



Business Strategy

2018–19 to 2021–22

OUR STATEMENT OF CORPORATE INTENT

Corporate Office

Level 5

40 Bunda Street

Canberra City ACT 2601

Mitchell Operations Office

12 Hoskins Street

Mitchell ACT 2911

Language assistance

13 14 50, 24 hours

للحصول على مساعدة لغوية، اتصل بالرقم

语言方面的协助，请打上述号码

برای کمک زبانی به شماره بالا تلفن

யார்ப்பாளர் உதவிக்கு மேலே உள்ள இலக்கத்தை அழையுங்கள்

ñn thông dịch viên, hãy gọi đến số trên đây

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

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Icon Water Limited ABN 86 069 381 960

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Our core purpose

OUR CORE PURPOSE

To sustain and enhance quality of life

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

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

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

OUR CORE VALUES

Our business strategy



Managing Director's message

This Business Strategy provides our Statement of Corporate Intent, outlining how Icon Water intends to achieve our objectives and realise our vision – to be a valued partner in our community.

Our vision reflects our ongoing commitment to our customers and the community. It recognises the important role we play in Canberra and the surrounding region, supporting the community to grow and prosper by leveraging our secure water supply, providing high quality drinking water and environmentally sustainable sewerage services.

We have been doing this for over 100 years and will continue to sustain and enhance the quality of life in our community for generations to come.

Over the period 2018–19 to 2021–22, we will continue to strengthen our focus on our customers and community. This includes collaborating with Government and industry to support the population and infrastructure growth of Canberra and the surrounding region.

Our work will be guided by three strategic objectives, to:

- build a safe, innovative and inclusive workplace
- deliver sustainable value for our community and shareholders
- enhance the customer experience.

We will continue to prudently invest in technology, systems and assets so that we can operate safely and efficiently and make the best decisions for our customers.

We are committed to supporting a safe workplace and contributing to a safe community. We will prioritise the safety and skills of our workforce so they are mobile, connected and competent to deliver services for the community, now and into the future.

Our focus on customer experience will permeate our entire business. We will develop tailored customer initiatives, strengthen our engagement with the community and integrate customer and stakeholder considerations into the design of our operations, maintenance and capital works programs.

Our Board, Executive team and employees are committed to working in partnership with the community, to ensure we continue to provide safe, reliable and high quality services for the Canberra region.



John Knox
Managing Director
Icon Water Limited

Our business

Icon Water is the ACT's supplier of essential water and sewerage services; proudly serving the community for over 100 years. We source, treat and supply water through a direct relationship with our customers.

We own and operate assets worth over \$2.2 billion, comprising the ACT's network of dams, water treatment plants, sewage treatment plants, reservoirs, water and sewage pumping stations, mains and other related infrastructure.

Our long-term water security allows us to support the growing Capital region, and we continue to supply high quality bulk water supplies to support the Queanbeyan community.

Importantly, we respect our role to protect the environment. We have the largest inland sewerage treatment plant that treats to the highest standard so that environmental flows can be returned to the Murrumbidgee River system.

Our reliability, expertise and community focus allows us to continue to provide the essential services, which enhances the quality of life.

