



# Statement of Corporate Intent 2017-18 to 2020-21

*Our business strategy*



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Canberra City ACT 2601

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## Language assistance

13 14 50, 24 hours

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语言方面的协助，请打上述号码

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யர்ப்பாளர் உதவிக்கு மேலே உள்ள இலக்கத்தை அழையுங்கள்

án thông dịch viên, hãy gọi đến số trên đây

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Icon Water Limited ABN 86 069 381 960

# Our core purpose



To sustain and enhance  
quality of life

# 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 business strategy*

## Our key strategies



## 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**

# Contents

- Managing Director’s message.....7**
- Our Business .....8**
  - Our water and sewerage network .....9
- Strategic objectives.....10**
  - Background .....10
  - Strategic objectives .....10
- Strategies and activities.....11**
  - People strategy .....11
  - Work health and safety strategy .....11
  - Enterprise asset management strategy .....12
  - Customer management strategy .....12
  - Financial strategy .....13
  - Economic regulation strategy .....13
  - ICT strategy .....13
- Performance indicators and targets .....14**
- Supporting information .....16**
  - Forecast financial statements and key financial performance measures .....16
  - Financial assumptions and notes .....20
  - Main community service obligations .....21
  - Capital works.....21
  - Risk Management .....22
  - Governance and accountability .....23
  - Organisational structure .....23
  - Energy investment .....23
  - Ownership structure.....24

# Managing Director's message

Icon Water plays an important role in our community. We provide essential water and sewerage services to the nation's capital, we manage and operate over \$2 billion worth of assets and manage our investment in the energy business, ActewAGL.

Our community, customers, shareholders and regulators expect us to manage and operate the water and sewerage networks as efficiently as any comparable business. We need to meet these expectations and evolve to meet the future needs of a growing capital region.

Our vision for Icon Water is to be the premier, most trusted water utility. This means putting customers at the centre of everything we do. We need to understand customer needs and expectations and continually improve business processes to deliver value to customers. This can only be achieved with a workforce that is proficient, confident and highly connected.

This Statement of Corporate Intent (SCI) provides our business strategy, outlining how Icon Water intends to go about meeting these expectations.

Over the period 2017–18 to 2020–21, we will continue to develop our people, improve our processes and replace ageing information technology. We will do this through four strategic objectives, which seek to:

- protect, engage and develop our people
- maximise value to customers by balancing cost, risk and performance
- meet customer needs and exceed customer expectations
- deliver sustainable financial returns and gearing.

These objectives will be achieved through seven key strategies which will provide us with the capability and flexibility needed to operate successfully in a changing world and a growing region.

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



John Knox  
Managing Director  
Icon Water Limited

16 May 2017

# Our Business

Icon Water is the ACT's supplier of water and sewerage services and suppliers of bulk water to Queanbeyan. Our reliability, expertise and community focus allows us to continue to provide the 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 393,000 people.

## Our Business



## Our Customers

~169,000  
water customers

~168,000  
sewerage customers

>70,000  
customer calls

We demonstrate our commitment to the community through our service to our customers.

In 2015–16 Icon Water received over 70,000 customer calls. 94% of residential customers surveyed rated the quality of the ACT's tap water as good or very good.

## Our Assets

~3,200km of sewerage pipes

~3,300km of water pipes

26 sewer pumping stations

25 water pumping stations

31 gigalitres of sewage treated

Dam capacity of 277.8GL

## Our People

Icon Water employs ~400 people

96% work full time

Average age of 43 years

1/4 of staff are 15+ years loyal

19% trade and technicians

27% machinery operators




ico  
WATE



# Our water and sewerage network



## Legend

-  Urban storage reservoirs
-  Water network mains
-  Sewer network mains

# Strategic objectives

## Background

The *Territory-owned Corporations Act 1990 (TOC Act)* identifies four equally important main objectives for Icon Water as a territory owned corporation:

- 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 provide the foundation upon which we conducted strategic planning and identified our strategic goal and objectives.

## Strategic objectives

Our strategic objectives (listed below) represent medium term outcomes to be achieved through specific strategies and activities.

- Protect, engage and develop our people.
- Maximise value to customers by balancing cost, risk and performance.
- Meet customer needs and exceed customer expectations.
- Deliver sustainable financial returns and gearing.

Strategies and key activities to achieve these strategic objectives are described on page 11.

# Strategies and activities

Strategies describe the general approach to be taken to achieve our strategic objectives over the period 2017–18 to 2020–21. We will implement seven key strategies, which are outlined below along with key activities to be undertaken for each strategy during 2017–18.

In addition (and separate to this SCI) Icon Water's performance management framework includes the development of detailed business plans at multiple levels.

## People strategy

Our people build the infrastructure, operate the networks, fix the problems and do the planning and research which ensures we deliver great water and sewerage services.

