 | 135 | -1.5 |
| Total kilometres travelled | Kilometres | 2,356,420 | 2,298,646 | 2.5 |
| Fuel use – Petrol | Kilolitres | 18.6 | 23.1 | -19.5 |
| Fuel use – Diesel | Kilolitres | 393.6 | 384.1 | 2.5 |
| Fuel use – Liquid Petroleum Gas (LPG) | Kilolitres | 0 | 0 | 0 |
| Fuel use – Compressed Natural Gas (CNG) | Kilolitres | 0 | 0 | 0 |
| Water usage | | | | |
| Water use | Kilolitres | 109,891 | 91,686 | 19.8 |
| Resource efficiency and waste | | | | |
| Reams of paper purchased | Reams | 2,851 | 2,393 | 19.1 |
| Recycled content of paper purchased | Percentage | 81% | 80% | 1 |
| Waste to landfill* | Tonnes | 2371.3 | 209.85 | N/A |
| Co-mingled material recycled | Tonnes | 10.04 | 14.07 | -28.6 |
| Paper & Cardboard recycled (incl. secure paper) | Tonnes | 28.51 | 40.06 | -28.8 |
| Organic material recycled | Tonnes | 1.13 | 1.08 | 4.6 |
| Greenhouse gas emissions | | | | |
| Emissions from stationary energy use | Tonnes CO ₂ -e | 36,337 | 34,837 | 4.3 |
| Emissions from transport | Tonnes CO ₂ -e | 1,172 | 1,154 | 1.5 |
| Total emissions | Tonnes CO ₂ -e | 48,450 | 47,009 | 3.0 |

Table notes:

1. 2016–17 electricity, natural gas use and greenhouse gas emission figures have been estimated as not all invoicing has been received at the time of data collection.
2. The renewable electricity use has increased with the recent recommissioning of Stromlo mini hydro operations. A total of 3,807,570 kWh of renewable electricity was generated. 1,505,852 kWh of generation was consumed by Icon Water and 2,301,718 kWh was exported to the grid.
3. Water use data excludes direct water consumption at the Bunda Street office (where Icon Water occupies one floor). Increase in water usage attributed to an increase in capita works at LMWQCC.
4. Increase in paper usage due to provision of printed materials at community consultative projects.
5. The waste to landfill figure for 2016–17 includes treatment plant material disposed of to landfill including alum sludge, screening material and security burial material. In previous years only office waste to landfill had been provided.
6. The organic material figures excludes all organic waste generated at Icon Water's Mitchell and Lower Molonglo sites which is composted and used as fertiliser onsite.
7. Total emissions also include stationary fuel oil, diesel and petrol emissions plus fugitive nitrous oxide emissions.

Commissioner for the Environment

There were no investigations carried out by the Commissioner with Icon Water in 2016–17. Icon Water worked with the Commissioner to provide environmental expenditure for 2013–14 to 2015–16.

Accountability



Internal accountability

Icon Water's corporate governance structures and practices provide the framework for the management and achievement of the corporation's objectives.

Icon Water has reporting and compliance obligations under both Commonwealth and ACT legislation. Figure 6.1 provides key legislation.

A number of Acts, licences and regulations govern the operations of the water and sewerage business. A legal compliance database – CMO Compliance – identifies the legislative obligations with which the business must comply. These obligations are mapped to relevant processes, procedures and functions within Icon Water.

Details of licence and regulation compliance for 2016–17 are on page 77 in the Financial Reports.

Icon Water operates under an Integrated Management System that incorporates our governance framework and our management operating system. The corporate governance framework includes Board and Committee charters, policies, procedures, delegations, corporate registers, a code of conduct and arrangements for risk management, internal audit and legislative compliance.

Icon Water has a suite of eleven overarching corporate policies that cover asset management, compliance, customer, environment, information and communication technology, financial management, management systems, quality, people, risk and safety. Corporate procedures fall under the umbrella of these overarching corporate policies. Corporate policies and procedures are available to all Icon Water staff on the Icon Water intranet and are subject to regular review and improvement.

Figure 6.1 : key legislation for Icon Water's water and sewerage business

| Water and sewerage services | | | |
|--|---|---|--|
| Overarching Legislative Requirements | | | |
| <ul style="list-style-type: none"> Utilities Act 2000 (ACT) Utilities (Technical Regulation) Act 2014 (ACT) Territory-owned Corporations Act 1990 (ACT) | | <ul style="list-style-type: none"> Independent Competition and Regulatory Commission Act 1997 Corporations Act 2001 (Cth) | |
| Corporate | Consumer Protection | Supply | Licensing |
| <ul style="list-style-type: none"> Territory Records Act 2002 (ACT) Freedom of Information Act 1989 (ACT) Privacy Act 1988 (Cth) Workplace Privacy Act 2011 (ACT) | <ul style="list-style-type: none"> Utilities (Consumer Protection Code) Determination 2012 (ACT) Competition and Consumer Act 2010 (Cth) Public Health Act 1997 (ACT) | <ul style="list-style-type: none"> Water Resources Act 2007 (ACT) Canberra Water Supply (Googong Dam) Act 1974 (Cth) Seat of Government Acceptance Act 1992 (Cth) | <ul style="list-style-type: none"> Water Resources Act 2007 (ACT) Public Health Act 1997 (ACT) Environment Protection Act 1997 (ACT) Protection of the Environment (Operations) Act 1997 (NSW) |
| Land Planning | Environment Protection | Operations | |
| <ul style="list-style-type: none"> Australian Capital Territory (Planning and Land Management) Act 1988 (Cth) Canberra Water Supply (Googong Dam) Act 1974 (Cth) Planning and Development Act 2007 (ACT) Environmental Planning and Assessment Act 1979 (NSW) State Environmental Planning Policy (Infrastructure) 2007 (NSW) | <ul style="list-style-type: none"> Environment Protection and Biodiversity Conservation Act 1999 (Cth) Environment Protection Act 1997 (ACT) Nature Conservation Act 2014 (ACT) Heritage Act 2004 (ACT) Protection of the Environment (Operations) Act 1997 (NSW) Threatened Species Conservation Act 1995 (NSW) Heritage Act 1977 (NSW) | <ul style="list-style-type: none"> Water and Sewerage Act 2000 (ACT) Emergencies Act 2004 (ACT) Work Health and Safety Act 2011 (ACT) and (NSW) Building and Construction Industry (Security of Payment) Act 2009 (ACT) and 1999 (NSW) Building Act 2004 (ACT) Pipelines Act 1967 (NSW) | |

Risk and Assurance Committee

The Risk and Assurance Committee (the Committee) operates as a Committee of the Icon Water Board. The role of the Committee is to provide independent assurance and advice to the Board on the integrity of Icon Water's internal control and compliance framework. The Committee achieves this through its review and independent assurance on matters relating to, risk management and internal control, and financial management.

Details of the Committee members are provided below.

| Name | Position |
|------------------|---------------------------------|
| Carol Lilley | Chair |
| Jennifer Goddard | Member |
| Rachel Peck | Member |
| Dr Allan Hawke | Member (until 16 November 2016) |
| Dr Thomas Parry | Member (from 17 November 2016) |

In July 2017, Abigail Goldberg and Brett Tucker will be appointed members of the Risk and Assurance Committee.

Further details of the Committee meetings (including attendance) held in 2016–17 are provided in the Financial Reports.

Internal audit

Icon Water's internal audit function provides an independent, objective assurance and consulting activity designed to add value and improve Icon Water's operations. The Committee is responsible for oversight of the internal audit function. Internal audit is responsible for:

- maintaining and continually improving an effective internal audit framework that conforms to relevant best practice principles and standards
- developing and executing a broad, comprehensive program of internal audit activity to evaluate and improve the effectiveness of Icon Water's risk management, quality (internal) control and governance processes necessary to achieve organisational objectives.

At Icon Water, internal audit activity is performed in accordance with the established internal procedure, which conforms to *AS/NZS ISO 19011: 2014 Guidelines for Auditing Management Systems*.

Icon Water uses an assurance map to target internal audit activity, specifically through the development of a three year internal audit strategy. Assurance mapping identifies the assurance activities undertaken to address significant risks impacting an organisation. The three year internal audit strategy is supported by the annual internal audit program. This program incorporates a broad range of internal audits including audits examining compliance and performance.

In accordance with Icon Water's internal audit methodology, internal audit reports the following to the Committee on an ongoing basis:

- the status of audits from the annual internal audit program
- the outcomes of all audits contained in the annual internal audit program
- the status of implementation of internal audit recommendations.

Territory records management

The Icon Water Records Management Program was approved by the Managing Director on 12 September 2016. A copy of the program was provided to the Territory Records Office (TRO) on 23 September 2016. The program is also available on the Icon Water website. The content of this program conforms to the requirements of the *Territory Records Act 2002*. The program provides a framework for the creation, management and disposal of records of business activities.

The records management program will be updated on an ongoing basis to align with the revised records disposal schedules.

A business classification scheme and records disposal schedules that are relevant to Icon Water have been defined. Relevant management and staff are provided appropriate training to ensure compliance with the *Territory Records Act*.

Table 6.1: Records Disposal Schedules - already adopted

| Function | Effective | Year and No. |
|---------------------------------------|-----------|--------------|
| Business Development | 2009 | NI2009-9 |
| Community Relations | 2011 | NI2011-84 |
| Compensation | 2012 | NI2012-183 |
| Corporate Governance | 2009 | NI2009-10 |
| Equipment and stores | 2012 | NI2012-186 |
| Establishment | 2009 | NI2009-437 |
| Financial Management | 2011 | NI2011-482 |
| Fleet Management | 2012 | NI2012-187 |
| Government Relations | 2011 | NI2011-88 |
| Industrial Relations | 2011 | NI2011-90 |
| Information Management | 2011 | NI2011-92 |
| Legal Services | 2009 | NI2009-443 |
| Occupational Health and Safety (OH&S) | 2009 | NI2009-444 |
| Personnel | 2015 | NI2015-358 |
| Procurement | 2007 | NI2007-312 |
| Property Management | 2013 | NI2013-371 |
| Publication | 2013 | NI2013-370 |
| Sewerage Management | 2014 | NI2014-290 |
| Strategic Management | 2009 | NI2009-453 |
| Technology and Telecommunications | 2015 | NI2015-361 |
| Water Management | 2014 | NI2014-291 |

Table 6.2: Records disposal schedules – currently being analysed and in the process of being adopted

| Function | Combined functions | Effective | Year and No. |
|---|---|-----------|--------------|
| Government and Stakeholder Relations | Community Relations Government Relations Publications | 2017 | NI2011-84 |
| Human Resources | Compensation Establishment Industrial Relations Occupational Health and Safety (OH&S) Personnel | 2017 | NI2017-79 |
| Property Equipment and Fleet | Equipment and stores | 2017 | NI2017-86 |
| Finance and Treasury Management | Financial Management | 2017 | NI2017-83 |
| Property Equipment and Fleet | Fleet Management Property Management | 2017 | NI2017-86 |
| Records and Information Management | Information Management | 2017 | NI2017-87 |
| Solicitor and Legal Services | Legal Services | 2017 | NI2017-88 |
| Strategy and Governance | Strategic Management | 2017 | NI2017-89 |
| Information and Communications Technology | Technology and Telecommunications | 2017 | NI2017-85 |

Risk management

Risk management is an integral component of Icon Water's business activities and is applied at all levels of the organisation to assist in robust planning and decision making.

Risk management supports corporate governance through the development, implementation and continuous improvement of Icon Water's risk management framework and is consistent with AS/NZS ISO 31000: 2009 *Risk management – Principles and guidelines*. The framework includes risk management policy and procedures, tools, templates, training and support and is subject to ongoing review and continuous improvement.

Formal identification of significant risks at the organisation and business unit level is undertaken through workshops involving subject matter experts and key stakeholders. Risks are stored electronically, and managed and monitored across all business areas in accordance with Icon Water's risk management framework.

As required by the established procedures, key risks are reported regularly to Icon Water's Risk and Assurance Committee and ongoing reviews of all risks, ratings and controls are undertaken by responsible business areas as part of core business.

Icon Water also mandates risk assessments for a number of business activities to identify new and emerging risks. Risk assessments are required to be documented, regularly monitored and reviewed. Open source publications and researched data are also reviewed to stay across emerging topics.

Bushfire risk management

Icon Water's Bushfire Operational Plan (BOP) for 2016–17 saw bushfire fuel hazard reduction works completed at four treatment plants, a major supply dam, 12 service reservoirs, four pump stations, two remote watering stations and a number of smaller sites. All works involved physical removal of vegetation and aimed to meet requirements of the ACT Government's Strategic Bushfire Management Plan and the specific bushfire protection needs of those water and sewer assets. In total, 26 planned hazard reduction works were undertaken.

Throughout the year, 29 Icon Water employees completed accredited Basic Wildfire Awareness Training provided through a cooperative training agreement between Icon Water and the ACT Emergency Services Agency. The provision of this training provides mutual organisational benefits of improved staff safety and interoperability between Icon Water and fire agencies during bushfire response and recovery operations.

As part of our emergency and continuity management framework, a number of plans and procedures were reviewed and updated to ensure compliance and reflect currency.

In May 2017, bushfire fuel hazard assessments were undertaken at key sites by Icon Water Environment and Sustainability staff. In conjunction with hazard reduction works completed under the 2016–2017 BOP, these fuel assessments have informed the development of the 2017–2018 BOP.

Emergency and continuity management

Icon Water has an emergency and continuity management framework that includes a range of plans and related documentation and a testing regime that meets the requirements of relevant emergency management legislation and best practice. The centralised emergency management function allows the implementation of a holistic approach to all training, testing and planning activities.

During 2016–17, Icon Water participated in seven internal and five external exercises. All internal exercise scenarios covered a range of issues and were designed to adequately test plans, documentation, awareness and processes, should an incident occur. Once an exercise has concluded, lessons learned are documented and reviewed to enable continuous improvement of emergency and continuity management preparedness.

Icon Water is represented on the ACT Security and Emergency Management Senior Officers Group (SEMSOG), the Security and Emergency Management Planning Group (SEMPG) and other forums across jurisdictions and government and assists in providing technical input from the water utility perspective.

Where applicable, consultation is also undertaken with relevant neighbours of Icon Water assets to ensure that all are informed of emergency management processes.

Fraud prevention

Icon Water's fraud control plan includes a range of measures to prevent, detect and respond to incidents of fraud and corruption within the organisation. The plan was developed following a comprehensive fraud risk assessment and both are reviewed on a regular basis.

Fraud prevention in Icon Water includes formal fraud awareness training which is conducted on a biennial basis. All staff are due to complete this mandatory training during 2017–18. Icon Water's revised induction process also ensures all new staff complete fraud awareness training upon commencement.

We received four allegations of fraud during 2016–17 through our internet site and direct reporting. All allegations were investigated internally. Two allegations related to external water theft, one of which was substantiated. Outcomes of the substantiated allegation led to increased security arrangements for Icon Water assets and notification to contractors on acceptable water abstraction.

The other two allegations were internal matters, one of which was substantiated and one of which has an investigation continuing. Outcomes of the substantiated allegation led to employee termination, additional sub-investigations and changes to internal processes.

Public interest disclosure

The *Public Interest Disclosure Act 2012* (PID Act) provides for the reporting of wrong doing and for the rights and protection of people who report corrupt, illegal or improper conduct or substantial waste of public resources.

Icon Water has a public interest disclosure procedure for making and investigating public interest disclosures that reflect its obligations under the PID Act. This procedure is under Icon Water's Integrated Management System and is available to all Icon Water staff on the Icon Water intranet.

There were no public interest disclosures made during the reporting year.

Legal services directions

Icon Water is a separate legal entity from the Territory and complies with its obligations under the Law Officers (General) Legal Services Directions 2012 as these apply to it. In relation to claims and litigation, Icon Water utilises the services of a number of commercial legal firms. These firms act in a manner consistent with, and in accordance with, the Model Litigant Guidelines in undertaking work associated with litigation conducted by Icon Water and its subsidiary companies. This is in addition to their obligations and professional duties in relation to practicing as a solicitor under the *Legal Profession Act 2006 (ACT)*, the *Legal Profession Regulation 2007 (ACT)* and the *Legal Profession (Solicitors) Conduct Rules 2015 (ACT)*.

Human rights

Icon Water's Human Rights and Discrimination procedure outlines Icon Water's corporate behaviour standards in relation to protecting human rights in accordance with the *Human Rights Act 2004*. It also provides the framework for managing human rights complaints. There were no complaints received in 2016–17.

Freedom of information

Icon Water is a company wholly owned by the ACT Government, established under the *Corporations Act 2001*, and is subject to the provisions of the *ACT Freedom of Information Act 1989*.

Section 7 Statement:

Icon Water owns the ACT's water and sewerage business and assets and is a 50% owner of ActewAGL. Icon Water is governed by an independent board of up to eight members.

Icon Water's head office is located in the central business district, is wheelchair accessible and central to public transport.

Icon Water provides a telephone and web service to inform and educate the community about matters related to water and wastewater services, as well as other forms of public interaction and engagement, including sponsorships, customer satisfaction surveys and a Community Consultative Forum. Icon Water also carries out a broad range of education activities with a number of groups within the local community (including schools) which demonstrate the value of our products and infrastructure. Information of interest to the public, such as service interruptions, water storage levels, water quality standards, price/service charges, water meters, drain care, sponsorship, water conservation and service obligations outlined in the Consumer Protection Code can be found on the Icon Water website.

Icon Water maintains an Integrated Management System (IMS) within which documents are a central component. The document hierarchy includes policies, procedures, work instructions and forms. Documents in the possession of Icon Water relate to all business and operational activities and are categorised in line with the *Territory Records Act 2002*.

Section 8 Statement:

Icon Water has a number of reporting and compliance obligations under various Commonwealth and ACT legislation. Further information can be found in section 5 Accountability of this report.

Section 79 Statement:

During 2016–17 Icon Water received two applications for access to documents. One application was granted in full and the second application was partially granted. Documents that were exempted from release related to an individual's personal details. The decision was notified to the relevant applicant in less than 31 days after the day on which the requests were received by Icon Water.

No applications were received for internal review of decisions and no applications were made to the ACT Civil and Administrative Tribunal.

The two applicants were not charged to access documents in 2016–17.

There were no applications to amend records under the *Freedom of Information Act 1989* in 2016–17.

Icon Water received one request to consult on the release of documents through third party consultation under the *Freedom of Information Act 1989* and responded to that agency within the time requested.

General inquiries and requests for access to documents held by Icon Water can be made to:

The Company Secretary
Freedom of Information Requests
Icon Water Limited
GPO Box 366,
Canberra ACT 2601

Ombudsman and ACT Auditor-General reports

There were no Ombudsman Reports relating to Icon Water during 2016–17.

ACT Auditor-General's Report No. 11/2016 – 2015–16 Financial Audits – Financial Results and Audit Findings (December 2016)

There was no new audit findings for Icon Water.

Legislative assembly committee inquiries and reports

There were no undertakings made by the Government in reports presented by the Legislative Assembly in relation to Icon Water Limited during 2016-17.

Section

7

Financial management analysis



Financial management analysis

The following financial information is based on audited Financial Statements for 2016–17 and comparatives for the 2015–16 financial year.

Operating Result

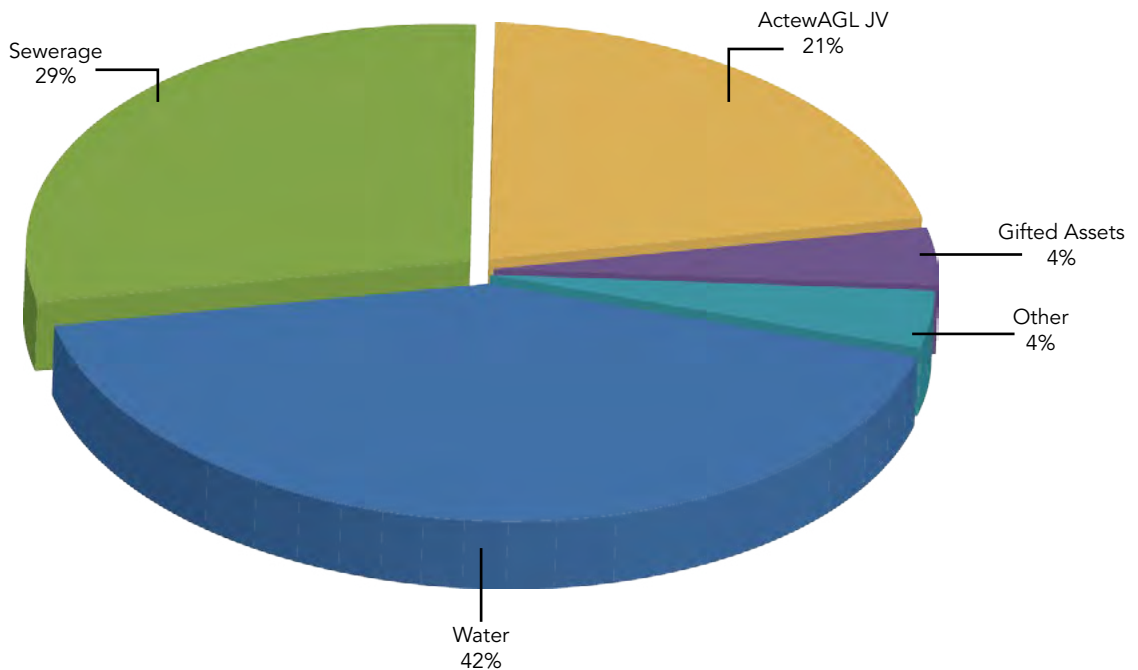
Icon Water recorded a net profit after tax for the year 2016–17 of \$96.9m (2015-2016:\$122.3m).

The key factor that contributed to this performance was lower Water and Sewerage profit of \$16.3m. This was mainly due to lower revenue from gifted assets and lower energy revenues.

Total Revenue

During 2016–17 Icon Water derived \$429.5m in revenue and distributions. The components of this are depicted in the following figure:

Figure 7:1 Components of Icon Water's total revenue of \$429.5m for 2016–17



Comparison to 2015–16 Total Revenue

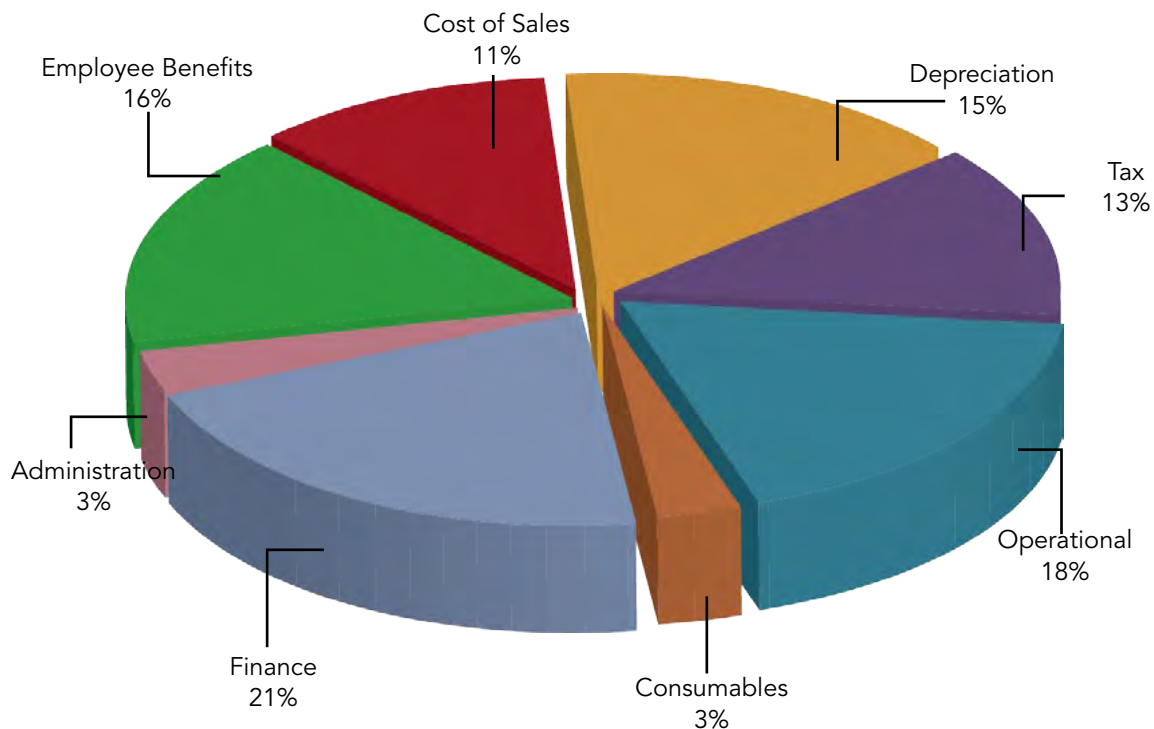
Total revenue of \$429.5m was \$20.8m lower than 2015–16. The main factors were:

- ActewAGL joint venture income was \$12.2m lower than the prior year which was mainly attributable to lower gas margins
- Gifted assets revenue was \$6.5m lower than the prior year which was mainly attributable to lower Land Development Agency developed gifted assets in the 2016–17 financial year
- Water revenue was \$6.2m lower than the prior year which was mainly attributable to lower ACT water consumption
- Sewerage revenue was \$3.0m higher than the prior year which was mainly attributable to increased customer base.

Total Expenditure

During 2016–17 Icon Water incurred \$332.6m in expenditure. The components of this are depicted in the following graph:

Figure 7.2: Icon Water's total expenditure of \$332.6m for 2016–17



Comparison to 2015–16 Total Expenditure

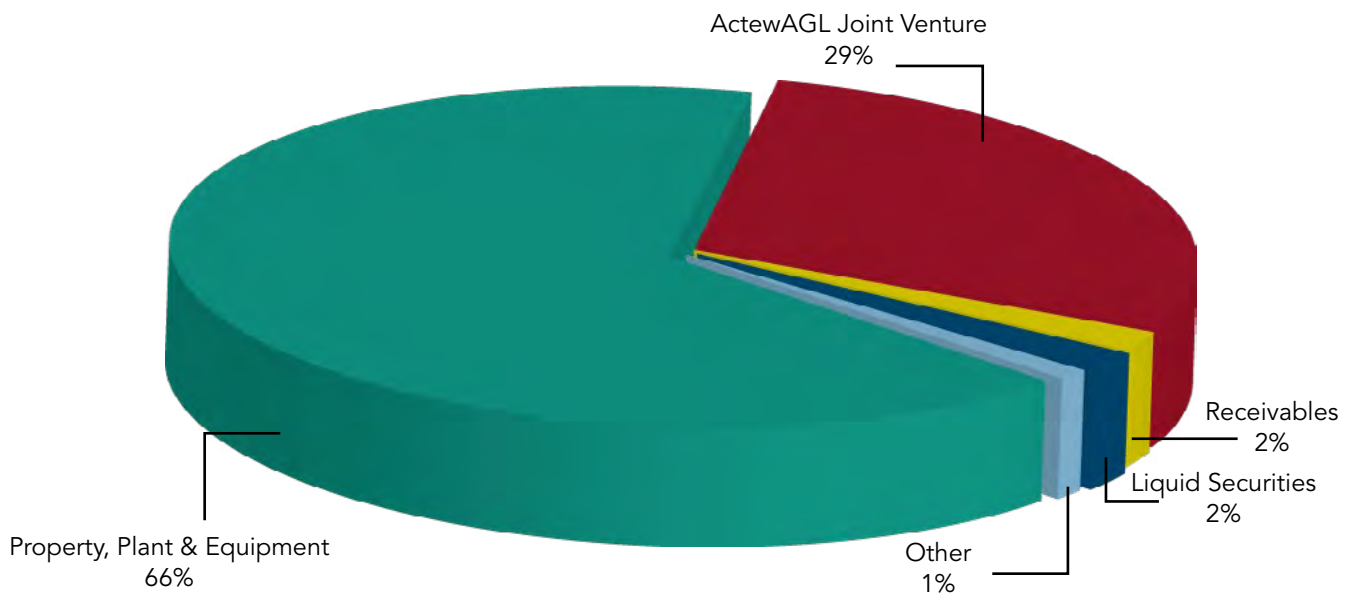
Total expenditure was \$3.5m higher than 2015–16 mainly due to the following factors:

- Operational and employment costs were \$6.2m higher than 2015–16 primarily due to additional costs associated with the business transformation program and regulatory submission
- Other expenses increased by \$4.1m which was mainly due to an increase in the Commonwealth Superannuation Scheme provision and Comcare expense
- A \$7.2m decrease in income tax equivalents expense which was driven by lower profit in 2016–17.

Assets

Icon Water has \$3,379.1m in assets at 30 June 2017. The components are as depicted in figure 7.3.