Our business



Our customers



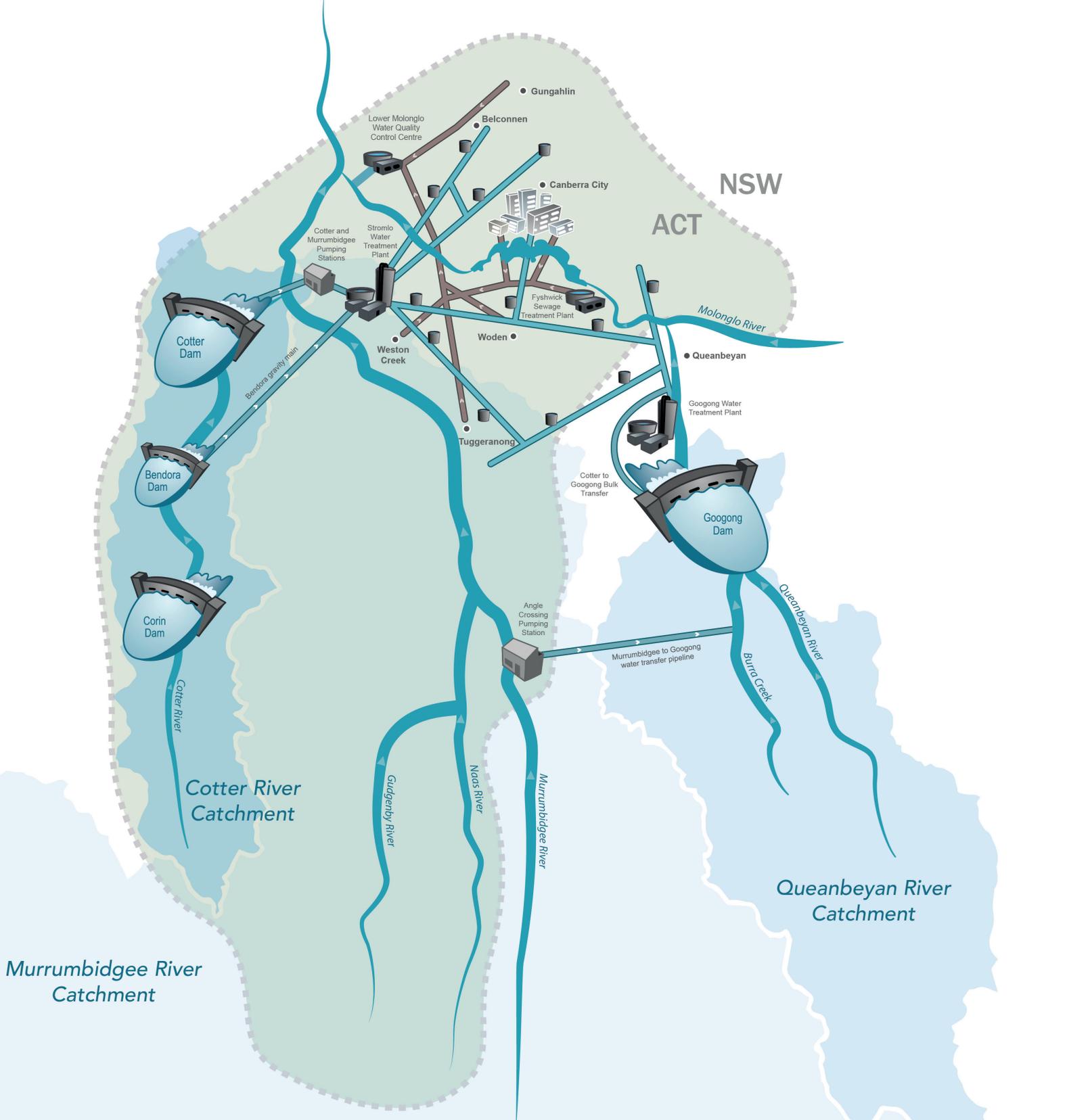
Our assets



Our people



Our water and sewerage network



Background

The *Territory-owned Corporations Act 1990* (TOC Act) identifies four equally important 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 investments, 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 vision and objectives.

Objectives

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

- Build a safe, innovative and inclusive workplace.
- Deliver sustainable value for our community and shareholders.
- Enhance the customer experience.

Achievement of these objectives is underpinned by seven strategies around health and safety, people and diversity, customer, asset, digital, financial and regulatory.

Strategies and activities

Strategies describe the general approach to be taken to achieve our strategic objectives over the period 2018–19 to 2021–22. We will implement seven key strategies through key activities to be undertaken for each strategy during 2018–19.

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

Health and safety

Safety is one of Icon Water's three core values. We value accepting personal responsibility to ensure a safe workplace and contribute to a safe community. Our safety management policy articulates the Board and Executive's commitment to safety management. Specifically, we are committed to:

- design, operate and maintain our assets without harm to Icon Water workers or others
- provide safe water and sewerage services to our customers and the community.

Our health and safety strategy aspires to a state where every Icon Water worker, regardless of their position, is a safety leader. A safety leader is anyone who takes action to keep themselves and others healthy and safe, and through this action inspire others to do the same. The strategy will deliver a safer workplace, supported by best practice work health and safety management.

Under the strategy, activities are being undertaken in four focus areas, outlined below.

Improved safety engagement

Effective communications and engagement on safety is essential for a safe workplace. To support this, we actively encourage and support open, two-way communication about safety across the organisation.

During 2018–19, activities in this focus area will include frontline leadership coaching and delivery of our Switch On safety engagement program to new employees. The frontline leadership coaching will help leaders to have effective safety discussions with their teams and use Icon Water processes and procedures to achieve improved and sustainable safety outcomes.

Clear expectations and accountability

We will implement initiatives to improve our processes and promote safety awareness so that safe behaviours are well defined, understood and practiced.

During 2018–19, activities in this focus area will include the implementation of the Just Culture framework. A Just Culture is a culture where management and workers are not punished for acts, omissions or decisions taken by them that are

commensurate with their experience and training, but where gross negligence or wilful violations are not tolerated.

We will also be implementing our Life Saving Rules; clear and simple rules to prevent safety incidents and encourage safe behaviours. These rules were derived from consultations during 2017–18 with over 280 employees on critical safety risks. The intent of this initiative is to have our critical risks front of mind and relevant controls applied consistently across the business.

A behavioural safety program will be developed that encourages employees to stop and discuss how tasks are being undertaken and provide positive feedback on what is working well and offer suggestions for improvement.

Support fitness for work

This focus area seeks to ensure our employees and their supervisors have access to information and tools to support their ongoing fitness for work. This is critical given that a large number of our employees are working in the field undertaking manual tasks.

During 2018–19, activities in this focus area will include providing managers with a mental health toolkit. The toolkit will provide tailored advice and guidance for managers to support staff to maintain mental health.

We will also be commencing a drug and alcohol monitoring program. This will build on the drug and alcohol awareness training delivered during 2017–18. Development of the monitoring program will be undertaken in consultation with employee representatives including union representatives. The aim of the monitoring program is to provide a credible deterrent to attendance at work while under the influence of drugs or alcohol, which presents a safety risk to the employee themselves, their colleagues or the community.

Simple and effective systems

Icon Water maintains a Safety Management System certified to the relevant Australian Standard. To support ease of use and effectiveness, it is important the Safety Management System is simple and includes components to prevent, detect, respond to and learn from safety incidents.

During 2018–19, activities in this focus area will include providing targeted training to Icon Water employees who have accountabilities to manage and investigate safety incidents. We will also be producing instructional videos of workplace tasks that can result in musculoskeletal injuries.

People and diversity

The people and diversity strategy aims to ensure that Icon Water has a highly engaged and capable workforce to meet current and future challenges and to achieve our objectives.

Our people and diversity strategy aspires to building a diverse workforce and creating a workplace where the capability of every employee is fully leveraged in a respectful and supportive work environment.

We recognise that building a diverse and inclusive workforce is critical to increasing employee productivity and engagement levels. We are committed to hiring the best possible person for each job and providing all employees with meaningful work in an environment that values the contributions they make.

Under the strategy, activities are being undertaken in five focus areas, outlined below.

Diversity and inclusion

The principles of diversity and inclusion form the foundation of our people and diversity strategy and underpin all initiatives. We recognise that a diverse workforce is critical to improving our employee engagement and productivity levels and we are committed to valuing and leveraging the capability of every employee. Our aim is to create a respectful and supportive workplace where all employees feel valued and able to express their opinions.

During 2018–19, activities in this focus area will include a review of recruitment processes with an emphasis on attracting women into non-traditional roles and increasing workplace flexibility.

Leadership

This aspect aims to ensure that we continue to invest in the capability of our leaders – both current and prospective.

During 2018–19, activities in this focus area will include delivery of tailored programs for aspiring managers and team leaders, continued delivery of the Leadership Masterclass and conducting a 360 degree feedback program.

Careers and learning

It is important that all employees have the appropriate skills to perform in their current roles while also positioning them for roles of the future.

