Sydney WATER

Water IS OUR LIFE

Annual Report

2025–26



Letter to Shareholders

Dear Shareholder Ministers,

Report on performance for the year ended 30 June 2026.

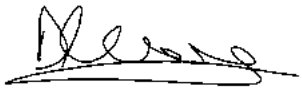
We are pleased to submit the Annual Report of Sydney Water Corporation (Sydney Water) for the year ended 30 June 2026 (Annual Report 2025–26) for presentation to Parliament.

Sydney Water has self-assessed as a Group 1 agency under the TPG25–10 Framework for Financial and Annual Reporting and has prepared the annual report in accordance with TPG25–10a Group 1 – Annual Report.

Our Annual Report 2025–26 has been prepared according to the requirements of section 24A of the *State Owned Corporations Act 1989* (NSW) and the reporting requirements in Division 7.3 of the *Government Sector Finance Act 2018* (NSW), its associated regulations and Treasurer's directions. The financial statements, which form part of this report, have been certified by the Auditor-General of New South Wales.

The annual report includes Sydney Water's activities, achievements and financial statements for the period 1 July 2025 to 30 June 2026.

Yours sincerely,



Darren Cleary
Managing Director



The Hon. Niall Blair
Chair

Acknowledgement of Country

Sydney Water respectfully acknowledges First Nations people as the traditional custodians of Sydney, the Blue Mountains and the Illawarra, where we work, live and learn. Their lore, traditions and customs nurtured and continue to nurture the waters (*bulingang* or saltwater and *muulii ngadyuung* or sweetwater) in our operating area, creating wellbeing for all.

We pay our deepest respect to Elders past and present. We acknowledge their deep connections to land and waters. In the spirit of reconciliation, we remain committed to working in partnership with local Traditional Owners to ensure their ongoing contribution to the future of the water management landscape, learning from traditional and contemporary approaches, while maintaining and respecting their cultural and spiritual connections.

Our families, friends and future generations depend on us to protect their health and our environment. In doing so, we respect the traditional Caring for Country restorative approaches practised over tens of thousands of years by First Nations people. We play our part to improve the health of the landscape by recognising and nurturing the value of water in our environment and communities.


Sydney
WATER
Workwear

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Message from the Managing Director and Chair



From enabling new housing to supporting jobs and the economy, water infrastructure is the foundation that allows our city to work, grow and thrive.

We are proud of what our people and partners have achieved this year for customers, while balancing growth, reliable services, environmental protection and affordability.

With demand growing across Greater Sydney, we focused our investment on projects that would deliver the greatest benefit for customers and communities. The completion of the Advanced Water Recycling Centre at Kemps Creek was a major milestone, supporting the development of new homes and servicing the Western Sydney International Airport. As the centrepiece of a new circular economy hub, it will unlock new jobs and industrial development across Western Sydney while creating opportunities to recover and reuse valuable resources.

Over the past 12 months, we also progressed major upgrades at Castle Hill, Rouse Hill, Riverstone and Wollongong to support new homes and ensure wastewater services remain reliable and deliver better environmental outcomes as these communities continue to grow.

This report outlines where we have performed well and where there are opportunities to improve. Some challenges, including cost pressures and ageing assets, will require sustained focus over many years. We are addressing those risks by prioritising efficiency and delivering value for our customers. Customers rightly expect a genuine voice in decisions that shape their future, and through constant conversations and engagement we have ensured their priorities are informing our planning and decision-making.



Emerging industries, including data centres, are creating new investment and economic opportunities, while putting new demands on our network. As we work closely with the sector, our focus is on supporting growth in a way that is fair to existing customers, ensuring the required infrastructure is funded by those who benefit from it.

Achieving that balance requires strong partnerships. Whether working with communities, First Nations people, suppliers, industry or government, we achieve the best outcomes when we share expertise, tackle challenges together and focus on lasting value.

This year marked strong progress as we delivered major projects and built real momentum for the work ahead.

Our direction is clear: we will continue to invest wisely, innovate responsibly and make disciplined choices that balance immediate needs with long-term resilience. Above all, we remain dedicated to delivering the reliable, sustainable water services our customers and communities depend on every day.

Darren Cleary
Managing Director

The Hon. Niall Blair
Chair



SECTION 1

Overview



About Sydney Water

> By delivering safe and reliable services for more than 5.6 million people today, and building the infrastructure needed for tomorrow, Sydney Water is supporting the long-term needs of our customers and communities.

For 138 years, Sydney Water has cared for our most precious resource: water. We've kept cities running with safe, clean water and maintained the networks that carry it beneath our feet, ensuring what sustains us today is ready for tomorrow.

Our water, wastewater, recycled water and stormwater services span a vast and diverse landscape of 12,870 km², from the northern beaches to the southern coastline. Within this area, our drinking water network covers 3,330 km², while our wastewater system covers 2,320 km².

Today, as we serve more than 5.6 million people, we're guided by what they value most – safe and reliable water; a great customer experience and affordable services; and confidence that we are protecting the environment for future generations.

But, as our infrastructure ages and communities grow, our systems are being stretched. At the same time, the climate is changing, bringing more intense heat, floods and droughts. To meet these challenges, we are delivering the largest infrastructure program in our history.

In 2025–26, Sydney Water entered a new phase of delivery, turning long-term plans into action and prioritising the investments that will help meet the needs of a growing city, deliver new homes and businesses, create local jobs and secure safe, reliable water services for generations to come.

Progress happens through partnership. By working side-by-side with industry, government and local communities, we're building solutions that last, from recycling and water reuse to greener public spaces and regenerated natural systems.

Our people make this possible. Their expertise, care and commitment to safety fuel our ability to innovate beyond essential servicing and shape a Sydney where communities and businesses can thrive.

Everything we do is driven by a responsibility to provide essential services our customers can rely on, while protecting the waterways and environments that sustain Sydney, the Blue Mountains and the Illawarra.