The *People Strategy* aims to build the engaged and highly capable workforce necessary to meet our current and future business challenges. The strategy focuses on four key components of people management: diversity and inclusion, leadership, performance and development and talent planning.

Key activities for 2017–18 are:

- development of specific initiatives – at both the organisational and group level – designed to increase employee engagement
- continued focus on the development of our frontline leaders and succession planning for Executives and Managers
- further refinement of a diversity and inclusion framework
- implementation of structured graduate and trainee programs.

## Work health and safety strategy

Safety is one of our Core Values, which guide how we conduct our business and treat others. We continually improve our safety systems and ensure our staff and contractors accept personal responsibility for a safe workplace and contribute to a safe community.

The *Work Health and Safety Strategy 2016–17 to 2018–19* aspires to a state where every Icon Water worker, regardless of their position, is a safety leader. A safety leader is anyone who will take action to keep themselves and others healthy and safe, and through this action inspire others to do the same. The objective of the strategy is a safer workplace, supported by best practice work health and safety management.

During 2017–18 the strategy focusses on enhancing our safety culture and building staff capability around operational risk management.

Key activities for 2017–18 are:

- finalise development and commence implementation of a Just Culture framework
- development and delivery of operational risk management training to frontline staff
- development and delivery of a behavioural safety program.

# Enterprise asset management strategy

Our assets reflect the ACT's substantial investment in water and sewerage infrastructure. How we manage those assets is critical for ensuring we maximise value to customers. This means – providing safe, reliable and value for money water and sewerage services.

The *Enterprise Asset Management Strategy* aims to maximise value to our customers by implementing systems and processes that enhance our ability to manage and operate our water and sewerage infrastructure as effectively as possible. To achieve this, the delivery of our services needs to be made in the context of balancing investment decisions and operational activities with a view to the impact on cost, risk or performance of our networks as a whole.

The objective of the strategy is to establish changes to our planning and execution through new processes, revision of our 'end-to-end' operating model and improved collation and analysis of data. This improved organisational capability will also allow us to model the potential impact of external or internal drivers, such as proposed changes to regulations.

Implementation will build organisational capability in all aspects of asset management, with an initial focus on:

- improving asset data and information systems, including through renewal of the asset and works management system
- ensuring the right organisational and operation (process) structure and building the capability of our people.

Key activities for 2017–18 are:

- implementing reliability centred maintenance methodology for maintenance and optimisation of works packaging
- renewing the asset and works management system
- improving staff capability in asset management competencies
- defining our target state business activity model.

# Customer management strategy

We are committed to continually improving the services we provide our customers and the way we provide them. This means, putting customers and stakeholders at the heart of all that we do. Our business and operational planning, network operations and internal processes are all driven by our understanding of customer and stakeholder needs and expectations.

The *Customer Management Strategy 2016–17 to 2021–22* identifies a vision of Icon Water as a trusted provider, consistently delivering quality and value. The strategy focuses on ensuring we understand our customers' needs and expectations and leverage technology to deliver effective customer service.

Key activities for 2017–18 are:

- implementation of a case management system
- development and delivery of customer service training to frontline staff
- undertake a review of customer and stakeholder needs
- integration of customer management in all business processes.

# Financial strategy

As a territory-owned corporation, we must ensure the ACT's investment in water and sewerage infrastructure provides sustainable financial returns.

The *Financial Strategy* aims to generate sustainable financial returns and maintain sustainable gearing levels. Key elements include maintaining a dividend payout ratio based on the capital and borrowing requirements of the business as approved by the voting Shareholders.

In addition, we will continue to optimise operating expenditure and actively manage the energy investments, ensuring a continuation of the strong financial outcome for our Shareholders.

Key activities for 2017–18 are:

- continue to define the efficiency opportunities within Icon Water and the program of works required to realise the benefits
- introduce a water and sewerage capital contribution code
- pursue growth opportunities (in Icon Water and ActewAGL) that align with Icon Water's strategy.

# Economic regulation strategy

As a monopoly provider of essential services, our customers take comfort in a pricing structure that is governed by the Independent Competition and Regulatory Commission (ICRC).

The *Economic Regulation Strategy* guides the development of our submission to the ICRC on its upcoming review of water and sewerage prices to apply from 1 July 2018 to 30 June 2023. The key objective of the strategy is to maintain sustainable pricing for our customers through a robust regulatory process and that positions Icon Water for a more simplified and streamlined regulation regime post 2023.

Key activities for 2017–18 are:

- further improve our regulatory submission based on feedback from the community and the regulator
- communicate the outcome of the regulatory process to our customers.

# ICT strategy

Information and Communications Technology (ICT) is an integral part of how Icon Water undertakes its day to day business and has a central role as the key enabler to improve productivity, timely decision-making and service to customers.