During 2018–19, activities in this focus area will include the provision of learning opportunities to our field staff and frontline workers, support for supervisors to ensure transfer of knowledge occurs prior to a staff member departing, and implementation of a strategy to attract females to non-traditional roles.

Employee experience

This focus area aims to support a highly engaged workforce and a positive workplace culture.

During 2018–19, activities in this focus area will include review and refinement of our performance management system and conduct an employee engagement survey.

Organisation for the future

Icon Water operates in a dynamic and rapidly changing environment as Canberra grows and the regulatory environment changes. We need to ensure that our workforce is able to embrace a new level of organisational agility; adapt quickly to technological change; and is encouraged to use its collective creativity and energy in new and different ways.

During 2018–19, activities in this focus area will include training and upskilling the workforce in digital technology to support the business transformation project. This will ensure that we have a suitably skilled workforce capable of meeting the needs of a dynamic and rapidly changing operating environment.

Customer

Icon Water is focussed on delivering an exceptional customer experience across all areas of our business. We recognise that community requirements are changing. In response, we need to increase our focus on delivering an experience that enhances the lives of our customers and, ultimately, promotes and engenders trust.

To deliver an enhanced customer experience in a sustainable manner, Icon Water is committed to becoming a customer-centric organisation. We also need to maintain an ongoing focus on network protection and assurance to minimise impacts to customers. We will seek to align these needs across the organisation ensuring our services continue to meet the expectations of our customers both now and in the future.

Our customer strategy includes three main elements that support the achievement of our objective to enhance the customer experience. The three elements are:

- **Meeting needs.** Deliver high quality, consistent and seamless experiences to our customers across the customer lifecycle and ensure our underlying capabilities are set up for future success.
- **Making it easy.** Reduce customer effort by providing accessible, reliable and real time information, streamlined guidelines and standards.
- **Making lives better.** Adapt quickly to customer insights and use our business intelligence to play a greater role in influencing strategic urban planning and actively champion improvements on behalf of our customers.

Our customer strategy aspires to making our customers' lives better through our relationships and services. To achieve this, we will use customer insights to map out and articulate the experience which we aim to deliver to our customers. This strategy will deliver a customer-driven and community focussed organisation.

Under the strategy, activities are being undertaken in four focus areas, outlined below.

Systems and platforms

This component will ensure our processes are defined to deliver a customer experience which meets our customer needs while balancing our network protection obligations. Modern reliable systems and platforms are essential for the management of information and records related to each of our customer interactions.

During 2018–19, activities in this focus area will include designing and implementing system enhancements to support improved metering and billing, planning for implementation in practice of the common customer and workflow management system to be delivered by the digital strategy, and delivering core capability for customer self-service.

Seamless customer interactions

We are seeking to deliver seamless interactions with our customers. We will segment the management of our customers using 'customer type' to ensure that we tailor the way in which we deliver our services through a comprehensive customer management model. This will ensure consistent, effective and efficient transactions and improve customer satisfaction.

During 2018–19, activities in this focus area will include development of a clear customer value proposition, improvement of key customer processes and review of current service levels across all customer segments.

Customer-centric culture and capability

A customer-centric approach will be built into everything that we do and our underlying business capabilities must support continuous improvement in the customer experience. We will continue to develop our employees to improve how we engage with customers and we will measure and monitor our performance.

During 2018–19, activities in this focus area will include improvement to root cause analysis and supporting governance frameworks, review of customer experience metrics, implementation of an internal and external reporting regime, and provision of customer experience training to relevant employees.

Community engagement

This component seeks to ensure we are engaging our community appropriately in everything that we do and that we support and partner with the community. Through our engagement programs we will build on our existing good reputation in the community.

During 2018–19, activities in this focus area will include review and improvement of our arrangements for community consultation, support and education.

Asset

Our assets reflect the ACT's substantial investment in water and sewerage infrastructure. How we manage those assets is critical to delivering sustainable value for our community and stakeholders, to ensuring a safe workplace and contributing to a safe community.

Our asset strategy aspires to a state where we maximise sustainable value by balancing the cost, risk and performance of our assets. In its current phase, the strategy will support us to deliver capability, processes and systems to capture data and support a comprehensive understanding of our assets. This improved organisational capability will, among other things, allow us to model the potential impact of external or internal drivers, such as proposed changes to regulations.

Under the strategy, activities are being undertaken in six focus areas (representing all aspects of asset management), as outlined below.

Strategy and planning

The development of asset strategies and plans aligns our asset management activities with overall organisational objectives. This alignment – or 'line of sight' – enables employees carrying out their day to day asset management activities to trace the rationale for what they are doing through the asset management plans and objectives, to organisational objectives.

During 2018–19, activities in this focus area will include finalising definitions of cost, risk and performance goals for assets.

Asset management decision-making

Effective asset management decision-making processes are essential for maximising the value realised over the life of our assets. This aspect considers the challenges and the approaches to decision-making for the three main stages of asset life: acquisition; operation and maintenance; and end of life.

During 2018–19, activities in this focus area will include implementing a reliability centred maintenance methodology for maintenance and optimisation of works packaging and applications and tools to improve planning and decision-making.

Lifecycle delivery

This aspect focuses on implementing asset management plans developed by strategy and planning. Good control of the activities and associated risks to acquire, operate, maintain and dispose of an asset is essential for successful implementation.

During 2018–19, activities in this focus area will include commencement of work to improve definition, understanding, implementation and tracking of our lifecycle delivery capability and continuation of the renewal of our asset and works management system.

Asset information

Asset data and information are key enablers across all asset management activities. This includes identifying and defining data and information requirements, including quality requirements. This requires assessment and prioritisation of asset information requirements to identify those that provide most benefit.

During 2018–19, activities in this focus area will include implementation in practice of data management deliverables from the digital strategy and continued upgrade of our Geographical Information Systems.

Organisation and people

Appropriate organisational structures and effective leadership are critical for building a culture that supports effective asset management. Structure, leadership, culture and competence are highly interdependent and strongly influence our ability to adopt and embed asset management successfully.