Figure 7.3: Icon Water's Assets of \$3,379.1m at 30 June 2017



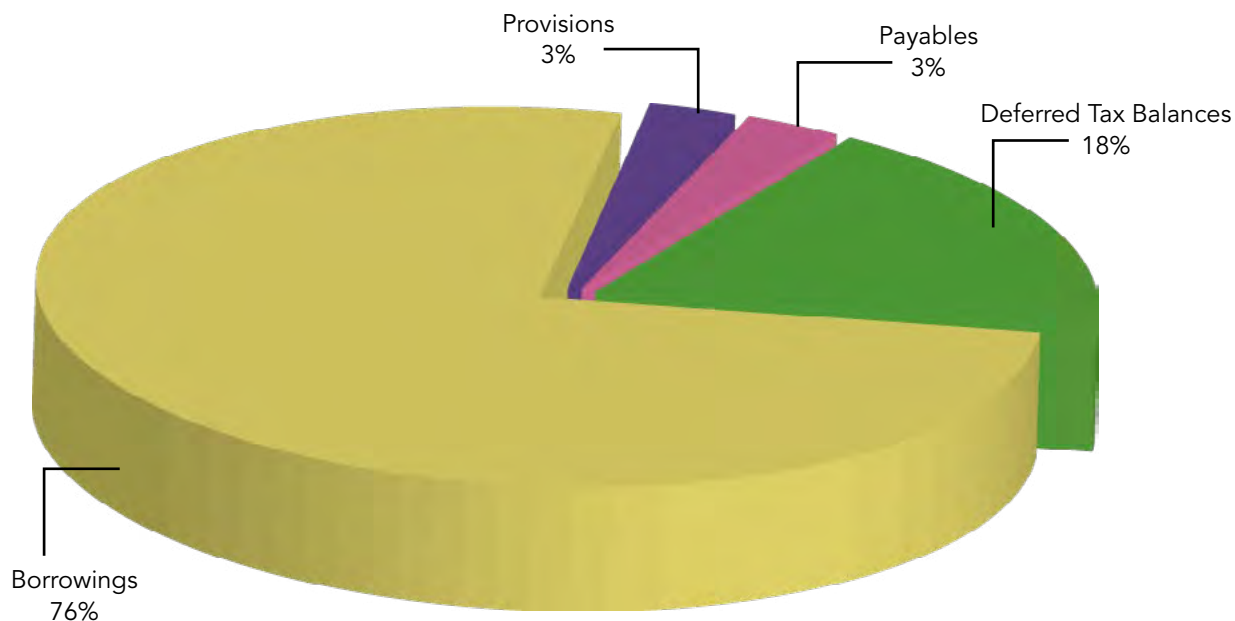
The major components are as follows:

- Icon Water has a book value investment of \$2,235.1m in property, plant and equipment. This mainly consists of Icon Water's water and sewerage infrastructure assets
- Icon Water has a carrying value investment of \$975.4m in the ActewAGL Joint Venture that operates in the energy sector. The energy business consists of two separate operations, energy retailing and distribution.

Liabilities

Icon Water has \$2,078.5m in liabilities. The components are as depicted in figure 7.4:

Figure 7.4: Components of Icon Water's Liabilities of \$2,078.5m at 30 June 2017



The major components are as follows:

- Outstanding borrowings at 30 June 2017 are \$1,587.0m, an increase of \$50.9m in the current financial year; and
- Deferred tax (net) liability at 30 June 2017 of \$367.7m. This amount is mainly due to the tax effect of past revaluation increases to water and sewerage infrastructure assets and the revaluation increase in the investment in the ActewAGL Joint Venture.

Payments to the ACT Government

Payments to the ACT Government during 2016–2017 include a dividend of \$78.6m and income equivalent tax payments of \$44.3m.



Icon Water Limited and Controlled Entities

ABN 86 069 381 960

General Purpose

Financial Report

For the year ended 30 June 2017

Icon Water Limited and Controlled Entities

ABN 86 069 381 960

Financial Report for the year ended 30 June 2017

| Contents | Page |
|---|-------------|
| Corporate profile..... | 1 |
| Directors' report..... | 2 |
| Directors' declaration..... | 11 |
| Independent audit report..... | 12 |
| Auditor's independence declaration..... | 14 |
| Consolidated statement of profit or loss..... | 15 |
| Consolidated statement of other comprehensive income..... | 16 |
| Consolidated statement of financial position..... | 17 |
| Consolidated statement of cash flows..... | 18 |
| Consolidated statement of changes in equity..... | 19 |
| Notes to the consolidated financial statements..... | 20 |

Icon Water Limited (Icon Water) is an unlisted public company with assets and investments in water, sewerage, electricity and gas. Icon Water is owned by the ACT Government and has two voting shareholders: the Chief Minister and Minister for Environment and Heritage of the ACT.

Icon Water, through its wholly owned subsidiaries, is also a 50% partner in ActewAGL. ActewAGL consists of two partnerships, ActewAGL Distribution Partnership and ActewAGL Retail Partnership.

Principal registered office in Australia

Level 5, ActewAGL House
40 Bunda Street
Canberra ACT 2600
(02) 6248 3111

Principal place of business

Level 5, ActewAGL House
40 Bunda Street
Canberra ACT 2600

GPO Box 366
Canberra ACT 2601

Auditor

ACT Audit Office

Solicitors

King & Wood Mallesons

Bankers

Commonwealth Bank of Australia

Website

www.iconwater.com.au

Directors' Report

The directors present the financial report of Icon Water and its controlled entities (Group) for the year ended 30 June 2017.

Directors

The following persons held office as directors of Icon Water during the whole of the financial year and up to the date of this report unless otherwise indicated:

Wendy Caird, Chair
MAICD

Wendy Caird was first appointed to the Icon Water Board in December 2009, was appointed as Acting Deputy Chair of the Icon Water Board from 1 July 2013 and appointed as Deputy Chair in March 2014. Ms Caird's appointment term was extended in March 2017 when she was appointed as Chair of the Icon Water Board due to her extensive knowledge of Icon Water's business and experience on the ActewAGL Partnerships Board. Ms Caird is the Chair of Icon Water's Remuneration Committee, Chair of Icon Distribution Investments Limited and Icon Retail Investments Limited and a Member of the ActewAGL Partnerships Board. She is also Chair of ActewAGL's Safety, Audit and Risk Committee.

Ms Caird has held a number of positions with Public Services International (France) including Co-chair Asia of Pacific Region (1998–2002), a Member of the Executive Board (1997–2002), Global Director of the Quality Public Services campaign (2002–2006), and a Member of the Global Coordinating Committee of the "Global Call to Action Against Poverty: (Make Poverty History)" campaign (2005–2006).

Ms Caird held a number of executive positions with the Community and Public Sector Union (Australia) from 1983, including as NSW Branch Secretary, until her appointment as National Secretary in 1993.

Ms Caird is a small business owner, the President of the Kangaroo Valley Community Association, and a Member of both the Kangaroo Valley Tourist Association and Kangaroo Valley Environment Group.

Dr Michael Easson AM
PhD, MSc, BA (Hons), FAICD, FRICS
Resigned 17 March 2017

Dr Michael Easson was a director of Icon Water from 1995 and Deputy Chair from May 1996. Dr Easson was Acting Chair of the Icon Water Board from 1 July 2013 and was appointed as Chair in March 2014. He was also Chair of Icon Distribution Investments Limited and Icon Retail Investments Limited, Chair of the ActewAGL Partnerships Board and Chair of the Icon Water Board's Remuneration Committee. Dr Easson resigned from his positions on 17 March 2017.

Dr Easson has served on some of Australia's largest infrastructure and property boards and is presently Chair of EG Funds Management with \$2.4 billion in assets under management and an executive director of the building technology and documentation business, Ridley & Co. Dr Easson is currently the Chair of the Association of Superannuation Funds of Australia (ASFA) and Chair of ASFA's Policy Committee.

Dr Easson has a PhD from the University of Melbourne, a PhD from the Australian Defence Force Academy of the University of NSW and a Master of Science Degree from the University of Oxford.

Dr Easson was appointed as a Member of the Order of Australia in 1998.

Directors (continued)

Carol Lilley, Deputy Chair
BCom, FCA, CIA, CGAP, GAICD

Carol Lilley was appointed to the Icon Water Board in April 2013 and is also a member of the Icon Distribution Investments Limited and Icon Retail Investments Limited Boards. Ms Lilley is Chair of Icon Water's Risk and Assurance Committee and a Member of the Remuneration Committee. Ms Lilley was appointed as Deputy Chair of the Boards of Icon Water Limited, Icon Retail Investments Limited and Icon Distribution Investments Limited in March 2017.

Ms Lilley is a full time independent board director and Audit Committee Member. She was a Partner of PricewaterhouseCoopers and has extensive experience in financial statement audit, internal audit and project and risk management, with a particular focus on government.

Ms Lilley is currently Chair of several ACT Government Directorate Audit Committees (Chief Minister, Treasury and Economic Development Directorate; Education Directorate; Environment, Planning and Sustainable Development Directorate). Ms Lilley also has various governance roles for Commonwealth Government entities (member of the Department of Immigration & Border Protection's and Australian Federal Police Audit Committees; Chair of National Film & Sound Archives' Audit Committee, independent management assurer for the whole of government accounts, independent Board Member for Australian Financial Security Authority) as well as Chair of the Board of Instaclustr Pty Ltd.

Ms Lilley is a Graduate of the Australian Institute of Company Directors, Fellow of the Institute of Chartered Accountants, was a registered company auditor and is a certified internal auditor.

John Knox, Managing Director
BFA, FCPA, MAICD

John Knox was appointed to the Icon Water Board in March 2014. Mr Knox is a director on the Boards of Icon Distribution Investments Limited and Icon Retail Investments Limited and a Member of Icon Water's Remuneration Committee. Mr Knox is a Member of the ActewAGL Partnerships Board, the Water Services Association of Australia (WSAA) Board, the Chair of the WSAA Customer and Industry Leadership Committee and a member of the ACT and Region Catchment Management Coordination Group.

Mr Knox previously held the position of Chief Finance Officer of ActewAGL and has an extensive background in private sector commercial management.

Rachel Peck, Director
MBA, BEng (Civil) (Hons), GAICD

Rachel Peck was appointed to the Icon Water Board in May 2011 and reappointed for a third term from May 2017 to ensure a continuation of experience and corporate knowledge for the effective functioning of the Board. Ms Peck is a Member of the Icon Water Board's Risk and Assurance Committee, Remuneration Committee and a Member of the Icon Distribution Investments Board and Icon Retail Investments Limited Board.

Ms Peck is Principal of peckvonhartel and is an Advisory Board Member of the Australian Futures Project. Ms Peck is the former Deputy Chair of the Australian Tapestry Workshop, former Chair of the Canberra Business Chamber Planning and Infrastructure Taskforce, former Divisional Council Member of the Property Council of Australia (ACT) and former Interim Board Member for the founding of the Canberra International Arboretum.

Ms Peck attended the Australia 2020 Summit and in 2010 completed a Master of Business Administration at the Melbourne Business School. She was awarded a Future Leaders' Award in 2006 and was the Telstra ACT Young Business Woman of the Year in 2008. She is a Fellow of the Australian Institute of Company Directors.

Directors (continued)

*Jennifer Goddard, Director
BCom (Hons)*

Jennifer Goddard was appointed to the Icon Water Board in November 2011, and was appointed to the Icon Distribution Investments Limited and Icon Retail Investment Limited Boards on 10 July 2017. Ms Goddard is a member of the Icon Water Board's Risk and Assurance Committee and a member of the Remuneration Committee.

Ms Goddard is an independent non-executive director who has served on the Boards of several Commonwealth and ACT Government organisations. She is currently a Member of the Audit Committee of the Murray-Darling Basin Authority.

During her prior twenty-five year career in the Australian Public Service, Ms Goddard held a number of senior roles in the Department of the Prime Minister and Cabinet (PM&C) and as an economic policy adviser in the Department of the Treasury. As a Deputy Secretary in PM&C, Ms Goddard advised the Prime Minister on a wide range of macroeconomic, industry, infrastructure, energy, water and environment policy matters and carried oversight responsibility for Federal Budget, Council of Australian Governments and Cabinet processes.

*Dr Thomas Parry AM, Director
PhD, MEd, BEc (Hons)*

Dr Thomas Parry was appointed to the Icon Water Board in November 2015, and was appointed to the Icon Distribution Investments Limited and Icon Retail Investment Limited Boards on 10 July 2017. Dr Parry is also a member of the Icon Water Board's Remuneration Committee. In March 2017 Dr Parry was also appointed as Deputy Chair of the ActewAGL Partnerships Board.

Dr Parry was Foundation Chair of the Australian Energy Market Operator (2008-2015), is the former Chair of First State Super Trustee Corporation (2000–2014) and former Chair of the Sydney Water Corporation (2006–2013).

From 2004-2009 Dr Parry had several roles with Macquarie Bank and for the previous 12 years he was the Foundation Executive Chair of the Independent Pricing and Regulatory Tribunal of NSW (IPART), and its predecessor the Government Pricing Tribunal - the first utility regulator in Australia. He has been the Head of the School of Economics, University of New South Wales and Dean, Faculty of Commerce, University of Wollongong.

Dr Parry is currently a director of ASX-Compliance (the regulatory arm of the Australian Securities Exchange) and a director of Powerco Limited (New Zealand). Dr Parry has extensive experience in corporate governance in the private and government sectors, regulatory and financial experience and substantial exposure to the water and energy industries.

Dr Parry has a Bachelor of Economics (Hons) and Masters of Economics from the University of Sydney and a PhD from the University of London (London School of Economics). Dr Parry was awarded an Order of Australia (AM) in 2008.

*Dr Allan Hawke AC, Director
PhD (ANU), BSc (Hons), FAIM, FIPAA, FAICD
Resigned 6 December 2016*

Dr Allan Hawke was appointed to the Icon Water Board in December 2009 and was a Member of Icon Water Board's Risk and Assurance Committee and Remuneration Committee.

Dr Hawke was Secretary of the Department of Veterans' Affairs (1994–1996), Department of Transport and Regional Services (1996–1999) and the Department of Defence (1999–2002). Dr Hawke was Australian High Commissioner to New Zealand (2003–2006) and Chancellor of the Australian National University (2006–2009).

Dr Hawke is a director of Datacom Group Limited, non-executive director of Lockheed Martin Australia, Chair of the Canberra Raiders Board, President of Barnardos Canberra, Member of the Committee for Economic Development of Australia Board of Governors and Patron of ACT Cricket.

Dr Hawke holds a Bachelor of Science degree with first class honours and is a Doctor of Philosophy (ANU).

Dr Hawke was awarded an Australian Centenary Medal in 2001 and appointed a Companion of the Order of Australia in 2010.

Directors (continued)

*Abigail Goldberg, Director
MBA (Executive), MA (Urban Design), BSc (TRP hon), FAICD
Appointed 10 July 2017*

Abigail Goldberg was appointed to the Icon Water Board in July 2017. She is a member of the Icon Water Remuneration Committee, a Member of the Risk and Assurance Committee, a Director of the Icon Retail Investments Limited Board as well as a Director of the Icon Distribution Investments Limited Board.

Ms Goldberg is a Non-Executive Director of Crown Lands Holiday Park Trust NSW, where she Chairs the Audit and Risk Committee, and Deputy Chair of Cemeteries and Crematoria NSW, where she Chairs the Industry Liaison Group. She was previously a Non-Executive Director of the Central Coast Water Corporation.

Ms Goldberg is one of the senior part-time Commissioners at the Planning Assessment Commission, the independent determination body responsible for major and state significant projects in NSW. She is an alternate for the NSW Joint Regional Planning Panels. She is Executive Chair of GoldbergBlaise, a boutique consultancy providing advice to the infrastructure, planning, housing, tourism and transport sectors, and an Associate of the Institute for Public Policy and Governance, University of Technology, Sydney.

Ms Goldberg has held a number of executive positions, including CEO, Metro Transport Sydney (light rail and monorail company) and General Manager, South Sydney Development Corporation.

Ms Goldberg is a Fellow of the Australian Institute of Company Directors. She has been a Mentor for the 'Next Generation of Corporate Female Leaders' program, 2016 (Women on Boards) as well as a recipient of the Women's Scholarship (Australian Graduate School of Business, UNSW, 1999).

*Brett Tucker, Director
BRurSc, Grad.Cert. Accounting and Finance, MAICD, Churchill Fellow
Appointed 10 July 2017*

Brett Tucker was appointed to the Icon Water Board in July 2017 and is a member of the Icon Water Remuneration Committee, a Member of the Risk and Assurance Committee, a Director of the Icon Retail Investments Limited Board and a Director of the Icon Distribution Investments Limited Board.

Mr Tucker joins Icon Water with extensive experience working in the public and private sector as a director and chief executive in complex operating environments with financial responsibilities exceeding multi millions of dollars, predominantly in water resource management and agriculture.

Mr Tucker currently runs Blackwatch Consulting, a business providing high level strategy, governance and technical advice to government and private sector corporations, industry groups and project teams. He also is currently a Director of the Peter Cullen Trust and provides mentoring and coaching support to a number of Senior Managers and prospective industry leaders.

Brett was Chief Executive and Director of NSW State Water Corporation prior to its merger with the Sydney Catchment Authority in March 2014 to form WaterNSW. Prior to that he was the Managing Director of Murrumbidgee Irrigation Ltd, Australia's largest private rural water utility, and held a number of other roles in the water and rural sectors.

Mr Tucker holds an Honours Degree in Rural Science and a Graduate Certificate in Accounting and Finance. Brett was awarded a Churchill Fellowship in 1998 and is a Member of the Australian Institute of Company Directors.

Company Secretary

Jane Breaden

MSc, MMgsST, BBus, GCProfWrtg, GCPerfAudt

Jane Breaden, General Manager Business Services, was appointed as company secretary of Icon Water Limited, Icon Distribution Investments Limited and Icon Retail Investments Limited in July 2016. Ms Breaden previously held the position of alternate company secretary from July 2014. Ms Breaden joined Icon Water in 2014 and has extensive experience in project management, consulting and governance services in both the public and private sectors. Ms Breaden holds a Master of Science (Operations Research and Statistics), Master of Management Studies in Project Management, Bachelor of Business, Graduate Certificate in Professional Writing and a Graduate Certificate in Performance Audit.

Alison Pratt

B.Ec, LLB (Hons), GDLP

Alison Pratt, Manager Legal and Secretariat, was appointed deputy company secretary of Icon Water Limited, Icon Distribution Investments Limited and Icon Retail Investments Limited in August 2016. Prior to joining Icon Water in 2013, Ms Pratt worked in private commercial legal practice in Australia and the UK. Ms Pratt's legal experience includes advising clients from both the private and public sectors on corporate governance, property, environment, construction and planning. Ms Pratt holds a Bachelor of Economics, a Bachelor of Laws and a Graduate Diploma in Legal Practice.

Craig Richardson

BA, MBA, MAICD

Resigned 29 July 2016

Craig Richardson was appointed company secretary of Icon Water Limited, Icon Distribution Investments Limited and Icon Retail Investments Limited in May 2014. Mr Richardson joined ACTEW (now Icon Water Limited) in 1998 and was previously the past president of the ACT's Australian Institute of Credit Management and the Governance and Operations Manager for Water Security Major Projects. Mr Richardson holds a Bachelor of Arts and a Master of Business Administration and is a member of the Australian Institute of Company Directors.

Lisa Quinn

DipMan, GAICD

Resigned 5 August 2016

Lisa Quinn, Manager Customer and Community Affairs, was appointed alternate company secretary of Icon Water Limited in June 2015. Ms Quinn joined Icon Water in 2009 and is a customer service and complaints management professional with extensive experience managing all facets of customer service, communications and corporate service functions. Ms Quinn holds a Diploma of Management, is a Graduate of the Australian Institute of Company Directors and a director of the Society of Consumer Affairs Professionals (SOCAP).

Meetings of directors

Details of directors' attendance at meetings are outlined below.

| | Icon Water Board | | Risk and Assurance Committee | | Remuneration Committee | |
|----------------------|------------------|---|------------------------------|---|------------------------|---|
| | A | B | A | B | A | B |
| Wendy Caird | 8 | 8 | - | - | 2 | 2 |
| Dr Michael Easson AM | 6 | 6 | - | - | 1 | 1 |
| Carol Lilley | 8 | 8 | 5 | 5 | 2 | 2 |
| John Knox | 8 | 8 | - | - | 2 | 2 |
| Rachel Peck | 8 | 8 | 5 | 5 | 2 | 2 |
| Jennifer Goddard | 8 | 8 | 5 | 5 | 2 | 2 |
| Dr Thomas Parry AM | 8 | 8 | 2 | 3 | 2 | 2 |
| Dr Allan Hawke AC | 2 | 4 | 2 | 2 | 1 | 1 |

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the period

Principal activities

Icon Water is an unlisted public company whose primary business is the delivery of water, sewerage and associated services. Icon Water owns and operates the ACT's network of dams, water treatment plants, sewage treatment plants, reservoirs, water and sewage pumping stations, mains and other related infrastructure. Icon Water, through its wholly owned subsidiaries, Icon Distribution Investments Limited and Icon Retail Investments Limited, is also a 50% partner in ActewAGL.

ActewAGL consists of two partnerships:

- ActewAGL Distribution Partnership (Distribution Partnership), which owns and operates the electricity network in the ACT and owns the gas network in the ACT, Shoalhaven and Queanbeyan regions.
- ActewAGL Retail Partnership (Retail Partnership), which sells electricity, gas and other services to its retail and commercial customers in the ACT and surrounding regions (including Goulburn, Boorowa, Yass, Young and Shoalhaven).

The principal activities of the subsidiary companies are as follows:

- Icon Retail Investments Limited - a holding company for Icon Water's interest in the Retail Partnership of the ActewAGL Joint Venture.
- Icon Distribution Investments Limited - a holding company for Icon Water's interest in the Distribution Partnership of the ActewAGL Joint Venture.

Review of operations

A summary of the revenue and results is set out below.

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Revenue and other income | 341,549 | 350,126 |
| Share of net profit from joint venture partnerships | 87,927 | 100,167 |
| Total revenue and share of net profit from ActewAGL partnerships | <u>429,476</u> | <u>450,293</u> |
| Profit before income tax expense | 140,269 | 172,953 |
| Income tax equivalents expense | (43,385) | (50,619) |
| Profit for the year | <u>96,884</u> | <u>122,334</u> |
| Payments to ACT Government: | | |
| Interim dividend for current year profit | 58,938 | 60,378 |
| Final dividend for previous year profit | 19,661 | 23,808 |
| | <u>78,599</u> | <u>84,186</u> |
| Tax equivalent payments | 44,324 | 50,383 |
| Total payments to the ACT Government | <u>122,923</u> | <u>134,569</u> |

Dividends

A final dividend for the 2015-2016 financial year was paid in October 2016 of \$19.7 million (2015: \$23.8 million). An interim dividend of \$58.9 million (2016 interim dividend: \$60.4 million) was paid in June 2017. The directors expect to declare a 2016-2017 final dividend of \$19.2 million (2015-2016 final dividend: \$19.7 million).

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of Icon Water during the year.

Matters subsequent to the end of the financial year

On 10 July 2017 Abigail Goldberg and Brett Tucker were appointed as directors.

No other circumstances have arisen since 30 June 2017 that have significantly affected, or may significantly affect:

- the Group's operations in future financial years, or
- the results of those operations in future financial years, or
- the Group's state of affairs in future financial years.

Regulation and licence compliance

Utility Services Licence

Icon Water must comply with the obligations set out in the Utility Services Licence, which was issued by the Independent Competition and Regulatory Commission (ICRC) under the *Utilities Act 2000* on 29 June 2001. The licence requires that all laws be complied with. Icon Water reported one minor non-compliance in 2016-2017 involving inadvertent late payment of our annual licence.

Regulation and licence compliance (continued)

Environmental Regulations

In accordance with the *Environment Protection Act 1997 (ACT)*, Icon Water is subject to environmental regulation in respect of its operations of the Lower Molonglo Water Quality Control Centre. Icon Water is also subject to New South Wales Environment Protection Authority regulations for discharge from the Googong Water Treatment Plant.

| | Compliance | |
|--|-------------------|---------------|
| | 2016-2017 | Target |
| Googong pollution control licence compliance | 90% ¹ | 100% |
| Sewerage treatment discharge compliance | 100% | 100% |
| Sewerage treatment emission compliance | 100% | 100% |

Icon Water has assessed that there are no other particular or significant environmental regulations that apply. However, Icon Water does have a register of approval conditions applied through the major project assessment process that requires compliance. Icon Water has maintained compliance with all current approval commitments.

Licence to Take Water

Issued by the ACT Environment Protection Authority (EPA) under the *Water Resources Act 2007*, the 'Licence to Take Water' provides for taking of water covered by water access entitlements and the protection of environmental flows. Icon Water provided the 2016-2017 annual report to the EPA on 28 October 2016. Icon Water complied with the requirements of the licence throughout 2016-2017. Icon Water provided monthly reports to the EPA detailing compliance with the environmental flow requirements.

Drinking Water Utility Licence

Icon Water has a 'Drinking Water Utility Licence' issued by the Health Directorate, which authorises Icon Water to carry on the Operation of Drinking Utility under the *Public Health Act 1997*. Icon Water provided water in accordance with the *Australian Drinking Water Guidelines 2011* and provided notification reports to the Health Directorate throughout 2016-2017. Icon Water complied with the requirements of the licence throughout 2016-2017.

Insurance of officers and directors

During the year, Icon Water paid a premium of \$142,313 (30 June 2016: \$145,903) in respect of a contract insuring the directors and officers of Icon Water and its controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of Icon Water, other than where such liabilities arise out of conduct involving wilful breach of duty by the officers or the improper use by the officers of their position. The policy also applies if a claim is made against directors or officers after they have left the service of Icon Water, where the claim was over events during the directors' Icon Water service.

No claim has been made against the officers and directors insurance policy during the 2016-2017 financial year.

Indemnity of officers and directors

Icon Water has indemnified directors and officers of Icon Water and its controlled entities against liabilities and legal costs arising in the course of their duties. This includes as a director appointed by Icon Water or by a subsidiary company of Icon Water to serve on the board of a company or partnership that is part owned directly or indirectly by Icon Water or by a subsidiary company of Icon Water, to the extent permitted by the *Corporations Act 2001*. This indemnity is to operate only where and to the extent that the director or officer is unable to require an insurer to meet the damage, liability, cost, loss or expense.

No liability has arisen under these indemnities as at the date of this report.

¹ Twenty samples were collected from Googong Water Treatment Plant and two exceedances of allowable pH level were reported during 2016-2017. These breaches are considered minor and did not have any regulatory consequence.

Proceedings on behalf of the company

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

Rounding of amounts

In accordance with Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, all amounts in this report and the financial statements have been rounded to the nearest thousand dollars unless otherwise specifically stated.

Signed for and on behalf of, and in accordance with a resolution of, the board of directors.




Wendy Caird
Chair

Canberra
30 August 2017



John Knox
Managing Director

Canberra
30 August 2017



Carol Lilley
Risk and Assurance Committee, Chair

Canberra
30 August 2017

In the directors' opinion:

- (a) the financial statements and notes set out on pages 15 to 64 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Australian Accounting Standards - Reduced Disclosure Requirements, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable. Further information on going concern is provided in Note 1(a)(v).

This declaration is made in accordance with a resolution of directors.



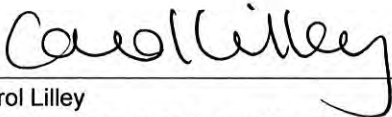
Wendy Caird
Chair

Canberra
30 August 2017



John Knox
Managing Director

Canberra
30 August 2017



Carol Lilley
Risk and Assurance Committee, Chair

Canberra
30 August 2017

INDEPENDENT AUDIT REPORT**ICON WATER LIMITED****To the Members of the ACT Legislative Assembly and Icon Water Limited****Audit opinion**

I am providing an **unqualified audit opinion** on the financial report of Icon Water Limited and Controlled Entities (the Company) for the year ended 30 June 2017. The financial report comprises the statement of profit or loss, statement of other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes and directors' declaration.

In my opinion, the financial report:

- (i) is presented in accordance with the *Corporations Act 2001*, Australian Accounting Standards (including Australian Accounting Interpretations) – Reduced Disclosure Requirements and other mandatory financial reporting requirements in Australia; and
- (ii) presents fairly the financial position of the Company and results of its operations and cash flows.

Basis for the audit opinion

The audit was conducted in accordance with Australian Auditing Standards. I have complied with the requirements of the Accounting Professional and Ethical Standards 110 *Code of Ethics for Professional Accountants*.

I believe that sufficient evidence was obtained during the audit to provide a basis for the audit opinion.

Responsibility for preparing and fairly presenting the financial report

The directors of the Company are responsible for:

- preparing and fairly presenting the financial report in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including Australian Accounting Interpretations) – Reduced Disclosure Requirements;
- determining the internal controls necessary for the preparation and fair presentation of financial report so that they are free from material misstatements, whether due to error or fraud; and
- assessing the ability of the Company to continue as a going concern and disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting in preparing the financial report.

Responsibility for the audit of the financial report

Under the *Corporations Act 2001*, the Auditor-General is responsible for issuing an audit report that includes an independent audit opinion on the financial report of the Company.

As required by Australian Auditing Standards, the auditors:

- applied professional judgement and maintained scepticism;
- identified and assessed the risks of material misstatements due to error or fraud and implemented procedures to address these risks so that sufficient evidence was obtained to form an audit opinion. The risk of not detecting material misstatements due to fraud is higher than the risk due to error, as fraud may involve collusion, forgery, intentional omissions or misrepresentations or the override of internal controls;
- obtained an understanding of internal controls to design audit procedures for forming an audit opinion;
- evaluated accounting policies and estimates used to prepare the financial report and disclosures made in the financial report;
- evaluated the overall presentation and content of the financial report, including whether they present the underlying transactions and events in a manner that achieves fair presentation;
- reported the scope and timing of the audit and any significant deficiencies in internal controls identified during the audit to the directors of the Company; and
- assessed the going concern* basis of accounting used in the preparation of the financial report.

(*Where the auditor concludes that a material uncertainty exists which cast significant doubt on the appropriateness of using the going concern basis of accounting, the auditor is required to draw attention in the audit report to the relevant disclosures in the financial report or, if such disclosures are inadequate, the audit opinion is to be modified. The auditor's conclusions on the going concern basis of accounting are based on the audit evidence obtained up to the date of this audit report. However, future events or conditions may cause the entity to cease to continue as a going concern.)

Limitations on the scope of the audit

An audit provides a high level of assurance about whether the financial report is free from material misstatements, whether due to fraud or error. However, an audit cannot provide a guarantee that no material misstatements exist due to the use of selective testing, limitations of internal control, persuasive rather than conclusive nature of audit evidence and use of professional judgement in gathering and evaluating evidence.

An audit does not provide assurance on the:

- prudence of decisions made by the Company;
- adequacy of controls implemented by the Company; or
- integrity of audited financial report presented electronically or information hyperlinked to or from the financial report. Assurance can only be provided for the printed copy of the audited financial report.



