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Sydney Water overview

Sydney Water delivers water services to over four million people in Sydney, the Illawarra and the Blue Mountains. Water is treated to the highest quality and meets public health regulations. Sydney Water also delivers wastewater services, recycled water, and some stormwater services.

During the year, Sydney Water supplied 487 billion litres of water to over 1.7 million homes and businesses and collected and treated 477 billion litres of wastewater.

Fixing leaks, renewing pipes and providing consistent pressure saved about 30 billion litres of water.

Over the course of this year, Sydney Water replaced 108 km of reticulation water mains along with six km of critical water mains, inspected 260 km of large high-risk sewers and rehabilitated 16 km of large sewers.

There are a number of water recycling schemes in place that reduce demand on water supplies and reduce discharges of wastewater. Sydney Water recycled over 25.4 billion litres of wastewater during the year and more private sector recycling schemes are being developed.

Sydney Water is also focused on sustainability – aiming to become carbon neutral for energy and electricity use by 2020. From early next year, nearly a quarter of the power used will come from internally generated hydroelectricity and gas cogeneration at sewage treatment plants.

Sydney Water will also continue to fund new research – covering everything from leak management and sewer corrosion to environmental sustainability.

Ensuring there is enough water for customers is a priority. To achieve this, Sydney Water is finding other ways to meet water needs and to use water efficiently.

Desalination will provide an extra source of water that doesn’t rely on rain and recycled water schemes continue to grow. Sydney Water is also helping the community and businesses to be water wise.
Key achievements

2008

**July**  
Rolled out wireless IT job-scheduling system to field crews – savings of $2.4 million a year.

**August**  
Signed contracts for the Rosehill/Camellia Recycled Water Scheme.  
Moved staff to new Contact Centre at Liverpool.

**September**  
Began construction on hydroelectric plant at North Head Sewage Treatment Plant.

**October**  
Began construction on major recycled water plant at St Marys, to maintain flows in the Hawkesbury-Nepean River.  
Won the Australian Human Resources Award for Best Graduate Intake Program.

**November**  
Began using wireless scheduling technology for plumbing inspections.  
Won two Diversity@Work Awards – ‘Work/Life Balance’ and ‘Employment and Inclusion of Women in Leadership’.

**December**  
Expanded the Rouse Hill Recycled Water Plant so more wastewater could be recycled for residential use.  
Won Innovation Award in IT for a process that supports IT systems before they are trialled.
2009

January  
Launched Water Efficiency Grant Scheme for small-medium businesses.

February  
Began site works on new hydroelectric plant at Prospect Water Filtration Plant.
Launched Every Drop Counts Online, a tool to enable businesses to monitor water use.

March  
Attracted the 400th business to the Every Drop Counts Business Program.
Achieved four months straight without a lost time injury.

April  
Commissioned Stage 2 of the Wollongong Recycled Water Scheme.

May  
Moved to a new environmentally sustainable head office at Parramatta.
Commenced operation of Bondi cogeneration plant.
Won the Institute of Public Works Engineering Australia Award for restoration of Hay Street stormwater channel.
Won the Water Research Merit Award from Australian Water Association NSW.

June  
Completed construction of 80% of the desalination project.
Achieved 23% reduction in greenhouse emissions.
Chairman and Managing Director’s review

During 2008–09
With highly variable rainfall in the catchments and a growing population, Sydney can no longer rely only on dam water storages. To increase the water supply, Sydney Water has almost finished building a desalination plant, continued to increase the volume of recycled water and helped households and businesses to use water efficiently.

Construction of the desalination plant and pipeline was almost half of the $1.7 billion capital expenditure program. The plant will begin providing water this summer.

The volume of water recycled increased to 27 billion litres a year. Sydney is on track to recycle 70 billion litres of wastewater a year by 2015.

Late in the year, with dam storage levels steady at around 60%, the NSW Government introduced Water Wise Rules to replace drought restrictions. The rules are simple, common sense, everyday actions to save water.

Investment also continued on renewing water and wastewater infrastructure and building services for growth areas.

Sydney Water continued to fully meet its Operating Licence targets to protect public health and environment and system performance standards, while controlling expenditure.

Sydney Water’s revenue was $1,958 million, about $89 million below budget. The shortfall was due to lower demand for water and regulated developer charges being abolished. Operating costs were well contained at $1,027 million and $43 million below budget.