The *ICT Strategy 2015–16 to 2018–19* outlines the key strategic business requirements for the ICT environment, to achieve the vision of a fit for purpose operational technology. The objective of the strategy is to establish ICT as an integrated, robust, scalable and secure technology platform providing fit-for-purpose business capabilities supported by efficient services that preserves optimal ICT investment.

During 2017–18 the strategy focusses on establishing an integrated, loosely-coupled and scalable technology platform to maintain optimal ICT investments.

Key activities for 2017–18 are:

- implementing cloud infrastructure to minimise the impact of application changes impacting other applications
- commence migrating Icon Water's field and office staff to a fully mobilised solution
- roll out a best practice service catalogue to define all Icon Water ICT support and management requirements.

# Performance indicators and targets

For each strategic objective we have established performance indicators and targets to monitor and report on their achievement. These are outlined below. We also have a range of internal performance management arrangements and related monitoring and reporting activities.

Icon Water also has regulatory, compliance and performance reporting obligations via the following mechanisms:

- reporting on various service delivery targets (relating to water quality, reliable supply, sewerage and customer satisfaction (including industry comparisons)) annually in the *National Performance Report: urban water utilities* (published by the Bureau of Meteorology)
- reporting on compliance and performance to the Independent Competition and Regulatory Commission (ICRC) and Utilities Technical Regulator
- providing water and sewerage information under part 7 of the *Water Regulation 2008* (collected by the Bureau of Meteorology)
- providing water and sewerage information for the National Water Account (published by Bureau of Meteorology).

The following performance indicators and targets were selected to reflect key stakeholder and customer needs and expectations of our business.

Strategic objectives	Performance indicator	Targets (30 June 2018)
Protect, engage and develop our people	Serious Injury Frequency Rate (SIFR)	≤3 serious injuries per million hours worked
	Safety culture	Improved staff perceptions of organisational and manager commitment to safety (85% and 75% respectively)
	Diversity and inclusion	Improved staff perceptions of organisational openness and commitment to diversity (55% and 65% respectively)
	Staff engagement	54% of staff surveyed are moderately-highly engaged <sup>1</sup>
Maximise value to customers by balancing cost, risk and performance	Water quality	100% compliance with the Public Health (Drinking Water) Code of Practice 2007 (ACT)
	Water – reliable supply	Average duration of an unplanned interruption – water (minutes): 111–150 <sup>2</sup> Frequency of unplanned interruption – water (per 1000 properties): 63-127 <sup>3</sup> Water volume <sup>4</sup> to meet demand: 140-300ML/day
	Sewerage system reliability <sup>5</sup>	No. of sewer surcharges inside customer dwellings ≤15 >95% of sewerage chokes restored within 5 hours

<sup>1</sup> This being the Australian and New Zealand average for utilities.

<sup>2</sup> 2015–16 industry average is 132 minutes

<sup>3</sup> 2015–16 industry is 150 (per 100 properties)

<sup>4</sup> Volume is total production by the water treatment plants and supply through the water supply system.

<sup>5</sup> These performance indicators and targets have been selected with a customer focus and have been informed by our market research survey outcomes that show reliability and quality as priorities and customer views on the importance of avoiding sewer surcharges.

Strategic objectives	Performance indicator	Targets (30 June 2018)
	Sustainability embedded in capital works program	Sustainability infrastructure scorecard incorporated into 100% of capital projects over \$50,000
	Waste to landfill	Reduction over prior year (in tonnes)
	Environmental compliance	100% compliance with environmental flow requirements, environmental authorisations and agreements
Meet customer needs and exceed customer expectations	Effective complaints management	A meaningful response to 100% of complaints within 20 business days <sup>6</sup>
	Customer satisfaction	90% of annual survey participants are satisfied with our overall service < 5.0 total water and sewerage complaints (per 1000 properties)
Deliver sustainable financial returns and gearing	Shareholder return	\$68.8m (profits available for dividends)
	Earnings Before Interest and Tax (Water and Energy)	\$187.2m
	Capital expenditure	+/-10% of \$130.3m
	Gearing	≤56.9%
	Energy costs	≤ 5% over quarterly forecast (for our three key treatment plants)

<sup>6</sup> As required by the Consumer Protection Code.