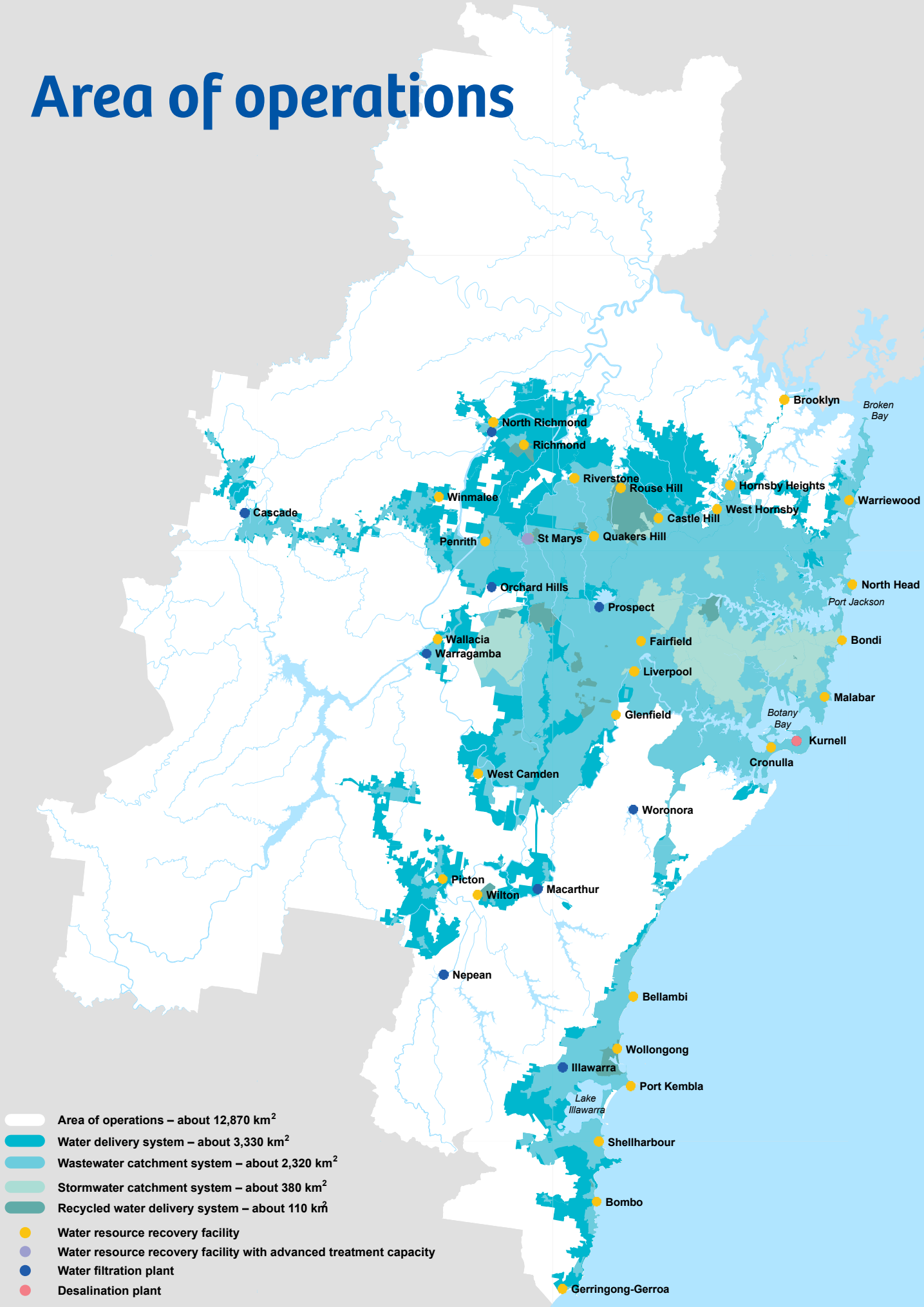
Operating Licence

The Independent Pricing and Regulatory Tribunal (IPART) regulates our Operating Licence, which sets out the standards and requirements we must meet. We also invest significantly in customer and community engagement to help shape our strategic planning and deliver our shared vision of creating a better life with world-class water services.

We operate under the *Sydney Water Act 1994* (NSW) and have three equal principal objectives:

- protect public health
- protect the environment
- be a successful business.

Area of operations



Our structure and principal officers

This is the organisational structure for Sydney Water for the reporting period to 30 June 2026. Further information about our Executive Team can be found in the *Management and accountability* and *Sustainability* sections.



Denisha Anbu
Executive General Manager
Customer Experience

- Customer Billing, Accounts & Metering
- Customer Contact
- Network Operations
- Network Maintenance
- Customer Hub
- Laboratory Services
- Innovation & Customer Programs
- FLOW Program

Paul Plowman
Executive General Manager
Water & Environment Services

- Infrastructure Portfolio
- Growth & Development
- Water, Environment & Infrastructure Performance
- System Planning & Land Acquisition
- Engineering & Technical Support
- Water Supply & Production
- Water Resource Recovery

Debbie Schroeder
Corporate Secretary
Executive General Manager
People & Governance

- People & Culture
- Safety, Health & Wellbeing
- Legal & Compliance
- Corporate Secretariat
- Risk & Audit
- Business Connect
- HR Systems & Operations

Sridhar Pydipati
Executive General Manager (Acting)
Digital

- Digital Business Programs
- Digital Operational Technology
- Digital Services
- Digital Infrastructure Program
- Enterprise Data
- Digital Risk & Strategy

Nicholle Sparkes
Executive General Manager
Infrastructure Delivery

- Performance Delivery Hub
- Major Projects
- Program Delivery

Dean Page
Executive General Manager
Finance & Commercial

- Strategy, Change & Business Performance
- Finance
- Procurement & Supply Chain
- Protective Security & Emergency Management
- Economics & Regulation

Clare Porter
Head of Marketing,
Communications & Strategic Insights (Acting)
Customer & Stakeholder Engagement

- Strategic Communications & Corporate Social Responsibility
- Customer & Strategic Insights
- Brand, Media & Marketing

Arli Miller
Head of Government,
Stakeholder & Community
Customer & Stakeholder Engagement

- Public Affairs
- Government & Stakeholder Engagement
- Community Engagement



SECTION 2

Strategy



Our strategy

Our vision and strategy respond to what matters most to our customers, government and stakeholders, while addressing current and emerging challenges. Our strategy guides how we shape our business and make decisions now and into the future.

In 2025–26, we continued our focus on delivering the priorities our customers value most: safe and clean drinking water, affordable bills and healthy waterways.

We continue to evolve as an organisation. By delivering world-class water services, we contribute to thriving communities, support our people and partners, enhance community confidence and build a resilient and successful business. Each section of this Annual Report has further information on our strategic outcomes for 2025–26.

Our strategy centres on five strategic outcomes. We have three customer outcomes that define what Sydney Water aims to achieve for the people we serve:

Customer experience
Deliver a great customer experience.

Water quality and reliability
Provide safe, clean, reliable drinking water every day.

Environmental protection
Ensure we protect our waterways and environment now and for the future.

Our two organisational enablers detail how we will work to accomplish the customer outcomes:

Accountable, agile, innovative culture
Enable our customer outcomes by embracing ownership and inspiring and driving innovation.