The consolidated net profit after tax was $178 million, which was $194 million below budget. This was the result of lower revenue and a large asset impairment charge. Interest costs and depreciation were below budget.

Borrowing costs were kept under control during the financial crisis as Sydney Water’s debt portfolio was actively managed to take advantage of the liquidity provided by the Federal Government guarantee. Suppliers of chemicals used in water and wastewater treatment were severely affected by the financial crisis. Supplies to us were also constrained and costs increased.

Also due to the financial crisis, increasing numbers of customers needed help to pay their bills. There was a 25% increase in the number of requests for instalment or deferred payment arrangements. The number of Payment Assistance Scheme vouchers issued by welfare agencies, worth $25 each, increased by about 16%.

Sydney Water is one of the largest energy users in NSW, consuming almost one per cent of the state’s electricity. As part of our aim to reduce carbon emissions by 60% by 2012, we are generating hydroelectricity. Biogas from wastewater is also being converted to electricity through state-of-the-art cogeneration technology. This year, we achieved our target of a 23% reduction in greenhouse emissions.

The rupture of a critical water main in Bellevue Hill, and subsequent collapse of a section of roadway, highlighted some problems with our information systems. As a result, we did not visit the correct site when the leak was first reported. Since then, the job-allocation system has been updated and new field leak detection procedures are being implemented, with priority given to mains located in potential landslip areas.

Trade waste discharges have caused serious corrosion to sewerage pipes in the Smithfield area. Over the past year, six local companies with large discharges significantly reduced their trade waste. Four of these companies upgraded their own wastewater treatment plants.

Over 60% of Sydney Water’s 3,153 staff moved from 1950s conditions into modern, open plan and environmentally sustainable buildings. This included moving the head office to a new building in Parramatta, relocating staff to modern facilities in Liverpool and Coniston and refurbishing and building new depots. Emphasis was placed on co-locating groups to improve efficiency.

With a new field technology system introduced late in 2007–08, field crews began receiving job requests via wireless computers. This allowed crews to attend jobs more quickly and achieved annual efficiencies of $2.4 million.

A review found that combining all operating and maintenance business units could improve
service to customers. Staff were reorganised into Operations and Maintenance divisions and they are working on better coordination of day-to-day operations and maintenance functions.

For the first time, staff had no new lost time injuries for five months during the year. However, a staff member was seriously injured when a pipe containing sodium hypochlorite burst. This led to a review of chemical storage at all facilities. In the same period, contractor lost time injuries increased, despite our intensive work with them to improve safety.

Our focus continued to be on improving workforce capability through training and development, apprenticeships and traineeships and a graduate program. During the year, Sydney Water took on four mechanical and two electrical apprentices, keeping the total at 24 apprentices. We welcomed four new water industry trainees who are working to complete their two-year traineeship. Applications for new traineeship positions increased from 1,500 in 2007–08 to 2,280 in 2008–09. This year, Sydney Water recruited 38 graduates.

In 2009–10

Sydney Water is planning to ensure water, wastewater and recycled water systems can meet customer demands and deliver services when needed in all major growth areas. The capital works budget for the coming year is over $1.14 billion and includes:

• completing the plant and distribution pipelines of the desalination project
• completing NSW Government programs – Priority Sewerage Program and Replacement Flows, Sydney's largest water recycling project
• renewing and rehabilitating assets to meet regulated performance standards and customer service levels
• constructing new water, wastewater, recycled water and stormwater infrastructure to meet the growth needs of the north west and south west of Sydney
• implementing new regulatory standards such as wastewater system performance under environmental protection licences
• realising business efficiencies such as information technology, energy efficiency and energy generation projects.

From 2010–11, capital expenditure will decline and then stabilise at around $700 million a year, in real terms; the level needed for normal growth and asset replacement.

The campaign to increase the community’s understanding of the four main parts of the Metropolitan Water Plan: dams, recycling, desalination and water efficiency, will continue. The NSW Government is updating the plan to factor in new information such as population growth and potential impacts from climate change. The update will be released in 2010.

By 2015, recycling will provide 12% of greater Sydney’s water needs. The desalination plant can provide up to 15% of the water supply. Sydney Water has designed the plant so it can be upgraded to twice its size, if there’s a prolonged drought.

A variety of water efficiency initiatives, together with the community continuing to be water wise, will save about 24% of Sydney’s water needs by 2015.