Dr Maxine Cooper
Auditor-General

31 August 2017

Board of Directors
Icon Water Limited
ActewAGL House
40 Bunda Street
CANBERRA CITY ACT 2601

Dear Board Members

**AUDITOR'S INDEPENDENCE DECLARATION
FINANCIAL REPORT OF ICON WATER LIMITED
FOR THE YEAR ENDED 30 JUNE 2017**

In relation to the audit of the financial report of Icon Water Limited and Controlled Entities for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Yours sincerely



Dr Maxine Cooper
Auditor-General
30 August 2017

Icon Water Limited and Controlled Entities
Consolidated statement of profit or loss
For the year ended 30 June 2017

| | Notes | 2017 \$'000 | 2016 \$'000 |
|---|-------|------------------|----------------|
| Revenue | 3 | 305,158 | 308,424 |
| Cost of providing goods and services | 4b | (219,992) | (210,574) |
| Other income | 4a | 35,343 | 40,032 |
| Operating profit | | 120,509 | 137,882 |
| Finance income | 4c | 1,048 | 1,670 |
| Finance costs | 4c | (69,215) | (66,153) |
| Finance costs – net | | (68,167) | (64,483) |
| Impairment losses | | - | (613) |
| Share of net profit of joint venture partnerships accounted for using the equity method | | 87,927 | 100,167 |
| Profit before income tax equivalents expense | | 140,269 | 172,953 |
| Income tax equivalents expense | 5a | (43,385) | (50,619) |
| Profit for the year | | 96,884 | 122,334 |
| Profit is attributable to: | | | |
| Owners of Icon Water Limited and Controlled Entities | | 96,884 | 122,334 |

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Icon Water Limited and Controlled Entities
Consolidated statement of other comprehensive income
For the year ended 30 June 2017

| | Notes | 2017 \$'000 | 2016 \$'000 |
|---|-------|----------------|----------------|
| Profit for the year | | 96,884 | 122,334 |
| Other comprehensive income | | | |
| Land and buildings revaluation decrement | 8b | - | (217) |
| Intangibles revaluation | 8d | - | 12,500 |
| Income tax relating to components of other comprehensive income | 5a | - | (3,685) |
| Items that will not be reclassified subsequently to profit or loss | 9b | - | 8,598 |
| Total comprehensive income for the year | | 96,884 | 130,932 |

The above consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes.

Icon Water Limited and Controlled Entities
Consolidated statement of financial position
As at 30 June 2017

| | Notes | 2017 \$'000 | 2016 \$'000 |
|---|-------|------------------|------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 7a | 48,357 | 36,536 |
| Held-to-maturity investments | 7b | 10,000 | 18,000 |
| Trade and other receivables | 7c | 70,889 | 63,742 |
| Inventories | 8a | 4,099 | 3,956 |
| Total current assets | | <u>133,345</u> | <u>122,234</u> |
| Non-current assets | | | |
| Receivables | 7c | 15,348 | 15,763 |
| Investments accounted for using the equity method | 7d | 975,439 | 950,512 |
| Property, plant and equipment | 8b | 2,235,105 | 2,173,009 |
| Investment properties | 8c | 7,017 | 7,194 |
| Intangible assets | 8d | 12,857 | 40,126 |
| Total non-current assets | | <u>3,245,766</u> | <u>3,186,604</u> |
| Total assets | | <u>3,379,111</u> | <u>3,308,838</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 7e | 65,475 | 62,952 |
| Borrowings | 7f | 393,543 | 23,247 |
| Provisions | 8e | 48,175 | 48,860 |
| Total current liabilities | | <u>507,193</u> | <u>135,059</u> |
| Non-current liabilities | | | |
| Borrowings | 7f | 1,193,468 | 1,512,825 |
| Provisions | 8e | 9,668 | 11,514 |
| Other payables | 7e | 448 | 523 |
| Deferred tax balances | 8f | 367,702 | 372,380 |
| Total non-current liabilities | | <u>1,571,286</u> | <u>1,897,242</u> |
| Total liabilities | | <u>2,078,479</u> | <u>2,032,301</u> |
| Net assets | | <u>1,300,632</u> | <u>1,276,537</u> |
| EQUITY | | | |
| Contributed equity | 9a | 758,871 | 758,871 |
| Reserves | 9b | 396,423 | 408,788 |
| Retained profits | | 145,338 | 108,878 |
| Total equity | | <u>1,300,632</u> | <u>1,276,537</u> |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Icon Water Limited and Controlled Entities
Consolidated statement of cash flows
For the year ended 30 June 2017

| | Notes | 2017 \$'000 | 2016 \$'000 |
|--|-------|------------------|------------------|
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 314,973 | 317,377 |
| Payments to suppliers (inclusive of GST) | | <u>(170,018)</u> | <u>(169,005)</u> |
| | | 144,955 | 148,372 |
| Interest received | | 1,082 | 1,723 |
| Income tax equivalents paid | | (44,324) | (50,383) |
| Interest paid | | <u>(72,000)</u> | <u>(69,065)</u> |
| Net cash inflow from operating activities | | <u>29,713</u> | <u>30,647</u> |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (89,030) | (68,931) |
| Payments for intangible assets | | (5,276) | (3,043) |
| Proceeds from sale of assets | | 6 | 19 |
| Joint venture partnership distributions received | | 63,000 | 68,500 |
| Proceeds from sale of intangibles | | 34,218 | - |
| Proceeds / (payments) for cash investments | 7b | <u>8,000</u> | <u>(1,000)</u> |
| Net cash (outflow) / inflow from investing activities | | <u>10,918</u> | <u>(4,455)</u> |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 69,404 | 247,589 |
| Repayment of borrowings | | (19,514) | (204,516) |
| Finance lease payments | | (101) | (101) |
| Dividends paid | 6 | <u>(78,599)</u> | <u>(84,186)</u> |
| Net cash outflow from financing activities | | <u>(28,810)</u> | <u>(41,214)</u> |
| Net increase / (decrease) in cash and cash equivalents | | | |
| Cash and cash equivalents at the beginning of the financial year | | <u>36,536</u> | <u>51,558</u> |
| Cash and cash equivalents at end of the financial year | 7a | <u>48,357</u> | <u>36,536</u> |

Cash flows are included in the consolidated statement of cash flows on a gross basis. The Goods and Services Tax (GST) component of cash flows arising from investing and financial activities which is recoverable from, or payable to, the Australian Taxation Office (ATO) is classified within operating cash flows.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Icon Water Limited and Controlled Entities
Consolidated statement of changes in equity
For the year ended 30 June 2017

| Notes | Capital \$'000 | Retained earnings \$'000 | General insurance reserve \$'000 | Property, plant and equipment revaluation reserve \$'000 | Total equity \$'000 |
|---|-------------------|--------------------------------|---|---|---------------------------|
| Balance at 1 July 2015 | 758,871 | 66,215 | 9,820 | 390,370 | 1,225,276 |
| Prior period error | - | 368 | - | - | 368 |
| Restated total equity at the beginning of the financial year | 758,871 | 66,583 | 9,820 | 390,370 | 1,225,644 |
| Profit for the year | - | 122,334 | - | - | 122,334 |
| Other comprehensive income | - | - | - | 8,598 | 8,598 |
| Total comprehensive income for the year | - | 122,334 | - | 8,598 | 130,932 |
| Transactions with owners in their capacity as owners: | | | | | |
| Dividends provided for or paid | - | (80,039) | - | - | (80,039) |
| Balance at 30 June 2016 | 758,871 | 108,878 | 9,820 | 398,968 | 1,276,537 |
| Balance at 1 July 2016 | 758,871 | 108,878 | 9,820 | 398,968 | 1,276,537 |
| Profit for the year | - | 96,884 | - | - | 96,884 |
| Total comprehensive income for the year | - | 96,884 | - | - | 96,884 |
| Transfer from asset revaluation reserve on sale of water licences | - | 12,365 | - | (12,365) | - |
| Realised tax benefit | - | 5,300 | - | - | 5,300 |
| Transactions with owners in their capacity as owners: | | | | | |
| Dividends provided for or paid | - | (78,089) | - | - | (78,089) |
| Balance at 30 June 2017 | 758,871 | 145,338 | 9,820 | 386,603 | 1,300,632 |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

How the numbers are calculated

1. Significant accounting policies
2. Segment information
3. Revenue
4. Other income and expense items
5. Income tax equivalents expense
6. Dividends
7. Financial assets and financial liabilities
8. Non-financial assets and liabilities
9. Equity

Group structure

10. Investment in controlled entities
11. Interests in joint ventures
12. Parent entity financial information

Unrecognised items

13. Contingencies
14. Commitments for expenditure
15. Events occurring after the reporting period

Key management personnel and related party disclosures

16. Key management personnel disclosures
17. Related party transactions

How the numbers are calculated

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the entity, including:

- Accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction.
 - Analysis and sub-totals, including segment information.
 - Information about estimates and judgements made in relation to particular items are included in the notes.
-
1. Significant accounting policies
 2. Segment information
 3. Revenue
 4. Other income and expense items
 5. Income tax equivalents expense
 6. Dividends
 7. Financial assets and financial liabilities
 8. Non-financial assets and liabilities
 9. Equity

1. Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below and in the relevant notes. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Icon Water Limited (Icon Water) and controlled entities ('Icon Water Group' or 'Group').

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and interpretations issued by the Australian Accounting Standards Board, the *Corporations Act 2001* and other requirements of the law. Icon Water Group is a for-profit entity for the purpose of preparing the financial statements.

(i) Early adoption of standards

The directors have not elected under s334(5) of the *Corporations Act 2001* to early adopt any new Australian Accounting Standard in the current year.

(ii) New and amended standards adopted by the Group

The adoption of all new standards, amendments to standard interpretations that were issued prior to sign off date and are applicable to future financial reporting period are not expected to have a material impact.

(iii) Impact of standards issued but not yet applied by the Group

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. It is not expected to have a material impact. The standard is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

AASB 15 Revenue from Contracts with Customers replaces *AASB 118 Revenue* which covers revenue arising from the sale of goods and the rendering of services and *AASB 111 Construction Contracts* which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The directors have made an assessment of the impact of *AASB 15 Revenue from Contracts with Customers* and it is not expected to have a material impact on the Group's financial statements. The standard is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

AASB 16 Leases will result in most leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The directors have made an assessment of the impact of *AASB 16 Leases* and it is also not expected to have a material impact on the Group's financial statements. The standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

(iv) Historical cost convention

These financial statements have been prepared on a historical cost basis except those assets and liabilities recognised at fair value including property, plant and equipment, investment properties and carbon credits.

(v) Going Concern

The consolidated financial statements have been prepared on a going concern basis. At 30 June 2017, current liabilities exceeds current assets by \$373.8 million. Included in current liabilities is a medium term note of \$299.5 million maturing in June 2018. At maturity, this debt will be replaced by a long term borrowing from the ACT Government. The deficiency in current assets is also able to be managed by the Group's ability to generate profits (as evidenced by current and prior year results) as well as generating positive cash inflows from operating activities. The directors of Icon Water are of the opinion that the Group has adequate resources to continue as a going concern and pay its debts as and when they fall due and payable.

1. Significant accounting policies (continued)

b) Business Activity

Icon Water is an unlisted public company with assets and investments in water, sewerage, electricity and gas. Icon Water is the supplier of water, sewerage and associated services in ACT and Queanbeyan, NSW. It owns and operates the ACT's network of dams, water treatment plants, sewage treatment plants, reservoirs, water and sewage pumping stations, mains and other related infrastructure. Icon Water is owned by the ACT Government and has two voting shareholders: the Chief Minister and Minister for Environment and Heritage of the ACT. Icon Water, through its wholly owned subsidiaries, is also a 50% partner in ActewAGL. ActewAGL consists of two partnerships, ActewAGL Distribution Partnership and ActewAGL Retail Partnership.

ActewAGL Distribution owns the gas distribution networks and owns and operates the electricity distribution networks in the ACT and in certain adjacent regional centres. ActewAGL Retail sells electricity, gas and other services to its retail and commercial customers in the ACT and surrounding regions.

In April 2012, Icon Retail Investments Limited and AGL ACT Retail Investments Pty Ltd formed ActewAGL Generation Pty Ltd in order to develop generation projects. There were two issued shares in ActewAGL Generation Pty Ltd, with one held by each of Icon Retail Investments Limited and AGL ACT Retail Investments Pty Ltd. In March 2017, ActewAGL Generation Pty Ltd was re-named as ActewAGL Retail Investments Pty Ltd with the intention that it will be a holding company for investments of ActewAGL Retail. The two issued shares were transferred and are now held by Icon Retail Investments Limited and AGL ACT Retail Investments Pty Ltd as joint tenants of the ActewAGL Retail Partnership.

c) Rounding of amounts

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

d) GST

Revenues, expenses, assets other than receivables, and liabilities other than payables are recognised exclusive of GST. Receivables and payables are stated inclusive of the amount of GST payable and receivable.

2. Segment information

Description of segments and principle activities

Management has determined the operating segments that are used to make strategic decisions. The business segments are:

- (i) Water - The supply of water services and the owner and operator of the ACT's network of dams, water treatment plants, reservoirs, water mains and other related infrastructure.
- (ii) Sewerage - The provision of sewerage services and maintenance of sewage treatment plants.
- (iii) Investments - This segment includes activities of the controlled entities, and investing activities of the parent company.

All business segments operate in one geographic segment, the ACT and surrounding area.

Primary reporting - business segments

Year ended 30 June 2017

| | Water \$'000 | Sewerage \$'000 | Investments ¹ \$'000 | Unallocated \$'000 | Consolidated \$'000 |
|---|-----------------|--------------------|------------------------------------|-----------------------|------------------------|
| Statement of profit or loss | | | | | |
| Sales to external customers including share of net profit of joint venture partnerships | 180,246 | 124,912 | 87,927 | - | 393,085 |
| Other revenue | 4,321 | 12,226 | - | 1,048 | 17,595 |
| Gifted assets | 9,248 | 9,548 | - | - | 18,796 |
| Total segment revenue | 193,815 | 146,686 | 87,927 | 1,048 | 429,476 |
| Interest expense | - | - | - | 69,215 | 69,215 |
| Segment result before tax expense | 69,460 | 52,185 | 86,791 | (68,167) | 140,269 |
| Income tax equivalents expense | | | | | 43,385 |
| Profit for the year | | | | | 96,884 |
| Statement of financial position | | | | | |
| Segment assets | 1,418,791 | 920,183 | 981,712 | 58,425 | 3,379,111 |
| Segment liabilities | 170,666 | 167,917 | 147,229 | 1,592,667 | 2,078,479 |
| Investments in joint venture partnerships | - | - | 975,439 | - | 975,439 |
| Other | | | | | |
| Acquisition of property, plant and equipment (including gifted assets) | 37,765 | 68,170 | - | - | 105,935 |
| Depreciation and amortisation | 29,775 | 20,055 | - | - | 49,830 |

¹ Investments include 100% of Icon Retail Investments Limited and Icon Distribution Investments Limited.

2. Segment information (continued)

Primary reporting - business segments

Year ended 30 June 2016

| | Water \$'000 | Sewerage \$'000 | Investments ¹ \$'000 | Unallocated \$'000 | Consolidated \$'000 |
|---|-----------------|--------------------|------------------------------------|-----------------------|------------------------|
| Statement of profit or loss | | | | | |
| Sales to external customers including share of net profit of joint venture partnerships | 186,481 | 121,943 | 100,167 | - | 408,591 |
| Other revenue | 2,751 | 12,030 | - | 1,670 | 16,451 |
| Gifted assets | 13,027 | 12,224 | - | - | 25,251 |
| Total segment revenue | 202,259 | 146,197 | 100,167 | 1,670 | 450,293 |
| Interest expense | - | - | - | 66,153 | 66,153 |
| Segment result before tax expense | 83,828 | 54,098 | 99,510 | (64,483) | 172,953 |
| Income tax equivalents expense | | | | | 50,619 |
| Profit for the year | | | | | 122,334 |
| Statement of financial position | | | | | |
| Segment assets | 1,440,242 | 856,701 | 957,263 | 54,632 | 3,308,838 |
| Segment liabilities | 173,805 | 170,066 | 147,416 | 1,541,014 | 2,032,301 |
| Investments in joint venture partnerships | - | - | 950,512 | - | 950,512 |
| Other | | | | | |
| Acquisition of property, plant and equipment (including gifted assets) | 50,266 | 53,278 | - | - | 103,544 |
| Depreciation and amortisation | 29,893 | 20,821 | - | - | 50,714 |
| Impairment of assets | 495 | 118 | - | - | 613 |

Accounting policy

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to a segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of receivables, property, plant and equipment, and other assets, net of related allowances.

While most of these assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by segments are allocated based on a reasonable estimate of usage. Segment liabilities consist primarily of trade and other payables and employee benefits.

Operating cash, borrowings, interest expense and interest revenue have not been allocated to segments, as this type of activity is managed by a central treasury function, which manages the cash position of the Group.

¹ Investments include 100% of Icon Retail Investments Limited and Icon Distribution Investments Limited.

3. Revenue

| | 2017 \$'000 | 2016 \$'000 |
|------------------|----------------|----------------|
| Water revenue | 180,246 | 186,481 |
| Sewerage revenue | 124,912 | 121,943 |
| | 305,158 | 308,424 |

Accounting policy

Water and Sewerage services provided

Revenue is recognised on services provided when usage of the service occurs and is measured at fair value.

Critical Accounting Estimate

Revenue recognition

Icon Water's water revenue includes an estimated accrual for water consumed but not yet billed. This is a regular occurrence at the end of each reporting period. The estimate is calculated by determining unbilled consumption (water consumed for the period less actual billings), applying historical assumptions regarding the tier split of the balance (where applicable), and then multiplying the unbilled consumption by relevant tier prices. The 30 June 2017 accrual amount was \$16.4 million (30 June 2016: \$16.5 million).

4. Other income and expense items

This note provides a breakdown of the items included in 'other income', 'finance income and costs' and an analysis of expenses by nature.

a) Other income

| | 2017 \$'000 | 2016 \$'000 |
|-------------------------|----------------|----------------|
| Commonwealth subvention | 11,687 | 11,401 |
| Gifted assets | 18,796 | 25,251 |
| Regulated income | 1,127 | 1,136 |
| Other income (i) | 3,733 | 2,244 |
| | 35,343 | 40,032 |

(i) Other income mainly relates to lease income from Fyshwick premises.

Accounting Policy

Commonwealth subvention

Icon Water receives a Commonwealth subvention payment for location limitations associated with providing water supply and sewerage services in the ACT as they relate to an inland location. This is recognised as revenue in the statement of profit or loss where there is reasonable assurance that the grant will be received.

Gifted assets

Revenue is recognised when the Group initially gains control of the asset and the amount of the contribution can be measured reliably. Gifted assets are initially measured at replacement cost. Refer to Note 8(b).

4. Other income and expense items (continued)

b) Breakdown of expenses by nature

| | 2017 | 2016 |
|---------------------------------------|----------------|----------------|
| | \$'000 | \$'000 |
| Cost of providing goods and services | | |
| Employment and associated costs | 54,452 | 56,264 |
| Depreciation and amortisation expense | 49,830 | 50,714 |
| Operational costs | 96,347 | 88,343 |
| Consumables used | 8,150 | 8,139 |
| Other expenses | 11,213 | 7,114 |
| | 219,992 | 210,574 |

c) Finance income and costs

| | 2017 | 2016 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Finance income | | |
| Interest from financial assets not at fair value through profit or loss | 1,048 | 1,670 |
| Finance income | 1,048 | 1,670 |
| Finance costs | | |
| Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss | 73,815 | 71,072 |
| Provisions: unwinding of discount | 428 | 583 |
| | 74,243 | 71,655 |
| Amount capitalised | (5,028) | (5,502) |
| Finance costs expensed | 69,215 | 66,153 |
| Net finance costs | 68,167 | 64,483 |

Accounting Policy

Finance income

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Finance costs

Borrowing costs incurred for the construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that take a substantial period of time (greater than 12 months) to get ready for their intended use. Icon Water typically has qualifying assets at any given period as part of its capital expenditure program. Other borrowing costs are expensed.

5. Income tax equivalents expense

- a) The income tax equivalents, calculated at 30% on taxable profit differs from the amount calculated based on the accounting profit. The differences are reconciled as follows:

Income tax equivalents expense

| | 2017 | 2016 |
|---|----------------------|----------------------|
| | \$'000 | \$'000 |
| Current tax | | |
| Current tax equivalents expense recognised in the current year | 41,834 | 44,210 |
| Adjustment to prior year (i) | 1,177 | (1,538) |
| Current tax correction of prior period error | (249) | - |
| | <u>42,762</u> | <u>42,672</u> |
| Deferred tax | | |
| Deferred tax equivalents expense recognised in the current year | 1,755 | 7,629 |
| Adjustments of deferred tax for prior periods (i) | (1,132) | 318 |
| | <u>623</u> | <u>7,947</u> |
| Income tax equivalents expense | <u>43,385</u> | <u>50,619</u> |
| Current tax – credited directly to equity | <u>(5,300)</u> | <u>3,685</u> |
| | <u><u>38,085</u></u> | <u><u>54,304</u></u> |

- b) Numerical reconciliation of income tax equivalents to prima facie tax payable

| | 2017 | 2016 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Profit from continuing operations before income tax expense | 140,269 | 172,953 |
| Tax at the Australian tax rate of 30% (2015-2016: 30%) | 42,080 | 51,886 |
| Other items: | | |
| – Inter-company dividends | (144) | (144) |
| – Non-deductible expenses | 381 | (610) |
| – Share of joint venture profits and partner share of profits | (21) | (21) |
| – Adjustments for income tax expense of prior periods (i) | 990 | 10 |
| – Other | 99 | (502) |
| Income tax equivalents expense | <u>43,385</u> | <u>50,619</u> |

- (i) Adjustments to prior year for the current period relates to differences between the 2015-2016 financial statements and the 2015-2016 income tax return. The adjustments also relate to a correction of income tax expense for water licenses sold in the 2012-2013 financial year. The net adjustment of the current and deferred tax is \$0.5 million.

5. Income tax equivalents expense (continued)

Accounting policy

National Tax Equivalents Regime

Icon Water and its controlled entities are established as a Territory Owned Corporation hence Icon Water and its controlled entities are exempt from Federal income tax. Icon Water is required to make an equivalent payment to the ACT Government as required by the *Territory-owned Corporations Act 1990*.

Tax effect accounting procedures are followed whereby the income tax equivalent expense or revenue for the period is the tax payable on the current period's taxable income based on the National Tax Equivalents Regime adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Tax consolidation legislation

Icon Water and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation whereby they are part of a tax consolidated group. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

The subsidiaries have entered into a tax funding agreement under which the wholly-owned entities fully compensate Icon Water for any current tax payable assumed and are compensated by Icon Water for any current tax receivable and deferred tax assets relating to unused tax credits that are transferred to Icon Water under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity (Icon Water), which is issued as soon as practicable at the end of the financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as intercompany receivable or payable.

6. Dividends

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------------|----------------------|
| Dividends payable at the beginning of the financial year | 19,661 | 23,808 |
| Amount appropriated from operating profit | <u>78,089</u> | <u>80,039</u> |
| | 97,750 | 103,847 |
| Amount paid during the year | <u>(78,599)</u> | <u>(84,186)</u> |
| Dividends payable at the end of the financial year | <u>19,151</u> | <u>19,661</u> |

Accounting policy

The shareholders maintain a dividend policy of 100% distribution of net profit after tax (except for gifted asset revenue). An interim, fully authorised dividend is declared and paid in June and a provision is made for the payment of a final dividend which is paid in October.

7. Financial assets and financial liabilities

a) Cash and cash equivalents

| | 2017 | 2016 |
|--------------------------|----------------------|----------------------|
| | \$'000 | \$'000 |
| Current assets | | |
| Cash at bank and on hand | 6,357 | 6,536 |
| Short term deposits | <u>42,000</u> | <u>30,000</u> |
| | <u>48,357</u> | <u>36,536</u> |

Accounting policy

Cash and cash equivalents includes cash on hand, short term deposits held with financial institutions with a maturity of 1 to 3 months from inception, other short-term, highly liquid investments that are readily convertible to cash.

b) Held-to-maturity investments

| | 2017 | 2016 |
|-----------------------|----------------------|----------------------|
| | \$'000 | \$'000 |
| Current assets | | |
| Short-term securities | <u>10,000</u> | <u>18,000</u> |
| | <u>10,000</u> | <u>18,000</u> |

Accounting policy

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets then the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets with maturities of less than 12 months from the end of the reporting period are classified as current assets.

c) Trade and other receivables

| | 2017 | | | 2016 | | |
|--|----------------------|-----------------------|----------------------|----------------------|-----------------------|----------------------|
| | Current \$'000 | Non-Current \$'000 | Total \$'000 | Current \$'000 | Non-Current \$'000 | Total \$'000 |
| Water revenue receivables | 38,245 | - | 38,245 | 36,168 | - | 36,168 |
| Sewerage revenue receivables | 14,890 | - | 14,890 | 11,642 | - | 11,642 |
| Other trade receivables (i) | 5,108 | - | 5,108 | 2,766 | - | 2,766 |
| Allowance for impairment of receivables (iv) | (948) | - | (948) | (641) | - | (641) |
| | <u>57,295</u> | <u>-</u> | <u>57,295</u> | <u>49,935</u> | <u>-</u> | <u>49,935</u> |
| Accrued revenue (ii) | 3,076 | 469 | 3,545 | 3,325 | 1,021 | 4,346 |
| Prepayments (iii) | 4,245 | 14,879 | 19,124 | 3,732 | 14,742 | 18,474 |
| Employee entitlement receivable – related parties | 6,273 | - | 6,273 | 6,750 | - | 6,750 |
| | <u>70,889</u> | <u>15,348</u> | <u>86,237</u> | <u>63,742</u> | <u>15,763</u> | <u>79,505</u> |

- (i) These amounts generally arise from transactions outside the principal operating activities of the Group.
- (ii) Accrued revenue consists mostly of accrued community service obligations revenue for the June quarter of \$1.5 million. In addition, there is \$1.0 million for a receivable from ActewAGL Joint Venture in respect of recovery costs associated with the Comcare provision. Refer to Note 8(e).
- (iii) This includes \$6.7m for carbon credits and \$10.6m for the upgrade of several corporate information technology systems provided to Icon Water by ActewAGL.

7. Financial assets and financial liabilities (continued)

c) Trade and other receivables (continued)

(iv) Movements in the allowance for impairment of receivables are as follows:

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| At the beginning of the financial year | 641 | 698 |
| Provision for impairment recognised/(reversed) during the year | 350 | (39) |
| Receivables written off during the year as uncollectible | <u>(43)</u> | <u>(18)</u> |
| At the end of the financial year | <u>948</u> | <u>641</u> |

Movements in the allowance for impaired receivables have been included in 'other expenses' in the statement of profit or loss.

Accounting policy

Trade receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for impairment loss. An allowance for impairment loss is made when evidence suggests that collection of the full amount is no longer probable. Bad debts are written off when debts become uncollectible in a subsequent period. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets.

Employee entitlement receivable

A number of employees of Icon Water have been seconded to the joint venture partnerships. A receivable from the joint venture partnerships is recognised as employee entitlements are reimbursed to Icon Water for these seconded employees.

Prepayments

Prepayments are recognised when payments have been made for services in advance of Icon Water utilising the benefit of those services.

Prepayments are amortised over the period in which services will be provided to Icon Water. Where the prepayment relates to a period that is greater than 12 months from the end of the financial year, it is classified as non-current.

Carbon credits prepayment

Icon Water is required to offset carbon emissions generated during the construction and operation of the Water Security Major Project assets. Icon Water has made payments for carbon credits associated with these emissions which will be received in the future.

7. Financial assets and financial liabilities (continued)

d) Investments accounted for using the equity method

| | 2017 | 2016 |
|--|-----------------------|-----------------------|
| | \$'000 | \$'000 |
| Current assets | | |
| Interest in joint venture partnerships | <u>975,439</u> | <u>950,512</u> |
| | <u>975,439</u> | <u>950,512</u> |

Accounting policy

Icon Water has reviewed and assessed its joint arrangement partnerships (ActewAGL Retail Partnership and ActewAGL Distribution Partnership) in accordance with the requirements of Australian Accounting Standard *AASB 11 Joint Arrangements* and concluded them to be joint ventures. The interests in the joint venture partnerships are accounted for using the equity method.

Under the equity method, the share of the profit and losses of partnerships is recognised in the statement of profit or loss. The share of movements in reserves is recognised in other comprehensive income. Profits or losses on transactions establishing the joint venture partnerships and transactions with the joint ventures are eliminated to the extent of the consolidated entity's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale, unless they related to an unrealised loss that provides evidence of the impairment of an asset transferred.

Critical Accounting Estimate

Revaluation of plant and equipment within the ActewAGL Investment

Icon Water determines the fair value of plant and equipment of the ActewAGL Distribution Partnership at the beginning of each regulatory period. This is to align its accounting policies on plant and equipment with those of the Group, from cost to fair value. This revaluation occurs within Icon Distribution Investments Limited, and there is an immaterial impact on Icon Retail Investments Limited (Refer Note 8b).

The key assumptions underlying valuation calculations for the current reporting period are:

- the discounted cash flow valuation relies on ActewAGL Distribution Partnership's cash flow forecasts, after taking into account the Australian Energy Regulator's final determination.
- operating and capital expenditure is based on ActewAGL Distribution Partnership's assumptions.
- the market based post-tax nominal discount rate used is 4.90%.

Similar to the water and sewerage fair value assessment, the discounted cash flow method used is sensitive to variations in the market based nominal discount rate. For example, a 0.1% increase / (decrease) in this discount rate, results in a decrease / (increase) in the recoverable amount of the asset bases of approximately \$7.8 million.

Due to the highly sensitive market based nominal discount rate used in discounted cash flow models, Icon Water implemented a materiality policy to assist in determining whether revaluation increments or decrements will be recognised in any one year for ActewAGL Distribution Partnership plant and equipment.