Successful and sustainable business
Enable our customer outcomes by being an efficient and financially sustainable business.



Our values

We have the customer at the heart

We work together with integrity

We own our decisions and make every dollar count

We create better and simpler ways of doing things

We care for one another, the environment and the community

Delivering on the NSW Government's policies and priorities

The Statement of Expectations is issued by the NSW Government and outlines its priorities and expectations for Sydney Water as a State Owned Corporation. It guides our approach to customer outcomes, affordability, environmental performance, infrastructure delivery, governance and innovation, helping align our strategic direction with broader government objectives and informing our business planning and reporting.

Our strategy is aligned with the NSW Government's Performance and Wellbeing Framework, ensuring we deliver services that meet customer and community expectations while creating long-term value across Greater Sydney.

Supporting housing growth and the Greater Sydney Water Strategy remains a key focus. Infrastructure renewal and expansion are helping meet the needs of existing and future customers while supporting initiatives such as the Transport Oriented Development Program, planning reforms and National Housing Accord targets. Close collaboration with government agencies, including the Development Coordination Authority and Housing Delivery Authority, is helping unlock housing supply and support economic growth.

In 2025–26, we continued to invest in infrastructure and delivery programs that support growth, public health, environmental protection, service improvements, climate action, economic development and water security. We are also planning for emerging demands on our network, including growth in data centres, to ensure our services remain reliable and fit for the future.

We maintained strong financial discipline throughout the year, balancing infrastructure investment with the NSW Government's fiscal objectives. This included carefully managing expenditure and debt levels to support long-term financial sustainability while continuing to invest in the essential infrastructure needed to serve growing communities.


WATER
WATER

Our outcomes

We openly report on our performance through an annual performance measures scorecard, showing customers where we've met expectations, where we've faced challenges, and how we're working to improve.

Tracking our strategic outcomes

Performance measures track our progress against strategic outcomes and commitments. We track a broad range of measures to support management decisions and build long-term strategic insight.

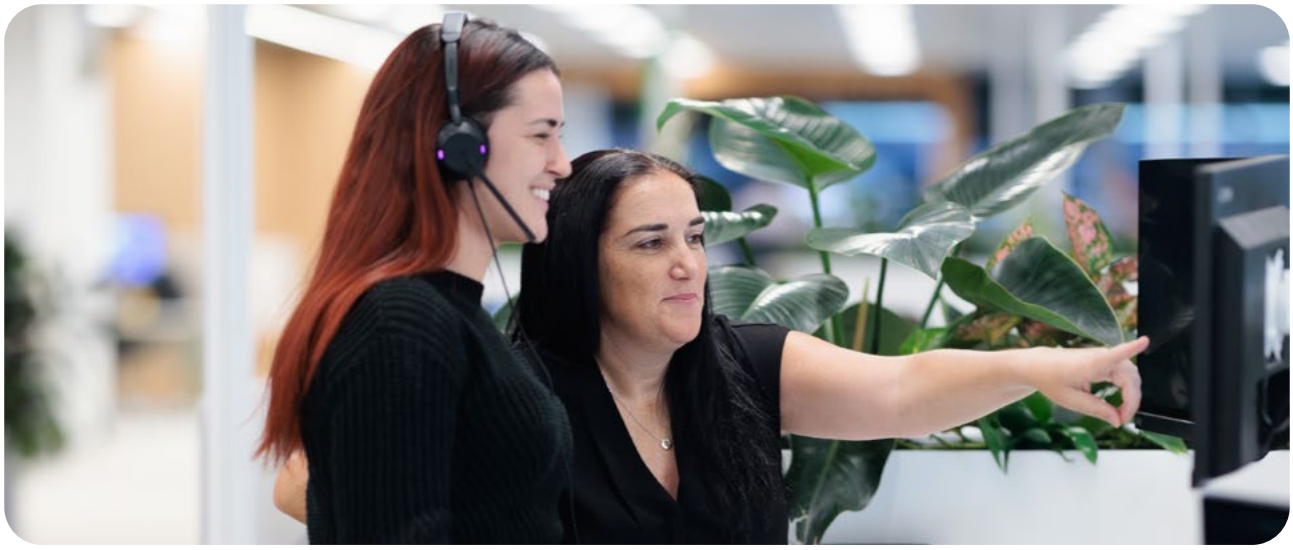
Key measures are agreed by our Board and Voting Shareholders through the Statement of Corporate Intent. As a State Owned Corporation, these measures reflect our commitment to operating efficiently and maximising the value of the NSW Government's investment. In 2025–26, we also updated customer measures, targets and supplementary indicators to align with the Independent Pricing and Regulatory Tribunal's (IPART) decisions.

Our performance review process supports continuous improvement by drawing on insights from customer feedback, operational performance, asset management, project delivery, financial results, regulatory monitoring and workforce measures.

We assess performance against targets, regulatory obligations and customer expectations to inform decision-making, prioritise improvements and drive long-term sustainable outcomes.

We publicly report our performance to maintain transparency and accountability to customers, communities, regulators and other stakeholders.

From November 2026, we will publish an annual scorecard on the Sydney Water website and inform customers through our Waterwrap newsletter and social media channels. The scorecard will track progress against our customer outcomes: customer experience, water quality and reliability and environmental protection, and includes supplementary indicators to provide context but these do not have measurable targets. This scorecard was developed with input from our Customer and Community Reference Group (CCRG) to make reporting simpler, more inclusive and easier to access. We will continue working with the CCRG to review our progress.



Overview of our 2025–26 performance

The following tables provide a snapshot of how Sydney Water performed against key focus areas for 2025–26, including our customer outcomes. The status reflects whether we met our target set for the year. Targets do not always stay the same from year to year, with some revised over time to reflect higher expectations and our commitment to continuous improvement. The trend shows how we performed compared to the last year.

Over the year, we met or exceeded 18 of 24 annual targets for the performance targets we set to deliver our strategic outcomes (including our customer and enabling outcomes).

A typical household using 200 kilolitres of water a year spent around 90 cents for every $100 of disposable income on water and wastewater services. This was within our target range, meaning we met our affordability target, and remained comparable to other major water utilities across Australia. However, the result is categorised as a declining trend because water and wastewater bills represented a higher share of household disposable income than last year, increasing from 81 cents to 90 cents for every $100 of disposable income.

As prices changed during 2025–26, we helped customers manage their bills through flexible payment plans and other affordability support. The number of customers receiving payment assistance increased by more than 14 per cent to 4,436 during the year.

We also helped customers reduce their water use and bills by providing support to identify and fix leaks. This practical assistance helped maintain customer satisfaction, with 53 per cent of the approximately 13,000 customers surveyed reporting they were highly satisfied with our service. This matched the highest result recorded since the measure began in July 2020.