# Supporting information

## Forecast financial statements and key financial performance measures

Icon Water Limited Income Statement Year Ended 30 June	Notes	2015-16 Actual \$000	2016-17 Forecast \$000	2017-18 Budget \$000	2018-19 Estimate \$000	2019-20 Estimate \$000	2020-21 Estimate \$000
<b>Revenue</b>							
Water Business		186,085	182,046	188,948	194,930	201,022	207,177
Sewerage Business		122,746	122,920	128,727	134,033	139,756	145,726
Interest Income		1,670	1,030	1,084	1,111	1,139	1,167
Commonwealth Subvention		11,401	11,687	11,979	12,278	12,585	12,900
Energy Investment		100,167	82,155	73,721	75,449	77,529	82,990
Other Revenue		3,477	4,632	2,580	2,644	2,710	2,777
<b>Total Revenue</b>		<b>425,546</b>	<b>404,470</b>	<b>407,039</b>	<b>420,445</b>	<b>434,741</b>	<b>452,737</b>
<b>Expenditure</b>							
ACT Government Charges		35,875	36,226	38,357	40,187	42,053	43,945
Depreciation		50,713	49,548	52,287	54,167	57,192	59,347
Employment Costs		64,577	66,540	72,636	74,615	71,040	73,148
Water Operating Costs		63,424	69,629	63,472	61,263	64,026	61,949
Impairment		613	0	0	0	0	0
Other Expenses		(2,929)	1,915	5,045	2,691	2,709	2,226
<b>Total Expenditure</b>		<b>212,273</b>	<b>223,858</b>	<b>231,797</b>	<b>232,923</b>	<b>237,020</b>	<b>240,615</b>
<b>Earnings before Interest Tax and Gifted Assets</b>		<b>213,273</b>	<b>180,612</b>	<b>175,242</b>	<b>187,522</b>	<b>197,721</b>	<b>212,122</b>
Interest Expense		65,570	69,568	75,082	71,870	72,565	74,229
<b>Earnings Before Tax and Gifted Assets</b>		<b>147,702</b>	<b>111,044</b>	<b>100,160</b>	<b>115,653</b>	<b>125,156</b>	<b>137,893</b>
Gifted Assets		25,251	9,431	10,000	10,000	10,000	10,000
<b>Earnings Before Tax</b>		<b>172,954</b>	<b>120,475</b>	<b>110,160</b>	<b>125,653</b>	<b>135,156</b>	<b>147,893</b>
Tax Expense		50,619	37,336	33,048	37,696	40,547	44,368
<b>Net Profit After Tax</b>		<b>122,334</b>	<b>83,139</b>	<b>77,112</b>	<b>87,957</b>	<b>94,609</b>	<b>103,525</b>
<b>Transfer to/(from) Retained Profits</b>	a	<b>42,294</b>	<b>9,431</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>
<b>Profits available for Dividends</b>		<b>80,040</b>	<b>73,708</b>	<b>67,112</b>	<b>77,957</b>	<b>84,609</b>	<b>93,525</b>

### Notes:

a—The 2015-16 dividends to ACT Government were based on Icon Water's profit available for dividends, excluding the gifted assets for Googong Estate and a one-off variation to the 100% net profit after tax dividend policy for 2015-16, allowing Icon Water to retain \$42m in profit as a form of debt relief. On the 5 May 2016 the ACT Government agreed to this variation, predicated on Icon Water achieving an anticipated additional net profit after tax of approximately \$49.0m compared to the original budget estimate of \$69.2m.

The 2016-17 and forward years dividend to the ACT Government will be based on Icon Water's Profit available for dividends, excluding gifted assets revenue.



Icon Water Limited Balance Sheet Year Ended 30 June	Notes	2015-16 Actual \$000	2016-17 Forecast \$000	2017-18 Budget \$000	2018-19 Estimate \$000	2019-20 Estimate \$000	2020-21 Estimate \$000
<b>Current Assets</b>							
Cash and cash equivalents		36,536	39,868	40,676	40,258	40,495	40,415
Held to maturity investments		18,000	0	0	0	0	0
Receivables		47,812	49,250	50,724	52,246	53,813	55,427
Other		19,887	19,887	19,887	19,887	19,887	19,887
<b>Total Current Assets</b>		<b>122,235</b>	<b>109,005</b>	<b>111,286</b>	<b>112,391</b>	<b>114,195</b>	<b>115,729</b>
<b>Non Current Assets</b>							
Investments in Other Entities		950,512	978,165	1,000,386	1,003,835	1,014,864	1,026,854
FITB - Non Current		28,463	28,463	28,463	28,463	28,463	28,463
Intangibles (Water Licences)		35,074	1,370	1,370	1,370	1,370	1,370
Property, Plant and Equipment		2,185,255	2,253,427	2,331,583	2,400,696	2,454,711	2,499,146
Other		15,763	15,763	13,995	12,228	10,460	8,692
<b>Total Non Current Assets</b>		<b>3,215,067</b>	<b>3,277,189</b>	<b>3,375,799</b>	<b>3,446,592</b>	<b>3,509,868</b>	<b>3,564,526</b>
<b>Total Assets</b>		<b>3,337,302</b>	<b>3,386,194</b>	<b>3,487,085</b>	<b>3,558,983</b>	<b>3,624,064</b>	<b>3,680,255</b>
<b>Current Liabilities</b>							
Accounts Payable		50,181	48,726	49,004	49,123	47,899	48,455
Dividends Payable		19,661	14,740	13,422	15,591	16,922	18,705
Tax Payable		7,450	4,626	3,198	6,863	8,665	7,017
Borrowings	a	23,247	312,101	18,054	234,965	0	0
Provisions		28,979	28,979	28,979	28,979	28,979	28,979
Other		5,323	5,323	5,323	5,323	5,323	5,323
<b>Total Current Liabilities</b>		<b>134,841</b>	<b>414,497</b>	<b>117,980</b>	<b>340,842</b>	<b>107,788</b>	<b>108,479</b>
<b>Non Current Liabilities</b>							
Borrowings	a	1,513,348	1,273,151	1,660,559	1,499,595	1,787,730	1,833,230
Deferred Tax Liability		400,844	400,844	400,844	400,844	400,844	400,844
Provisions		11,733	11,734	11,734	11,734	11,734	11,734
<b>Total Non Current Liabilities</b>		<b>1,925,925</b>	<b>1,685,729</b>	<b>2,073,137</b>	<b>1,912,173</b>	<b>2,200,308</b>	<b>2,245,808</b>
<b>Total Liabilities</b>		<b>2,060,766</b>	<b>2,100,226</b>	<b>2,191,117</b>	<b>2,253,015</b>	<b>2,308,096</b>	<b>2,354,287</b>
<b>Net Assets</b>		<b>1,276,536</b>	<b>1,285,968</b>	<b>1,295,968</b>	<b>1,305,968</b>	<b>1,315,968</b>	<b>1,325,968</b>
<b>Equity</b>							
Capital		758,871	758,871	758,871	758,871	758,871	758,871
Retained Profits		108,877	118,310	128,310	138,310	148,310	158,310
Reserves		408,787	408,787	408,787	408,787	408,787	408,787
<b>Net Equity</b>		<b>1,276,536</b>	<b>1,285,968</b>	<b>1,295,968</b>	<b>1,305,968</b>	<b>1,315,968</b>	<b>1,325,968</b>