During 2018–19, activities in this focus area will include ensuring key personnel have the required skills to build organisational capability in the asset management discipline; finalising documentation of our target state business model; and finalising revised standards and rules in a clear, customer-friendly format.

Risk and review

The effective management of risk and the operation of feedback and review mechanisms enable us to assure stakeholders that objectives are being met and supports the continual improvement of asset management.

During 2018–19, activities in this focus area will include finalisation of revised asset management key performance indicators and related monitoring and reporting arrangements.

Digital

Information and Communications Technology (ICT) has an increasingly important role across Icon Water in improving operational efficiency, planning accuracy and decision-making. The incorporation of ICT into business processes and decision-making is essential for efficiently analysing, managing and optimising our asset network for the benefit of consumers and stakeholders. ICT will continue to profoundly change almost all aspects of Icon Water and the way we undertake our business. It is central to how people work, communicate, cooperate, make decisions and deliver services across our business.

Our digital strategy positions ICT as both a foundational and transformational enabler to meet our objectives and support other strategies. We will renew aging ICT applications and infrastructure to create a secure, flexible and sustainable capability to deliver greater operational agility, improved efficiencies and data driven decision-making across the business.

Under the strategy, activities are being undertaken in seven focus areas, outlined below.

ICT infrastructure and architecture

A secure, scalable cloud-based ICT infrastructure with a service-oriented architecture is a foundational element of our digital strategy. This will provide the underlying infrastructure to support anticipated business needs over the next decade.

During 2018–19, activities in this focus area will include refinement of the new cloud-centric infrastructure created during 2017–18 to integrate more efficiently into existing corporate applications.

ICT service support

A revitalised and sustainable partner-centric services support capability will maximise ICT application usage and preserve optimal ICT investment. This will enable the business to more efficiently use application capabilities and help manage the transition to new capabilities.

During 2018–19, activities in this focus area will include further development of the core ICT support capability created in during 2017–18 and leveraging greater support from a range of technical and specialist ICT partners.

Operational applications

This focus area will develop a suite of integrated business-specific applications on the Icon Water infrastructure that automate primary operational processes. This will replace aging applications, better automate core processes in accordance with business priorities and establish a single source of truth for data.

During 2018–19, activities in this focus area will include final delivery of the suite of projects that are retiring, replacing or upgrading ICT operational applications.

Data management

Activity in this focus area will seek to establish data as a core business asset with a single source of truth that is protected, accessible and governed. A set of core trusted data stores will be established across the business as the foundation for ongoing data-driven decision-making that will evolve with business needs.

During 2018–19, activities in this focus area will build on the work undertaken during 2017–18 by focusing on cementing business ownership of datasets and expanding the business processes around the evolution and governance of datasets.

Customer systems

This focus area relates to the development of a single managed view for all interactions for each specific customer. Simpler, more timely and holistic view of a customer will lower customer interaction costs and improve the working relationship between our employees and our customers.

During 2018–19, activities will focus on delivering a common customer and workflow management system across the business.

Data warehouse

The collection, storage and consumption of business and network data covers all critical assets and processes. This will provide the foundation for planning and decision-making across the business through improved timeliness and breadth of data capture across our asset base.

Activities in this focus area will commence during 2019–20.

Analytical applications

This focus area relates to the development of integrated financial, asset performance, works management and network control information to facilitate decision-making driven by an enterprise-wide data warehouse. This will improve data-driven decision-making across the business.

Activities in this focus area will commence during 2019–20.

Financial

As a Territory-owned Corporation, Icon Water must ensure that its investments in water, sewerage and energy provide sustainable returns.

Our financial strategy aspires to generate sustainable financial returns and maintain sustainable gearing levels.

We will continue to deliver strong financial outcomes for our Shareholders by optimising operating expenditure.

Under the strategy, activities are being undertaken in two focus areas, outlined below.

Sustainable returns

This focus area seeks to improve efficiency and profitability while maintaining sustainable prices.

During 2018–19, activities in this focus area will include ensuring operating expenditure is within regulatory allowance and identifying further opportunities for operating efficiencies from business.

Sustainable gearing ratio

This focus area seeks to maintain a sustainable debt level relative to total equity.

In 2018–19 activities in this focus area will include optimising the capital expenditure program without impacting our risk levels.

Regulatory

Icon Water operates in a highly regulated and multi-jurisdictional environment. We must balance multiple compliance objectives to deliver our services and meet the expectations of our community and customers.

The regulatory strategy builds on the previous economic regulatory strategy that aimed to maintain sustainable pricing for our customers through a robust regulatory process that positions Icon Water for a more simplified and streamlined regulation regime in future regulatory periods. Our regulatory strategy aspires to enhance collaboration with our regulators for the benefit of our customers and community.

This strategy will deliver a process for building trust and open communications so that we can continue to drive prudent and efficient decision-making to maintain sustainable pricing while ensuring our service standards meet community expectations.

Under the strategy, activities are being undertaken in three focus areas, outlined below.

Alignment

In recognising potential competing objectives of our regulators this focus area will see Icon Water work more closely with regulators, to move toward regulation based on shared, customer-focused outcomes that balance the requirements of the various regulations.

In 2018–19, activities in this focus area will include developing inter-agency forums, where relevant, and to work towards agreed principles, approaches and outcomes.

Informed decision-making

To facilitate informed decision-making, Icon Water will work with our regulators for a shared understanding of the implications of any proposed regulatory changes. We need to ensure that decisions consider the long-term viability of our assets, sustainability of prices and our service levels to customers.

In 2018–19, activities in this focus area will include continuing to provide input to the Utilities Technical Regulator's (UTR) Water and Sewerage Technical codes so they support efficiency, innovation and the long-term viability of our assets. We will also provide the regulators with an impact assessment from the proposed changes as part of decision-making process.

Transparency and accountability

Proactive engagement with our regulators at defined levels across the business will ensure clear and consistent messaging. We will continue to focus on open and transparent communication which will lead to better outcomes for our customers and the community.

Performance indicators and targets

For each objective, we have established performance indicators and targets to monitor and report on their achievement. These are outlined below.