Drinking water quality met health standards throughout the year, with all filtration plants and delivery systems meeting NSW Health requirements and 99.98 per cent of samples meeting the Australian Drinking Water Guidelines health parameters. Household drinking water use remained stable, supported by water-saving programs and smart meter leak notifications.

Most customers had continuous access to water this year, with fewer than 1.5 per cent of properties experiencing interruptions longer than five hours. Ageing pipes and changing weather conditions continued to cause water main breaks, including larger incidents at Willoughby and Palm Beach. When these events happened, our teams responded quickly to minimise disruption. Targeting how we maintain and renew our pipes before issues occur remains a key focus of our investment during the year. Water pressure remained reliable across Sydney, meeting the target during the year. Repeated unplanned water interruptions affected less than 9,000 properties.

We recorded 906 incidents that had the potential to harm the environment this year. While this was consistent with our expected operating performance target, we remain focused on further reducing these incidents and protecting the environment. Most related to wastewater overflows often caused by tree roots, debris, fats and grease damaging or blocking pipes. We continued operational controls and proactive maintenance to reduce those risks and protect local waterways and habitats.

Independent assessor Arcadis audited Sydney Water's self-assessment of our climate adaptation performance using the NSW Government's Climate Risk Maturity Health Check Tool v1.5. It verified our approach to managing climate-related risks as systematic. This shows we are improving our processes to assess climate risk and integrate climate risk management into how we run and design our services.

By building climate considerations into decision-making today, we can better prepare for future challenges and support reliable services for our customers and communities. For more information, go to the *Climate-related financial disclosures* on page 86.

For our enabling outcomes, during 2025–26 we had strong safety performance, diversity and equity outcomes and financial results which were above our target.

Safety performance improved during the year, with employee and combined employee-contractor injury frequency rates recording their lowest levels in the past five years and remaining below target for a third consecutive year. Reportable workers compensation claims also declined. We continued to invest in safety leadership, strengthen our safety culture and improve how we manage critical risks across our operations. While overall safety outcomes are improving, we remain focused on high-risk work activities as our capital program expands, helping to ensure our employees and contractors return home safely each day.

In 2025–26, Sydney Water invested

$3.021 billion

in capital works, within 3 per cent of forecast expenditure and approved budget, and around $550 million more than the previous year.

This increase was delivered despite supply chain pressures and rising costs across the sector. By continuing to invest at scale, we are focusing on renewing critical infrastructure, supporting growth and managing risk while improvements of our water and wastewater systems for the future are progressively delivered.

We finished in a strong financial position, our net profit after tax was $513 million, $9 million above budget. Our earnings before interest, taxes, depreciation, and amortisation closed at $2,342 million supported by $37 million in bulk water savings, $11 million in higher income and keeping operating costs in line through the work of our teams managing expenditure throughout the year. Compared with the previous financial year, income increased 13 per cent ($439 million) broadly in line with the IPART Price Determination 2025–2030. This result demonstrates our financial resilience despite revenue challenges in some areas. For more information, go to our *Financial statements* on page 107.

We were outside our annual targets on six out of 24 measures, and we're taking steps to lift our performance.

Water literacy remains a long-term challenge, and building community understanding of water remains an important focus for us. Over the last 12 months, we held community events, offered tours of our Purified Recycled Water Discovery Centre and ran public awareness campaigns on water conservation and wastewater. Performance is considered stable, with the water literacy index remaining at 4.5, consistent with the previous year, although outside our target. We will continue to work with customers and communities to build understanding of where our water comes from, the challenges facing our water supply and the role we can all play in protecting it.

Water leakage from our systems remained outside our target this year, a slight increase from the 8.6 per cent last year but within the normal year-to-year variation, so performance is considered stable. Ageing water mains and weather variability continue to make reducing leaks challenging. To address this, we're focusing on areas with frequent leaks across our network, using improved data and monitoring to identify issues earlier and prioritise repairs where they save the most water.

We did not meet our treated wastewater quality target this year, with 37 releases not meeting environmental protection licence requirements. We measured treated wastewater quality using a different method last year. When last year's data is recalculated using the current method that provides a more complete picture of compliance, not just core pollutants, the result is 23. Compared with this restated result, this year's performance has declined, which is why the trend is reported as 'declining'.

Some of this year's quality of treated wastewater results were caused by metals in wastewater,



and tighter environmental limits in the Hawkesbury–Nepean catchment, which our current water resource recovery facilities are not designed to meet. Additional challenges occurred during heavy rain, when large volumes of stormwater can place pressure on parts of the wastewater system. We are continuing to improve treatment processes and invest in staged wastewater treatment infrastructure upgrades to support healthier waterways, meet changing environmental requirements and support a healthier environment for the communities we serve.

We produced around 35 gigalitres (GL) of recycled water this year which is below our target. Although recycled water use improved slightly from 33 GL/year last year, it falls within the normal year-to-year variation, so performance is considered stable. This year's recycled water result was because the St Marys Advanced Water Treatment Plant was offline for much of the year. Our focus for the future will be increasing recycled water availability by returning the St Marys plant to service in early 2027 and delivering planned recycled water schemes. We're also exploring opportunities to supply recycled water to data centres for cooling.

While carbon emissions decreased slightly year-on-year (333,041 tCO_2e in 2024–25, the updated verified result since it was last published in the Annual Report 2024–25, compared to the estimate of 329,787 tCO_2e in 2025–26), the reduction fell short of the target level.

This result was influenced by external factors beyond our control - the amount of renewable electricity in the NSW grid was lower than anticipated when we set our carbon emissions targets. As a result, the measure is rated as not meeting target, although the year-on-year decrease means the overall trend is improving.

This year's report includes a new measure that tracks investment in research and innovation as a proportion of revenue. We did not meet this target because revenue increased in 2025–26, while spending on research and innovation remained relatively consistent with the previous year. From 2026–27, performance will be assessed through a broader Research and Innovation Impact Scorecard, helping us better demonstrate how our research and innovation activities improve services and deliver value for customers, communities and the wider water sector. This measure reflects the importance of investing in new knowledge, technologies and ways of working to help address future water challenges. As Australia's largest water utility, we have an important role to play in advancing innovation and sharing knowledge across the sector. For more information on *Research and innovation* go to page 46.

Our performance measures scorecard (customer outcomes and key enablers)

How to read the scorecard

Status:
- Meeting target
- Nearly meeting target
- Not meeting target

Trend:
Improving: Performance standard is better than last year.
Stable: Performance standard is similar to last year.
Declining: Performance standard is worse than last year.