The valuation exercise for the year ending 30 June 2017 resulted in the difference in the valuation compared to the carrying values being less than 10% for ActewAGL Distribution Partnership plant and equipment assets. As this was below Icon Water's materiality threshold of 10% and there was no other evidence to suggest it was material, no adjustment was necessary to the value of the plant and equipment within the ActewAGL Investment at 30 June 2017 (30 June 2016: no increment or decrement). Refer Note 9(b).

7. Financial assets and financial liabilities (continued)

e) Trade and other payables

| | 2017 | | | 2016 | | |
|---------------------------------|-------------------|-----------------------|-----------------|-------------------|-----------------------|-----------------|
| | Current \$'000 | Non-Current \$'000 | Total \$'000 | Current \$'000 | Non-Current \$'000 | Total \$'000 |
| Trade payables | 4,848 | - | 4,848 | 5,219 | - | 5,219 |
| Other payables and accruals (i) | 48,352 | 448 | 48,800 | 44,960 | 523 | 45,483 |
| Income tax equivalents payable | 5,888 | - | 5,888 | 7,450 | - | 7,450 |
| Unearned revenue | 6,387 | - | 6,387 | 5,323 | - | 5,323 |
| | 65,475 | 448 | 65,923 | 62,952 | 523 | 63,475 |

(i) Other payables and accruals include the non-current finance lease liability. Finance lease commitments are detailed in Note 14(iv).

Accounting policy

Trade payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Other payables and accruals - seconded staff

Icon Water has a number of staff seconded from ActewAGL. Icon Water is charged the employee related expenses relating to these staff.

Other payables and accruals - leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are initially recognised as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Finance lease principal repayments are recorded in the balance sheet as a reduction in the current lease liability payable and finance lease interest is charged to the statement of profit or loss when incurred.

7. Financial assets and financial liabilities (continued)

f) Borrowings

| | 2017 \$'000 | 2016 \$'000 |
|--------------------------------|-------------------------|-------------------------|
| Current liabilities | | |
| Unsecured loans | <u>393,543</u> | <u>23,247</u> |
| | 393,543 | 23,247 |
| Non-current liabilities | | |
| Unsecured loans | <u>1,193,468</u> | <u>1,512,825</u> |
| | 1,193,468 | 1,512,825 |
| Total borrowings | <u>1,587,011</u> | <u>1,536,072</u> |

Icon Water maintains a balanced portfolio consisting of a capital indexed bond (CIB), a short term commercial paper (SCP), two CPI linked indexed annuity bonds (IAB) and four medium term notes (MTN).

| Instrument | Balance (million) | Yield | Maturity (years) | Start Date | Maturity Date |
|--------------|-------------------|-------|------------------|---------------|------------------|
| SCP | \$69.4 | 1.79 | 0 | 20 June 2017 | 12 December 2017 |
| CIB | \$285.6 | 3.72 | 13 | 17 June 2010 | 17 June 2030 |
| IAB | \$81.0 | 3.89 | 3 | 17 April 2000 | 17 April 2020 |
| IAB | \$414.7 | 3.01 | 31 | 12 June 2008 | 12 June 2048 |
| MTN | \$299.5 | 5.72 | 1 | 7 June 2011 | 7 June 2018 |
| MTN | \$214.6 | 4.33 | 3 | 22 May 2012 | 22 May 2020 |
| MTN | \$98.8 | 4.22 | 7 | 22 May 2014 | 22 May 2024 |
| MTN | \$123.4 | 2.66 | 9 | 23 May 2016 | 21 May 2026 |
| Total | \$1,587.0 | | | | |

Accounting policy

All borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Capital Index Bonds are adjusted quarterly based on the Consumer Price Index (CPI). The adjustment is made to the principal of the loan and an expense is recognised in the period of the adjustment depending on the terms of the loan. For Indexed Annuity Bonds, only the interest and principal repayments are affected by CPI, the principal of the loan remains unaffected by CPI.

Borrowing costs incurred for the construction of qualifying assets are capitalised in accordance with the accounting policy in Note 4c.

7. Financial assets and financial liabilities (continued)

g) Accounting policy relating to investments and other financial assets

Accounting policy

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised and derecognised on a trade date basis, that is, the date on which the Group commits to purchase or sell the asset. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. These instruments are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Dividend income from financial assets at fair value through profit and loss is recognised in the statement of profit or loss as part of revenue from operations when Icon Water's right to receive payments is established.

Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active and for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

Icon Water assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the statement of profit or loss. Where there are no equity reserves in respect to the financial asset, the full impairment is recognised as an expense in profit or loss.

Icon Water assesses its assets for indicators of impairment annually. When indicators of impairment are deemed to exist, Icon Water performs an impairment test. The impairment test compares the carrying value of the investment with the recoverable value (i.e. value in use or fair value less cost of disposal). Icon Water engages a value in use model to determine the recoverable value using a discounted cash flow model. When the recoverable value is materially less than the carrying value, the investment is considered impaired.

7. Financial assets and financial liabilities (continued)

g) Accounting policy relating to investments and other financial assets (continued)

Accounting policy

Financial risk management

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Icon Water uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment allowance of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

8. Non-financial assets and liabilities

a) Inventories

| | 2017 | 2016 |
|------------------------------------|---------------------|---------------------|
| | \$'000 | \$'000 |
| Current assets | | |
| Finished goods for operational use | <u>4,099</u> | <u>3,956</u> |
| | <u>4,099</u> | <u>3,956</u> |

Inventories consist of consumables such as spare system asset components, chemicals and fuel, and personal issue items for operational use.

The cost of consumables used and recognised as an expense during the year was \$8.2 million (2016: \$8.1 million).

Accounting Policy

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first in-first out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Regular stocktakes are performed on a cyclical basis, where inventory is assessed for obsolescence and written off to profit or loss when required.

8. Non-financial assets and liabilities (continued)

b) Property, plant and equipment

| | Water \$'000 | Sewerage \$'000 | Infrastructure land & buildings \$'000 | Non- infrastructure land & buildings \$'000 | Plant and equipment at cost \$'000 | Equipment under finance lease at cost (ii) \$'000 | Total \$'000 |
|--------------------------------|------------------|--------------------|--|--|---|--|------------------|
| At 1 July 2016 | | | | | | | |
| Cost or fair value | 1,496,227 | 962,781 | 15,237 | 30,398 | 4,003 | 812 | 2,509,458 |
| Accumulated depreciation | (167,948) | (160,388) | (128) | (5,420) | (2,454) | (111) | (336,449) |
| Net book amount | <u>1,328,279</u> | <u>802,393</u> | <u>15,109</u> | <u>24,978</u> | <u>1,549</u> | <u>701</u> | 2,173,009 |
| Year ended 30 June 2017 | | | | | | | |
| Opening net book amount | 1,328,279 | 802,393 | 15,109 | 24,978 | 1,549 | 701 | 2,173,009 |
| Additions | 27,089 | 57,195 | 92 | 2,147 | 616 | - | 87,139 |
| Depreciation charge | (28,267) | (18,073) | (13) | (1,082) | (725) | (33) | (48,193) |
| Gifted Assets | 9,248 | 9,548 | - | - | - | - | 18,796 |
| Retirement | - | - | - | - | (12) | - | (12) |
| Transfers/adjustments | (4,403) | 4,088 | - | - | - | - | (315) |
| Borrowing costs | 1,734 | 2,839 | - | 108 | - | - | 4,681 |
| Closing net book amount | <u>1,333,680</u> | <u>857,990</u> | <u>15,188</u> | <u>26,151</u> | <u>1,428</u> | <u>668</u> | 2,235,105 |
| As at 30 June 2017 | | | | | | | |
| Cost or fair value | 1,529,895 | 1,036,450 | 15,329 | 32,653 | 4,585 | 812 | 2,619,724 |
| Accumulated depreciation | (196,215) | (178,460) | (141) | (6,502) | (3,157) | (144) | (384,619) |
| Net book amount | <u>1,333,680</u> | <u>857,990</u> | <u>15,188</u> | <u>26,151</u> | <u>1,428</u> | <u>668</u> | 2,235,105 |

(i) All property, plant and equipment are held by the parent entity.

(ii) A finance lease has been entered into by the parent entity. Minimum lease payments and lease information are included in Note 14.

8. Non-financial assets and liabilities (continued)

b) Property, plant and equipment (continued)

Accounting policy

Acquisition of assets

The cost method of accounting is used for all acquisitions of property, plant and equipment assets. Cost is measured as the fair value of the assets received plus incidental costs directly attributable to the acquisition.

Gifted assets provided free of charge are initially valued at replacement costs of those assets and subsequently revalued as part of the class of property, plant and equipment to which the asset belongs.

Plant and equipment – held at cost

Plant and equipment and finance lease assets are stated at cost less accumulated depreciation and any impairment in value.

Water and Sewerage assets – valuation

Water and sewerage assets are shown at fair value. The valuation is prepared on an annual basis. The value is determined by applying a discounted cash flow analysis to the asset base. Assumptions are detailed in the critical accounting estimate below.

Land and Building assets – valuation

Land and buildings are shown at fair value less subsequent depreciation for buildings. Valuations are undertaken by external independent valuers every 3 years with the most recent valuation in June 2016 which was performed by Certified Practising Valuers.

Land and buildings were assessed to fair value in accordance with Australian Accounting Standard *AASB 13 Fair Value Measurement*. Land assets have been valued on the basis of highest and best use. Building assets have been valued with regard to the risk of physical and functional obsolescence. The majority of Icon Water's land and buildings are considered specialised assets and are therefore valued using the depreciated replacement cost approach. Other non-specialised land and buildings are valued using capitalisation of income approach and market value approach.

Accounting impact – changes to fair value

Increases in the carrying amounts arising on revaluation of land and buildings and water and sewerage assets are credited, net of tax, to the asset revaluation reserve in shareholder's equity. Any revaluation increase arising on the revaluation of such land and building and water and sewerage assets is recognised in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss. In this case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and building and water and sewerage assets is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset. Refer to Note 9b.

8. Non-financial assets and liabilities (continued)

b) Property, plant and equipment (continued)

Accounting policy (continued)

Depreciation

Land is not depreciated and is substantially held under 99 year renewable crown leases in the ACT. Depreciation is calculated using the straight-line method to allocate the assets' cost or revalued amounts, net of their residual values over their estimated useful lives as follows:

| | Years |
|---------------------|--------------|
| Buildings | 60 |
| Plant and Equipment | 5 - 15 |
| System Assets | |
| Dams | 30 - 150 |
| Reservoirs | 50 - 100 |
| Mains | 80 |
| Treatment Plants | 30 - 60 |
| Sewer Tunnels | 120 |
| Other Assets | 10 - 80 |

Impairment

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. If such an indication of impairment exists, the Group estimates the recoverable amount of the asset. Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

Critical Accounting Estimate

Fair value assessment

Icon Water's water and sewerage infrastructure assets are held at fair value.

The fair value of infrastructure assets is determined annually by application of a value in use income approach by way of a discounted cash flow method, to determine the extent of difference in the economic value and the carrying amount of these assets. Market-based evidence of fair value is unlikely to exist because of the specialised nature of the water and sewerage infrastructure assets. Therefore, the application of fair value by way of a discounted cash flow method is adopted.

This valuation includes business assumptions about future income streams, operational and capital expenditure based on the pricing determination for the specific regulatory period. The expected net cash flows are then discounted to their present value using a market determined risk adjusted discount rate. This fair value method is consistent with the approach taken by other Australian water and sewerage utilities.

The key assumptions underlying valuation calculations for the current reporting period are:

- revenue is based on the water and sewerage prices set by the Industry Panel for the remaining one-year regulatory period at a water sales consumption level forecast by Icon Water;
- the assumptions in the calculation have been aligned to Icon Waters regulatory submission for the next four-year regulatory period which was submitted to the regulator on 30 June 2017;
- operating and capital expenditure forecast by Icon Water;
- the market based nominal discount rate (post tax) used is 4.90%; and
- the terminal growth rate used is 2.0%.

8. Non-financial assets and liabilities (continued)

b) Property, plant and equipment (continued)

Critical Accounting Estimate (continued)

The discounted cash flow method is highly sensitive to variations in the market based nominal discount rate. For example, a 0.1% increase / (decrease) in this discount rate, results in a decrease / (increase) in the recoverable amount of the asset bases of approximately \$5.8 million for water infrastructure assets and \$3.9 million for sewerage infrastructure assets.

Due to the highly sensitive market based nominal discount rate used in discounted cash flow models, Icon Water has implemented a materiality policy to assist in determining whether revaluation increments or decrements will be recognised in any one year for either water or sewerage assets.

Icon Water applies both qualitative and quantitative factors when determining whether a fair value adjustment is material.

The following quantitative thresholds for determination of materiality are used:

- an amount that is equal to or greater than 10% of the appropriate base amount may be presumed to be material unless there is evidence or convincing argument to the contrary;
- an amount that is less than 10% but greater than 5% of the appropriate base amount may be presumed not to be material where the weighted average cost of capital contributing to this amount is within a market-based range of acceptable weighted average cost of capital rates, unless there is evidence, or convincing argument, to the contrary; and
- an amount that is equal to or less than 5% of the appropriate base amount may be presumed not to be material unless there is evidence, or convincing argument, to the contrary.

Icon Water makes an assessment of materiality based on the total asset base of a cash generating unit. This includes all individual and collective transactions impacting a cash generating unit.

In addition to assessing quantitative movements in the value of the cash generating unit, Icon Water conducts a qualitative evaluation of any movement to ensure that qualitative factors support the recognition or not, of the revaluation increment or decrement, in any year. This policy will reduce fluctuations to the asset revaluation reserve due to the minor percentage changes within the range of acceptable weighted average cost of capital rates used.

The valuation exercise for the year ending 30 June 2017, in line with Icon Water's materiality policy, resulted in the difference in the valuation compared to the carrying values being less than 5% for both water and sewerage infrastructure assets. As this was below the materiality threshold of 10% and there was no other qualitative evidence to suggest it was material, no adjustment was necessary to the value of assets at 30 June 2017.

8. Non-financial assets and liabilities (continued)

c) Investment properties

| | Total \$'000 |
|---|-------------------------|
| At 1 July 2016 | |
| Cost or fair value | 10,568 |
| Accumulated amortisation and impairment | (3,374) |
| Net book amount | 7,194 |
| Year ended 30 June 2017 | |
| Opening net book amount | 7,194 |
| Depreciation charge | (177) |
| Closing net book amount | 7,017 |
| At 30 June 2017 | |
| Cost | 10,568 |
| Accumulated amortisation and impairment | (3,551) |
| Net book amount | 7,017 |

Accounting policy

Valuation

Investment properties are shown at fair value less subsequent depreciation for buildings. Valuations are undertaken by external independent valuers every 3 years with the most recent valuation in June 2016 by Certified Practising Valuers.

Impairment

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. If such an indication of impairment exists, the Group estimates the recoverable amount of the asset. Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

For assets held at fair value a revaluation increase is recognised in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed.

8. Non-financial assets and liabilities (continued)

d) Intangible assets

| | Computer software \$'000 | Carbon credits \$'000 | Water licences \$'000 | Total \$'000 |
|---|--------------------------------|-----------------------------|-----------------------------|-----------------|
| At 1 July 2016 | | | | |
| Cost or fair value | 11,866 | 425 | 33,422 | 45,713 |
| Accumulated amortisation and impairment | (5,162) | (425) | - | (5,587) |
| Net book amount | 6,704 | - | 33,422 | 40,126 |
| Year ended 30 June 2017 | | | | |
| Opening net book amount | 6,704 | - | 33,422 | 40,126 |
| Additions | 6,951 | 425 | - | 7,376 |
| Amortisation charge | (1,460) | - | - | (1,460) |
| Disposal | - | (425) | (33,422) | (33,847) |
| Borrowing costs | 347 | - | - | 347 |
| Transfer from property, plant and equipment | 315 | - | - | 315 |
| Closing net book amount | 12,857 | - | - | 12,857 |
| At 30 June 2017 | | | | |
| Cost | 17,187 | - | - | 17,187 |
| Accumulated amortisation and impairment | (4,330) | - | - | (4,330) |
| Net book amount | 12,857 | - | - | 12,857 |

Accounting Policy

Water licences

Under the Tantangara Transfer project, Icon Water purchased water licences to extract and transfer water from the Murrumbidgee Regulated River System, which is stored and released from Tantangara Reservoir in the Snowy Mountains Scheme, to the ACT. Icon Water commenced purchases of water licences in mid-2009.

Water licences are initially recognised at cost and subsequently measured at fair value and are subject to an annual impairment test. Water licences do not have an end date and therefore have an indefinite useful life and are therefore not subject to amortisation, but are tested for impairment by comparing their recoverable amount with their carrying amount.

All water licences were sold in October 2016.

Carbon credits

Carbon credits are recognised at cost when received and are subsequently measured at fair value. Carbon credits are subject to an annual impairment test and are disposed of when surrendered or sold.

Computer software

Icon Water capitalises and amortises specific-use computer software, such as Geospatial Information Systems and design drawing software. Computer software includes capitalised development costs being an internally generated intangible asset. Amortisation is calculated using the straight-line method to allocate the asset's cost over the estimated useful life of 5 years.

8. Non-financial assets and liabilities (continued)

d) Intangible assets (continued)

Accounting Policy (continued)

Impairment

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. If such an indication of impairment exists, the Group estimates the recoverable amount of the asset. Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

For assets held at fair value a revaluation increase is recognised in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed.

8. Non-financial assets and liabilities (continued)

e) Provisions

| | 2017 | | | 2016 | | |
|---|-------------------|-----------------------|-----------------|-------------------|-----------------------|-----------------|
| | Current \$'000 | Non-Current \$'000 | Total \$'000 | Current \$'000 | Non-Current \$'000 | Total \$'000 |
| Employee entitlements | 10,229 | 1,173 | 11,402 | 10,036 | 1,007 | 11,043 |
| Employee entitlements – seconded employees | 6,273 | - | 6,273 | 6,750 | - | 6,750 |
| Provision for dividend | 19,151 | - | 19,151 | 19,661 | - | 19,661 |
| Provision for make good restorations | 6,263 | - | 6,263 | 6,106 | - | 6,106 |
| Other employee related provisions | 4,648 | 3,669 | 8,317 | 4,382 | 3,552 | 7,934 |
| Workers' compensation provisions | 1,611 | 2,663 | 4,274 | 1,925 | 4,414 | 6,339 |
| Carbon emissions | - | 2,163 | 2,163 | - | 2,541 | 2,541 |
| | 48,175 | 9,668 | 57,843 | 48,860 | 11,514 | 60,374 |

Movements in provisions

Movements in each class of provision during the financial year, other than employee entitlements and provision for dividend (refer Note 6) are set out below:

| | Other employee related provisions \$'000 | Workers' compensation ¹ \$'000 | Make good restoration \$'000 | Carbon emissions \$'000 | Total \$'000 |
|---|--|---|------------------------------------|-------------------------------|-----------------|
| 2017 | | | | | |
| Carrying amount at the start of the year | 7,934 | 6,339 | 6,106 | 2,541 | 22,920 |
| Additional provisions recognised | 1,065 | - | - | 47 | 1,112 |
| Unused amounts reversed | - | (2,161) | - | - | (2,161) |
| Amounts used during the year | (682) | (128) | (47) | (425) | (1,282) |
| Unwinding of discount | - | 224 | 204 | - | 428 |
| Carrying amount at the end of the year | 8,317 | 4,274 | 6,263 | 2,163 | 21,017 |

Accounting Policy

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Wages and salaries

Liabilities for wages and salaries expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Carbon emissions

Icon Water is required to offset carbon emissions generated during the construction and operation of the Water Security Major Project assets. A provision is recognised for the emissions which have not been offset.

¹ Includes pre-1989 workers' compensation provisions.

8. Non-financial assets and liabilities (continued)

e) Provisions (continued)

Accounting Policy (continued)

Annual, sick and long service leave

A liability for annual, sick and long service leave (where employees have been employed by Icon Water for seven years or greater) is recognised as a current provision for employee benefits. Under Australian Accounting Standard AASB 119 *Employee Benefits*, leave entitlements that are not expected to be wholly settled in 12 months must be discounted to a present value.

An employee who has completed seven years' service with a single employer is entitled to long service leave for the period of the service and is therefore classified as a current provision. Long service leave less than seven years is measured as a non-current provision for employee benefits. Long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels and for long service leave, expectation of employee departures and periods of service.

Expected future payments are discounted using interest rates on high quality corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Critical Accounting Estimate

Comcare provision

Since 2002, Icon Water had participated in the Comcare workers' compensation scheme (for ACT Government). The ACT Government and Icon Water agreed to cancel Icon Water's arrangement with Comcare under the provisions outlined in the 'ACTEW Withdrawal from the Safety, Rehabilitation and Compensation Act 1988 Deed' dated 30 August 2012 (the 'Deed'). Icon Water continues to have obligations that may arise out of related events that occurred prior to the exit date, 1 September 2012.

At 30 June 2017, Icon Water has reviewed and updated the Comcare provisioning model based on independent external advice. The expected net present value of the payments over seven years is estimated at \$2.9 million, split between current and non-current. A receivable has also been recognised for 35% of this amount due to an agreement with ActewAGL to reimburse a portion of the costs (refer to Note 7(c)). ActewAGL's obligation arises as a percentage of the staff under the Comcare scheme were seconded to the ActewAGL Partnerships prior to withdrawal from the scheme. Future changes in claims could change the Comcare provisioning model which can change the provisions and associated receivables recognised.

Commonwealth Superannuation Scheme provision

A number of claims have been made against the Commonwealth and Icon Water in relation to allegedly inaccurate information purportedly given to former employees regarding their eligibility to originally join the Commonwealth Superannuation Scheme. These amounts are included within other employee provisions. To date, Icon Water has settled a number of these claims. Future claims fall into the categories of current claims in the process of pre-settlement, notified prospective claims and possible future claims.

As at 30 June 2017, a provision has been recognised for current and prospective claims utilising a provision model developed by an independent expert. The provision has been calculated on the basis that Icon Water's liability is influenced by the initial amount claimed, the payout rate and Icon Water's share of the final settlement payable amount. These components are either known or have been estimated based on available data. The estimate may vary as a result of changes in the components used to estimate the provision, and the provision will be assessed and updated annually.

No provision for possible future claims has been recognised as there is not sufficient evidence at present to believe that it is more likely than not that a present obligation exists in respect of these possible future claims. These have been disclosed as a contingent liability in Note 13.

8. Non-financial assets and liabilities (continued)

f) Deferred tax balances

| | 2017 | 2016 |
|---|-----------------------|-----------------------|
| | \$'000 | \$'000 |
| The balance comprises temporary differences attributable to: | | |
| Distributions from ActewAGL Partnerships | 36,623 | 33,959 |
| Adjustment to prior year tax | (1,424) | (292) |
| Employee entitlements | (8,686) | (9,053) |
| Audit fees | (8) | (8) |
| Depreciation | 228,318 | 229,264 |
| Joint venture receivable – employee entitlements | 2,167 | 2,024 |
| Other | (629) | (155) |
| Asset revaluation | 111,341 | 116,641 |
| Net deferred tax liability | <u>367,702</u> | <u>372,380</u> |

8. Non-financial assets and liabilities (continued)

f) Deferred tax balances (continued)

| Movements | Distributions from ActewAGL Partnerships \$'000 | Adjustments to prior year tax ¹ \$'000 | Employee entitlements \$'000 | Audit fees \$'000 | Depreciation \$'000 | Joint Venture receivable – employee entitlements \$'000 | Other \$'000 | Asset revaluation \$'000 | Total \$'000 |
|-------------------------------|---|--|------------------------------------|-------------------------|------------------------|---|-----------------|--------------------------------|-----------------|
| At 1 July 2015 | 26,896 | (610) | (11,513) | (8) | 230,678 | 2,430 | (80) | 112,956 | 360,749 |
| Charged/(credited): | | | | | | | | | |
| – profit or loss | 7,063 | 318 | 2,460 | - | (1,414) | (406) | (75) | - | 7,946 |
| – directly to equity (Note 5) | - | - | - | - | - | - | - | 3,685 | 3,685 |
| At 30 June 2016 | 33,959 | (292) | (9,053) | (8) | 229,264 | 2,024 | (155) | 116,641 | 372,380 |
| At 1 July 2016 | 33,959 | (292) | (9,053) | (8) | 229,264 | 2,024 | (155) | 116,641 | 372,380 |
| Charged/(credited): | | | | | | | | | |
| – profit or loss | 2,664 | (1,132) | 367 | - | (946) | 143 | (474) | - | 622 |
| – directly to equity (Note 5) | - | - | - | - | - | - | - | (5,300) | (5,300) |
| At 30 June 2017 | 36,623 | (1,424) | (8,686) | (8) | 228,318 | 2,167 | (629) | 111,341 | 367,702 |

Accounting Policy

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

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

¹ Adjustment relates to the prior year income tax reconciliation (unders/overs)

9. Equity

a) Share capital

| | 2017 Shares | 2016 Shares | 2017 \$'000 | 2016 \$'000 |
|---------------------------------|----------------|----------------|----------------|----------------|
| Ordinary shares - fully paid | 2 | 2 | 758,871 | 758,871 |
| Total contributed equity | 2 | 2 | 758,871 | 758,871 |

(i) *Movements in ordinary share capital*

There has been no movement in share capital during the year.

(ii) *Capital risk management*

The Group's and the parent entity's objectives when managing capital is to safeguard their ability to continue as a going concern so they continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure while maintaining financial flexibility to accommodate future investments.

The gearing ratios at 30 June 2017 and 30 June 2016 were as follows:

| | 2017 \$'000 | 2016 \$'000 |
|----------------------|-------------------------|-------------------------|
| Total debt (Note 7f) | 1,587,011 | 1,536,072 |
| Total equity | <u>1,300,632</u> | <u>1,276,537</u> |
| | <u>2,887,643</u> | <u>2,812,609</u> |
| Gearing ratio | 55.0% | 54.6% |

Icon Water has used the gearing ratio of debt (total borrowings) over capital (total equity plus total debt) to monitor its capital position.

b) Reserves

| | 2017 \$'000 | 2016 \$'000 |
|---------------------------|-----------------------|-----------------------|
| Asset revaluation reserve | 386,603 | 398,968 |
| General insurance reserve | <u>9,820</u> | <u>9,820</u> |
| Total reserves | <u>396,423</u> | <u>408,788</u> |

Movements in reserves:

| | 2017 \$'000 | 2016 \$'000 |
|--|------------------------|-----------------------|
| Asset revaluation | | |
| At the beginning of the financial year | 398,968 | 390,370 |
| Revaluation – net of tax | | |
| Property, plant and equipment | - | (152) |
| Intangibles | <u>(12,365)</u> | <u>8,750</u> |
| | <u>(12,365)</u> | <u>8,598</u> |
| At the end of the financial year | <u>386,603</u> | <u>398,968</u> |

9. Equity (continued)

b) Reserves (continued)

Accounting Policy

General insurance reserve

Due to the difficulty in obtaining certain categories of insurance, the restrictions on cover, and increases in excesses, it is considered prudent to maintain a reasonable financial capacity to manage risks that may arise. Accordingly, previous reserves made for the environment and bushfires are now included in a general insurance reserve.

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

Group structure

This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group as a whole. In particular, there is information about interests in joint ventures.

A list of significant investments in subsidiaries is provided in Note 10. This note also discloses details about the Group's equity accounted investments.

10. Investments in controlled entities
11. Interests in joint ventures
12. Parent entity financial information

10. Investment in controlled entities

Significant investments in subsidiaries

| Name of entity | Country of incorporation | Class of shares | Equity holding | |
|---------------------------------------|--------------------------|-----------------|----------------|-----------|
| | | | 2017 % | 2016 % |
| Icon Distribution Investments Limited | Australia | Ordinary | 100 | 100 |
| Icon Retail Investments Limited | Australia | Ordinary | 100 | 100 |

Accounting policy

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of Icon Water and its controlled entities as at 30 June 2017 and the results for the period then ended.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

11. Interests in joint ventures

a) Joint venture partnership - ActewAGL Partnerships

Icon Retail Investments Limited entered into a joint venture partnership with AGL ACT Retail Investments Pty Ltd to manage the retail operations of the ACT electricity and gas networks. Icon Distribution Investments Limited entered into a joint venture partnership with Jemena Networks (ACT) Pty Ltd to manage the ACT electricity network and the ACT, Queanbeyan and Nowra gas networks.

Principal place of business: ActewAGL House
40 Bunda Street
Canberra ACT 2600

Both entities have a 50% participating interest in their respective joint ventures. Information relating to the joint venture partnerships is presented in accordance with the accounting policy described below and is set out as follows:

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| Share of partnership's commitments | | |
| Lease commitments | 29,239 | 27,021 |
| Capital and other commitments | 4,985 | 9,138 |
| | 34,224 | 36,159 |

b) Joint venture arrangements - ActewAGL Retail Investments Ltd

In April 2012, Icon Retail Investments Limited and AGL ACT Retail Investments Pty Ltd formed ActewAGL Generation Pty Ltd in order to develop generation projects. There were two issued shares in ActewAGL Generation Pty Ltd, with one held by each of Icon Retail Investments Limited and AGL ACT Retail Investments Pty Ltd. In March 2017, ActewAGL Generation Pty Ltd was re-named as ActewAGL Retail Investments Pty Ltd with the intention that it will be a holding company for investments of ActewAGL Retail. The two issued shares were transferred and are now held by Icon Retail Investments Limited and AGL ACT Retail Investments Pty Ltd as joint tenants of the ActewAGL Retail Partnership.

11. Interests in joint ventures (continued)

c) Contingent liabilities relating to joint ventures

(i) Claims

There are a number of public liability insurance claims against the ActewAGL partnerships at year end. Should the partnerships be proved liable, the partnerships must pay the first \$25,000 of each claim. The Group's share of the partnerships' contingent liability is estimated to be \$12,500 at 30 June 2017 (30 June 2016: \$12,500).