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

- reporting on various service delivery targets 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 Regulations 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 2019)
Build a safe, innovative and inclusive workplace	High Potential Incident (HPI)	0 incidents
	Total Recordable Injury Frequency Rate (TRIFR)	15% improvement over the 2017–18 outcome
	Safety culture	Improved employee perceptions of organisational and manager commitment to safety (85% and 75% respectively)
	Diversity and inclusion	Improved employee perceptions of organisational openness and commitment to diversity (65% and 68% respectively).
	Employee engagement	60% of employees surveyed are moderately-highly engaged
Deliver sustainable value for our community	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 ¹ Frequency of unplanned interruption – water (per 1000 properties): 63–127 ² Water volume ³ to meet demand: 90–300ML/day

¹ 2016–17 industry average is 145 minutes

² 2016–17 industry average is 137 (per 1000 properties)

³ Volume is total production by the water treatment plants and supply through the water supply system

Strategic objectives	Performance indicator	Targets (30 June 2019)
Deliver sustainable value for our community (cont.)	Sewerage system reliability ⁴	No. of sewer surcharges inside customer dwellings ≤15 >95% of sewerage chokes restored within 6 hours
	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
	Clear, coordinated and effective communication with regulators	Guidelines for each regulatory function available and communicated to relevant employees by 30 June 2019
	Shareholder return	\$63.9m (profits available for dividends)
	Earnings Before Interest and Tax (Water and Energy)	\$181.6m
	Capital expenditure	+/-10% of \$102.6m
	Gearing	≤57.0%
	Energy costs	≤ 5% over quarterly forecast (for our three key treatment plants)
Enhance the customer experience	Customer satisfaction	90% of annual survey participants are satisfied with our overall service
		< 5.0 total water and sewerage complaints (per 1000 properties)
	Net promoter score	10% improvement over the 2017–18 outcome
	Ease of doing business (EDB)	≥50
Effective complaints management	A meaningful response to 100% of complaints within 20 business days ⁵	

⁴ 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

⁵ As required by the Consumer Protection Code

⁶ The 2017-18 net promoter score will be determined in June 2018

Supporting information

Forecast financial statements and key financial performance measures

Icon Water Limited Income Statement Year Ended 30 June	Notes	2016–17 Actual \$000	2017–18 Forecast \$000	2018–19 Budget \$000	2019–20 Estimate \$000	2020–21 Estimate \$000	2021–22 Estimate \$000
Revenue							
Water Business		179,436	193,990	177,498	182,591	188,054	194,284
Sewerage Business		125,798	129,498	128,706	131,979	135,335	138,776
Interest Income		1,048	2,115	1,111	1,139	1,167	1,196
Commonwealth Subvention		11,687	11,979	12,279	12,586	12,900	13,223
Energy Investment		87,927	95,462	75,516	81,982	86,877	95,904
Other Revenue		4,784	4,112	3,619	3,709	3,801	3,896
Total Revenue		410,680	437,156	398,729	413,986	428,134	447,279
Expenditure							
ACT Government Charges		37,111	39,855	39,619	41,254	43,054	45,045
Depreciation		49,829	49,070	51,656	53,920	57,910	62,113
Employment Costs		63,577	52,419	56,265	58,690	60,220	61,988
Water Operating Costs		66,161	81,383	81,314	78,751	78,293	76,270
Impairment		0	0	0	0	0	0
Other Expenses		3,741	4,016	1,191	1,209	1,226	4,491
Total Expenditure		220,419	226,742	230,045	233,825	240,704	249,907
Earnings before Interest Tax and Contributed Assets		190,260	210,413	168,684	180,161	187,430	197,371
Interest Expense		68,787	72,704	71,865	74,688	75,302	78,104
Earnings Before Tax and Contributed Assets		121,473	137,710	96,819	105,473	112,128	119,267
Contributed Assets		18,796	12,500	12,886	19,311	15,749	15,893
Earnings Before Tax		140,270	150,209	109,705	124,784	127,878	135,160
Tax Expense		43,385	45,608	32,912	37,435	38,363	40,548
Net Profit After Tax		96,884	104,601	76,794	87,349	89,514	94,612
Transfer to/(from) Retained Profits	a	18,796	14,750	12,886	19,311	15,749	15,893
Profits available for Dividends		78,088	89,852	63,907	68,038	73,765	78,719

Notes:

a The 2016-17 and forward years dividend to the ACT Government is based on Icon Water's Profit available for dividends, excluding contributed assets and capital contribution revenue.

Icon Water Limited Balance Sheet Year Ended 30 June	Notes	2016–17 Actual \$000	2017–18 Forecast \$000	2018–19 Budget \$000	2019–20 Estimate \$000	2020–21 Estimate \$000	2021–22 Estimate \$000
Current Assets							
Cash and cash equivalents		48,357	43,474	40,329	40,535	40,678	40,237
Held to maturity investments		10,000	0	0	0	0	0
Receivables		60,372	62,183	64,049	65,970	67,949	69,988
Other		14,616	8,616	8,616	8,874	9,141	9,415
Total Current Assets		133,345	114,273	112,994	115,380	117,768	119,639
Non Current Assets							
Investments in Other Entities		975,439	1,007,401	1,023,916	1,038,899	1,057,276	1,075,680
FITB - Non Current		30,939	30,939	30,939	30,939	30,939	30,939
Intangibles Assets		12,857	33,403	49,131	51,860	60,744	56,374
Property, Plant and Equipment		2,242,122	2,302,390	2,355,405	2,423,039	2,468,835	2,495,985
Other		15,348	13,580	11,455	9,329	7,203	5,078
Total Non Current Assets		3,276,705	3,387,713	3,470,845	3,554,066	3,624,998	3,664,056
Total Assets		3,410,050	3,501,986	3,583,839	3,669,446	3,742,766	3,783,695
Current Liabilities							
Accounts Payable		59,361	58,724	57,432	58,250	58,971	58,107
Dividends Payable		19,151	17,970	12,781	13,608	14,753	15,744
Tax Payable		6,114	8,997	2,726	5,660	3,777	4,459
Borrowings	a	393,543	29,729	244,208	0	0	0
Provisions		22,638	16,638	16,638	16,638	16,638	16,638
Other		6,387	6,387	10,053	11,478	12,065	12,065
Total Current Liabilities		507,193	138,445	343,839	105,634	106,204	107,012
Non Current Liabilities							
Borrowings	a	1,193,468	1,638,631	1,502,204	1,806,705	1,863,705	1,888,205
Deferred Tax Liability		398,641	399,412	399,412	399,412	399,412	399,412
Provisions		10,116	10,116	10,116	10,116	10,116	9,844
Total Non Current Liabilities		1,602,225	2,048,159	1,911,732	2,216,233	2,273,233	2,297,460
Total Liabilities		2,109,418	2,186,604	2,255,571	2,321,867	2,379,437	2,404,473
Net Assets		1,300,632	1,315,382	1,328,268	1,347,579	1,363,328	1,379,221
Equity							
Capital		758,871	758,871	758,871	758,871	758,871	758,871
Retained Profits		145,338	160,088	172,974	192,285	208,034	223,927
Reserves		396,423	396,423	396,423	396,423	396,423	396,423
Net Equity		1,300,632	1,315,382	1,328,268	1,347,579	1,363,328	1,379,221