Eight hydroelectricity and gas cogeneration plants are due for completion in late 2009. Together with three existing plants, they will generate around 22% of Sydney Water’s energy. Greenhouse gas emissions will be reduced by about 80,000 tonnes a year. This is equivalent to over 15% of total emissions and supports Sydney Water’s aim to be 100% carbon neutral for energy and electricity use by 2020.

The NSW Government has granted the first licences under the Water Industry Competition Act, which encourages competition to help secure Sydney’s water supply. Veolia Water Australia and Aquanet Sydney are making significant progress on the Rosehill/Camellia Recycled Water Project, which will initially deliver 4.3 billion litres of recycled water a year to local industry by 2011.

The consolidation of staff accommodation will continue in 2009–10 by:

• redeveloping the Potts Hill site into a modern operations headquarters and warehouse for around 450 office and field staff
• building a new depot at Daceyville
• refurbishing staff facilities at several locations.

Stage 2 of the new field technology system will be introduced so staff can access updated network maps, safety information and work instructions from the field.

As part of the NSW Government’s strategy to streamline plumbing and drainage regulation, Sydney Water’s Plumbing Inspections and Assurance Services team will transfer to the Office of Fair Trading in early 2010.

Thank you

We would like to thank the Board, management and especially the staff for their continued dedication and hard work.

Thomas G Parry
Chairman

Kerry Schott
Managing Director
The scorecard adopts Sydney Water’s goals and integrates the social, economic and environmental aspects of its performance. It includes a performance statement and progress rating for each key performance area. The ratings are based on the evaluation of Sydney Water’s sustainability indicators. Information on Sydney Water’s performance against its sustainability indicators is available in the full 2009 Annual Report at www.sydneywater.com.au/AnnualReport

### Goal 2008–09 Performance summary

<table>
<thead>
<tr>
<th>Goal</th>
<th>2008–09 Performance summary</th>
<th>Progress rating</th>
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</thead>
<tbody>
<tr>
<td>Providing clean, safe drinking water</td>
<td><strong>Water quality compliance</strong></td>
<td></td>
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<tr>
<td></td>
<td><strong>Water quality:</strong> Continued full compliance with the 2004 Australian Drinking Water Guidelines.</td>
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<td></td>
<td><strong>Customer satisfaction with water:</strong> Customer feedback shows satisfaction with water quality is high.</td>
<td>▲ ▲</td>
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<tr>
<td>Helping develop a water efficient city</td>
<td><strong>Water efficiency</strong></td>
<td></td>
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<tr>
<td></td>
<td><strong>Reuse and recycling:</strong> 10 billion litres of drinking water saved through recycling schemes. Investment in recycled water schemes increased by 145%.</td>
<td>▲ ▲</td>
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<tr>
<td></td>
<td><strong>Water leakage:</strong> Leakage remained low at 7.3% of drinking water drawn. Sydney Water is on track to meet the target of 105 million litres a day by June 2010.</td>
<td>▲ ▲</td>
</tr>
<tr>
<td></td>
<td><strong>Demand management:</strong> Investment in demand management and water savings have increased significantly since the programs began in 1999. Water savings increased by almost 13% compared to 2007–08.</td>
<td>▲ ▲</td>
</tr>
<tr>
<td></td>
<td><strong>Water drawn:</strong> The total volume of water drawn increased slightly due to a return to average weather conditions in 2008–09.</td>
<td>▲ ▲</td>
</tr>
<tr>
<td>Contributing to clean beaches, oceans, rivers and harbours</td>
<td><strong>Licence compliance</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Sewage treatment system discharges:</strong> Treated wastewater discharge loads remained within system licence limits.</td>
<td>▲ ▲</td>
</tr>
<tr>
<td></td>
<td><strong>Breaches of statutory instruments:</strong> Two tier 3 penalty notices were issued under the Protection of the Environment Operations Act 1997 to Sydney Water and a contractor. Neither incident resulted in significant environmental harm.</td>
<td>▲ ▲</td>
</tr>
<tr>
<td></td>
<td><strong>Environmental performance monitoring:</strong> Long-term results show considerable improvement in water quality and ecosystem health in inland waterways and Sydney beaches.</td>
<td>▲ ▲</td>
</tr>
<tr>
<td></td>
<td><strong>Trade waste agreements:</strong> The mass of heavy metals discharged to the sewer remained within total limits specified in trade waste consents for the various catchments.</td>
<td>▲ ▲</td>
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</tbody>
</table>
### Goal: Optimising resource use

**Eco-efficiency**

- **Energy consumption:** Sydney Water met the annual target towards its commitment to become carbon neutral for energy and electricity consumption by 2020. This represents a 22.4% reduction in carbon emissions against the 1993–94 baseline.