(ii) Bank guarantees

The ActewAGL partnerships have given a number of bank guarantees in respect to security deposits in relation to its leases with the Group's share amounting to \$2.4 million at 30 June 2017 (30 June 2016: \$2.4 million). These have not been recognised in the consolidated statement of financial position. Amounts have been disclosed using the Group's share of the contingent liability.

Accounting policy

Principles of consolidation

Icon Water has reviewed and assessed its joint arrangement partnerships (ActewAGL Retail Partnership and ActewAGL Distribution Partnership) in accordance with the requirements of Australian Accounting Standard AASB 11 *Joint Arrangements* and concluded them to be joint ventures. The interests in the joint venture partnerships are accounted for using the equity method.

Under the equity method, the share of the profit and losses of partnerships is recognised in the statement of profit or loss. The share of movements in reserves is recognised in other comprehensive income. Profits or losses on transactions establishing the joint venture partnerships and transactions with the joint ventures are eliminated to the extent of the consolidated entity's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale, unless they related to an unrealised loss that provides evidence of the impairment of an asset transferred.

Plant and equipment assets in the ActewAGL Distribution Partnership are re-valued to fair value to align with the Group's accounting policy on valuation of property, plant and equipment using fair value. This is performed by applying a valuation based on future discounted cash flows.

The plant and equipment assets in the ActewAGL Distribution Partnership were last adjusted to fair value in 2015.

The valuation exercise for the year ending 30 June 2017 resulted in the difference in the valuation compared to the carrying values being less than 5% for ActewAGL Distribution Partnership plant and equipment assets. As this was below Icon Water's materiality threshold of 10% and there was no other evidence to suggest it was material, no adjustment was necessary to the value of the plant and equipment within the ActewAGL Investment at 30 June 2017.

12. Parent entity financial information

a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

| | 2017 \$'000 | 2016 \$'000 |
|----------------------------|----------------|----------------|
| Balance sheet | | |
| Current assets | 240,756 | 216,064 |
| Total assets | 3,071,467 | 2,989,815 |
| Current liabilities | 506,915 | 134,801 |
| Total liabilities | 1,962,771 | 1,904,733 |
| Net assets | 1,108,696 | 1,085,082 |
| Shareholders' equity | | |
| Contributed equity | 758,871 | 758,871 |
| Reserves | | |
| Asset revaluation | 177,899 | 190,265 |
| General insurance | 9,820 | 9,820 |
| Retained earnings | 162,106 | 126,126 |
| | 1,108,696 | 1,085,082 |
| Profit for the year | 96,404 | 121,853 |
| Total comprehensive income | 96,404 | 130,451 |

b) Guarantees entered into by the parent entity

The parent entity bank guarantees at 30 June 2017 are nil (30 June 2016: nil).

c) Contingent liabilities of the parent entity

The parent entity contingent liabilities at 30 June 2017 are referred to in Note 13.

d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity contractual commitments for the acquisition of property, plant and equipment at 30 June 2017 are referred to in Note 14.

Accounting policy

The financial information for the parent entity, Icon Water Limited, has been prepared on the same basis as the consolidated financial statements.

Unrecognised items

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

13. Contingencies
14. Commitments for expenditure
15. Events occurring after the reporting period

13. Contingencies

Contingent liabilities

i. Commonwealth Superannuation Scheme

A number of claims have been made against the Commonwealth and Icon Water in relation to allegedly inaccurate information purportedly given to former employees regarding their eligibility to originally join the Commonwealth Superannuation Scheme. To date, Icon Water has settled a number of these claims. Future claims fall into the categories of current claims in the process of pre-settlement, notified prospective claims and possible future claims. Possible future claims have not been provided for and are therefore disclosed as a contingent liability.

These individuals may make a claim for settlement at a future date that, if successful, creates a liability for Icon Water. Any liability in relation to this group is uncertain as the individuals have not been identified and have not yet advised of any intention to bring a claim now or in the future. Insufficient evidence exists to estimate the financial effect of this contingent liability. Depending on the circumstances of each claim, costs arising from settlement of these claims may be shared between Icon Water and the Commonwealth. No other reimbursement of Icon Water's costs is likely. Icon Water is not able to quantify claims at this point in time.

ii. Williamsdale land

Icon Water sold land in Williamsdale to the ACT Government in March 2015. A contingent liability limited to \$0.2 million exists in respect to environmental remediation of any previously undiscovered contamination found on a specific portion of this land. Claims can be lodged for a period of 36 months after the sale, with work allowed to be performed for a further 12 months thereafter.

iii. Claims

Entities within Icon Water are involved in other disputes in the normal course of operations. The directors believe, based on legal advice, that material losses (including costs) are not anticipated in resolving those claims.

14. Commitments for expenditure

| | 2017 | 2016 |
|--|----------------|---------|
| | \$'000 | \$'000 |
| Capital expenditure commitments (i) | 107,330 | 42,779 |
| Other expenditure commitments (ii) | 183,663 | 197,184 |
| Operating lease (iii) | | |
| Commitments in relation to operating leases contracted at balance date but not provided for in accounts payable: | | |
| – Within one year | 3,072 | 2,567 |
| – Later than one year but not later than five years | 9,580 | 7,417 |
| – Later than five years | 3,376 | 3,714 |
| Minimum lease payments | 16,028 | 13,698 |
| Finance lease (iv) | | |
| Commitments in relation to finance leases contracted at balance date but not provided for in accounts payable: | | |
| – Within one year | 101 | 101 |
| – Later than one year but not later than five years | 483 | 584 |
| Minimum lease payments | 584 | 685 |

14. Commitments for expenditure (continued)

- (i) Capital commitments include contractual commitments for capital expenditure of \$93.9 million at 30 June 2017 (30 June 2016: \$29.0 million) and amounts for purchase of carbon credits through contracts with CO2 and AusCarbon for \$13.4 million at 30 June 2017 (30 June 2016: \$13.7 million).
- (ii) On 27 June 2012 Icon Water entered into a Corporate Services Agreement with ActewAGL Distribution Partnership to provide corporate services to Icon Water, and a Customer Services and Community Support Agreement with ActewAGL Retail Partnership to provide retail services. The expenditure commitments include these contracts as well as general expenditure commitments.
- (iii) Operating lease commitments are for computer equipment and motor vehicles, with Capital Easy Finance & Leasing, the supplier for computer equipment, and Toyota Finance Australia, the supplier of motor vehicles for Icon Water. They also include the property lease with ActewAGL for the office in Bunda Street in Canberra.
- (iv) A finance lease has been entered into by the parent entity with Toyota Fleet Management on 19 February 2013 ending 18 February 2020. This is for a specialised heavy vehicle used in operations.

15. Events occurring after the reporting period

On 10 July 2017 Abigail Goldberg and Brett Tucker were appointed as directors.

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

Key management personnel and related parties

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

- 16. Key management personnel disclosures
- 17. Related party transactions

16. Key management personnel disclosures

The aggregate compensation made to key management personnel (KMP) of the Group is set out below:

Key management personnel compensation

| | 2017 | 2016 |
|------------------------------|---------------------|--------------|
| | \$'000 | \$'000 |
| Short-term employee benefits | 2,710 | 2,584 |
| Post-employment benefits | 243 | 281 |
| Other long-term benefits | 62 | 74 |
| Total benefits | <u>3,015</u> | <u>2,939</u> |

The compensation of each member of the KMP of the Group for the current year is set out on the following page.

16. Key management personnel disclosures (continued)

| 2016-2017 | Short-term employee benefits \$ | | Superannuation \$ | Long-term employee benefits - long service leave \$ | Termination benefits \$ | Total \$ |
|---|--|-----------------------|-------------------|---|-------------------------|------------------|
| | salary, fees and short-term compensated absences | non-monetary benefits | | | | |
| Wendy Caird Non-Executive Chair (Note (i)) | 53,760 | 500 | 6,989 | - | - | 61,249 |
| Dr Michael Easson AM Non-Executive Chair (Note (ii)) | 55,385 | - | 7,200 | - | - | 62,585 |
| Carol Lilley Non-Executive Deputy Chair (Note (iii)) | 40,276 | 500 | 5,236 | - | - | 46,012 |
| John Knox Managing Director | 684,965 | - | 33,788 | 28,569 | - | 747,322 |
| Rachel Peck Non-Executive Director | 38,631 | 550 | 5,022 | - | - | 44,203 |
| Jennifer Goddard Non-Executive Director | 38,631 | - | 5,022 | - | - | 43,653 |
| Thomas Parry Non-Executive Director | 38,556 | - | 5,012 | - | - | 43,568 |
| Dr Allan Hawke AC Non-Executive Director (Note (iv)) | 17,144 | - | 2,229 | - | - | 19,373 |
| Amanda Lewry General Manager Asset Management (Note (v)) | 353,739 | 805 | 30,115 | 10,487 | - | 395,146 |
| Ray Hezkial General Manager Project Delivery, Operations & Maintenance | 359,232 | 1,621 | 30,115 | 11,841 | - | 402,809 |
| Sam Sachse Chief Financial Officer | 353,446 | - | 30,115 | 11,498 | - | 395,059 |
| Jane Breaden General Manager Business Services | 339,526 | - | 35,758 | - | - | 375,284 |
| Richard Spurrett General Manager Strategic Projects and Technology | 333,044 | - | 46,616 | - | - | 379,660 |
| Total as per the Annual Report | 2,706,335 | 3,976 | 243,217 | 62,395 | - | 3,015,923 |

16. Key management personnel disclosures (continued)

| 2015-2016 | Short-term employee benefits \$ | | | Long-term employee benefits - long service leave \$ | Termination benefits \$ | Total \$ |
|---|--|-----------------------|-------------------|---|-------------------------|------------------|
| | salary, fees and short-term compensated absences | non-monetary benefits | Superannuation \$ | | | |
| Dr Michael Easson AM Non-Executive Chair | 69,866 | - | 9,082 | - | - | 78,948 |
| Wendy Caird Non-Executive Deputy Chair | 40,142 | 489 | 5,219 | - | - | 45,850 |
| John Knox Managing Director of Icon Water | 629,222 | 1,199 | 75,507 | 25,335 | - | 731,263 |
| Dr Allan Hawke AC Non-Executive Director | 34,907 | - | 4,538 | - | - | 39,445 |
| Carol Lilley Non-Executive Director | 34,907 | - | 3,846 | - | - | 38,753 |
| Jennifer Goddard Non-Executive Director | 34,907 | - | 4,418 | - | - | 39,325 |
| Rachel Peck Non-Executive Director | 34,907 | 489 | 4,538 | - | - | 39,934 |
| Thomas Parry Non-executive director (Note (i)) | 21,850 | - | 2,839 | - | - | 24,689 |
| Amanda Lewry General Manager Asset Management | 344,465 | 516 | 28,763 | 13,792 | - | 387,536 |
| Ray Hezkial General Manager Project Delivery, Operations & Maintenance | 347,562 | 3,115 | 28,765 | 20,134 | - | 399,576 |
| Sam Sachse General Manager Finance | 342,215 | 21 | 28,772 | 14,878 | - | 385,886 |
| Jane Breden General Manager Governance | 331,084 | - | 35,094 | - | - | 366,178 |
| Richard Spurrett General Manager Business Services | 311,968 | - | 49,375 | - | - | 361,343 |
| Total as per the Annual Report | 2,578,002 | 5,829 | 280,756 | 74,139 | - | 2,938,726 |

16. Key management personnel disclosures (continued)

Note references 2016-2017:

- (i) Wendy Caird became chair of Icon Water on 17 of March 2017, replacing Dr Michael Easson AM.
- (ii) Dr Michael Easson AM ceased holding office of Chair of Icon Water on 17 March 2017.
- (iii) Carol Lilley became Deputy Chair of Icon Water on 17 March 2017, replacing Wendy Caird.
- (iv) Dr Allan Hawke AC ceased holding office of director of Icon Water on 6 December 2016.
- (v) Amanda Lewry ceased employment on 30 June 2017 as General Manager Asset Management. Ms Lewry's annual leave entitlements of \$15,745 were not paid as at 30 June 2017.
- (vi) KMP disclosure within the Financial Statements includes the remuneration of all persons who are identified as being a KMP in the financial period, for the time they held a KMP position. In 2016-2017, there were 13 KMP for Icon Water, 8 of these KMPs were directors of Icon Water or its subsidiaries. The top 5 KMP other than directors, are disclosed individually to reflect the requirements of the *Territory-owned Corporations Act 1990*.
- (vii) No KMP's reached 7 years of service in 2016-2017.

Note references 2015-2016:

- (i) Thomas Parry was appointed as a director from 16 November 2015.
- (ii) KMP disclosure within the Financial Statements includes the remuneration of all persons who are identified as being a KMP in the financial period, for the time they held a KMP position. In 2015-2016, there were 13 KMP for Icon Water, 8 of these KMPs were directors of Icon Water or its subsidiaries. The top 5 KMP other than directors, are disclosed individually to reflect the requirements of the *Territory-owned Corporations Act 1990*.
- (iii) No KMP's reached 7 years of service in 2015-2016.

Accounting policy

Non-monetary benefits

Non-monetary benefits are free or subsidised goods or services relating to services in the current period, such as car parking expenses, gym fees and professional membership fees including fringe benefits tax, where applicable.

Long service leave

For long service leave, the amount accrued is disclosed when the employee has reached 7 years of service.

17. Related party transactions

Directors

The following persons were directors of Icon Water during or since the end of the financial year:

John Knox, Managing Director
Wendy Caird, Chair (appointed Chair 17 March 2017)
Dr Michael Easson AM (resigned 17 March 2017)
Carol Lilley, Deputy Chair (appointed Deputy Chair 17 March 2017)
Rachel Peck, Director
Jennifer Goddard, Director
Dr Thomas Parry AM, Director
Dr Allan Hawke AC (resigned 6 December 2016)
Brett Tucker, Director (appointed 10 July 2017)
Abigail Goldberg, Director (appointed 10 July 2017)

There have been no related party transactions with directors and their related parties apart from those disclosed in the key management personnel note (Note 16), and water and sewerage invoices issued on an arm's length basis (30 June 2016: Nil).

Parent entities

The wholly owned group consists of Icon Water and its controlled entities. These entities are Icon Retail Investments Limited and Icon Distribution Investments Limited. The results of the ActewAGL Joint Venture partnerships, which is 50% owned by Icon Water through its subsidiaries, Icon Retail Investments Limited and Icon Distribution Investments Limited are accounted for using the equity method. Icon Water has several operational arrangements with its controlled entities. All transactions are at an arm's length basis.

The following transactions occurred with related parties:

| | 2017 | 2016 |
|---|----------------|---------|
| | \$'000 | \$'000 |
| Wholly owned controlled entities | | |
| Dividend revenue | 61,142 | 69,622 |
| Income tax equivalents expense to the ACT Government | 43,385 | 50,619 |
| Aggregate amounts receivable from and payable to entities in the wholly-owned groups at balance date were as follows: | | |
| – Current receivables (tax funding agreement) | 22,055 | 24,215 |
| – Current receivables (other) | 61,142 | 69,622 |
| – Current payables and other | 19,151 | 19,661 |
| – Non-interest bearing loans | 594,577 | 565,900 |

The parent entity in the wholly owned group is Icon Water.

The ultimate parent entity is the ACT Government. The shareholders are the Chief Minister and Minister for Environment and Heritage of the ACT which own 100% (2016: 100%) of the issued ordinary shares of Icon Water.

Ownership interests in related parties

Interests held in the controlled entities are set out in Note 10 Investment in controlled entities.

Other related parties

The following transactions occurred with the ActewAGL Joint Venture Partnerships:

| | 2017 | 2016 |
|---|---------------|--------|
| | \$'000 | \$'000 |
| Aggregate amounts included in the determination of operating profit before income tax equivalents that resulted from transactions with other related parties: | | |
| – Operating expenses | 42,657 | 44,564 |
| – Revenue | 15,065 | 26,222 |

17. Related party transactions (continued)

| | 2017 | 2016 |
|--|---------------|--------|
| | \$'000 | \$'000 |
| Aggregate amounts receivable from and payable to joint venture partnerships at balance date: | | |
| – Current receivables | 8,116 | 7,389 |
| – Current accounts payables and other | 12,892 | 13,785 |
| – Non-current receivables | 469 | 1,021 |



Icon Retail Investments Limited

ABN 23 074 371 207

General Purpose

Financial Report

For the year ended 30 June 2017

Icon Retail Investments Limited

ABN 23 074 371 207

Financial Report for the year ended 30 June 2017

| Contents | Page |
|---|-------------|
| Corporate profile..... | 1 |
| Directors' report..... | 2 |
| Directors' declaration..... | 9 |
| Independent audit report..... | 10 |
| Auditor's independence declaration..... | 12 |
| Statement of profit or loss and other comprehensive income..... | 13 |
| Statement of financial position..... | 14 |
| Statement of cash flows..... | 15 |
| Statement of changes in equity..... | 16 |
| Notes to the financial statements..... | 17 |

Icon Retail Investments Limited (Icon Retail) is a wholly owned subsidiary company of Icon Water Limited (Icon Water). Icon Retail holds a 50% interest in the ActewAGL Retail Partnership and 50% interest in ActewAGL Retail Investments Ltd. Icon Retail is limited by shares and incorporated and domiciled in Australia.

| | |
|---|---|
| Principal registered office in Australia | Level 5, ActewAGL House 40 Bunda Street Canberra ACT 2600 (02) 6248 3111 |
| Principal place of business | Level 5, ActewAGL House 40 Bunda Street Canberra ACT 2600 GPO Box 366 Canberra ACT 2601 |
| Auditor | ACT Audit Office |
| Solicitors | King & Wood Mallesons |
| Bankers | Commonwealth Bank of Australia |
| Website | www.iconwater.com.au |

Directors' Report

The directors present the financial report of Icon Retail for the year ended 30 June 2017.

Directors

The following persons held office as directors of Icon Retail during the whole of the financial year and up to the date of this report unless otherwise indicated:

*Wendy Caird, Chair
MAICD*

Wendy Caird was first appointed to the Icon Water Board in December 2009, was appointed as Acting Deputy Chair of the Icon Water Board from 1 July 2013 and appointed as Deputy Chair in March 2014. Ms Caird's appointment term was extended in March 2017 when she was appointed as Chair of the Icon Water Board due to her extensive knowledge of Icon Water's business and experience on the ActewAGL Partnerships Board. Ms Caird is the Chair of Icon Water's Remuneration Committee, Chair of Icon Distribution Investments Limited and Icon Retail Investments Limited and a Member of the ActewAGL Partnerships Board. She is also Chair of ActewAGL's Safety, Audit and Risk Committee..

Ms Caird has held a number of positions with Public Services International (France) including Co-chair of Asia Pacific Region (1998–2002), a Member of the Executive Board (1997–2002), Global Director of the Quality Public Services campaign (2002–2006), and a Member of the Global Coordinating Committee of the "Global Call to Action Against Poverty: (Make Poverty History)" campaign (2005–2006).

Ms Caird held a number of executive positions with the Community and Public Sector Union (Australia) from 1983, including as NSW Branch Secretary, until her appointment as National Secretary in 1993.

Ms Caird is a small business owner, the President of the Kangaroo Valley Community Association, and a Member of both the Kangaroo Valley Tourist Association and Kangaroo Valley Environment Group.

*Dr Michael Easson AM
PhD, MSc, BA (Hons), FAICD, FRICS
Resigned 17 March 2017*

Dr Michael Easson was a director of Icon Water from 1995 and Deputy Chair from May 1996. Dr Easson was Acting Chair of the Icon Water Board from 1 July 2013 and was appointed as Chair in March 2014. He was also Chair of Icon Distribution Investments Limited and Icon Retail Investments Limited, Chair of the ActewAGL Partnerships Board and Chair of the Icon Water Board's Remuneration Committee. Dr Easson resigned from his positions on 17 March 2017.

Dr Easson has served on some of Australia's largest infrastructure and property boards and is presently Chair of EG Funds Management with \$2.4 billion in assets under management and an executive director of the building technology and documentation business, Ridley & Co. Dr Easson is currently the Chair of the Association of Superannuation Funds of Australia (ASFA) and Chair of ASFA's Policy Committee.

Dr Easson has a PhD from the University of Melbourne, a PhD from the Australian Defence Force Academy of the University of NSW and a Master of Science Degree from the University of Oxford.

Dr Easson was appointed as a Member of the Order of Australia in 1998.

Directors (continued)

Carol Lilley, Deputy Chair
BCom, FCA, CIA, CGAP, GAICD

Carol Lilley was appointed to the Icon Water Board in April 2013 and is also a member of the Icon Distribution Investments Limited and Icon Retail Investments Limited Boards. Ms Lilley is Chair of Icon Water's Risk and Assurance Committee and a Member of the Remuneration Committee. Ms Lilley was appointed as Deputy Chair of the Boards of Icon Water Limited, Icon Retail Investments Limited and Icon Distribution Investments Limited in March 2017.

Ms Lilley is a full time independent board director and Audit Committee Member. Ms Lilley was a Partner of PricewaterhouseCoopers and has extensive experience in financial statement audit, internal audit and project and risk management, with a particular focus on government.

Ms Lilley is currently Chair of several ACT Government Directorate Audit Committees (Chief Minister, Treasury and Economic Development Directorate; Education Directorate; Environment, Planning and Sustainable Development Directorate). Ms Lilley also has various governance roles for Commonwealth Government entities (member of the Department of Immigration & Border Protection's and Australian Federal Police Audit Committees; Chair of National Film & Sound Archives' Audit Committee, independent management assurer for the whole of government accounts, independent Board Member for Australian Financial Security Authority) as well as Chair of the Board of Instaclustr Pty Ltd.

Ms Lilley is a Graduate of the Australian Institute of Company Directors, Fellow of the Institute of Chartered Accountants, was a registered company auditor and is a certified internal auditor.

John Knox, Managing Director
BFA, FCPA, MAICD

John Knox was appointed to the Icon Water Board in March 2014. Mr Knox is a director on the Boards of Icon Distribution Investments Limited and Icon Retail Investments Limited and a Member of Icon Water's Remuneration Committee. He is a Member of the ActewAGL Partnerships Board, the Water Services Association of Australia (WSAA) Board, the Chair of the WSAA Customer and Industry Leadership Committee and a member of the ACT and Region Catchment Management Coordination Group.

Mr Knox previously held the position of Chief Finance Officer of ActewAGL and has an extensive background in private sector commercial management.

Rachel Peck, Director
MBA, BEng (Civil) (Hons), GAICD

Rachel Peck was appointed to the Icon Water Board in May 2011 and reappointed for a third term from May 2017 to ensure a continuation of experience and corporate knowledge for the effective functioning of the Board. Ms Peck is a Member of the Icon Water Board's Risk and Assurance Committee, Remuneration Committee and a Member of the Icon Distribution Investments Board and Icon Retail Investments Limited Board.

Ms Peck is Principal of peckvonhartel and is an Advisory Board Member of the Australian Futures Project. Ms Peck is the former Deputy Chair of the Australian Tapestry Workshop, former Chair of the Canberra Business Chamber Planning and Infrastructure Taskforce, former Divisional Council Member of the Property Council of Australia (ACT) and former Interim Board Member for the founding of the Canberra International Arboretum.

Ms Peck attended the Australia 2020 Summit and in 2010 completed a Master of Business Administration at the Melbourne Business School. She was awarded a Future Leaders' Award in 2006 and was the Telstra ACT Young Business Woman of the Year in 2008. She is a Fellow of the Australian Institute of Company Directors.

Directors (continued)

*Abigail Goldberg, Director
MBA (Executive), MA (Urban Design), BSc (TRP hon), FAICD
Appointed 10 July 2017*

Abigail Goldberg was appointed to the Icon Water Board in July 2017. She is a member of the Icon Water Remuneration Committee, a Member of the Risk and Assurance Committee, a Director of the Icon Retail Investments Limited Board as well as a Director of the Icon Distribution Investments Limited Board.

Ms Goldberg is a Non-Executive Director of Crown Lands Holiday Park Trust NSW, where she Chairs the Audit and Risk Committee, and Deputy Chair of Cemeteries and Crematoria NSW, where she Chairs the Industry Liaison Group. She was previously a Non-Executive Director of the Central Coast Water Corporation.

Ms Goldberg is one of the senior part-time Commissioners at the Planning Assessment Commission, the independent determination body responsible for major and state significant projects in NSW. She is an alternate for the NSW Joint Regional Planning Panels. She is Executive Chair of GoldbergBlaise, a boutique consultancy providing advice to the infrastructure, planning, housing, tourism and transport sectors, and an Associate of the Institute for Public Policy and Governance, University of Technology, Sydney.

Ms Goldberg has held a number of executive positions, including CEO, Metro Transport Sydney (light rail and monorail company) and General Manager, South Sydney Development Corporation.

Ms Goldberg is a Fellow of the Australian Institute of Company Directors. She has been a Mentor for the 'Next Generation of Corporate Female Leaders' program, 2016 (Women on Boards) as well as a recipient of the Women's Scholarship (Australian Graduate School of Business, UNSW, 1999).

*Brett Tucker, Director
BRurSc, Grad.Cert. Accounting and Finance, MAICD, Churchill Fellow
Appointed 10 July 2017*

Brett Tucker was appointed to the Icon Water Board in July 2017 and is a member of the Icon Water Remuneration Committee, a Member of the Risk and Assurance Committee, a Director of the Icon Retail Investments Limited Board and a Director of the Icon Distribution Investments Limited Board.

Mr Tucker joins Icon Water with extensive experience working in the public and private sector as a director and chief executive in complex operating environments with financial responsibilities exceeding multi millions of dollars, predominantly in water resource management and agriculture.

Mr Tucker currently runs Blackwatch Consulting, a business providing high level strategy, governance and technical advice to government and private sector corporations, industry groups and project teams. He also is currently a Director of the Peter Cullen Trust and provides mentoring and coaching support to a number of Senior Managers and prospective industry leaders.

Brett was Chief Executive and Director of NSW State Water Corporation prior to its merger with the Sydney Catchment Authority in March 2014 to form WaterNSW. Prior to that he was the Managing Director of Murrumbidgee Irrigation Ltd, Australia's largest private rural water utility, and held a number of other roles in the water and rural sectors.

Mr Tucker holds an Honours Degree in Rural Science and a Graduate Certificate in Accounting and Finance. Brett was awarded a Churchill Fellowship in 1998 and is a Member of the Australian Institute of Company Directors.

Directors (continued)

*Jennifer Goddard, Director
BCom (Hons)
Appointed 10 July 2017*

Jennifer Goddard was appointed to the Icon Water Board in November 2011, and was appointed to the Icon Distribution Investments Limited and Icon Retail Investment Limited Boards on 10 July 2017. Ms Goddard is a member of the Icon Water Board's Risk and Assurance Committee and a member of the Remuneration Committee.

Ms Goddard is an independent non-executive director who has served on the Boards of several Commonwealth and ACT Government organisations. She is currently a Member of the Audit Committee of the Murray-Darling Basin Authority.

During her prior twenty-five year career in the Australian Public Service, Ms Goddard held a number of senior roles in the Department of the Prime Minister and Cabinet (PM&C) and as an economic policy adviser in the Department of the Treasury. As a Deputy Secretary in PM&C, Ms Goddard advised the Prime Minister on a wide range of macroeconomic, industry, infrastructure, energy, water and environment policy matters and carried oversight responsibility for Federal Budget, Council of Australian Governments and Cabinet processes.

*Dr Thomas Parry AM, Director
PhD, MEd, BEc (Hons)
Appointed 10 July 2017*

Dr Thomas Parry was appointed to the Icon Water Board in November 2015, and was appointed to the Icon Distribution Investments Limited and Icon Retail Investment Limited Boards on 10 July 2017. Dr Parry is also a member of the Icon Water Board's Remuneration Committee. In March 2017 Dr Parry was also appointed as Deputy Chair of the ActewAGL Partnerships Board.

Dr Parry was Foundation Chair of the Australian Energy Market Operator (2008-2015), is the former Chair of First State Super Trustee Corporation (2000–2014) and former Chair of the Sydney Water Corporation (2006–2013).

From 2004-2009 Dr Parry had several roles with Macquarie Bank and for the previous 12 years he was the Foundation Executive Chair of the Independent Pricing and Regulatory Tribunal of NSW (IPART), and its predecessor the Government Pricing Tribunal - the first utility regulator in Australia. He has been the Head of the School of Economics, University of New South Wales and Dean, Faculty of Commerce, University of Wollongong.

Dr Parry is currently a director of ASX-Compliance (the regulatory arm of the Australian Securities Exchange) and a director of Powerco Limited (New Zealand). Dr Parry has extensive experience in corporate governance in the private and government sectors, regulatory and financial experience and substantial exposure to the water and energy industries.

Dr Parry has a Bachelor of Economics (Hons) and Masters of Economics from the University of Sydney and a PhD from the University of London (London School of Economics). Dr Parry was awarded an Order of Australia (AM) in 2008.

Company Secretary

Jane Breaden

MSc, MMgsST, BBus, GCPProfWrtg, GCPerfAudt

Jane Breaden, General Manager Business Services, was appointed as company secretary of Icon Water Limited, Icon Distribution Investments Limited and Icon Retail Investments Limited in July 2016. Ms Breaden previously held the position of alternate company secretary from July 2014. Ms Breaden joined Icon Water in 2014 and has extensive experience in project management, consulting and governance services in both the public and private sectors. Ms Breaden holds a Master of Science (Operations Research and Statistics), Master of Management Studies in Project Management, Bachelor of Business, Graduate Certificate in Professional Writing and a Graduate Certificate in Performance Audit.

Alison Pratt

B.Ec, LLB (Hons), GDLP

Alison Pratt, Manager Legal and Secretariat, was appointed deputy company secretary of Icon Water Limited, Icon Distribution Investments Limited and Icon Retail Investments Limited in August 2016. Prior to joining Icon Water in 2013, Ms Pratt worked in private commercial legal practice in Australia and the UK. Ms Pratt's legal experience includes advising clients from both the private and public sectors on corporate governance, property, environment, construction and planning. Ms Pratt holds a Bachelor of Economics, a Bachelor of Laws and a Graduate Diploma in Legal Practice.