**Notes:**

a- As existing debt instruments mature they are reclassified to Current Borrowings.

<b>Icon Water Limited Cashflow Year Ended 30 June</b>	<b>Notes</b>	<b>2015-16 Actual \$000</b>	<b>2016-17 Forecast \$000</b>	<b>2017-18 Budget \$000</b>	<b>2018-19 Estimate \$000</b>	<b>2019-20 Estimate \$000</b>	<b>2020-21 Estimate \$000</b>
<b>Cash Flow from Operations</b>							
Receipts from customers		317,377	318,607	330,756	342,364	354,507	366,966
Payments to suppliers and employees		(169,005)	(173,317)	(176,717)	(175,932)	(176,973)	(178,380)
Tax paid		(50,383)	(40,160)	(34,476)	(34,031)	(38,744)	(46,016)
Interest received		1,723	1,030	1,084	1,111	1,139	1,167
Interest paid		(69,065)	(74,356)	(81,748)	(77,679)	(79,008)	(78,893)
<b>Net Cash In/(out) flow from operating activities</b>		<b>30,647</b>	<b>31,804</b>	<b>38,899</b>	<b>55,832</b>	<b>60,920</b>	<b>64,845</b>
<b>Cash Flow from Investing Activities</b>							
JV Distribution Received		68,500	54,500	51,500	72,000	66,500	71,000
Payments for Property, Plant and Equipment		(68,931)	(105,953)	(114,523)	(108,409)	(97,075)	(89,683)
Proceeds from Disposal of PP&E		19	0	0	0	0	0
Payments for Intangibles		(3,043)	0	0	0	0	0
Proceeds from Sale of Intangibles		(0)	34,424	0	0	0	0
<b>Net cash In/(Out) Flow from Investing Activities</b>		<b>(3,455)</b>	<b>(17,029)</b>	<b>(63,023)</b>	<b>(36,409)</b>	<b>(30,575)</b>	<b>(18,683)</b>
<b>Cash Flow from Financing Activities</b>							
Repayment of Borrowings		(204,516)	(18,821)	(315,638)	(18,054)	(235,829)	0
New Borrowing		247,589	68,000	409,000	74,000	289,000	45,500
Finance Lease Payments		(101)	0	0	0	0	0
Dividends paid		(84,186)	(78,622)	(68,430)	(75,788)	(83,278)	(91,741)
<b>Net cash In/(out) flow from financing activities</b>		<b>(41,214)</b>	<b>(29,443)</b>	<b>24,932</b>	<b>(19,842)</b>	<b>(30,107)</b>	<b>(46,241)</b>
<b>Net cash movement</b>		<b>(14,022)</b>	<b>(14,668)</b>	<b>808</b>	<b>(418)</b>	<b>238</b>	<b>(80)</b>
<b>Opening cash balance</b>		<b>51,558</b>	<b>36,536</b>	<b>39,868</b>	<b>40,676</b>	<b>40,258</b>	<b>40,495</b>
<b>Cash reclassified to held to maturity investments</b>		<b>(1,000)</b>	<b>18,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Closing cash balance</b>		<b>36,536</b>	<b>39,868</b>	<b>40,676</b>	<b>40,258</b>	<b>40,495</b>	<b>40,415</b>