- **By-products:** The target of 100% beneficial use of biosolids was met.

- **Waste minimisation:** Sydney Water’s recycling rate decreased from 86% to 53% in 2008–09 due to increased non-recyclable construction and demolition waste.

- **Flora, fauna and heritage:** Restoration and rehabilitation works resulted in a net gain of native vegetation in 2008–09.

### Goal: Serving customers

**Customer service**

- **Customer satisfaction:** Customer satisfaction with service delivery remained high. There was a reduction in billing complaints related to meter reading issues. The number of noise and odour complaints increased by 23%. Complaints began to decrease after measures to better manage odours were put in place.

- **Social assistance:** The number of short-term payment extensions increased. Sydney Water continued to support customers experiencing difficulties.

- **Service quality and system performance:** Water and wastewater system performance targets met.

### Goal: Developing a safe, capable, committed workforce

**Workforce, safety and capability**

- **Safety:** Continued progress towards zero injuries despite an increase in the frequency rate for contractor lost time injuries.

- **Training and capability:** Staff skills and knowledge improved with access to national competency programs and training.

- **Entry level employment:** Graduate, trainee and apprenticeship programs in place to meet long-term skills needs.

### Goal: Being an economically efficient business

**Business efficiency**

- **Profitability:** Profit below target due to lower demand for water, the abolition of regulated developer charges, and asset impairment due to a downward revaluation of system assets.

- **Return on assets and equity:** Return on assets and equity low by commercial standards. Return on equity decreased due to one-off asset impairments.

- **Debt servicing:** Increased debt to fund a comprehensive capital expenditure program but interest cover remains at prudent levels.

- **Infrastructure management:** Ensured reliability and availability of services through ongoing investment in renewal, rehabilitation and maintenance of infrastructure.
Financial summary

- Reduced revenue against budget from continuing water restrictions and demand management plus removal of regulated developer charges on water, wastewater and stormwater.
- Operating expenses below budget due to productivity gains and operating efficiencies.
- Record high capital expenditure driven by desalination construction and increase in recycling projects.
- Increasing debt, but gearing will stabilise at the level needed for normal growth and asset replacement from 2009–10.

Summary profit and loss

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</thead>
<tbody>
<tr>
<td><strong>Total income</strong></td>
<td>1,958</td>
<td>1,766</td>
<td>1,693</td>
<td>1,541</td>
<td>1,422</td>
</tr>
<tr>
<td><strong>Total operating expenditure</strong></td>
<td>1,027</td>
<td>975</td>
<td>969</td>
<td>887</td>
<td>797</td>
</tr>
<tr>
<td><strong>Earnings before interest, tax, depreciation and amortisation (EBITDA)</strong></td>
<td>931</td>
<td>791</td>
<td>724</td>
<td>654</td>
<td>624</td>
</tr>
<tr>
<td><strong>Depreciation, amortisation and impairments</strong></td>
<td>343</td>
<td>193</td>
<td>184</td>
<td>225</td>
<td>201</td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td>235</td>
<td>210</td>
<td>180</td>
<td>172</td>
<td>153</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>353</td>
<td>388</td>
<td>360</td>
<td>257</td>
<td>270</td>
</tr>
<tr>
<td><strong>Taxation expense</strong></td>
<td>176</td>
<td>109</td>
<td>103</td>
<td>135</td>
<td>55</td>
</tr>
<tr>
<td><strong>Profit after tax</strong></td>
<td>178</td>
<td>279</td>
<td>257</td>
<td>122</td>
<td>215</td>
</tr>
</tbody>
</table>

Total income increased by 11% over 2007–08. Regulated price increases partly offset lower income from water sales and the removal of regulated developer charges.

Total operating expenditure increased by five per cent over 2007–08, driven mostly by higher labour and bulk water costs.

Construction of the desalination plant and pipeline was almost half of the 2008–09 capital expenditure. Expenditure also continued in asset renewals and servicing growth.