Craig Richardson

BA, MBA, MAICD

Resigned 29 July 2016

Craig Richardson was appointed company secretary of Icon Water Limited, Icon Distribution Investments Limited and Icon Retail Investments Limited in May 2014. Mr Richardson joined ACTEW (now Icon Water Limited) in 1998 and was previously the past president of the ACT's Australian Institute of Credit Management and the Governance and Operations Manager for Icon Water's Water Security Major Projects. Mr Richardson holds a Bachelor of Arts and a Master of Business Administration and is a member of the Australian Institute of Company Directors.

Meetings of directors

The number of director's meetings held in the year and the number of meetings attended by each director who held office during the financial year are:

| | Number of meetings attended | Number of meetings eligible to attend |
|----------------------|--------------------------------|--|
| Wendy Caird, Chair | 6 | 6 |
| Dr Michael Easson AM | 4 | 4 |
| Carol Lilley | 2 | 2 |
| John Knox | 6 | 6 |
| Rachel Peck | 6 | 6 |

Principal activities and review of operations

Icon Retail holds a 50% interest in the ActewAGL Retail Partnership. Its operations and the expected results of those operations are dependent on that of the ActewAGL Retail Partnership.

In April 2012, Icon Retail Investments Limited and AGL ACT Retail Investments Pty Ltd formed ActewAGL Generation Pty Ltd in order to develop generation projects. There were two issued shares in ActewAGL Generation Pty Ltd, with one held by each of Icon Retail Investments Limited and AGL ACT Retail Investments Pty Ltd. In March 2017, ActewAGL Generation Pty Ltd was re-named as ActewAGL Retail Investments Pty Ltd with the intention that it will be a holding company for investments of ActewAGL Retail. The two issued shares were transferred and are now held by Icon Retail Investments Limited and AGL ACT Retail Investments Pty Ltd as joint tenants of the ActewAGL Retail Partnership.

Significant changes in the state of affairs

There have been no other significant changes in the state of affairs of Icon Retail during the year.

Trading results and dividends

A dividend of \$15,504,104 (2016: \$20,581,001) has been declared by the directors to be paid, which is 100% of 30 June 2017 after tax net profit.

Matters subsequent to the end of the financial year

On 10 July 2017 Brett Tucker, Abigail Goldberg, Jennifer Goddard and Dr Thomas Parry AM were appointed as directors.

No other matters of significance have arisen since the end of the financial year.

Likely developments and expected results of operations

There are no likely developments that will affect the expected results of operations.

Environmental Regulations

Icon Retail has various environmental reporting requirements and obligations in each state and territory that it holds a licence. The licences were issued to the ActewAGL Retail Partnership and reporting and compliance obligations are undertaken by the Partnership.

Insurance of officers

Icon Water had in place during the financial year a package of insurance that included insurance for directors and officers of Icon Water and its controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company, other than where such liabilities arise out of conduct involving wilful breach of duty by the officers or the improper use by the officers of their position. The policy also applies if a claim is made against directors or officers after they have left the service of Icon Water, where the claim was over events that occur during their service at Icon Water.

No claim has been made against the officers and directors insurance policy during the 2016-2017 financial year.

Indemnity of officers and directors

Icon Water has indemnified officers and directors of the corporation and its controlled entities against liabilities and legal costs arising in the course of their duties. This includes as a director appointed by Icon Water or by a subsidiary company to Icon Water to serve on the board of a company or partnership that is part owned directly or indirectly by Icon Water or by a subsidiary company of Icon Water, to the extent permitted by the *Corporations Act 2001*. This indemnity is to operate only where and to the extent that the director or officer is unable to require an insurer to meet the damage, liability, cost, loss or expense.

No liability has arisen under these indemnities as at the date of this report.

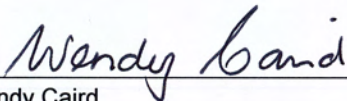
Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

Rounding of amounts

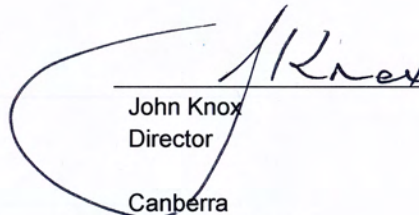
The Company is of a kind referred to in Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed for and on behalf of, and in accordance with a resolution of, the board of directors.



Wendy Caird
Chair

Canberra
30 August 2017



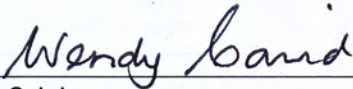
John Knox
Director

Canberra
30 August 2017

In the directors' opinion:

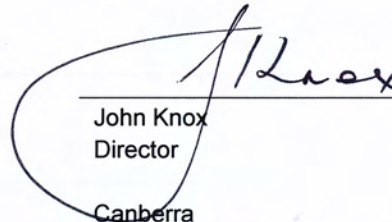
- (a) the financial statements, which include this directors' declaration and notes set out on pages 13 to 25, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards - Reduced Disclosure Requirements, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable (refer to Note 1(v)).

This declaration is made in accordance with a resolution of directors.



Wendy Caird
Chair

Canberra
30 August 2017



John Knox
Director

Canberra
30 August 2017

INDEPENDENT AUDIT REPORT

ICON RETAIL INVESTMENTS LIMITED

To the Members of the ACT Legislative Assembly and Icon Retail Investments Limited

Audit opinion

I am providing an **unqualified audit opinion** on the financial report of Icon Retail Investments Limited (the Company) for the year ended 30 June 2017. The financial report comprises the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes and directors' declaration.

In my opinion, the financial report:

- (i) is presented in accordance with the *Corporations Act 2001*, Australian Accounting Standards (including Australian Accounting Interpretations) – Reduced Disclosure Requirements and other mandatory financial reporting requirements in Australia; and
- (ii) presents fairly the financial position of the Company and results of its operations and cash flows.

Basis for the audit opinion

The audit was conducted in accordance with Australian Auditing Standards. I have complied with the requirements of the Accounting Professional and Ethical Standards 110 *Code of Ethics for Professional Accountants*.

I believe that sufficient evidence was obtained during the audit to provide a basis for the audit opinion.

Responsibility for preparing and fairly presenting the financial report

The directors of the Company are responsible for:

- preparing and fairly presenting the financial report in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including Australian Accounting Interpretations) – Reduced Disclosure Requirements;
- determining the internal controls necessary for the preparation and fair presentation of financial report so that they are free from material misstatements, whether due to error or fraud; and
- assessing the ability of the Company to continue as a going concern and disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting in preparing the financial report.

Responsibility for the audit of the financial report

Under the *Corporations Act 2001*, the Auditor-General is responsible for issuing an audit report that includes an independent audit opinion on the financial report of the Company.

As required by Australian Auditing Standards, the auditors:

- applied professional judgement and maintained scepticism;
- identified and assessed the risks of material misstatements due to error or fraud and implemented procedures to address these risks so that sufficient evidence was obtained to form an audit opinion. The risk of not detecting material misstatements due to fraud is higher than the risk due to error, as fraud may involve collusion, forgery, intentional omissions or misrepresentations or the override of internal controls;
- obtained an understanding of internal controls to design audit procedures for forming an audit opinion;
- evaluated accounting policies and estimates used to prepare the financial report and disclosures made in the financial report;
- evaluated the overall presentation and content of the financial report, including whether they present the underlying transactions and events in a manner that achieves fair presentation;
- reported the scope and timing of the audit and any significant deficiencies in internal controls identified during the audit to the directors of the Company; and
- assessed the going concern* basis of accounting used in the preparation of the financial report.

(*Where the auditor concludes that a material uncertainty exists which cast significant doubt on the appropriateness of using the going concern basis of accounting, the auditor is required to draw attention in the audit report to the relevant disclosures in the financial report or, if such disclosures are inadequate, the audit opinion is to be modified. The auditor's conclusions on the going concern basis of accounting are based on the audit evidence obtained up to the date of this audit report. However, future events or conditions may cause the entity to cease to continue as a going concern.)

Limitations on the scope of the audit

An audit provides a high level of assurance about whether the financial report is free from material misstatements, whether due to fraud or error. However, an audit cannot provide a guarantee that no material misstatements exist due to the use of selective testing, limitations of internal control, persuasive rather than conclusive nature of audit evidence and use of professional judgement in gathering and evaluating evidence.

An audit does not provide assurance on the:

- prudence of decisions made by the Company;
- adequacy of controls implemented by the Company; or
- integrity of the audited financial report presented electronically or information hyperlinked to or from the financial report. Assurance can only be provided for the printed copy of the audited financial report.



Dr Maxine Cooper
Auditor-General

31 August 2017


Board of Directors
Icon Retail Investments Limited
ActewAGL House
40 Bunda Street
CANBERRA CITY ACT 2601

Dear Board Members

**AUDITOR'S INDEPENDENCE DECLARATION
FINANCIAL REPORT OF ICON RETAIL INVESTMENTS LIMITED
FOR THE YEAR ENDED 30 JUNE 2017**

In relation to the audit of the financial report of Icon Retail Investments Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Yours sincerely



Dr Maxine Cooper
Auditor-General
30 August 2017

Icon Retail Investments Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

| | Notes | 2017 \$'000 | 2016 \$'000 |
|--|-------|----------------|----------------|
| Share of net profit of the joint venture partnership accounted for using the equity method | 2 | 22,103 | 29,392 |
| Other revenue from ActewAGL Retail Partnership | 2 | 69 | 69 |
| Operating profit | | 22,172 | 29,461 |
| Other expenses arising from ordinary activities | | (14) | (15) |
| Profit before income tax equivalents expense | | 22,158 | 29,446 |
| Income tax equivalent expense | 3a | (6,654) | (8,865) |
| Profit for the year | | 15,504 | 20,581 |
| Profit is attributable to: | | | |
| Owners of Icon Retail Investments Limited | | 15,504 | 20,581 |
| Total comprehensive income for the year | | 15,504 | 20,581 |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Icon Retail Investments Limited
Statement of financial position
As at 30 June 2017

| | Notes | 2017 \$'000 | 2016 \$'000 |
|---|-------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Receivables | 5a | 6,737 | 6,737 |
| Investments accounted for using the equity method | 5b | 52,188 | 51,515 |
| Deferred tax balances | 6 | 3,822 | 4,712 |
| Total non-current assets | | <u>62,747</u> | <u>62,964</u> |
| Total assets | | <u>62,747</u> | <u>62,964</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 5c | 17 | 16 |
| Dividends payable | 4 | 15,504 | 20,581 |
| Total current liabilities | | <u>15,521</u> | <u>20,597</u> |
| Non-current liabilities | | | |
| Intercompany loan | 5c | 46,226 | 41,367 |
| Total non-current liabilities | | <u>46,226</u> | <u>41,367</u> |
| Total liabilities | | <u>61,747</u> | <u>61,964</u> |
| Net assets | | <u>1,000</u> | <u>1,000</u> |
| EQUITY | | | |
| Contributed equity | 7a | 1,000 | 1,000 |
| Total equity | | <u>1,000</u> | <u>1,000</u> |

The above statement of financial position should be read in conjunction with the accompanying notes.

Icon Retail Investments Limited
Statement of cash flows
For the year ended 30 June 2017

| | Notes | 2017 \$'000 | 2016 \$'000 |
|---|-------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Distributions received from the ActewAGL Retail Partnership | | 21,500 | 18,000 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | <u>(15)</u> | <u>(13)</u> |
| Net cash inflow from operating activities | | <u>21,485</u> | <u>17,987</u> |
| Net cash inflow / (outflow) from investing activities | | | |
| | | <u>-</u> | <u>-</u> |
| Cash flows from financing activities | | | |
| Income tax equivalents paid by Icon Water | | (5,763) | (10,544) |
| Payments of dividends to Icon Water | 4 | <u>(20,581)</u> | <u>(22,261)</u> |
| Net cash outflow from financing activities | | <u>(26,344)</u> | <u>(32,805)</u> |
| Net (decrease) / increase in cash and cash equivalents | | | |
| | | <u>(4,859)</u> | <u>(14,818)</u> |
| Parent company intercompany Icon Water account movements | | | |
| Balance at the beginning of the financial year | | (41,367) | (26,549) |
| Balance at the end of the financial year | 5c | <u>(46,226)</u> | <u>(41,367)</u> |
| Total movement | | <u>(4,859)</u> | <u>(14,818)</u> |

The parent company, Icon Water, handles the cash for this company which is offset by a loan account. All cash is handled through Icon Water and is reflected in the accounts of that company.

The above statement of cash flows should be read in conjunction with the accompanying notes.

Icon Retail Investments Limited
Statement of changes in equity
For the year ended 30 June 2017

| | Notes | Capital \$'000 | Retained earnings \$'000 | Total equity \$'000 |
|--|-------|---------------------|--------------------------------|------------------------|
| Balance at 1 July 2015 | | 1,000 | - | 1,000 |
| Profit for the year | | - | 20,581 | 20,581 |
| Transactions with owners in their capacity as owners: | | | | |
| Dividends provided for or paid | 4 | - | (20,581) | (20,581) |
| Balance at 30 June 2016 | | <u>1,000</u> | <u>-</u> | <u>1,000</u> |
| | | | | |
| Balance at 1 July 2016 | | 1,000 | - | 1,000 |
| Profit for the year | | - | 15,504 | 15,504 |
| Transactions with owners in their capacity as owners: | | | | |
| Dividends provided for or paid | 4 | - | (15,504) | (15,504) |
| Balance at 30 June 2017 | | <u>1,000</u> | <u>-</u> | <u>1,000</u> |

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the financial statements

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operation of the entity, including

- Accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction.
- Analysis and sub-totals.
- Information about estimates and judgments made in relation to particular items are included in the notes.

This section also provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria. It also includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

1. Significant accounting policies
2. Revenue from continuing operations
3. Income tax equivalents expense
4. Dividends
5. Financial assets and liabilities
6. Deferred tax balances
7. Equity
8. Interests in joint ventures
9. Contingencies
10. Commitments for expenditure
11. Events occurring after the reporting period
12. Related party transactions

1. Significant accounting policies

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

a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001* and other requirements of the law. Icon Retail is a for-profit entity for the purpose of preparing the financial statements.

(i) *Compliance with Australian Accounting Standards - Reduced Disclosure Requirements*

The financial report of Icon Retail complies with Australian Accounting Standards - Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

(ii) *Historical cost convention*

These financial statements have been prepared on a historical cost convention, unless otherwise stated in the financial statements.

(iii) *Early adoption of standards*

The directors have not elected to early adopt any new standards or amendments to standard interpretations in the current year.

(iv) *New and amended standards adopted by the group*

The adoption of all new standards, amendments to standard interpretations that were issued prior to sign off date and are applicable to future financial reporting period are not expected to have a material impact.

(v) *Going concern*

The financial report has been prepared on a going concern basis. At 30 June 2017, current liabilities exceed current assets by \$15.5 million. This deficiency in current assets is able to be managed by the ability to generate profits, as evidenced by current and prior year results as well as generating positive cash inflow from operating activities. In the opinion of the directors, Icon Retail has adequate resources to continue as a going concern and pay its debts as and when they fall due and payable.

(vi) *Rounding of amounts*

Icon Retail is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016. In accordance with that Instrument amounts in the financial report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

b) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised exclusive of GST. Receivables and payables are stated inclusive of the amount of GST receivable or payable.

2. Revenue from continuing operations

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Share of net profit of the ActewAGL Retail Partnership accounted for using the equity method | 22,103 | 29,392 |
| Other revenue from the ActewAGL Retail Partnership | 69 | 69 |
| | 22,172 | 29,461 |

Icon Retail derives all of its revenue from the ActewAGL Retail Partnership.

Accounting policy

Icon Retail recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and specific criteria have been met.

3. Income tax equivalents expense

The income tax equivalents, calculated at 30% on taxable profit differs from the amount calculated on the accounting profit. The differences are reconciled as follows:

a) Income tax equivalents expense

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| Current Tax | | |
| Current tax equivalents expense recognised in the current year | 7,042 | 10,544 |
| Adjustment to prior year (i) | (1,278) | - |
| | 5,764 | 10,544 |
| Deferred tax | | |
| Deferred tax equivalents expense recognised in the current year | (392) | (1,679) |
| Adjustments to prior year (i) | 1,282 | - |
| | 890 | (1,679) |
| Income tax equivalents expense | 6,654 | 8,865 |

(i) Adjustments to prior year relates to differences between the financial statements income tax expense and the income tax return lodged.

b) Numerical reconciliation of income tax equivalents to prima facie tax payable

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| Profit from continuing operations before income tax expense | 22,158 | 29,446 |
| Tax at the Australian tax rate of 30% (2015-2016: 30%) | 6,647 | 8,834 |
| Other Items: | | |
| - Other non-deductible expenses | 29 | 33 |
| - Share of ActewAGL Retail profits and partner share of profits | (21) | (21) |
| - Adjustments for income tax expense of prior periods | 3 | 14 |
| - Other | (4) | 5 |
| Income tax equivalents expense | 6,654 | 8,865 |

3. Income tax equivalents expense (continued)

Accounting Policy

National Tax Equivalents Regime

Icon Retail is exempt from Federal income tax. Icon Water and its controlled entities are required to make an equivalent payment to the ACT Government as required by the *Territory-owned Corporations Act 1990*.

The income tax equivalents expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Tax consolidation legislation

Icon Water and its controlled entities have entered into a tax funding agreement under which the controlled entities fully compensate Icon Water for any current tax payable assumed and are compensated by Icon Water for any current tax receivable and deferred tax assets relating to unused tax credits that are transferred to Icon Water under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in its controlled entities' financial statements.

The amounts receivable/payable under the tax funding agreement is due upon receipt of the funding advice from Icon Water, which is issued as soon as practicable at the end of the financial year. Icon Water may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as non-current intercompany loan receivable or payable.

4. Dividends

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------------|----------------------|
| Dividend payable at the beginning of the financial year | 20,581 | 22,261 |
| Amount appropriated from operating profit | <u>15,504</u> | <u>20,581</u> |
| | 36,085 | 42,842 |
| Amount paid during the year | <u>(20,581)</u> | <u>(22,261)</u> |
| Dividend payable at the end of the financial year | <u><u>15,504</u></u> | <u><u>20,581</u></u> |

Accounting policy

Icon Retail pays 100% of its profits to Icon Water. A provision is made for this dividend at the end of financial year.

5. Financial assets and liabilities

a) Receivables

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Non-current | | |
| Receivables from Icon Water for tax losses | 6,737 | 6,737 |
| | 6,737 | 6,737 |

b) Investments accounted for using the equity method

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Non-current assets | | |
| Investments in the ActewAGL Retail Partnership and ActewAGL Retail Investments Ltd | 52,188 | 51,515 |
| | 52,188 | 51,515 |

Accounting policy

The cost method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Icon Retail has assessed its joint arrangements in ActewAGL Retail Partnership and ActewAGL Retail Investments Ltd and concluded the arrangements to be joint ventures. The interests in the joint ventures are accounted for using the equity method. Under this method, the share of profit or losses of the partnership or company is recognised as revenue in the statement of comprehensive income, and the share of movement in reserves is recognised in reserves in the balance sheet.

Icon Retail's share in property, plant and equipment assets of the ActewAGL Retail partnership will be adjusted to fair value if material to align to Icon Water Group's accounting policy on infrastructure property, plant and equipment assets accounted for at fair value. This fair value adjustment has been considered immaterial for 2016-17.

c) Trade and other payables

| | 2017 | | | 2016 | | |
|-------------------|-------------------|-----------------------|-----------------|-------------------|-----------------------|-----------------|
| | Current \$'000 | Non-Current \$'000 | Total \$'000 | Current \$'000 | Non-Current \$'000 | Total \$'000 |
| Trade payables | 17 | - | 17 | 16 | - | 16 |
| Intercompany loan | - | 46,226 | 46,226 | - | 41,367 | 41,367 |
| | 17 | 46,226 | 46,243 | 16 | 41,367 | 41,383 |

Accounting policy

Trade payables

These amounts represent liabilities for goods and services provided to the Icon Retail prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Intercompany Loan

The intercompany loan liability to Icon Water is non-interest bearing, unsecured and is not payable in the normal course of business.

6. Deferred tax balances

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| The balance comprises temporary differences attributable to: | | |
| - Distributions from ActewAGL Retail Partnership | 8,542 | 8,150 |
| - Adjustment to prior year tax (i) | (4,720) | (3,438) |
| - Accrual | 3 | 3 |
| - Other | (3) | (3) |
| | <u>3,822</u> | <u>4,712</u> |
| Movements: | | |
| Balance at the beginning of the year | 4,712 | 3,032 |
| Charged / (Credited): | | |
| - to profit or loss | (890) | 1,680 |
| Balance at the end of the year | <u>3,822</u> | <u>4,712</u> |

| | Distributions from ActewAGL Retail Partnership \$'000 | Adjustment to prior year deferred tax (i) \$'000 | Accrual \$'000 | Other \$'000 | Total \$'000 |
|------------------------|---|---|-------------------|-----------------|-----------------|
| At 1 July 2015 | 7,040 | (4,008) | 3 | (3) | 3,032 |
| Charged / (Credited): | | | | | |
| - profit or loss | 1,110 | 570 | - | - | 1,680 |
| At 30 June 2016 | <u>8,150</u> | <u>(3,438)</u> | <u>3</u> | <u>(3)</u> | <u>4,712</u> |
| At 1 July 2016 | 8,150 | (3,438) | 3 | (3) | 4,712 |
| Charged / (Credited): | | | | | |
| - to profit or loss | 392 | (1,282) | - | - | (890) |
| At 30 June 2017 | <u>8,542</u> | <u>(4,720)</u> | <u>3</u> | <u>(3)</u> | <u>3,822</u> |

(i) Adjustments to prior year relates to differences between the financial statements income tax expenses and the income tax return lodged.

7. Equity

a) Contributed equity

| | 2017 Shares | 2016 Shares | 2017 \$'000 | 2016 \$'000 |
|---------------------------------|----------------|----------------|----------------|----------------|
| Ordinary shares - fully paid | 1,005 | 1,005 | 1,000 | 1,000 |
| Total contributed equity | <u>1,005</u> | <u>1,005</u> | <u>1,000</u> | <u>1,000</u> |

Movements in ordinary share capital:

There has been no movement in share capital.

b) Retained profits

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Retained profits at the beginning of the year | - | - |
| Profit for the year | 15,504 | 20,581 |
| Dividends paid or provided for | (15,504) | (20,581) |
| Retained profits at the end of the year | <u>-</u> | <u>-</u> |

8. Interests in joint ventures

a) Commitments

Icon Retail has entered into a partnership with AGL ACT Retail Investments Pty Ltd to sell electricity and gas to its retail and commercial customers in the ACT and surrounding regions (including Goulburn, Boorowa, Yass, Young and Shoalhaven).

Icon Retail has a 50% participating interest in the ActewAGL Retail Partnership. Information relating to the ActewAGL Retail partnership is set out below:

Share of the Icon Retail Partnership commitments:

| | 2017 | 2016 |
|-------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Lease commitments | 5,211 | 5,998 |
| Capital and other commitments | 1,689 | 5,240 |
| | 6,900 | 11,238 |

Each of the partners in the ActewAGL Retail Partnership is jointly and severally liable for the debts of the Partnership. The assets of the ActewAGL Retail Partnership exceeded its debts at 30 June 2017.

Icon Retail Investments Limited holds shares in ActewAGL Retail Investments Pty Ltd together along with AGL ACT Retail Investments as joint tenants. At 30 June 2017, the only transaction within ActewAGL Retail Investments Ltd was to account for the transfer of share capital (30 June 2016: nil) (Note 12d).

b) Contingent liabilities

There are a number of public liability insurance claims against the ActewAGL Retail Partnership at year end. Should the partnerships be proved liable, the partnerships must pay the first \$25,000 of each claim. Icon Retail's share of this contingent liability is estimated to be \$12,500 at 30 June 2017 (30 June 2016: nil).

9. Contingencies

No contingent liabilities are known to the directors at the date of this report (30 June 2016: nil).

10. Commitments for expenditure

At 30 June 2017, Icon Retail had not committed to any future capital expenditure (30 June 2016: nil).

11. Events occurring after the reporting period

On 10 July 2017 Brett Tucker, Abigail Goldberg, Jennifer Goddard and Dr Thomas Parry AM were appointed as directors.

No other matters of significance have arisen since the end of the financial year.

12. Related party transactions

a) Directors and director related entities

The following persons were directors of Icon Retail during or since the end of the financial year:

Wendy Caird, Chair (appointed Chair 18 March 2017)
Dr Michael Easson AM (resigned 17 March 2017)
Carol Lilley, Deputy Chair (appointed Deputy Chair 18 March 2017)
John Knox, Managing Director
Rachel Peck, Director
Brett Tucker, Director (appointed 10 July 2017)
Abigail Goldberg, Director (appointed 10 July 2017)
Jennifer Goddard, Director (appointed 10 July 2017)
Dr Thomas Parry AM, Director (appointed 10 July 2017)

Any transactions with directors or in which directors are interested, are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions.

b) Remuneration of directors

(i) *Directors' remuneration*

No director has been remunerated in respect of Icon Retail at 30 June 2017 (30 June 2016: nil).

(ii) *Retirement benefits*

There were no retirement benefits paid to directors at 30 June 2017 (30 June 2016: nil).

(iii) *Loans to directors*

There were no loans to any directors at 30 June 2017 (30 June 2016: nil).

(iv) *Shares, units, options and other equity instruments of directors*

There have been no directors who have owned shares, units, options and other equity instruments during the financial year with related entities.

c) Key management personnel remuneration

Key management personnel covered in this report are:

Wendy Caird, Chair (appointed Chair 18 March 2017)
Dr Michael Easson AM (resigned 17 March 2017)
Carol Lilley, Deputy Chair (appointed Deputy Chair 18 March 2017)
John Knox, Managing Director
Rachel Peck, Director

All remuneration of key management personnel is paid through Icon Water.

12. Related party transactions (continued)

d) Parent entity

The parent entity in the wholly-owned group is Icon Water.

The ultimate parent entity is the ACT Government who owns 100% of the shares of Icon Water.

The principal activity of Icon Retail is to hold a 50% interest in the ActewAGL Retail Partnership, on behalf of Icon Water.

In April 2012, Icon Retail Investments Limited and AGL ACT Retail Investments Pty Ltd formed ActewAGL Generation Pty Ltd in order to develop generation projects. There were two issued shares in ActewAGL Generation Pty Ltd, with one held by each of Icon Retail Investments Limited and AGL ACT Retail Investments Pty Ltd. In March 2017, ActewAGL Generation Pty Ltd was re-named as ActewAGL Retail Investments Pty Ltd with the intention that it will be a holding company for investments of ActewAGL Retail. The two issued shares were transferred and are now held by Icon Retail Investments Limited and AGL ACT Retail Investments Pty Ltd as joint tenants of the ActewAGL Retail Partnership. All transactions between the wholly-owned group are at arm's length.

The following transaction occurred with related parties:

| | 2017 | 2016 |
|---|---------------|--------|
| | \$'000 | \$'000 |
| Revenue from the ActewAGL Retail Partnership | 22,172 | 29,461 |
| The following balances are outstanding at the end of the reporting period in relation to transactions with related parties: | | |
| - Receivables from Icon Water | 6,737 | 6,737 |
| - Dividend payable to Icon Water | 15,504 | 20,581 |
| - Intercompany loan liability – Icon Water | 46,226 | 41,367 |



Icon Distribution Investments Limited

ABN 83 073 025 224

General Purpose

Financial Report

For the year ended 30 June 2017

Icon Distribution Investments Limited

ABN 83 073 025 224

Financial Report for the year ended 30 June 2017

| Contents | Page |
|---|-------------|
| Corporate profile..... | 1 |
| Directors' report..... | 2 |
| Directors' declaration..... | 8 |
| Independent audit report..... | 9 |
| Auditor's independence declaration..... | 11 |
| Statement of profit or loss and other comprehensive income..... | 12 |
| Statement of financial position..... | 13 |
| Statement of cash flows..... | 14 |
| Statement of changes in equity..... | 15 |
| Notes to financial statements..... | 16 |

Icon Distribution Investments Limited (Icon Distribution) is a wholly owned subsidiary company of Icon Water Limited (Icon Water). Icon Distribution holds a 50% interest in the ActewAGL Distribution Partnership. Icon Distribution is limited by shares and incorporated and domiciled in Australia.

Principal registered office in Australia

Level 5, ActewAGL House
40 Bunda Street
Canberra ACT 2600
(02) 6248 3111

Principal place of business

Level 5, ActewAGL House
40 Bunda Street
Canberra ACT 2600

GPO Box 366
Canberra ACT 2601

Auditor

ACT Audit Office

Solicitors

King & Wood Mallesons
Minter Ellison

Bankers

Commonwealth Bank of Australia

Website

www.iconwater.com.au

Directors' Report

The directors present the financial report of Icon Distribution for the year ended 30 June 2017.

Directors

The following persons held office as directors of Icon Distribution during the whole of the financial year and up to the date of this report unless otherwise indicated:

Wendy Caird, Chair
MAICD

Wendy Caird was first appointed to the Icon Water Board in December 2009, was appointed as Acting Deputy Chair of the Icon Water Board from 1 July 2013 and appointed as Deputy Chair in March 2014. Ms Caird's appointment term was extended in March 2017 when she was appointed as Chair of the Icon Water Board due to her extensive knowledge of Icon Water's business and experience on the ActewAGL Partnerships Board. Ms Caird is the Chair of Icon Water's Remuneration Committee, Chair of Icon Distribution Investments Limited and Icon Retail Investments Limited and a Member of the ActewAGL Partnerships Board. She is also Chair of ActewAGL's Safety, Audit and Risk Committee.

Ms Caird has held a number of positions with Public Services International (France) including Co-chair of Asia Pacific Region (1998–2002), a Member of the Executive Board (1997–2002), Global Director of the Quality Public Services campaign (2002–2006), and a Member of the Global Coordinating Committee of the "Global Call to Action Against Poverty: (Make Poverty History)" campaign (2005–2006).