Icon Water Limited Financial Ratios Year Ended 30 June	Notes	2015-16 Actual	2016-17 Forecast	2017-18 Budget	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
<b>Profitability</b>							
Return on Total Assets	a	6.3%	5.3 %	5.0%	5.2 %	5.4 %	5.7 %
Return on Equity	b	6.3%	5.7 %	5.2%	6.0 %	6.4 %	7.1 %
Profit Margin	c	49.9%	44.5 %	42.9%	44.5 %	45.3 %	46.7 %
<b>Liquidity</b>							
Current Ratio	d	90.7%	26.3%	94.3 %	33.0%	105.9 %	106.7 %
Cash Position	e	1.6%	1.2%	1.2 %	1.1%	1.1%	1.1%
Receivables Turnover	f	11.1	10.5	10.7	10.7	10.8	10.9
<b>Financial Stability</b>							
Debt Ratio	g	61.7%	62.0 %	62.8 %	63.3 %	63.7%	64.0 %
Gearing Ratio	h	54.6%	55.2 %	56.4 %	57.0 %	57.6%	58.0 %
Capital Ratio	i	120.4%	123.3%	129.5 %	132.8 %	135.8 %	138.3 %
<b>Debt</b>							
Interest Cover Ratio	j	3.3	2.6	2.3	2.6	2.7	2.9
<b>Formula:</b>							
<b>Profitability</b>							
Return on Total Assets	a	$\frac{\text{EBIT (minus Interest Revenue)}}{\text{Total assets}}$					
Return on Equity	b	$\frac{\text{NPAT (Net Profit After Tax)}}{\text{Total Equity}}$					
Profit Margin	c	$\frac{\text{EBIT (minus Interest Revenue)}}{\text{Revenue (minus interest revenue)}}$					
<b>Liquidity</b>							
Current Ratio	d	$\frac{\text{Current assets}}{\text{Current liabilities}}$					
Cash Position	e	$\frac{\text{Cash + investments}}{\text{Total assets}}$					
Receivables Turnover	f	$\frac{\text{Total Revenue excludes subvention, interest income and energy investment}}{\text{Average receivables for period (relating to credit sales)}}$					
<b>Financial Stability</b>							
Debt Ratio	g	$\frac{\text{Total liabilities}}{\text{Total assets}}$					
Gearing Ratio	h	$\frac{\text{Total long term debt}}{\text{Long term debt + equity}}$					
Capital Ratio	i	$\frac{\text{Total long term debt}}{\text{Equity}}$					
<b>Debt</b>							
Interest Cover Ratio	j	$\frac{\text{EBIT (before gross interest expense and excluding abnormal items)}}{\text{Annual interest payments}}$					

# Financial assumptions and notes

The forecasts contained in this document are subject to potentially significant variation arising from factors outside Icon Water's control. These factors are described below.

## Regulatory uncertainty

Icon Water's revenue targets in the 2017–18 budget and forward estimates are underpinned by the Industry Panel's final decision, setting prices until the end of 2017–18. The budget assumes prices are reset from 2018–19.

## Climatic conditions

Average weather patterns have been assumed in determining the budget estimates. Variability in climatic conditions may result in material variations to Icon Water's profits through water consumption forecasts and pumping and treatment costs. Extreme weather events may result in financial losses and delays in our operations.

## ActewAGL's operations

The current legal proceedings and interim regulatory arrangements will impact the profitability and cash flow of ActewAGL.

Since ActewAGL Distribution's electricity network determination for the current regulatory period was set aside by the Australian Competition Tribunal on 26 February 2016, electricity income for 2016–17 was based on 2015–16 prices adjusted by the Consumer Price Index and a broadly similar process is expected to apply in 2017–18. The electricity income for ActewAGL Distribution for the remaining year of the current regulatory period (2018–19) would then be subject to the outcome of the Australian Energy Regulator's (AER) appeal to the Federal Court and the Australian Energy Market Commission acceptance of (or variation to) ActewAGL Distribution's proposed rule change for a participant derogation to carry forward and smooth some allowed revenue into the next regulatory control period 2019–24.

ActewAGL Distribution gas income assumptions are based on the income allowed by the AER in their final decision on ActewAGL Distribution's gas access arrangement for 2016 to 2021 which was released in May 2016. The income allowed for ActewAGL Distribution's gas network in 2017–18 will vary from the previous year according to the annual allowance detailed in the 2016 to 2021 access arrangement. The gas income allowed for 2017–18 may vary as a result of the forthcoming decision by the Australian Competition Tribunal on the AER's final decision for ActewAGL Distribution gas access arrangement.