Trend shows how results compare to last year and does not indicate whether the target was met.

OBJECTIVES	MEASURES	TARGET 2025–26	RESULT 2025–26	STATUS	TREND
Customer experience					
Fair and affordable bills	**Affordability:** Water bill as a share of disposable income for a typical household	≤0.98%	0.90%	●	Declining
Positive customer experience	**Customer satisfaction:** Position compared to similar providers, based on high satisfaction ratings in an external survey of customers and consumers	Top quartile	Top quartile	●	Stable
Informed and empowered customers	**Water literacy:** Score (out of 10) from external survey of customers' understanding of water and our services	≥5.15	4.5	◉	Stable
Safe swimming and recreation	**Public access and recreation:** Number of sites where we've improved access and amenity for recreation	≥1 site	2 sites	●	Improving
Water quality and reliability					
Safe and clean water	**Drinking water quality:** Percentage of samples meeting health-based guidelines	≥99.9%	99.98%	●	Stable
Secure water supply	**Available water supply:** Percentage of drinking water demand that can be met by rainfall-independent supply	≥17%	17%	●	Stable
Saving water together	**Drinking water use (residential):** Average litres used by each person each day	≤181	181 LPD* (litres per day)	●	Stable
	System leakage: Percentage of drinking water supplied lost as leakage	≤8%	8.8%*	◉	Stable
Reliable water	**Water continuity:** Percentage of customers with an unexpected water supply interruption over five hours	≤2%	1.5%	●	Stable
	Water pressure: Percentage of properties with low water pressure fewer than 12 times	≥99.99%	>99.99%	●	Stable

OBJECTIVES	MEASURES	TARGET 2025–26	RESULT 2025–26	STATUS	TREND
Environmental protection					
Prevent pollution	**Quality of treated wastewater:** Number of times wastewater released from our treatment plants did not meet environmental protection licence requirements	≤29	37	◉	Declining
	Pollution and environmental harm incidents: Number of incidents that cause, or could cause, environmental harm	≤1053	906	●	Improving
Recover resources	**Volume of recycled water available:** Gigalitres of recycled water we produced	≥46	35 GL/yr	◉	Stable
Cool, green, natural places	**Natural area and green infrastructure land actively managed:** Percentage of our land area with natural values that we maintained or improved	≥75%	89%	●	Stable
Net zero carbon emissions	**Net carbon emissions:** Tonnes of carbon dioxide equivalent CO_2-e from our direct operations and grid electricity use, after offsets	≤279,000	329,787^	◉	Improving
Climate resilient systems	**Climate risk maturity health check:** Enterprise-scale rating using NSW Climate Risk Maturity Health Check Tool	Systematic	Systematic	●	Improving
Accountable, agile and innovative culture					
Embrace ownership and accountability	**Safety:** Total recordable injury frequency rate (TRIFR) employee and contractor	≤5.0	3.8	●	Improving
	Employee experience index: Aggregate measure based on annual survey of our workforce	≥75%	80%	●	Improving
Foster agility and adaptability	**Diversity and equity index:** Tracks a range of demographic indicators	≥75%	91%	●	Improving
Inspire and drive innovation	**Research and innovation:** Proportion of revenue spent on research and innovation	≥0.17%	0.11%	◉	Not applicable
Successful and sustainable business					
Efficient and financially sustainable business	**Demonstrating value for money to our customers:** Return on invested capital	≥5.5%	5.6%	●	Stable
	EBITDA: Earnings before interest, tax, depreciation and amortisation ($ million)	≥$2,313	$2,342	●	Improving
Trusted and valued by community	**Delivering infrastructure when it is required:** Operational measure of delivery	≥90%	91%	●	Improving
Value-driven digitalisation	**Digitalisation index:** Tracks impact of digitalisation roadmap	≥36.3	39.8	●	Improving

* Result is for the rolling 12 months to the end of the third quarter 2025–26.

^ Result based on interim data available at the time of publication and will be finalised in next annual report.



Supplementary indicator results for 2025–26

Supplementary indicators are for context and do not have a target.

Objective	Supplementary indicator	Result 2025–26
Fair and affordable bills	**Customers on payment assistance:** Numbers on each payment assistance program	**4,436**
	Customers in arrears: Percentage of accounts that are more than 90 days overdue	**2.60%**
Positive customer experience	**Service restrictions:** Services restricted due to unpaid bills per 1,000 accounts	**0.8**
	Complaints received: Number of complaints from customers and consumers to Sydney Water	**6,747**
	Complaints resolution: Number of complaints that Sydney Water has resolved	**4,530**
	EWON matters received: Number of complaints referred to the Energy and Water Ombudsman NSW (EWON) that we are responsible for	**441**
Reliable water	**Water interruptions (unplanned):** Number of customers with multiple unexpected water supply interruptions (three or more, each lasting over an hour)	**8,809**
Recover resources	**Materials recovered:** Percentage of our solid waste recycled or reused (excluding biosolids)	**84%**

Delivering value

> Every decision we make is focused on delivering value for our customers, communities and the environment. We do this by providing reliable services, investing responsibly and continually improving how we operate.

Our strategy was supported by targeted resource decisions in 2025–26:

Customer experience	We directed resources toward digital tools, payment support programs and simplified customer access channels, ensuring we meet customers where they are and support those facing affordability challenges.
Water quality and reliability	We prioritised capital investment in renewing ageing infrastructure and building network resilience, strengthening our ability to deliver safe, uninterrupted services to growing communities.
Environmental protection	We invested in water recycling, integrated stormwater management and other initiatives that help protect waterways, improve environmental outcomes and support the long-term sustainability of the communities we serve.
Accountable, agile and innovative culture	We allocated funding to workforce development and capability-building, enabling our teams to lead with purpose and respond effectively to the needs of a changing city.
Successful and sustainable business	We maintained financial discipline through integrated planning and budgeting, balancing immediate service delivery with long-term investment needs and community value.

Our IPART Price Determination 2025–30 sets the funding available to deliver services and invest in infrastructure, based on IPART's assessment of efficient costs. Within that approved funding, we make deliberate trade-offs about what to deliver and when, to maximise value for customers and communities.

Our organisational structure aligns how we work with what we're trying to achieve. New leadership and simplified decision-making processes have strengthened accountability, while investment in employee capability ensures we can meet future challenges confidently.

Every dollar is directed toward delivering safe, reliable services and supporting Sydney's long-term sustainability.