Notes:

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

Icon Water Limited Cashflow Year Ended 30 June	Notes	2016–17 Actual \$000	2017–18 Forecast \$000	2018–19 Budget \$000	2019–20 Estimate \$000	2020–21 Estimate \$000	2021–22 Estimate \$000
Cash Flow from Operations							
Receipts from customers		314,973	337,768	323,902	330,368	338,698	347,868
Payments to suppliers and employees		(170,018)	(174,663)	(174,984)	(176,720)	(179,577)	(184,545)
Tax paid		(44,324)	(41,954)	(39,183)	(34,502)	(40,246)	(39,866)
Interest received		1,082	2,115	1,111	1,139	1,167	1,196
Interest paid		(72,000)	(76,280)	(78,496)	(79,365)	(79,354)	(81,676)
Net Cash In/(out) flow from operating activities		29,713	46,987	32,351	40,921	40,687	42,977
Cash Flow from Investing Activities							
JV Distribution Received		63,000	63,500	59,000	67,000	68,500	77,500
Payments for Property, Plant and Equipment		(89,030)	(94,081)	(86,198)	(96,215)	(81,035)	(66,170)
Proceeds from disposal of PP&E		6	0	0	0	0	0
Payments for Intangibles		(5,276)	(21,606)	(17,254)	(4,580)	(12,390)	(1,520)
Proceeds from sale of Intangibles		34,218	0	0	0	0	0
Proceeds / (payments) for cash investments		8,000	10,000				
Net cash In/(Out) Flow from investing activities		10,918	(42,187)	(44,452)	(33,795)	(24,925)	9,810
Cash Flow from Financing Activities							
Repayment of Borrowings		(19,514)	(463,651)	(17,948)	(235,707)	0	0
New Borrowings		69,404	545,000	96,000	296,000	57,000	24,500
Finance Lease Payments		(101)	0	0	0	0	0
Dividends paid		(78,599)	(91,032)	(69,096)	(67,212)	(72,619)	(77,728)
Net cash In/(out) flow from financing activities		(28,810)	(9,683)	8,956	(6,919)	(15,619)	(53,228)
Net cash movement		11,821	(4,883)	(3,145)	206	143	(441)
Opening cash balance		36,536	48,357	43,474	40,329	40,535	40,678
Closing cash balance		48,357	43,474	40,329	40,535	40,678	40,237

Icon Water Limited Financial Ratios Year Ended 30 June	Notes	2016-17 Actual	2017-18 Forecast	2018-19 Budget	2019-20 Estimate	2020-21 Estimate	2021-22 Estimate
Profitability							
Return on Total Assets	a	5.5%	5.7%	4.7%	4.9%	5.0%	5.2%
Return on Equity	b	6.0%	6.6%	4.8%	5.1%	5.4%	5.7%
Profit Margin	c	46.2%	46.5%	42.1%	43.4%	43.6%	44.0%
Liquidity							
Current Ratio	d	26.3%	92.2%	34.4%	113.5%	109.5 %	111.7%
Cash Position	e	1.7%	1.2%	1.1%	1.1%	1.1%	1.1%
Receivables Turnover	f	8.7	8.8	8.2	8.2	8.1	8.1
Financial Stability							
Debt Ratio	g	61.9%	62.7%	63.1%	63.5%	63.8%	63.8%
Gearing Ratio	h	55.0%	56.2%	57.0%	57.6%	58.0%	58.2%
Capital Ratio	i	122.0%	128.2%	132.6%	135.6%	138.3%	139.0%
Debt							
Interest Cover Ratio	j	2.8	2.9	2.3	2.4	2.5	2.5
Formula:							
Profitability							
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	$\frac{\text{EBIT (minus Interest Revenue)}}{\text{Revenue (minus interest revenue)}}$					
Liquidity							
Current Ratio	d	$\frac{\text{Current assets}}{\text{Current liabilities}}$					
Cash Position	e	$\frac{\text{Cash + investments}}{\text{Total assets}}$					
Receivables Turnover	f	$\frac{\text{Total Revenue excludes subvention, interest income and energy investment}}{\text{Average receivables for period (relating to credit sales)}}$					
Financial Stability							
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	$\frac{\text{Total long term debt}}{\text{Equity}}$					
Debt							
Interest Cover Ratio	j	$\frac{\text{EBIT (before gross interest expense and excluding abnormal items)}}{\text{Annual interest payments}}$					
<p>^ Note Receivables Turnover Receivables Turnover was historically at an average of 5. This is because current receivables include seconded employee entitlements receivable, which have now been excluded in calculating Receivables Turnover.</p>							

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 2018–19 budget and forward estimates are based on Icon Water's response to the ICRC draft pricing decision.

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

ActewAGL Distribution income is based on the Australian Energy Regulator's (AER) final decision for Energy Networks and the Final Gas Network (GN) Access Arrangement.