ActewAGL Retail's electricity retail prices in the ACT will continue to be regulated by the Independent Competition and Regulatory Commission (ICRC) with 2017–18 being the start of a new three year regulatory period. The ICRC's final decision and price direction is due in June 2017 and will apply from 1 July to 30 June each year.

## Gifted Assets

Icon Water's estimate for gifted assets is based on a historical ten year average. The annual value of gifted assets can vary significantly. The gifted assets revenue is dependent upon the timing of land releases, construction timeframes and the completion period for acceptance into Icon Water's hydraulic network.

## Financial markets and capital structure

Icon Water will need to source new debt and/or refinance existing debt, which will be subject to market interest rates. Icon Water currently benefits through lower borrowing costs from the ACT Government's AAA credit rating, which is far superior to Icon Water's implied BB credit rating. The ACT Government may charge Icon Water a loan guarantee fee that reflects the difference in this borrowing cost. Icon Water has not included this loan guarantee fee in this SCI.

## Dividend to shareholders

This SCI is based on the current Dividend Policy of 100% of net profit (excluding gifted assets).

## Main community service obligations

We will continue to contribute to our community through meaningful engagement. We will contribute to the cultural and social development of the ACT through community sponsorships and provide support to those in need through donations to community and charitable organisations.

In 2017–18 we expect to maintain the same donation and sponsorship contribution of \$500,000 as we did in 2016–17.

Icon Water fulfils a range of community service obligations (CSOs) on behalf of the ACT Government. These CSOs are social, rather than commercial, in nature and are explicitly funded by the ACT Government. The majority of CSOs by value relate to pensioner concessions in connection with water and sewerage charges. Water and sewerage services are also provided at a 50% price discount to community organisations such as schools and churches. The table below shows the estimated revenue for each category.

Community Services Obligations	Estimated Revenue 2017–18 \$000
Water services for schools, hospitals, charities and churches or ecclesiastical establishments	1,545
Water services rebates to pension and health benefit card holders	725
Sewerage services for schools, hospitals, charities and churches or ecclesiastical establishments	3,607
Sewerage services rebates to pension and health benefit card holders	5,006
ACT Civil and Administrative (ACAT) discharges	25

## Capital works

The future general capital works program is designed to renew infrastructure to maintain service standards, expand the network to support growth in the ACT, improve our assets to generate efficiencies and renew a number of operational systems including our work management systems.

The table below shows the capital works projects with the highest forecast expenditure in 2017–18.

Project Description	Program	Driver	Stage	2017–18 Forecast \$000	2018–19 Forecast \$000	Forecast Cost at Completion \$000
Lower Molonglo Water Quality Control Centre (LMWQCC) Tertiary Filters and Disinfection System Upgrade	Sewerage	CAPEX Growth	Develop	\$12,778	\$8,738	\$28,574
LMWQCC Solid Handlings - Screens, Grit and Ventilation Upgrade	Sewerage	CAPEX Efficiency	Develop	\$10,092	\$1,750	\$15,404
LMWQCC Furnace and Exhaust System Upgrade	Sewerage	CAPEX Regulation	Develop	\$7,039	\$3,111	\$13,649
LMWQCC Aeration Blower Renewal	Sewerage	CAPEX Renewal	Execute	\$5,386	\$56	\$14,995
LMWQCC Solid Handlings - Sludge Holding Tank	Sewerage	CAPEX Regulation	Execute	\$4,980	\$0	\$12,874
Asset Management and Maintenance Solution	IT	CAPEX Renewal	Develop	\$15,079	\$4,825	\$29,996
Sewer Rehabilitation 2017–18	Sewerage	CAPEX Renewal	Evaluate	\$7,809	\$0	\$7,809
Water Main Renewals 2017–18	Water	CAPEX Renewal	Evaluate	\$5,776	\$0	\$5,776
Critical Infrastructure Stage 2	Water and Sewerage	CAPEX Regulation	Develop	\$5,225	\$0	\$6,299
Water Network Electrical, Instrumentation, Monitoring and Control	Water	CAPEX Renewal	Develop	\$4,626	\$8,590	\$21,845

# Risk management

Icon Water's risk management framework aligns with *AS/NZS ISO 31000:2009 Risk management – principles and guidelines*. The framework includes risk management policy and procedure, risk assessment criteria and processes for the conduct of risk assessments, escalation and reporting of risks. The Icon Water Board has established a Risk and Assurance Committee (RAC) to provide independent assurance and advice to the Board on the management of risk and the treatment of key risks.

Risk assessments identify risks in seven categories: strategic, safety, operational, financial, environmental, reputation and legal/compliance. Risk reports are provided at multiple levels within the organisation, and the RAC reviews key risks and their treatment on a regular basis. A description of our key risks in each risk category for 2017–18 and related mitigation strategies is provided in the table below.