Despite continuing operating efficiencies and higher income from regulated price increases, profit before tax decreased by $35 million. This was mainly driven by $152 million in asset impairments, reflecting adoption of a new methodology to value system assets.

Record high capital expenditure was driven by building of the desalination plant and pipeline and increased recycling.

Gearing (debt to debt plus equity) continues to rise, as new borrowing occurs to cover the large increase in capital expenditure including the desalination project.
In 2008–09, total income was $1,958 million, an increase of $192 million on the previous year. This increase was largely due to regulated price increases.

Total core operating expenses for the year were $1,027 million, an increase of five per cent over 2007–08. The increase includes a 10% increase in costs of bulk water purchases, increased maintenance and chemical expenses and higher general labour costs from award wage increases.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was $931 million, an increase of 17% over the previous year.

Depreciation and amortisation expenses of $343 million included an asset impairment cost of $152 million due to changes in the estimates of future revenues used under Australian Accounting Standards to test the carrying value of assets.

After allowing for interest, depreciation and amortisation expenses, the profit before tax was $353 million. Taxation expense was $176 million and profit after tax was $178 million.

**Summary balance sheet**

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</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>12,315</td>
<td>12,355</td>
<td>11,909</td>
<td>10,528</td>
<td>11,328</td>
</tr>
<tr>
<td>Other assets</td>
<td>398</td>
<td>318</td>
<td>387</td>
<td>291</td>
<td>246</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>12,713</strong></td>
<td><strong>12,673</strong></td>
<td><strong>12,296</strong></td>
<td><strong>10,819</strong></td>
<td><strong>11,574</strong></td>
</tr>
<tr>
<td>Total debt</td>
<td>5,558</td>
<td>4,218</td>
<td>3,276</td>
<td>2,875</td>
<td>2,639</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1,774</td>
<td>1,714</td>
<td>1,780</td>
<td>1,460</td>
<td>1,707</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>7,332</strong></td>
<td><strong>5,932</strong></td>
<td><strong>5,056</strong></td>
<td><strong>4,335</strong></td>
<td><strong>4,346</strong></td>
</tr>
<tr>
<td>Net assets/shareholder funds</td>
<td>5,381</td>
<td>6,741</td>
<td>7,240</td>
<td>6,484</td>
<td>7,228</td>
</tr>
<tr>
<td>Return on shareholder funds (%)</td>
<td>3.3</td>
<td>4.1</td>
<td>3.6</td>
<td>1.9</td>
<td>3.0</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>1,731</td>
<td>1,311</td>
<td>618</td>
<td>500</td>
<td>405</td>
</tr>
</tbody>
</table>

Total assets at the end of 2008–09 were $12,713 million, an increase of $40 million over the year. Assets were revalued this year due to changes to the revenue estimates used under Australian Accounting Standards to test their carrying value. This resulted in an asset impairment of $1.7 billion at year end.

Total liabilities increased by $1,400 million, mainly as a result of new borrowings of $1,331 million to fund capital expenditure and an increase in liabilities under defined benefit superannuation schemes of $327 million. Net assets declined by $1,360 million during the year to $5,381 million.

The after-tax profit represented a 3.3% return on equity, which was lower than last year’s result, reflecting the large asset impairment in 2008–09.

Sydney Water’s capital expenditure was $1,731 million in 2008–09 and net new borrowings to fund this were $1,331 million.

Total debt outstanding at the end of the year increased to $5,558 million.

Cash receipts from operations in 2008–09 were $1,891 million, an increase of 17% over the previous year. Borrowings also increased by $1,339 million in response to the very large capital expenditure program.

Cash used for operational purposes increased by six per cent, compared to 2007–08.

A total of $1,566 million was used to finance capital expenditure, the largest capital outlay in Sydney Water’s history.

Overall, Sydney Water achieved a solid result during 2008–09, despite lower than budgeted income from water sales due to continuing water restrictions and the removal of charges on property developers for new water, wastewater and stormwater assets. On the cost side, there were increases in bulk water charges, labour costs and financing costs. While the financial returns do not yet meet normal commercial standards, results continue to improve once one-off asset adjustments are excluded.
Contact us

Website
www.sydneywater.com.au

Customer enquiries
13 20 92
Between 8.30 am and 5.30 pm.

Service difficulties and emergency assistance
13 20 90
This is a 24-hour emergency number.

Postal address
Sydney Water
PO Box 399
Parramatta NSW 2124

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The full Annual Report is available at:

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