There is an assumption that electricity and gas customers and consumption will fall in alignment with current trends.

ActewAGL Retail electricity prices in the ACT are covered by a current pricing determination set by the Independent Competition and Regulatory Commission (ICRC) until 30 June 2020 and the same methodology has been applied to prices beyond 2020.

Contributed Assets

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

The Capital Contributions Code was approved by the ICRC in December 2017, with a commencement date of 1 January 2018. The value of recognised revenue will vary from year to year in line with when the infrastructure is constructed. Contribution revenue and associated costs in 2018–19 is budgeted to be \$2.9m.

Contributed assets and Capital Contributions are excluded from the 100% Dividend Policy.

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 borrows at the ACT Government's AAA credit rating.

Dividend to shareholders

This SCI is based on the current Dividend Policy of 100% of Net Profit (excluding contributed assets and capital contributions).

Main community service obligations

We will continue to support our community through meaningful engagement. In 2018–19 we will continue to contribute to the cultural and social diversity of the ACT through education, sponsorships, donations and in-kind support.

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. On 1 July 2017, the ACT Government combined pensioner concessions for water, sewerage and energy charges into a combined utilities concession. This concession is applied to the electricity account. Water and sewerage services are 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 2018–19 \$000
Water services for schools, hospitals, charities and churches or ecclesiastical establishments	3,080
*Water services rebates to pension and health benefit card holders	16
Sewerage services for schools, hospitals, charities and churches or ecclesiastical establishments	3,465
*Sewerage services rebates to pension and health benefit card holders	0
ACT Civil and Administrative (ACAT) discharges	31

*The ACT Government has transition arrangements to allow retrospective pension and concession rebates until 30 June 2019

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 2018–19.

Project Description	Program	Driver	Stage	2018–19 Forecast \$000	2019–20 Forecast \$000	Forecast at completion \$000
Lower Molonglo Water Quality Control Centre (LMWQCC) tertiary filters and disinfection system upgrade	Sewerage treatment	Growth	Develop	15,365	10,395	31,946
Works and asset management system	Information technology	Renewal	Execute	8,666		29,966
Sewer mains renewal program	Sewerage reticulation	Renewal	Envisage	7,159	7,159	35,795
Water network electrical instrumentation monitoring and control	Water pump station	Renewal	Develop	5,651	9,226	22,433
Solar photovoltaic rollout program	Water and sewerage	Efficiency	Plan	5,442		6,541
LMWQCC furnace and exhaust system upgrade	Sewerage treatment	Regulation	Execute	5,155	2,149	14,390
Water main renewals (Hydraulic failures + Structural failures)	Water reticulation	Regulation	Evaluate	4,430	4,478	22,832
LMWQCC solid handlings - screens, grit and ventilation upgrade	Sewerage	Efficiency	Execute	3,690	172	15,472

Project Description	Program	Driver	Stage	2017–18 Forecast \$000	2018–19 Forecast \$000	Forecast Cost at Completion \$000
Water meter renewals	Water reticulation	Renewal	Envisage	3,500	3,500	17,500
Asset planning application suite	Information technology	Efficiency	Evaluate	2,299		4,114

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 2018–19 and related mitigation strategies is provided in the table below.

Key risks for 2018–19

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, unplanned asset failure, 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. Icon Water also maintains a rigorous asset maintenance program, regular asset inspections and condition assessments of assets.
Safety	Icon Water is managing a range of safety related risks to protect the health and safety of employees, contractors and the public. Key risk events include safety incidents involving high voltage assets, security of the drinking water system and pressure of supply.	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. Other mitigation strategies include security upgrade projects, upgrading of high voltage assets and reviews of water pressure in specific areas.
Operational	Icon Water has a number of key operational risks relating to the continuity of supply of water and sewerage services, damage to assets and availability of ICT systems.	Mitigation strategies include 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. Icon Water also has business interruption and emergency response plans to manage incidents as they arise.
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.

Key risks for 2018–19 (cont.)

Category	Overview of key risks	Mitigation strategies
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 internet website and faults call centre, mitigation strategies include the implementation of the customer management strategy, customer service training, ICT security measures, 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, employee training, disaster/emergency plans, real time monitoring of the network and use of internal and external legal advisors.

Ownership structure

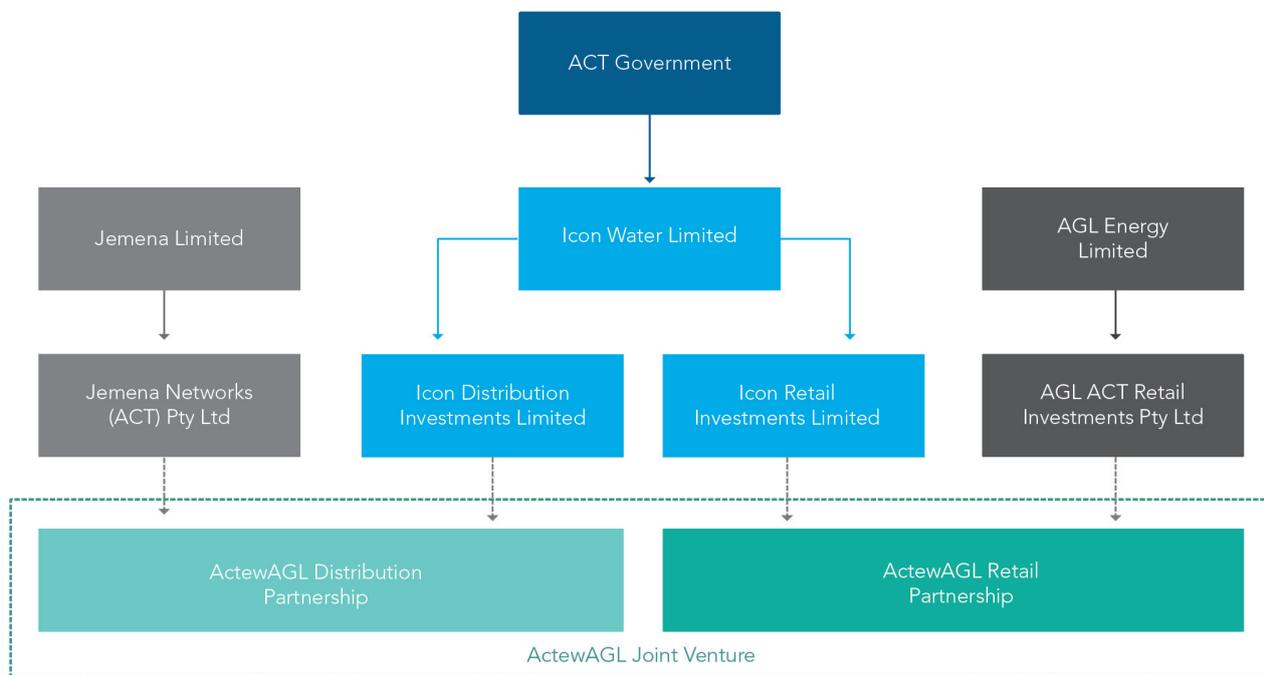
Icon Water is an unlisted public company owned by the ACT Government.