Ms Caird held a number of executive positions with the Community and Public Sector Union (Australia) from 1983, including as NSW Branch Secretary, until her appointment as National Secretary in 1993.

Ms Caird is a small business owner, the President of the Kangaroo Valley Community Association, and a Member of both the Kangaroo Valley Tourist Association and Kangaroo Valley Environment Group.

Dr Michael Easson AM
PhD, MSc, BA (Hons), FAICD, FRICS
Resigned 17 March 2017

Dr Michael Easson was a director of Icon Water from 1995 and Deputy Chair from May 1996. Dr Easson was Acting Chair of the Icon Water Board from 1 July 2013 and was appointed as Chair in March 2014. He was also Chair of Icon Distribution Investments Limited and Icon Retail Investments Limited, Chair of the ActewAGL Partnerships Board and Chair of the Icon Water Board's Remuneration Committee. Dr Easson resigned from his positions on 17 March 2017.

Dr Easson has served on some of Australia's largest infrastructure and property boards and is presently Chair of EG Funds Management with \$2.4 billion in assets under management and an executive director of the building technology and documentation business, Ridley & Co. Dr Easson is currently the Chair of the Association of Superannuation Funds of Australia (ASFA) and Chair of ASFA's Policy Committee.

Dr Easson has a PhD from the University of Melbourne, a PhD from the Australian Defence Force Academy of the University of NSW and a Master of Science Degree from the University of Oxford.

Dr Easson was appointed as a Member of the Order of Australia in 1998.

Directors (continued)

Carol Lilley, Deputy Chair
BCom, FCA, CIA, CGAP, GAICD

Carol Lilley was appointed to the Icon Water Board in April 2013 and is also a member of the Icon Distribution Investments Limited and Icon Retail Investments Limited Boards. Ms Lilley is Chair of Icon Water's Risk and Assurance Committee and a Member of the Remuneration Committee. Ms Lilley was appointed as Deputy Chair of the Boards of Icon Water Limited, Icon Distribution Investments Limited and Icon Retail Investments Limited in March 2017.

Ms Lilley is a full time independent board director and Audit Committee Member. Ms Lilley was a Partner of PricewaterhouseCoopers and has extensive experience in financial statement audit, internal audit and project and risk management, with a particular focus on government.

Ms Lilley is currently Chair of several ACT Government Directorate Audit Committees (Chief Minister, Treasury and Economic Development Directorate; Education Directorate; Environment, Planning and Sustainable Development Directorate). Ms Lilley also has various governance roles for Commonwealth Government entities (member of the Department of Immigration & Border Protection's and Australian Federal Police Audit Committees; Chair of National Film & Sound Archives' Audit Committee, independent management assurer for the whole of government accounts, independent Board Member for Australian Financial Security Authority) as well as Chair of the Board of Instaclustr Pty Ltd.

Ms Lilley is a Graduate of the Australian Institute of Company Directors, Fellow of the Institute of Chartered Accountants, was a registered company auditor and is a certified internal auditor.

John Knox, Managing Director
BFA, FCPA, MAICD

John Knox was appointed to the Icon Water Board in March 2014. Mr Knox is a director on the Boards of Icon Distribution Investments Limited and Icon Retail Investments Limited and a Member of Icon Water's Remuneration Committee. Mr Knox is a Member of the ActewAGL Partnerships Board, the Water Services Association of Australia (WSAA) Board, the Chair of the WSAA Customer and Industry Leadership Committee and a member of the ACT and Region Catchment Management Coordination Group.

Mr Knox previously held the position of Chief Finance Officer of ActewAGL and has an extensive background in private sector commercial management.

Rachel Peck, Director
MBA, BEng (Civil) (Hons), GAICD

Rachel Peck was appointed to the Icon Water Board in May 2011 and reappointed for a third term from May 2017 to ensure a continuation of experience and corporate knowledge for the effective functioning of the Board. Ms Peck is a Member of the Icon Water Board's Risk and Assurance Committee, Remuneration Committee and a Member of the Icon Distribution Investments Board and Icon Retail Investments Limited Board.

Ms Peck is Principal of peckvonhartel and is an Advisory Board Member of the Australian Futures Project. Ms Peck is the former Deputy Chair of the Australian Tapestry Workshop, former Chair of the Canberra Business Chamber Planning and Infrastructure Taskforce, former Divisional Council Member of the Property Council of Australia (ACT) and former Interim Board Member for the founding of the Canberra International Arboretum.

Ms Peck attended the Australia 2020 Summit and in 2010 completed a Master of Business Administration at the Melbourne Business School. She was awarded a Future Leaders' Award in 2006 and was the Telstra ACT Young Business Woman of the Year in 2008. She is a Fellow of the Australian Institute of Company Directors.

Directors (continued)

*Abigail Goldberg, Director
MBA (Executive), MA (Urban Design), BSc (TRP hon), FAICD
Appointed 10 July 2017*

Abigail Goldberg was appointed to the Icon Water Board in July 2017. She is a member of the Icon Water Remuneration Committee, a Member of the Risk and Assurance Committee, a Director of the Icon Retail Investments Limited Board as well as a Director of the Icon Distribution Investments Limited Board.

Ms Goldberg is a Non-Executive Director of Crown Lands Holiday Park Trust NSW, where she Chairs the Audit and Risk Committee, and Deputy Chair of Cemeteries and Crematoria NSW, where she Chairs the Industry Liaison Group. She was previously a Non-Executive Director of the Central Coast Water Corporation.

Ms Goldberg is one of the senior part-time Commissioners at the Planning Assessment Commission, the independent determination body responsible for major and state significant projects in NSW. She is an alternate for the NSW Joint Regional Planning Panels. She is Executive Chair of GoldbergBlaise, a boutique consultancy providing advice to the infrastructure, planning, housing, tourism and transport sectors, and an Associate of the Institute for Public Policy and Governance, University of Technology, Sydney.

Ms Goldberg has held a number of executive positions, including CEO, Metro Transport Sydney (light rail and monorail company) and General Manager, South Sydney Development Corporation.

Ms Goldberg is a Fellow of the Australian Institute of Company Directors. She has been a Mentor for the 'Next Generation of Corporate Female Leaders' program, 2016 (Women on Boards) as well as a recipient of the Women's Scholarship (Australian Graduate School of Business, UNSW, 1999).

*Brett Tucker, Director
BRurSc, Grad.Cert. Accounting and Finance, MAICD, Churchill Fellow
Appointed 10 July 2017*

Brett Tucker was appointed to the Icon Water Board in July 2017 and is a member of the Icon Water Remuneration Committee, a Member of the Risk and Assurance Committee, a Director of the Icon Retail Investments Limited Board and a Director of the Icon Distribution Investments Limited Board.

Mr Tucker joins Icon Water with extensive experience working in the public and private sector as a director and chief executive in complex operating environments with financial responsibilities exceeding multi millions of dollars, predominantly in water resource management and agriculture.

Mr Tucker currently runs Blackwatch Consulting, a business providing high level strategy, governance and technical advice to government and private sector corporations, industry groups and project teams. He also is currently a Director of the Peter Cullen Trust and provides mentoring and coaching support to a number of Senior Managers and prospective industry leaders.

Brett was Chief Executive and Director of NSW State Water Corporation prior to its merger with the Sydney Catchment Authority in March 2014 to form WaterNSW. Prior to that he was the Managing Director of Murrumbidgee Irrigation Ltd, Australia's largest private rural water utility, and held a number of other roles in the water and rural sectors.

Mr Tucker holds an Honours Degree in Rural Science and a Graduate Certificate in Accounting and Finance. Brett was awarded a Churchill Fellowship in 1998 and is a Member of the Australian Institute of Company Directors.

Directors (continued)

Jennifer Goddard, Director
BCom (Hons)
Appointed 10 July 2017

Jennifer Goddard was appointed to the Icon Water Board in November 2011, and was appointed to the Icon Distribution Investments Limited and Icon Retail Investment Limited Boards on 10 July 2017. Ms Goddard is a member of the Icon Water Board's Risk and Assurance Committee and a member of the Remuneration Committee.

Ms Goddard is an independent non-executive director who has served on the Boards of several Commonwealth and ACT Government organisations. She is currently a Member of the Audit Committee of the Murray-Darling Basin Authority.

During her prior twenty-five year career in the Australian Public Service, Ms Goddard held a number of senior roles in the Department of the Prime Minister and Cabinet (PM&C) and as an economic policy adviser in the Department of the Treasury. As a Deputy Secretary in PM&C, Ms Goddard advised the Prime Minister on a wide range of macroeconomic, industry, infrastructure, energy, water and environment policy matters and carried oversight responsibility for Federal Budget, Council of Australian Governments and Cabinet processes.

Dr Thomas Parry AM, Director
PhD, MEd, BEc (Hons)
Appointed 10 July 2017

Dr Thomas Parry was appointed to the Icon Water Board in November 2015, and was appointed to the Icon Distribution Investments Limited and Icon Retail Investment Limited Boards on 10 July 2017. Dr Parry is also a member of the Icon Water Board's Remuneration Committee. In March 2017 Dr Parry was also appointed as Deputy Chair of the ActewAGL Partnerships Board.

Dr Parry was Foundation Chair of the Australian Energy Market Operator (2008-2015), is the former Chair of First State Super Trustee Corporation (2000-2014) and former Chair of the Sydney Water Corporation (2006-2013).

From 2004-2009 Dr Parry had several roles with Macquarie Bank and for the previous 12 years he was the Foundation Executive Chair of the Independent Pricing and Regulatory Tribunal of NSW (IPART), and its predecessor the Government Pricing Tribunal - the first utility regulator in Australia. He has been the Head of the School of Economics, University of New South Wales and Dean, Faculty of Commerce, University of Wollongong.

Dr Parry is currently a director of ASX-Compliance (the regulatory arm of the Australian Securities Exchange) and a director of Powerco Limited (New Zealand). Dr Parry has extensive experience in corporate governance in the private and government sectors, regulatory and financial experience and substantial exposure to the water and energy industries.

Dr Parry has a Bachelor of Economics (Hons) and Masters of Economics from the University of Sydney and a PhD from the University of London (London School of Economics). Dr Parry was awarded an Order of Australia (AM) in 2008.

Company Secretary

Jane Breaden
MSc, MMgsST, BBus, GCProfWrtg, GCPerfAudt

Jane Breaden, General Manager Business Services, was appointed as company secretary of Icon Water Limited, Icon Distribution Investments Limited and Icon Retail Investments Limited in July 2016. Ms Breaden previously held the position of alternate company secretary from July 2014. Ms Breaden joined Icon Water in 2014 and has extensive experience in project management, consulting and governance services in both the public and private sectors. Ms Breaden holds a Master of Science (Operations Research and Statistics), Master of Management Studies in Project Management, Bachelor of Business, Graduate Certificate in Professional Writing and a Graduate Certificate in Performance Audit.

Company Secretary (continued)

Alison Pratt

B.Ec, LLB (Hons), GDLP

Alison Pratt, Manager Legal and Secretariat, was appointed deputy company secretary of Icon Water Limited, Icon Distribution Investments Limited and Icon Retail Investments Limited in August 2016. Prior to joining Icon Water in 2013, Ms Pratt worked in private commercial legal practice in Australia and the UK. Ms Pratt's legal experience includes advising clients from both the private and public sectors on corporate governance, property, environment, construction and planning. Ms Pratt holds a Bachelor of Economics, a Bachelor of Laws and a Graduate Diploma in Legal Practice.

Craig Richardson

BA, MBA, MAICD

Resigned 29 July 2016

Craig Richardson was appointed company secretary of Icon Water Limited, Icon Distribution Investments Limited and Icon Retail Investments Limited in May 2014. Mr Richardson joined ACTEW (now Icon Water Limited) in 1998 and was previously the past president of the ACT's Australian Institute of Credit Management and the Governance and Operations Manager for Water Security Major Projects. Mr Richardson holds a Bachelor of Arts and a Master of Business Administration and is a member of the Australian Institute of Company Directors.

Meetings of directors

The number of director's meetings held in the year and the number of meetings attended by each director who held office during the financial year are:

| | Number of meetings attended | Number of meetings eligible to attend |
|----------------------|--------------------------------|--|
| Wendy Caird, Chair | 5 | 5 |
| Dr Michael Easson AM | 3 | 3 |
| Carol Lilley | 2 | 2 |
| John Knox | 5 | 5 |
| Rachel Peck | 5 | 5 |

Principal activities and review of operations

Icon Distribution holds a 50% interest in the ActewAGL Distribution Partnership. Its operations and the expected results of those operations are dependent on that of the ActewAGL Distribution Partnership.

Significant changes in the state of affairs

There have been no significant changes in the nature of the activity of Icon Distribution during the year.

Trading results and dividends

A dividend of \$45,637,894 (30 June 2016: \$49,040,517) has been declared by the directors to be paid, which is 100% of 30 June 2017 after tax net profit.

Matters subsequent to the end of the financial year

On 10 July 2017 Brett Tucker, Abigail Goldberg, Jennifer Goddard and Dr Thomas Parry AM were appointed as directors.

No other matters of significance have arisen since the end of the financial year.

Likely developments and expected results of operations

There are no likely developments that will affect the expected results of operations.

Environmental Regulations

Icon Distribution has various environmental reporting requirements and obligations in each state and territory that it holds a licence. The licences were issued to the ActewAGL Distribution Partnership and reporting and compliance obligations are undertaken by the Partnership.

Insurance of officers and directors

Icon Water had in place during the financial year a package of insurance that included insurance for directors and officers of Icon Water, its controlled entities and the ActewAGL Joint Venture.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company, other than where such liabilities arise out of conduct involving wilful breach of duty by the officers or the improper use by the officers of their position. The policy also applies if a claim is made against directors or officers after they have left the service of Icon Water, where the claim was over events that occur during their service at Icon Water.

No claim has been made against the officers and directors insurance policy during the 2016-2017 financial year.

Indemnity of officers and directors

Icon Water has indemnified officers and directors of the corporation and its controlled entities against liabilities and legal costs arising in the course of their duties. This includes as a director appointed by Icon Water or by a subsidiary company to Icon Water to serve on the board of a company or partnership that is part owned directly or indirectly by Icon Water or by a subsidiary company of Icon Water, to the extent permitted by the *Corporations Act 2001*. This indemnity is to operate only where and to the extent that the director or officer is unable to require an insurer to meet the damage, liability, cost, loss or expense.

No liability has arisen under these indemnities as at the date of this report.

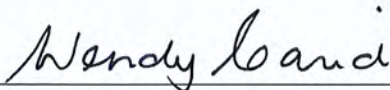
Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

Rounding of amounts

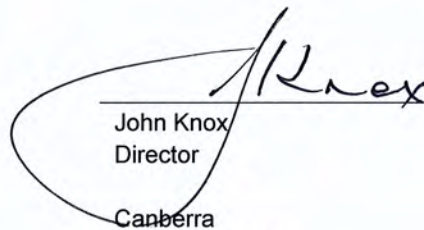
The Company is of a kind referred to in Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission (ASIC), relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed for and on behalf of, and in accordance with a resolution of, the board of directors.



Wendy Caird
Chair

Canberra
30 August 2017



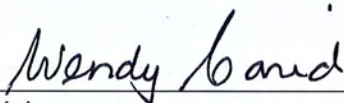
John Knox
Director

Canberra
30 August 2017

In the directors' opinion:

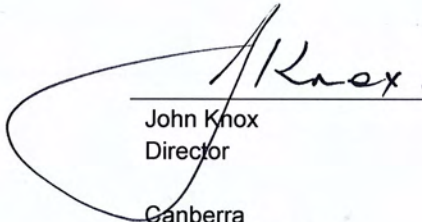
- (a) the financial statements, which include this directors' declaration and notes set out on pages 12 to 25, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards - Reduced Disclosure Requirements, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable (refer to Note 1(v)).

This declaration is made in accordance with a resolution of directors.



Wendy Caird
Chair

Canberra
30 August 2017



John Knox
Director

Canberra
30 August 2017

INDEPENDENT AUDIT REPORT**ICON DISTRIBUTION INVESTMENTS LIMITED****To the Members of the ACT Legislative Assembly and Icon Distribution Investments Limited****Audit opinion**

I am providing an **unqualified audit opinion** on the financial report of Icon Distribution Investments Limited (the Company) for the year ended 30 June 2017. The financial report comprises the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes and directors' declaration.

In my opinion, the financial report:

- (i) is presented in accordance with the *Corporations Act 2001*, Australian Accounting Standards (including Australian Accounting Interpretations) – Reduced Disclosure Requirements and other mandatory financial reporting requirements in Australia; and
- (ii) presents fairly the financial position of the Company and results of its operations and cash flows.

Basis for the audit opinion

The audit was conducted in accordance with Australian Auditing Standards. I have complied with the requirements of the Accounting Professional and Ethical Standards 110 *Code of Ethics for Professional Accountants*.

I believe that sufficient evidence was obtained during the audit to provide a basis for the audit opinion.

Responsibility for preparing and fairly presenting the financial report

The directors of the Company are responsible for:

- preparing and fairly presenting the financial report in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including Australian Accounting Interpretations) – Reduced Disclosure Requirements;
- determining the internal controls necessary for the preparation and fair presentation of financial report so that they are free from material misstatements, whether due to error or fraud; and
- assessing the ability of the Company to continue as a going concern and disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting in preparing the financial report.

Responsibility for the audit of the financial report

Under the *Corporations Act 2001*, the Auditor-General is responsible for issuing an audit report that includes an independent audit opinion on the financial report of the Company.

As required by Australian Auditing Standards, the auditors:

- applied professional judgement and maintained scepticism;
- identified and assessed the risks of material misstatements due to error or fraud and implemented procedures to address these risks so that sufficient evidence was obtained to form an audit opinion. The risk of not detecting material misstatements due to fraud is higher than the risk due to error, as fraud may involve collusion, forgery, intentional omissions or misrepresentations or the override of internal controls;
- obtained an understanding of internal controls to design audit procedures for forming an audit opinion;
- evaluated accounting policies and estimates used to prepare the financial report and disclosures made in the financial report;
- evaluated the overall presentation and content of the financial report, including whether they present the underlying transactions and events in a manner that achieves fair presentation;
- reported the scope and timing of the audit and any significant deficiencies in internal controls identified during the audit to the directors of the Company; and
- assessed the going concern* basis of accounting used in the preparation of the financial report.

(*Where the auditor concludes that a material uncertainty exists which cast significant doubt on the appropriateness of using the going concern basis of accounting, the auditor is required to draw attention in the audit report to the relevant disclosures in the financial report or, if such disclosures are inadequate, the audit opinion is to be modified. The auditor's conclusions on the going concern basis of accounting are based on the audit evidence obtained up to the date of this audit report. However, future events or conditions may cause the entity to cease to continue as a going concern.)

Limitations on the scope of the audit

An audit provides a high level of assurance about whether the financial report is free from material misstatements, whether due to fraud or error. However, an audit cannot provide a guarantee that no material misstatements exist due to the use of selective testing, limitations of internal control, persuasive rather than conclusive nature of audit evidence and use of professional judgement in gathering and evaluating evidence.

An audit does not provide assurance on the:

- prudence of decisions made by the Company;
- adequacy of controls implemented by the Company; or
- integrity of the audited financial report presented electronically or information hyperlinked to or from the financial report. Assurance can only be provided for the printed copy of the audited financial report.



Dr Maxine Cooper
Auditor-General

31 August 2017

Board of Directors
Icon Distribution Investments Limited
ActewAGL House
40 Bunda Street
CANBERRA CITY ACT 2601

Dear Board Members

**AUDITOR'S INDEPENDENCE DECLARATION
FINANCIAL REPORT OF ICON DISTRIBUTION INVESTMENTS LIMITED
FOR THE YEAR ENDED 30 JUNE 2017**

In relation to the audit of the financial report of Icon Distribution Investments Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Yours sincerely



Dr Maxine Cooper
Auditor-General
30 August 2017

Icon Distribution Investments Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

| | Notes | 2017 \$'000 | 2016 \$'000 |
|--|-------|----------------------|----------------------|
| Share of net profit of the joint venture partnership accounted for using the equity method | 2 | 65,275 | 70,225 |
| Other expenses arising from ordinary activities | | <u>(15)</u> | <u>(16)</u> |
| Profit before income tax equivalents expense | | 65,260 | 70,209 |
| Income tax equivalent expense | 3a | <u>(19,622)</u> | <u>(21,168)</u> |
| Profit for the year | | <u>45,638</u> | <u>49,041</u> |
| Profit is attributable to: | | | |
| Owners of Icon Distribution Investments Limited | | <u>45,638</u> | <u>49,041</u> |
| Total comprehensive income for the year | | <u>45,638</u> | <u>49,041</u> |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Icon Distribution Investments Limited
Statement of financial position
As at 30 June 2017

| | Notes | 2017 \$'000 | 2016 \$'000 |
|---|-------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Investments accounted for using the equity method | 5a | <u>938,708</u> | <u>914,934</u> |
| Total non-current assets | | <u>938,708</u> | <u>914,934</u> |
| Total assets | | <u>938,708</u> | <u>914,934</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 5b | 18 | 17 |
| Dividends payable | 4 | <u>45,638</u> | <u>49,041</u> |
| Total current liabilities | | <u>45,656</u> | <u>49,058</u> |
| Non-current liabilities | | | |
| Deferred tax balances | 6 | 135,598 | 132,240 |
| Intercompany loan | 5b | <u>548,352</u> | <u>524,534</u> |
| Total non-current liabilities | | <u>683,950</u> | <u>656,774</u> |
| Total liabilities | | <u>729,606</u> | <u>705,832</u> |
| Net assets | | <u>209,102</u> | <u>209,102</u> |
| EQUITY | | | |
| Contributed equity | 7a | 400 | 400 |
| Reserves | | <u>208,702</u> | <u>208,702</u> |
| Total equity | | <u>209,102</u> | <u>209,102</u> |

The above statement of financial position should be read in conjunction with the accompanying notes.

Icon Distribution Investments Limited
Statement of cash flows
For the year ended 30 June 2017

| | Notes | 2017 \$'000 | 2016 \$'000 |
|---|-------|------------------|------------------|
| Cash flows from operating activities | | | |
| Distributions received from the ActewAGL Distribution Partnership | | 41,500 | 50,500 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | <u>(13)</u> | <u>(13)</u> |
| Net cash inflow from operating activities | | <u>41,487</u> | <u>50,487</u> |
| Net cash inflow / (outflow) from investing activities | | | |
| | | <u>-</u> | <u>-</u> |
| Cash flows from financing activities | | | |
| Income tax equivalents paid by Icon Water | | (16,264) | (13,671) |
| Payments of dividends to Icon Water | | <u>(49,041)</u> | <u>(49,026)</u> |
| Net cash outflow from financing activities | | <u>(65,305)</u> | <u>(62,697)</u> |
| Net decrease in cash and cash equivalents | | | |
| | | <u>(23,818)</u> | <u>(12,210)</u> |
| Parent company intercompany Icon Water account movements | | | |
| Balance at the beginning of the financial year | | (524,534) | (512,324) |
| Balance at the end of the financial year | 5b | <u>(548,352)</u> | <u>(524,534)</u> |
| Total movement | | <u>(23,818)</u> | <u>(12,210)</u> |

The parent company, Icon Water, handles the cash for this company which is offset by a loan account. All cash is handled through Icon Water and is reflected in the accounts of that company.

The above statement of cash flows should be read in conjunction with the accompanying notes.

Icon Distribution Investments Limited
Statement of changes in equity
For the year ended 30 June 2017

| | Notes | Capital \$'000 | Retained earnings \$'000 | Reserves \$'000 | Total equity \$'000 |
|--|-------|-------------------|--------------------------------|--------------------|---------------------------|
| Balance at 1 July 2015 | | 400 | - | 208,702 | 209,102 |
| Profit for the year | | - | 49,041 | - | 49,041 |
| Transactions with owners in their capacity as owners: | | | | | |
| Dividends provided for or paid | 4 | - | (49,041) | - | (49,041) |
| Balance at 30 June 2016 | | 400 | - | 208,702 | 209,102 |
| Balance at 1 July 2016 | | | | | |
| | | 400 | - | 208,702 | 209,102 |
| Profit for the year | | - | 45,638 | - | 45,638 |
| Transactions with owners in their capacity as owners: | | | | | |
| Dividends provided for or paid | 4 | - | (45,638) | - | (45,638) |
| Balance at 30 June 2017 | | 400 | - | 208,702 | 209,102 |

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the financial statements

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operation of the entity, including:

- Accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction.
- Analysis and sub-totals.
- Information about estimates and judgments made in relation to particular items are included in the notes.

This section also provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria. It also includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

1. Significant accounting policies
2. Revenue from continuing operations
3. Income tax equivalents expense
4. Dividends
5. Financial assets and liabilities
6. Deferred tax balances
7. Equity
8. Interest in joint ventures
9. Contingencies
10. Commitments for expenditure
11. Events occurring after the reporting period
12. Related party transactions

1. Significant accounting policies

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001* and other requirements of the law. Icon Distribution is a for-profit entity for the purpose of preparing the financial statements.

(i) *Compliance with Australian Accounting Standards - Reduced Disclosure Requirements*

The financial report of Icon Distribution complies with Australian Accounting Standards - Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

(ii) *Historical cost convention*

These financial statements have been prepared on a historical cost convention, unless otherwise stated in the financial statements.

(iii) *Early adoption of standards*

The directors have not elected under s.334(5) of the *Corporations Act 2001* to early adopt any new Australian Accounting Standard in the current year.

(iv) *New and amended standards adopted by the group*

The adoption of all new standards, amendments to standard interpretations that were issued prior to sign off date and are applicable to future financial reporting period are not expected to have a material impact.

(v) *Going concern*

The financial report has been prepared on a going concern basis. At 30 June 2017, current liabilities exceed current assets by \$45.7 million. This deficiency in current assets is able to be managed by the ability to generate profits, as evidenced by current and prior year results as well as generating positive cash inflow from operating activities. In the opinion of the directors, Icon Distribution has adequate resources to continue as a going concern and pay its debts as and when they fall due and payable.

(vi) *Rounding of amounts*

Icon Distribution is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016. In accordance with that Instrument amounts in the financial report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

(b) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised exclusive of GST. Receivables and payables are stated inclusive of the amount of GST receivable or payable.

2. Revenue from continuing operations

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Share of net profit of the ActewAGL Distribution Partnership accounted for using the equity method | <u>65,275</u> | <u>70,225</u> |
| | <u>65,275</u> | <u>70,225</u> |

Icon Distribution derives all of its revenue from the ActewAGL Distribution Partnership.

Accounting policy

Icon Distribution recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and specific criteria have been met.

3. Income tax equivalents expense

The income tax equivalents, calculated at 30% on taxable profit differs from the amount calculated on the accounting profit. The differences are reconciled as follows:

(a) Income tax equivalents expense

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| Current Tax | | |
| Current tax equivalents expense recognised in the current year | 16,589 | 13,671 |
| Adjustment to prior year (i) | <u>(325)</u> | <u>-</u> |
| | 16,264 | 13,671 |
| Deferred tax | | |
| Deferred tax equivalents expense recognised in the current year | 3,056 | 7,497 |
| Adjustments to prior year (i) | <u>302</u> | <u>-</u> |
| | 3,358 | 7,497 |
| Income tax equivalents expense | <u>19,622</u> | <u>21,168</u> |
| | <u>19,622</u> | <u>21,168</u> |

(i) Adjustments to prior year relates to differences between the financial statements income tax expense and the income tax return lodged.

(b) Numerical reconciliation of income tax equivalents to prima facie tax payable

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| Profit from continuing operations before income tax expense | 65,260 | 70,209 |
| Tax at the Australian tax rate of 30% (2015-2016: 30%) | 19,578 | 21,063 |
| Other Items: | | |
| - Other non-deductible expenses | (81) | 191 |
| - Other | 148 | 5 |
| - Adjustments for income tax expense of prior periods | <u>(23)</u> | <u>(91)</u> |
| Income tax equivalents expense | <u>19,622</u> | <u>21,168</u> |

3. Income tax equivalents expense (continued)

Accounting policy

National Tax Equivalents Regime

Icon Distribution is exempt from Federal income tax. Icon Water and its controlled entities are required to make an equivalent payment to the ACT Government as required by the *Territory-owned Corporations Act 1990*.

The income tax equivalents expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Tax consolidation legislation

Icon Water and its controlled entities have entered into a tax funding agreement under which the controlled entities fully compensate Icon Water for any current tax payable assumed and are compensated by Icon Water for any current tax receivable and deferred tax assets relating to unused tax credits that are transferred to Icon Water under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the controlled entities' financial statements.

The amounts receivable/payable under the tax funding agreement is due upon receipt of the funding advice from Icon Water, which is issued as soon as practicable at the end of the financial year. Icon Water may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as non-current intercompany loan receivable or payable.

4. Dividends

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------------|----------------------|
| Dividend payable at the beginning of the financial year | 49,041 | 49,026 |
| Amount appropriated from operating profit | <u>45,638</u> | <u>49,041</u> |
| | 94,679 | 98,067 |
| Amount paid during the year | <u>(49,041)</u> | <u>(49,026)</u> |
| Dividend payable at the end of the financial year | <u>45,638</u> | <u>49,041</u> |

Accounting policy

Icon Distribution pays 100% of its profits to Icon Water. A provision is made for this dividend at the end of financial year.

5. Financial assets and liabilities

(a) Investments accounted for using the equity method

| | 2017 \$'000 | 2016 \$'000 |
|---|-----------------------|----------------|
| Non-current assets | | |
| Investment in the ActewAGL Distribution Partnership | <u>938,708</u> | 914,934 |
| | <u>938,708</u> | <u>914,934</u> |

Accounting policy

The cost method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

The ActewAGL Distribution Partnership is accounted for using the equity method. Under this method, the share of the profits or losses of the partnership is recognised as revenue in the statement of comprehensive income, and the share of movement in reserves is recognised in reserves in the statement of financial position.