Planning for the future



Delivering value today means planning well for tomorrow. We work alongside government, industry and community partners to make informed decisions about the infrastructure, services and investments needed to support our customers and communities. Our long-term planning helps ensure we can continue providing reliable services, protecting the environment and creating value for customers for decades to come.

1

Greater Sydney Water Strategy

The Greater Sydney Water Strategy provides a shared roadmap for delivering sustainable and resilient water services across Greater Sydney, the Illawarra and Blue Mountains over the next 20 to 40 years. Developed in partnership with government agencies and other utilities, it integrates water planning with future housing, employment and economic growth expectations. Over the past year, we continued working with our partners to implement the strategy's priorities, helping strengthen water security, support sustainable growth and protect the health of our waterways and communities.

2

Greater Sydney Drought Response Plan

Preparing for drought is a critical part of protecting water security. The Greater Sydney Drought Response Plan sets out the actions needed before, during and after drought to help reduce risks to water supplies and support informed decision-making. Together with WaterNSW and the NSW Government, we review and update the plan each year to ensure we are ready to respond to changing conditions and can continue meeting the needs of customers and communities.

3

Sydney Water's long-term plan

Our long-term plan guides the infrastructure and operational decisions needed to support customers over the next 25 years. It helps us balance service reliability, environmental outcomes and affordability while responding to population growth, changing customer expectations and emerging challenges. During the year, we began developing our next long-term plan and will continue engaging with stakeholders to help shape future investment priorities and build alignment on the outcomes that matter most.





SECTION 3

Operations and performance


Sydney
WATER

Principal statistics

INDICATOR	2025–26
Water	
Total quantity of drinking water produced[1]	**566,907 ML**
Quantity of drinking water produced from desalination	**21,189 ML**
Estimated population serviced by drinking water[2]	**5,643,638 people**
Length of drinking water mains owned and operated	**23,026 km**
Number of water filtration plants	**9**
Number of desalination plants	**1**
Number of drinking water reservoirs	**253**
Number of drinking water pumping stations	**158**
Number of properties with drinking water service available	**2,194,956**
Wastewater	
Wastewater collected (includes discharge, bypass, overflows and other)	**578,692 ML**
Estimated population receiving wastewater services[3]	**5,526,103 people**
Length of wastewater mains owned and operated	**27,173 km**
Number of water resource recovery facilities	**30**
Number of water resource recovery facilities with advanced treatment capacity	**1**
Number of wastewater pumping stations	**701**
Number of properties with wastewater service available	**2,145,321**
Recycled water	
Quantity of recycled water supplied	**37,234 ML**
Estimated population serviced by recycled water[4]	**116,482 people**
Length of recycled water mains owned and operated	**824 km**
Number of recycled water reservoirs	**9**
Number of recycled water pumping stations	**12**
Number of properties with recycled water service available	**56,832**
Stormwater	
Length of stormwater channels controlled	**458 km**
Number of stormwater pumping stations	**4**
Number of properties with stormwater drainage available	**663,706**

1 Includes the quantity of drinking water produced from desalination.

2 Estimated population serviced by drinking water excludes dwellings serviced under the *Water Industry Competition Act 2006* (NSW) and includes shops on mixed development properties. Estimated population is a projection from Department of Planning, Housing and Infrastructure's 2024 NSW Population, Housing and Implied Dwelling Projections.

3 Estimated population serviced by wastewater excludes dwellings serviced under the *Water Industry Competition Act 2006* (NSW) and includes shops on mixed development properties. Estimated population is a projection based on the Department of Planning, Housing and Infrastructure's 2024 NSW Population, Housing and Implied Dwelling Projections.

4 Estimated population serviced by recycled water refers to Rouse Hill only. Estimated population is a projection based on the Department of Planning, Housing and Infrastructure's 2024 NSW Population, Housing and Implied Dwelling Projections.

Our operations

We continued to provide safe and reliable services for our customers while introducing new technology that helped us work more efficiently and improve service delivery.

In 2025–26, Sydney Water provided 566,907 megalitres (ML) of drinking water compliant with the Australian Drinking Water Guidelines to 5,643,638 people.

We supply water from 11 major dams through 13 water delivery systems, which run through 23,026 km of pipes. About 80 per cent of the drinking water we supply every day comes from Warragamba Dam, which is a protected catchment. This means that the area surrounding the dam is managed to safeguard the quality of water stored in it. The rest of our water supply comes from a mix of other dams in protected catchments, the Hawkesbury-Nepean River and the Sydney Desalination Plant at Kurnell.

In 2025–26, Sydney Water continued to deliver reliable water, wastewater and stormwater services to a growing population across the region. Our operational performance was influenced by several external factors including growth, customer demand, weather conditions and broader economic conditions.

During the reporting year, Sydney experienced periods of warmer and drier conditions than average, which increased customer water usage and demand for our services. At the same time, strong dam storage levels reduced reliance on higher-cost water supply sources while improved water quality supported efficient network operations.

Broader economic conditions continued to influence our operating costs. Global events contributed to volatility across international commodity and energy markets, leading to increased inflationary pressures on our costs to deliver services during the year. Sydney Water was largely able to manage these cost increases, while maintaining reliable services for customers.

Looking ahead, demand for our services is likely to continue to grow to support new housing as well as emerging industries such as data centres. We are currently working with industry and government to understand demand, assess network capacity and plan infrastructure where it will deliver the most value without putting pressure on residential customers.

Our programs and operations are essential to ensuring we continue to deliver services to our customers while maintaining and building infrastructure for a growing city. Capital infrastructure projects are critical to support population growth, meet increasing customer demand, maintain system resilience and deliver essential service improvements.



Key achievements and developments during the year included:

$54 million

investment in the 2025–26 financial year in new water and wastewater infrastructure to support growing communities and around 27,000 new dwellings in key development precincts, including Kemps Creek, West Dapto and the North West and South West Growth Areas

$30 million

investment in wastewater network upgrades at Rouse Hill, West Camden and Lower South Creek, reducing overflow risks, improving treatment performance and increasing capacity to support future population growth

Progress on major infrastructure projects

including the Prospect Pretreatment Facility, North West Treatment Hub and Upper South Creek networks, which will provide the capacity and resilience required to support future growth across Greater Sydney.

For more information about our *Infrastructure program* go to page 40.

Sydney Water continued to invest in and implement digital technologies, data platforms and automation to improve operational performance, support decision-making and enhance services for customers, employees and delivery partners.

Key technology initiatives included upgrading our contact centre platform to a resilient, cloud-based solution for more effective engagement with customers.

We delivered a cyber security program to strengthen security controls, improve cyber resilience and support the protection of critical systems, data and services. An uplift in enterprise systems and digital platforms improved system reliability, integration and business continuity.