We are unique in Australia as we are a water and sewerage business that also manages an investment in electricity and gas networks. 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 principles that 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.

Icon Water's corporate structure



Notes:

- Each of Jemena Networks (ACT) Pty Ltd, Icon Distributions Investments Limited, Icon Retail Investments Limited and AGL ACT Retail Investments Pty Ltd are wholly owned subsidiaries of Jemena Limited, Icon Water Limited and AGL Energy Limited respectively
- Jemena Networks (ACT) Pty Ltd and Icon Distribution Investments Limited are equal partners in the ActewAGL Distribution partnership (AAD). AAD includes energy networks (evoenergy), corporate services and contestable services
- Icon Retail Investments Limited and AGL ACT Retail Investments Pty Ltd are equal partners in the ActewAGL Retail Partnership (AAR)
- ActewAGL Retail Investments Pty Ltd is a holding company for new energy investments of AAR. The AAR partners hold all of the issued shares in the company as partnership assets.

Energy investment brands



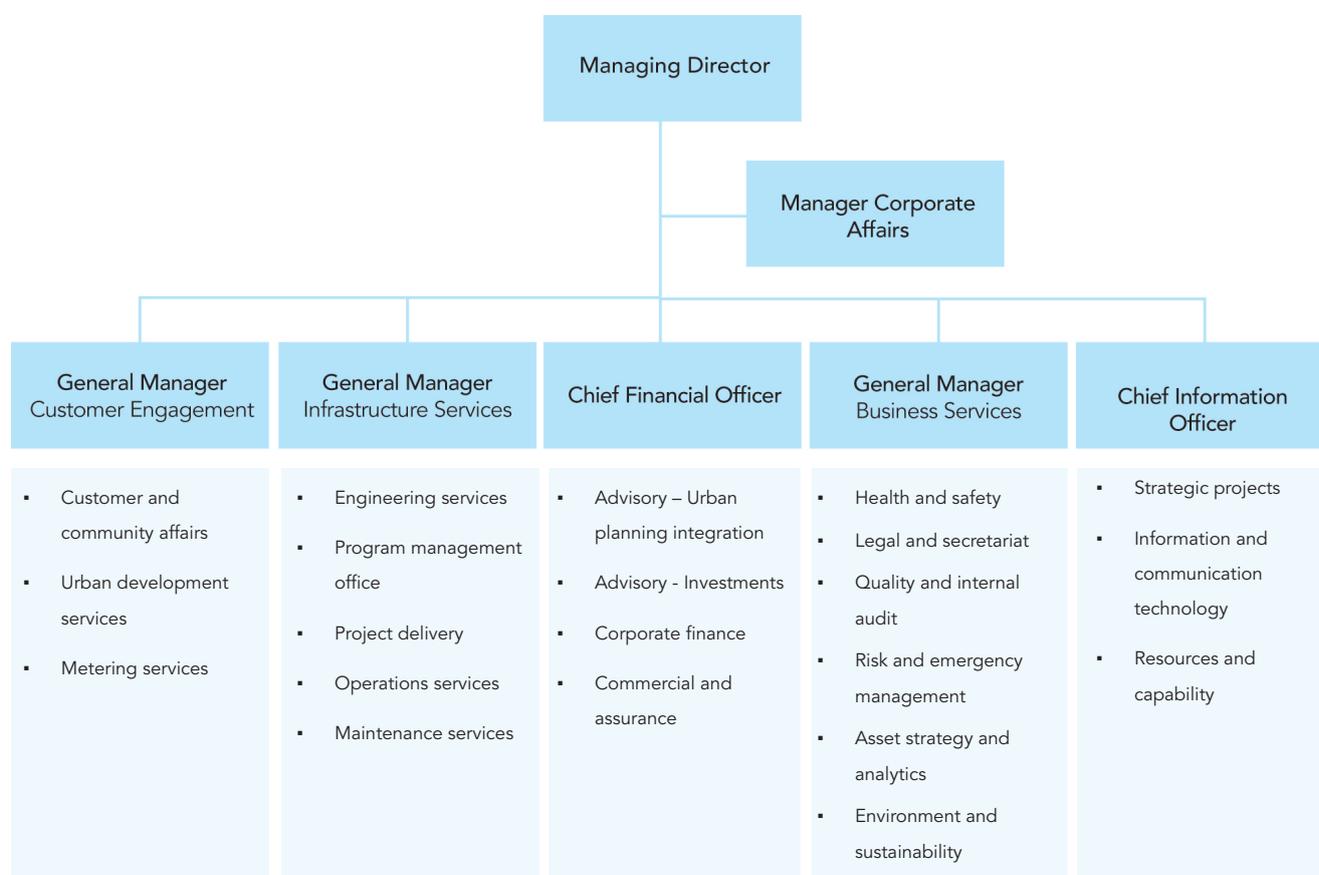
Governance and accountability

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

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).

Organisational structure

Our organisational structure is comprised of five groups, each led by an executive. We have 371 full time equivalent employees (as at 1 March 2018).





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