## Key risks for 2017–18

Category	Overview of key risks	Mitigation strategies
Strategic	Icon Water faces a number of risks that impact on the achievement of strategic objectives. Key risk events include failure to effectively implement operational technology, manage sustainable gearing levels and deliver services to continue to meet growth requirements.	Mitigation strategies include a dedicated program management office to oversee strategic projects, including effective change management; and implementation of the financial and customer management strategies.
Safety	Icon Water is managing a range of safety related risks to protect the health and safety of staff, contractors and the public. Key risk events include safety incidents involving staff and management of toxic gases in the sewer network.	Icon Water's Work Health and Safety Strategy is the overarching mitigation. It is supported by a Safety Management System that is certified to the relevant Australian standard. A baseline sewage quality monitoring program has commenced and a trial of new gas detectors is also underway to assist with identification of toxic gases in the network.
Operational	Icon Water has a number of key operational risks relating to the continuity of supply of water and sewerage services, management of the water and sewer network and our ability to respond to business interruptions.	Mitigation strategies include business interruption and emergency response plans, oversight of projects by the program management office, improved network monitoring, identification of alternate suppliers for critical goods and services and efficient management of assets.
Financial	Icon Water's key financial risks relate to expenditure on regulated assets and asset management planning.	Mitigation strategies include a sound governance structure to ensure prudent expenditure, oversight of projects by a dedicated project management office and asset management planning processes.
Environmental	Icon Water manages a number of environmental related risks, the most significant being the uncontrolled release of raw sewage.	Mitigation strategies include network performance monitoring, planned and reactive maintenance work, site building and drainage and compliance with design and operating standards.
Reputation	Icon Water takes pride in its reputation and manages a number of reputation related risks as part of its business operations.	Aside from Icon Water's customer facing website and faults call centre, mitigation strategies include the implementation of the customer strategy, engagement of community groups and development of an improved customer communication system.
Legal/compliance	Icon Water has a dynamic legal and regulatory environment and the key legal/compliance risks reflect the organisation's ability to keep pace with these changes.	Mitigation strategies include software to manage legal obligations, staff training, disaster/emergency plans, real time monitoring of the network and use of internal and external legal advisors.

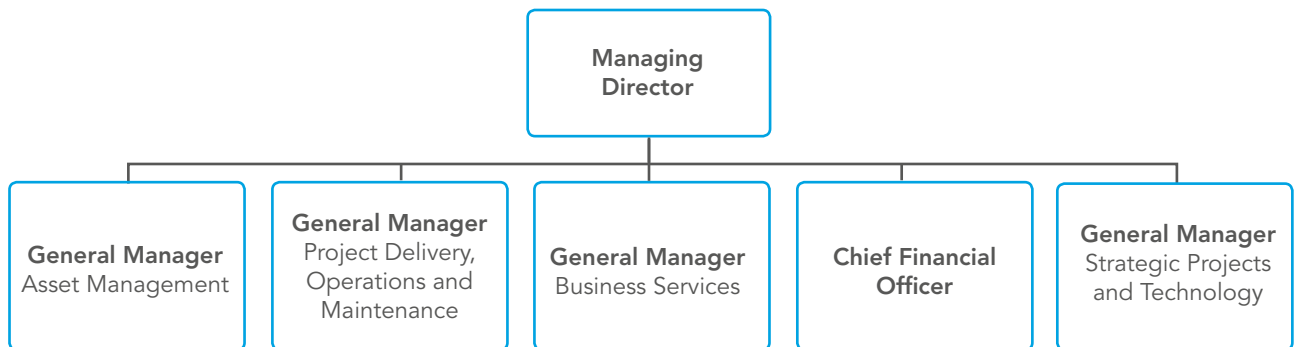
# Governance and accountability

Icon Water's Integrated Management System (IMS) is a set of interrelated elements which operate to develop organisational strategy, translate it into operational actions, and to monitor and improve the effectiveness of both. The IMS incorporates our governance framework (how our organisation is directed and controlled) and our management operating system (how those directions are carried out in practice).

The Icon Water Limited Board is responsible for the governance of Icon Water and its controlled entities. The Board is supported by a number of Board committees and controlled entity boards which actively manage our investment in ActewAGL.

## Organisational structure

Our organisational structure is comprised of five groups.



## Energy investment

Icon Water is a 50% partner in ActewAGL. ActewAGL consists of two partnerships:

- ActewAGL Distribution which owns and operates the electricity network in the ACT and the gas network in the ACT and in certain adjacent regional centres.
- ActewAGL Retail which sells electricity and gas to its residential, commercial and government customers in the ACT and surrounding region.

Our approach to managing the investment in ActewAGL is founded upon the following principles:

- We are an active and informed investor in ActewAGL. To this end, ActewAGL's Joint Venture Partnerships Board consists of six members, three of whom are Icon Water appointees.
- The investment should deliver benefits to Icon Water which are consistent with Icon Water's main objectives under the TOC Act.

# Ownership structure