Automation, advanced analytics and machine learning capabilities were increasingly adopted across Sydney Water to support data-driven decision-making, improve productivity and identify opportunities to optimise operations and service delivery.

Major operational technology upgrades enhanced the monitoring, control and resilience of critical water and wastewater networks, while communications and connectivity upgrades made it easier to use our field-based and operational technologies.

Our people had access to information and collaboration tools and modern workplace technologies that supported more effective ways of working. This enabled our teams, contractors, delivery partners, suppliers and other stakeholders to coordinate across major programs and operational activities.

Digital tools and automated workflows helped streamline business processes, reduce manual effort and improve the speed, consistency and quality of services delivered across customer, corporate and operational functions.

Sydney Water's approach to innovation and continuous improvement is focused on defined business-led and problem-led challenges, including areas such as asset management and water quality and reliability.

Our monitoring, research and innovation programs help us understand potential risks and develop practical solutions that improve asset performance, strengthen system resilience and protect the ongoing safety and quality of drinking water.

Strong governance and tactical frameworks transform innovation from isolated ideas into measurable and sustainable business outcomes. They also provide the oversight to ensure work is delivered prudently and effectively. We measure outcomes to ensure projects deliver tangible benefits for the organisation and most importantly our customers.

Customer satisfaction

Customers are at the heart of everything we do. From providing safe, reliable water services to planning for the future, we focus on delivering the outcomes that matter most to the customers and communities we serve.

We asked about 13,000 customers in 2025–26 to rate their overall satisfaction with Sydney Water. Just over half (53 per cent) were highly satisfied (providing a customer rating of 8–10 out of 10), which is up by two percentage points compared to 2024–25 (51 per cent). This is the highest figure achieved by Sydney Water for customer satisfaction since measurement began in July 2020, equal with 2021–22.

While passive responses (a customer rating of 5–7 out of 10 or responses of 'don't know') decreased to 43 per cent (down from 45 per cent in 2024–25), negative responses (a customer rating of 0–4 out of 10) remained low at 4 per cent (unchanged since 2024–25). When compared to benchmark organisations such as Australia Post, Service NSW, mobile phone network providers and gas and electricity providers, Sydney Water maintains the top position for customer satisfaction, alongside day-to-day banks.

Tap water rating

Customer satisfaction with tap water quality remained stable at 57 per cent (57 per cent in 2024–25). Ensuring the quality of our drinking water is our top priority, supported by rigorous monitoring, public health safeguards and clear communication with customers to build trust and confidence in the water we provide.

Complaint handling

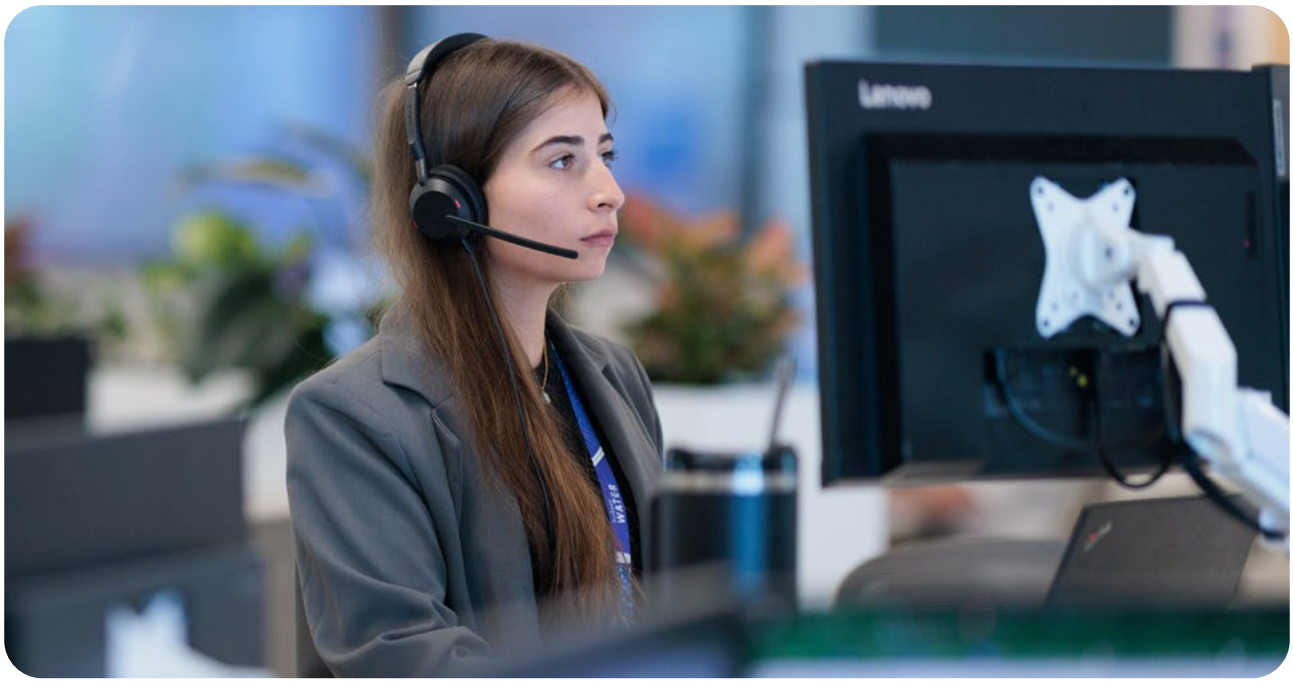
Sydney Water's Operating Licence defines a complaint as 'an expression of dissatisfaction made to or about Sydney Water related to its actions, products, services, staff or the complaints-handling process, where a response or resolution is explicitly or implicitly expected or legally required'.

In the 2025–26 financial year, we received 6,747 complaints from customers and consumers. This figure represents all new complaints received during the reporting period, including complaints that may still be under investigation or awaiting final resolution.

Of those complaints, 4,530 were resolved as Sydney Water's responsibility.

Complaints made up less than 0.6 per cent of the more than 787,000 (in 2025–26) customer contacts via phone, email, fax, mail and online channels, excluding self-service contacts. This is comparable to the previous financial year where complaints made up less than 0.6 per cent of the more than 749,000 (in 2024–2025) via the same means.

If a customer is dissatisfied with the action we take to resolve a complaint, they may contact the Energy & Water Ombudsman of NSW (EWON) at ewon.com.au and ask for an independent review of the complaint.



In 2025–26, EWON received 673 enquiries or complaints relating to Sydney Water.[1] This equates to 3.1 matters per 10,000 customers, which is consistent with other water utilities overseen by EWON.