Icon Distribution's share in the plant and equipment assets of the ActewAGL Distribution Partnership has been adjusted to fair value to align to Icon Water Group's accounting policy on property, plant and equipment accounted for at fair value. The valuation of these assets is by application of a cash generating unit test based on expected net cash flows of the ActewAGL Distribution Partnership discounted to present value. This fair value adjustment has been considered immaterial for 2016-17.

Critical Accounting Estimate

Icon Distribution determines the fair value of plant and equipment of the ActewAGL Distribution Partnership at the beginning of each regulatory period. This is to align its accounting policies on plant and equipment with those of the Icon Water Group, from cost to fair value. The fair value of plant and equipment in the ActewAGL Distribution Partnership was last measured in 2015. The fair value is determined by application of a value in use income approach using a discounted cash flow method.

The key assumptions underlying valuation calculations for the current reporting period are:

- the discounted cash flow valuation relies on ActewAGL Distribution Partnership's cash flow forecasts, after taking into account the Australian Energy Regulator's final determination;
- operating and capital expenditure is based on ActewAGL Distribution Partnership's assumptions; and
- the market based post-tax nominal discount rate used is 4.90%.

The discounted cash flow method used is sensitive to variations in the market based nominal discount rate and the quantitative materiality threshold is applied when revaluing the investment in ActewAGL Distribution Partnership. For example, a 0.1% increase / (decrease) in this discount rate, results in a decrease / (increase) in the recoverable amount of the asset bases of approximately \$5.9 million.

Due to the highly sensitive market based nominal discount rate used in discounted cash flow models, Icon Distribution has implemented a materiality policy to assist in determining whether revaluation increments or decrements will be recognised in any one year for ActewAGL Distribution Partnership plant and equipment.

The valuation exercise for the period ending 30 June 2017 resulted in the difference in the valuation compared to the carrying values shown above being less than 10 per cent for ActewAGL Distribution Partnership assets. As this was less than the materiality threshold, and there was no other evidence to suggest it was material, no adjustment was made to the value of the plant and equipment with the ActewAGL Investment at 30 June 2017.

5. Financial assets and liabilities (continued)

(b) Trade and other payables

| | 2017 | | | 2016 | | |
|-------------------|-------------------|-----------------------|-----------------|-------------------|-----------------------|-----------------|
| | Current \$'000 | Non-Current \$'000 | Total \$'000 | Current \$'000 | Non-Current \$'000 | Total \$'000 |
| Trade payables | 18 | - | 18 | 17 | - | 17 |
| Intercompany loan | - | 548,352 | 548,352 | - | 524,534 | 524,534 |
| | 18 | 548,352 | 548,370 | 17 | 524,534 | 524,551 |

Accounting policy

Trade payables

These amounts represent liabilities for goods and services provided to the Icon Distribution prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Intercompany loan

The intercompany loan liability to Icon Water is non-interest bearing, unsecured and is not payable in the normal course of business.

6. Deferred tax balances

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| The balance comprises temporary differences attributable to: | | |
| - Distributions from ActewAGL Distribution Partnership | 45,165 | 42,109 |
| - Adjustment to prior year tax (i) | 991 | 689 |
| - Accruals | (4) | (4) |
| - Asset revaluation | 89,444 | 89,444 |
| - Other | 2 | 2 |
| | <u>135,598</u> | <u>132,240</u> |
| Movements: | | |
| Balance at the beginning of the year | 132,240 | 124,743 |
| Charged / (Credited): | | |
| - to profit or loss | 3,358 | 7,497 |
| Balance at the end of the year | <u>135,598</u> | <u>132,240</u> |

| | Distributions from ActewAGL Distribution Partnership \$'000 | Adjustment to prior year deferred tax (i) \$'000 | Accrual \$'000 | Asset revaluation \$'000 | Other \$'000 | Total \$'000 |
|------------------------|---|---|-------------------|--------------------------------|-----------------|-----------------|
| At 1 July 2015 | 33,936 | 1,365 | (4) | 89,444 | 2 | 124,743 |
| Charged / (Credited): | | | | | | |
| - to profit or loss | 8,173 | (676) | - | - | - | 7,497 |
| At 30 June 2016 | <u>42,109</u> | <u>689</u> | <u>(4)</u> | <u>89,444</u> | <u>2</u> | <u>132,240</u> |
| At 1 July 2016 | 42,109 | 689 | (4) | 89,444 | 2 | 132,240 |
| Charged / (Credited): | | | | | | |
| - to profit or loss | 3,056 | 302 | - | - | - | 3,358 |
| At 30 June 2017 | <u>45,165</u> | <u>991</u> | <u>(4)</u> | <u>89,444</u> | <u>2</u> | <u>135,598</u> |

- (i) Adjustments to prior year relates to differences between the financial statements income tax expense and the income tax return lodged.

7. Equity

(a) Contributed equity

| | 2017 Shares | 2016 Shares | 2017 \$'000 | 2016 \$'000 |
|---------------------------------|----------------|----------------|----------------|----------------|
| Ordinary shares - fully paid | 400,000 | 400,000 | 400 | 400 |
| Total contributed equity | 400,000 | 400,000 | 400 | 400 |

Movements in ordinary share capital:

There has been no movement in share capital.

(b) Retained profits

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Retained profits at the beginning of the year | - | - |
| Profit for the year | 45,638 | 49,041 |
| Dividends paid or provided for | (45,638) | (49,041) |
| Retained profits at the end of the year | - | - |

(c) Reserves

| | 2017 \$'000 | 2016 \$'000 |
|---------------------------|----------------|----------------|
| Asset revaluation reserve | 208,702 | 208,702 |
| | 208,702 | 208,702 |

Movements in the asset revaluation reserve:

| | | |
|--|----------------|----------------|
| Balance at the beginning of the year | 208,702 | 208,702 |
| Balance at the end of the financial year | 208,702 | 208,702 |

Nature and purpose of reserves

The asset revaluation reserve is used to record increments and decrements on Icon Distribution's valuation of the ActewAGL Distribution Partnership property, plant and equipment.

8. Interests in joint ventures

(a) Commitments

Icon Distribution has entered into a partnership with Jemena Networks (ACT) Pty Ltd to manage the ACT electricity network and the gas network in the ACT, Queanbeyan and Shoalhaven regions.

Icon Distribution has a 50% participating interest in the ActewAGL Distribution Partnership. Information relating to the ActewAGL Distribution Partnership is set out below:

Share of the ActewAGL Distribution Partnership commitments:

| | 2017 \$'000 | 2016 \$'000 |
|-------------------------------|----------------|----------------|
| Lease commitments | 24,028 | 26,877 |
| Capital and other commitments | 3,297 | 3,899 |
| | 27,325 | 30,776 |

8. Interests in joint ventures (continued)

(b) Bank guarantees

A number of bank guarantees have been provided by the partnership for the normal operations of the business.

Each of the partners in the ActewAGL Distribution Partnership is jointly and severally liable for the debts of the partnership.

The ActewAGL Distribution Partnership has given a number of bank guarantees in respect to security deposits in relation to its leases, Icon Distribution's share amounts to \$2,358,898 (30 June 2016: \$2,438,898).

(c) Contingent liabilities

There are a number of public liability insurance claims against the ActewAGL Distribution Partnership at year end. Should the partnerships be proved liable, the partnerships must pay the first \$25,000 of each claim. Icon Distribution's share of this contingent liability is estimated to be nil as at 30 June 2017 (30 June 2016: nil).

9. Contingencies

No contingent liabilities are known to the directors at the date of this report (30 June 2016: nil).

10. Commitments for expenditure

At 30 June 2017, Icon Distribution had not committed to any future capital expenditure (30 June 2016: nil).

11. Events occurring after the reporting period

On 10 July 2017 Brett Tucker, Abigail Goldberg, Jennifer Goddard and Dr Thomas Parry AM were appointed as directors.

No other matter of significance have arisen since the end of the financial year.

12. Related party transactions

(a) Directors

The following persons were directors of Icon Distribution during or since the end of the financial year:

Wendy Caird, Chair (appointed Chair 18 March 2017)
Dr Michael Easson AM (resigned 17 March 2017)
Carol Lilley, Deputy Chair (appointed Deputy Chair 18 March 2017)
John Knox, Managing Director
Rachel Peck, Director
Brett Tucker, Director (appointed 10 July 2017)
Abigail Goldberg, Director (appointed 10 July 2017)
Jennifer Goddard, Director (appointed 10 July 2017)
Dr Thomas Parry, Director (appointed 10 July 2017)

Any transactions with directors or in which directors are interested, are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions.

(b) Remuneration of directors

(i) Directors' remuneration

No director has been remunerated in respect of Icon Distribution at 30 June 2017 (30 June 2016: nil).

(ii) Retirement benefits

There were no retirement benefits paid to directors at 30 June 2017 (30 June 2016: nil).

(iii) Loans to directors

There were no loans to any directors at 30 June 2017 (30 June 2016: nil).

(iv) Shares, units, options and other equity instruments of directors

There have been no directors who have owned shares, units, options and other equity instruments during the financial year with related entities.

12. Related party transactions (continued)

(c) Key management personnel remuneration

Key management personnel covered in this report are:

Wendy Caird, Chair (appointed Chair 18 March 2017)
Dr Michael Easson AM (resigned 17 March 2017)
Carol Lilley, Deputy Chair (appointed Deputy Chair 18 March 2017)
John Knox, Managing Director
Rachel Peck, Director

All remuneration of key management personnel is paid through Icon Water.

(c) Parent entity

The parent entity in the wholly-owned group is Icon Water.

The ultimate parent entity is the ACT Government who owns 100% of the shares of Icon Water.

The principal activity of Icon Distribution is to hold a 50% interest in the ActewAGL Distribution Partnership, on behalf of Icon Water. All transactions with the wholly - owned group are at arm's length.

The following transaction occurred with related parties:

| | 2017 | 2016 |
|---|----------------|---------|
| | \$'000 | \$'000 |
| Revenue from the ActewAGL Distribution Partnership | 65,275 | 70,225 |
| The following balances are outstanding at the reported date in relation to transactions with related parties: | | |
| - Dividend payable to Icon Water | 45,638 | 49,041 |
| - Intercompany loan liability – Icon Water | 548,352 | 524,534 |

**ActewAGL Joint Venture
Summary financial report
for the year ended 30 June 2017**

ActewAGL Joint Venture Summary financial report - 30 June 2017

Contents

| | Page |
|--|------|
| Financial statements | |
| Introduction to the summary financial report | 1 |
| Statement of profit or loss and other comprehensive income | 2 |
| Statement of financial position | 3 |
| Statement of changes in joint venture funds | 4 |
| Statement of cash flows | 5 |
| Joint Venture Board's Declaration | 6 |
| Independent audit report to the partners | 7 |
| Auditor's independence declaration | 9 |

Introduction to the summary financial report

Profit

Profit for the year ended 30 June 2017 was \$174 million, compared to the prior year's profit of \$199 million.

Total operating revenue from continuing operations for the year ended 30 June 2017 was \$847 million compared to \$786 million in the prior year. The increase is primarily due to the increased sale of energy due to an increase in volumes and new energy contracts with customers acquired during the year.

Total expenses from continuing operations for the year ended 30 June 2017 were \$673 million compared to \$586 million in the prior year. This is primarily attributable to the increase in cost of energy purchases driven by an increase in wholesale energy costs and volumes.

Cash flow

The Joint Venture generated \$262 million from its operating activities for the year ended 30 June 2017 compared to \$241 million in the prior year.

Net cash outflows used in investing activities were \$102 million for the current year, compared to \$120 million for the prior year. The decrease in net cash outflows is mainly driven by adjusting working capital for the expected timing of next years operating expenditure and capital works program.

Cash surplus to the Joint Venture's operational requirements is returned to the Partners in the form of cash distributions. In the current financial year, \$126 million was distributed to ActewAGL's Partners; \$11 million lower than the \$137 million in the prior year due primarily to the decrease in profit and future working capital requirements.

Financial position

At 30 June 2017, the Joint Venture had net assets of \$1,387 million compared to \$1,338 million in the prior year. The increase is mainly due to an increase in the capital investment in the energy network and retail businesses. Cash available at 30 June 2017 was \$71 million, \$31 million higher than the prior year primarily due to the timing of working capital requirements including payments for energy purchases, network distribution costs and the capex program. Current assets were \$300 million compared to \$257 million in the prior year. Current liabilities were \$231 million compared to \$176 million at the same time last year. The Joint Venture does not have any borrowings other than finance leases.

The carrying value of plant and equipment is \$1,215 million, compared to \$1,174 million at 30 June 2016, the increase is primarily due to capital expenditure in the energy network business.

Partners' return

The return on funds employed for the current financial year on the profit was 13% compared to 15% in the prior year.

The summarised financial report is consistent with the special purpose financial report from which it is derived.

ActewAGL Joint Venture
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

| | 30 June 2017 \$'000 | 30 June 2016 \$'000 |
|---|------------------------------------|---------------------------|
| Revenue from continuing operations | 847,185 | 785,548 |
| Total income | 847,185 | 785,548 |
| Energy purchases and network distribution costs | (445,653) | (370,012) |
| Employment costs | (85,825) | (78,537) |
| Depreciation and amortisation expense | (57,447) | (50,954) |
| Contract expenses | (27,220) | (29,889) |
| Selling expenses | (12,100) | (17,550) |
| Project related expenses | (13,921) | (8,723) |
| Lease expenses | (4,946) | (4,780) |
| Material costs | (2,145) | (2,598) |
| Finance costs | (2,467) | (2,520) |
| Other expenses | (21,017) | (20,750) |
| Total expenses | (672,741) | (586,313) |
| Profit for the year | 174,444 | 199,235 |
| Other comprehensive income for the year | - | - |
| Total comprehensive income for the year | 174,444 | 199,235 |
| Profit for the year is attributable to: | | |
| Partners of the ActewAGL Joint Venture | 174,444 | 199,235 |
| | 174,444 | 199,235 |
| Total comprehensive income for the year is attributable to: | | |
| Partners of the ActewAGL Joint Venture | 174,444 | 199,235 |
| | 174,444 | 199,235 |

**ActewAGL Joint Venture
Statement of financial position
As at 30 June 2017**

| | 30 June 2017 \$'000 | 30 June 2016 \$'000 |
|--------------------------------------|------------------------------------|---------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 71,073 | 40,234 |
| Trade and other receivables | 210,468 | 186,614 |
| Inventories | 9,659 | 9,953 |
| Other current assets | 9,265 | 20,681 |
| Total current assets | 300,465 | 257,482 |
| Non-current assets | | |
| Receivables | 1,151 | 1,112 |
| Plant and equipment | 1,214,529 | 1,174,348 |
| Intangible assets | 119,617 | 104,533 |
| Total non-current assets | 1,335,297 | 1,279,993 |
| Total assets | 1,635,762 | 1,537,475 |
| LIABILITIES | | |
| Current liabilities | | |
| Trade and other payables | 164,640 | 114,719 |
| Provisions | 21,538 | 21,679 |
| Other current liabilities | 44,591 | 42,324 |
| Total current liabilities | 230,769 | 178,722 |
| Non-current liabilities | | |
| Provisions | 6,482 | 5,906 |
| Other non-current liabilities | 11,812 | 14,592 |
| Total non-current liabilities | 18,294 | 20,498 |
| Total liabilities | 249,063 | 199,220 |
| Net assets | 1,386,699 | 1,338,255 |
| JOINT VENTURE FUNDS | | |
| Joint venture funds | 1,386,699 | 1,338,255 |
| Total joint venture funds | 1,386,699 | 1,338,255 |

ActewAGL Joint Venture
Statement of changes in joint venture funds
For the year ended 30 June 2017

| | Total joint venture funds \$'000 |
|--|---|
| Balance at 1 July 2015 | <u>1,276,020</u> |
| Profit for the year | 199,235 |
| Other comprehensive income for the year | - |
| Total comprehensive income for the year | <u>199,235</u> |
| Transactions with Partners in their capacity as Partners: | |
| Distributions paid | <u>(137,000)</u> |
| Balance at 30 June 2016 | <u>1,338,255</u> |
| | Total joint venture funds \$'000 |
| Balance at 1 July 2016 | <u>1,338,255</u> |
| Profit for the year | 174,444 |
| Other comprehensive income for the year | - |
| Total comprehensive income for the year | <u>174,444</u> |
| Transactions with Partners in their capacity as Partners: | |
| Distributions paid | <u>(126,000)</u> |
| Balance at 30 June 2017 | <u>1,386,699</u> |

ActewAGL Joint Venture
Statement of cash flows
For the year ended 30 June 2017

| | 30 June 2017 \$'000 | 30 June 2016 \$'000 |
|---|------------------------------------|---------------------------|
| Cash flows from operating activities | | |
| Receipts from customers (inclusive of GST) | 895,075 | 869,520 |
| Payments to suppliers and employees (inclusive of GST) | (635,695) | (630,743) |
| | 259,380 | 238,777 |
| Interest received | 2,912 | 2,555 |
| Interest and other costs of finance paid | (608) | (525) |
| Net cash flow generated by operating activities | 261,684 | 240,807 |
| Cash flows from investing activities | | |
| Payments for plant and equipment | (84,566) | (81,431) |
| Payments for intangible assets | (30,724) | (25,577) |
| Proceeds from sale of plant and equipment | 217 | 93 |
| Payments for term deposits | - | (13,000) |
| Redemption of term deposits | 13,000 | - |
| Net cash used in investing activities | (102,073) | (119,915) |
| Cash flows from financing activities | | |
| Distributions paid | (126,000) | (137,000) |
| Finance lease payments | (2,772) | (2,460) |
| Net cash used in financing activities | (128,772) | (139,460) |
| Net increase / (decrease) in cash and cash equivalents | 30,839 | (18,568) |
| Cash and cash equivalents at the beginning of the year | 40,234 | 58,802 |
| Cash and cash equivalents at the end of the year | 71,073 | 40,234 |

**ActewAGL Joint Venture
Joint Venture Board's Declaration
For the year ended 30 June 2017**

The ActewAGL Joint Venture is not a reporting entity because, in the opinion of the Board Members, there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the Board's reporting requirements under the *ACTEW/AGL Partnership Facilitation Act 2000*.

In the Boards Members' opinion:

- (a) the financial statements and notes of the ActewAGL Joint Venture set out on pages 1 to 5.
 - (i) comply with applicable Accounting Standards and other mandatory professional reporting requirements; and
 - (ii) give a true and fair view of the Joint Venture's financial position as at 30 June 2017 and of its performance, as represented by the results of its operations and cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Joint Venture will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Joint Venture Board.



Paul Adams
Chairman
Canberra
30 August 2017



John Knox
Board Member
Canberra
30 August 2017

INDEPENDENT AUDIT REPORT

ActewAGL Joint Venture

To the Partners of the ActewAGL Joint Venture

Audit opinion on the summary financial report

I am providing an **unqualified audit opinion** on the summary financial report of the ActewAGL Joint Venture (the Joint Venture) for the year ended 30 June 2017. The summary financial report comprises the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in joint venture funds, statement of cash flows, accompanying notes and the Joint Venture Board's (the Board's) declaration. The summary financial report has been derived from the audited special purpose financial report of the Joint Venture for the year ended 30 June 2017.

On 31 August 2017, I issued an unqualified audit report on the special purpose financial report of the Joint Venture for the year ended 30 June 2017.

The summary financial report does not contain all disclosures required by the *ACTEW/AGL Partnership Facilitation Act 2000*, or as may be considered necessary to meet the needs of the Partners of the Joint Venture. Reading the summary financial report is, therefore, not a substitute for reading the audited special purpose financial report of the Joint Venture.

In my opinion, the summary financial report, derived from the audited special purpose financial report of the Joint Venture for the year ended 30 June 2017, is materially consistent with the special purpose financial report.

Basis for the audit opinion

The audit was conducted in accordance with Australian Auditing Standards. I have complied with the requirements of the Accounting Professional and Ethical Standards 110 *Code of Ethics for Professional Accountants*.

I believe that sufficient evidence was obtained during the audit to provide a basis for the audit opinion.

Responsibility for preparing and fairly presenting the summary financial report

The Board of the Joint Venture is responsible for the preparation of the summary financial report.

Responsibility for the audit of the summary financial report

Under the *ACTEW/AGL Partnership Facilitation Act 2000*, the Auditor-General is responsible for issuing an audit report that includes an independent audit opinion on the summary financial report. I formed the audit opinion following the use of audit procedures conducted in accordance with Australian Auditing Standard ASA 810: 'Engagements to Report on Summary Financial Statements'.

Limitations on the scope of the audit

An audit provides a high level of assurance about whether the summary financial report is free from material misstatements, whether due to fraud or error. However, an audit cannot provide a guarantee that no material misstatements exist due to the use of selective testing, limitations of internal control, persuasive rather than conclusive nature of audit evidence and use of professional judgement in gathering and evaluating evidence.

An audit does not provide assurance on the:

- prudence of decisions made by the Joint Venture;
- adequacy of controls implemented by the Joint Venture; or
- integrity of the audited summary financial report presented electronically or information hyperlinked to or from the summary financial report. Assurance can only be provided for the printed copy of the audited summary financial report.



Dr Maxine Cooper
Auditor-General
31 August 2017

Board of Directors
ActewAGL Joint Venture
GPO Box 366
CANBERRA CITY ACT 2601

Dear Board Members

**AUDITOR'S INDEPENDENCE DECLARATION
SUMMARY FINANCIAL REPORT OF THE ACTEWAGL JOINT VENTURE
FOR THE YEAR ENDED 30 JUNE 2017**

In relation to the audit of the summary financial report of the ActewAGL Joint Venture for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

Yours sincerely



Dr Maxine Cooper
Auditor-General
30 August 2017

Compliance statement

The Icon Water (Icon Water) Annual Report must comply with the 2017 Annual Report Directions (the Directions). The Directions are found at the ACT Legislation Register: www.legislation.act.gov.au.

This compliance statement indicates the subsections, under the five parts of the Directions that are applicable to Icon Water and the location of the information that satisfies these requirements.

Part 1 Directions Overview

The requirements under Part 1 of the Directions relate to the purpose, timing and distribution, and records keeping of annual reports. The Icon Water Annual Report complies with all subsections of Part 1 under the Directions.

In compliance with section 13 Feedback, Part 1 of the Directions, contact details for Icon Water are provided within this Annual Report to give readers the opportunity to provide feedback.

Part 2 Agency Annual Report Requirements

The requirement within Part 2 of the Directions are mandatory for all agencies and Icon Water complies with all subsections. The information that satisfies the requirements of Part 2 is found in the Icon Water Annual Report as per the Compliance Index table provided on the following page.

Part 3 Reporting by Exception

Icon Water, as a territory owned corporation, has nil information to report by exception under Part 3 of the Directions for the 2016-17 reporting period in relation to:

- D1 – Dangerous Substances
- D2 – Medicines, Poisons and Therapeutic Goods

Part 4 Agency Specific Annual Report Requirements

The following subsections of Part 4 of the Directions are not applicable to Icon Water and are disclosed in the Omissions Report:

- Part E. Chief Minister, Treasury and Economic Development
- Part F. Education and Training
- Part G. Health
- Part H. Gambling and Racing
- Part I. Ministerial and Director-General Directions
- Part J. Public Land Management Plans
- Part K. Third Party Insurance
- Part L. Victims of Crime
- Part M. Waste Minimisation Contraventions

Part 5 – Whole of Government Annual Reporting

As a territory owned corporation, Icon Water does not participate in whole of government annual reporting. However, as per Part 5 of the Directions, Icon Water must comply with the Part 5 reporting requirements within its own agency report. The information that satisfies the requirements of Part 5 is found in the Icon Water Annual Report as per the Compliance Index table provided on the following page.

Compliance index

| | 2017 Annual Report Directions Reference | Pages |
|---|--|-------|
| Transmittal Certificate | A | |
| Section 1 – Our Organisation | | |
| Organisational Overview | B1 | 6 |
| Outlook 2017-18 | B1 | 11 |
| Section 2 – Our People | | |
| Board & executive | B1 | 15-20 |
| Human resources – Our people strategy | P1 | 23 |
| Human resources – Staffing profile | P3 | 24-25 |
| Work health and safety | B7 | 25 |
| Aboriginal and Torres Strait Islander reporting | B1 | 26 |
| Section 3 – Our Customers and Community | | |
| Customer service overview | N | 29 |
| Community engagement | N | 29 |
| Community support program | N | 33-34 |
| Section 4 – Our performance | | |
| 2016-17 key performance outcomes | B2 | 37 |
| 2016-17 key service delivery outcomes | B2 | 38 |
| Year in Review | B2 | 39-44 |
| Section 5 – Ecologically sustainable development | | |
| Ecologically sustainable development | B9 | 47-48 |
| Commissioner for Sustainability and the Environment | B9 | 49 |
| Section 6 – Accountability | | |
| Public interest disclosure | B1 | 53 |
| Freedom of information | B5 | 54 |
| Human Rights Act | B4 | 57 |
| Territory Records Act | B6 | 58 |
| Legal services directions | B3 | 60 |
| Bushfire risk management | B3 | 60 |
| Section 7 – Financial management analysis | | |
| Financial management analysis | C1 | 63 |
| Financial statements | C2 | 67 |
| Capital works | C3 | n/a |
| Asset management | C4 | n/a |
| Government contracting | C5 | n/a |
| Statement of performance | C6 | n/a |
| Human resources management | B8 | n/a |

Omissions report

As a public unlisted company Icon Water is not required to comply with a number of ACT Government reporting requirements which are applicable to public sector entities. These are outlined below.

| Reporting Requirement | | Reason/s for Omissions |
|-----------------------|---|---|
| B.8 | Human/resource management | Government policy – not applicable to Icon Water |
| C.3 | Capital works | Government policy – not applicable to Icon Water Details of Icon Water’s major capital works in 2016–17 are detailed in Section 4 Our performance . |
| C.4 | Asset management | Government policy – not applicable to Icon Water Details of Icon Water’s Asset Management Strategy are detailed in Section 4 Our performance . |
| C.5 | Government contracting | Government policy – not applicable to Icon Water |
| C.6 | Statement of performance | Government policy – not applicable to Icon Water Icon Water’s performance against its Statement of Corporate Intent 2016–17 performance indicators is detailed in Section 4 Our performance ; and audited financial statements are provided at Section 7 Financial management analysis . |
| D.1 | Dangerous substances | Not applicable to Territory Owned Corporations Icon Water’s advice that it has nil information to report is detailed in the Compliance statement . |
| D.2 | Medicines, poisons and therapeutic goods | Not applicable to Territory Owned Corporations Icon Water’s advice that it has nil information to report is detailed in the Compliance statement . |
| E. | Chief Minister, treasury and economic development | Not applicable to Icon Water |
| F. | Education and training | Not applicable to Icon Water |
| G. | Health | Not applicable to Icon Water |
| H. | Gambling and racing | Not applicable to Icon Water |
| I. | Ministerial & Director-General directions | Not applicable to Icon Water |
| J. | Public land management plans | Not applicable to Icon Water |
| K. | Third party insurance | Not applicable to Icon Water |
| L. | Victims of crime | Not applicable to Icon Water |
| M. | Waste minimisation contraventions | Not applicable to Icon Water |

Glossary of acronyms

| | |
|---------|---|
| AM | Asset Management |
| ARC | Australian Research Council |
| AWA | Australian Water Association |
| BOP | Bushfire Operational Plan |
| CSP | Community Support Program |
| EMP | Environmental management plan |
| EMS | Environmental management system |
| EPA | Environment Protection Authority |
| FTE | Full Time Equivalent |
| GMP | Goods Manufacturing Process |
| GL | Gigalitres |
| ICRC | Independent Competition and Regulatory Commission |
| HACCP | Hazard Analysis and Critical Control Point |
| ICT | Information and communication technology |
| IDIL | Icon Distribution Investments Limited |
| IMS | Integrated Management System |
| IRIL | Icon Retail Investments Limited |
| KMP | Key Management Personal |
| LMWQCC | Lower Molonglo Water Quality Control Centre |
| M2G | Murrumbidgee to Googong |
| ML | Megalitres |
| PID | Public interest disclosure |
| RAC | Risk and Assurance Committee |
| SAMP | Strategic Asset Management Plan |
| SCI | Statement of Corporate Intent |
| SEMSOG | Security and Emergency Management Senior Officers Group |
| SEMPG | Security and Emergency Management Planning Group |
| TOC | Territory-owned Corporation |
| TRO | Territory Records Office |
| WaterRA | Water Research Australia |
| WERF | Water Environment Research Foundation |
| WSAA | Water Services Association of Australia |
| WHSS | Work Health and Safety Strategy |

Alphabetical index

| | |
|--|----|
| 2016–17 key performance outcomes | 36 |
| 2016–17 key service delivery outcomes | 37 |
| Accountability | 49 |
| Bushfire risk management | 54 |
| Community engagement | 29 |
| Community Support Program | 32 |
| Compliance index | 63 |
| Compliance statement | 62 |
| Customer services | 28 |
| Ecologically sustainable development | 46 |
| Ecologically sustainable development | 45 |
| Emergency and continuity management | 54 |
| Financial management analysis | 59 |
| Fraud prevention | 56 |
| Freedom of information | 55 |
| Glossary of acronyms | 65 |
| Human Rights Act | 55 |
| Internal accountability | 50 |
| Internal audit | 51 |
| Investments | 11 |
| Key priorities for 2017–18 | 13 |
| Legal services directions | 56 |
| Legislative assembly committee inquiries and reports | 57 |
| Message from the board | 6 |
| Ombudsman and Auditor-General reports | 56 |
| Omissions report | 64 |
| Our corporate governance | 16 |
| Our customers and community | 27 |
| Our organisation | 7 |
| Our people | 15 |
| Our performance | 35 |
| Our water and sewerage network | 9 |
| Our year in review | 38 |
| Outlook 2017–18 | 12 |
| Public interest disclosure | 56 |
| Risk management | 54 |
| Statement of Corporate Intent 2016–17 | 10 |
| Territory Records Act | 52 |
| Who we are | 8 |