Of these 673 matters, EWON directly resolved 232 enquiries and referred 441 to Sydney Water for action.

Sydney Water received a total of 604 escalated complaints in 2025–26. This included the 441 matters referred by EWON and a further 163 escalated complaints received through other channels.

We have developed a Complaints Handling Working Group that is made up of employees from across different areas of the business. The group's core function is to continually monitor and assess our complaint data to identify areas for process improvements, including identifying complaints that may be systemic in nature and documenting changes implemented to address these.

Customer satisfaction indicators, 2020–21 to 2025–26

	2021–22	2022–23	2023–24	2024–25	2025–26
Average customer satisfaction rating (positives 8–10)	53	50	52	51	53
Average customer rating of overall quality of drinking water	8.0	7.6	7.7	7.3	7.3
Average customer satisfaction with tap water quality (strong satisfaction 8–10)	68	63	65	57	57
Total number of complaints (including EWON)[1, 2]	~~6,306~~ 6,410	~~5,153~~ 5,233	~~4,798~~ 4,946	~~4,758~~ 4,895	4,971

1 Report extracted from EWON for 2025–26 as their annual report had not been formally released at the time of reporting.

2 Data has been adjusted from 2021–22 to 2024–25 to include complaints received for the Program Delivery and Major Projects teams via the Delivery Portal platform that were not previously captured in Sydney Water's complaints system (CRM). Although these complaints were not captured in CRM, they were investigated and appropriately acted on.



Customer Contract

Our *Customer Contract* explains how we manage customers' access to water, wastewater, recycled water and stormwater services. It outlines our obligations to customers, including:

- which services we maintain and the minimum standards
- how we help customers experiencing hardship
- how and when we charge customers for services
- when we restrict, disconnect and restore services
- how we respond to customer enquiries and complaints.

Customers can access a complete copy of the Customer Contract and read the 'Our Contract with you' summary on the Sydney Water website. Visit www.sydneywater.com.au/about/what-we-do/our-regulators/operating-licence/customer-contract.html

Customer communications



Sydney Water kept customers informed and connected through a combination of print and digital channels.

Throughout 2025–26, we produced more than 85 printed publications like pamphlets, factsheets and reports. This included four editions of the Waterwrap newsletter and four editions of the Business Update newsletter, sent quarterly with bills and available on our website. We also refreshed fact sheets on customer pricing, metering, recycled water and other public interest topics and delivered timely updates through our website and social media channels.

We communicated with our customers through email campaigns and letters on topics like pricing changes, switching to online statements and updates to BPAY services for our developer customers and contacts.

During the year, we delivered two targeted marketing campaigns to support customer awareness, engagement and behaviour change across key priority areas. *Save Our Sinks* launched in July 2025 to reduce the disposal of fats, oils, grease and other harmful materials down household sinks. Using a multi-channel behaviour change approach, the campaign reminded customers that only water, detergent and soap belong down the sink. It achieved Sydney Water's highest-ever unprompted campaign recall (48 per cent) and strong message recognition across channels. While awareness and behavioural intent improved significantly, ongoing education will be needed to reinforce positive wastewater disposal behaviours and protect our network.

Save Water, Save Money launched in March 2026 to encourage customers to adopt simple water-saving behaviours by highlighting the financial benefits of using less water. Delivered through digital, out-of-home and television advertising, the campaign achieved 35 per cent unprompted recall and 80 per cent brand attribution among those who recalled the advertising. The television creative was particularly effective, with 73 per cent of respondents agreeing it conveyed a believable and important message, while 65 per cent said it prompted them to think about ways to reduce water use. More than half of those exposed to the campaign also reported considering practical water-saving actions.

To explore our community engagement activities, public awareness campaigns and full list of publications, visit the 'Reports and publications' section on our website via www.sydneywater.com.au/about/policies-publications/reports-publications.html.

Community grants

Sydney Water's annual Community Grants Program aims to support grassroots projects across Greater Sydney, the Blue Mountains and the Illawarra to empower people to protect, conserve and value water – now and into the future.

In 2025, seven community grants totalling $61,500 funded projects across our area of operations.

Organisation	Project	Purpose	Grant value
Afghan Resource Centre Incorporated, Auburn	Our water, our future community education program	Promoting the cultural significance of water, the urban water cycle and sustainable water practices to newly settled Afghan and culturally and linguistically diverse communities	**$10,000**
Arndell School, North Ryde	Creek restoration and water testing	Educating students about water ecosystems and water quality testing and providing practical skills to rehabilitate the neighbouring creek	**$10,000**
Australian Aid Youth Association Incorporated, Guildford	Waterwise youth education program	Delivering interactive workshops focused on water conservation and sustainability for multicultural youth to become water ambassadors who can lead community challenges and promote water-wise behaviours	**$10,000**
Georges River Combined Councils' Committee Incorporated, Fairfield	*These Creeks Connect Us* film production	Producing a short film about litter, erosion and polluted stormwater in the area. Encouraging the community to change their behaviours and become water stewards	**$10,000**
Primbee Public School, Primbee	First Nations educational storybook	Creating the children's book *Connecting with Jubborsay* with Dharawal and Woodi Woodi elders, empowering students to use water respectfully, protect waterways and be stewards of water resources and culture	**$9,000**
Beecroft Primary School Parents & Citizens Association, Beecroft	Water detectives educational program	Supporting students to become water detectives, investigating water cycles, identifying conservation opportunities and developing water-saving solutions. Inspiring students to become lifelong water conscious citizens	**$7,500**
Hunters Hill High School Parents & Citizens Association, Hunters Hill	Long-term aquatic ecosystem restoration and education	Educating students about marine biodiversity through the construction of living seawalls that accommodate local marine species with comfortable microhabitats. Improving water biodiversity, quality and shoreline resilience	**$5,000**

Infrastructure program

Our infrastructure program is shaped by making disciplined decisions, investing responsibly and focusing on the outcomes that matter most to our customers. We're delivering critical infrastructure today while laying the foundations for a secure and sustainable water future.

In 2025–26, we invested $3.021 billion in capital works, which was within 3 per cent of forecast expenditure and the approved budget (excluding capitalised borrowing costs). This represents an increase of about $550 million compared with 2024–25 and reflects the continued expansion of Sydney Water's capital delivery program.

The infrastructure portfolio continued to deliver critical water, wastewater and growth infrastructure across Greater Sydney, supporting safe and reliable services for more than 5.6 million people and enabling growth in new and established communities. During the year, the portfolio delivered $2.846 billion in capital works. Around one-third of this investment was directed to renewing and maintaining essential infrastructure – strengthening the condition and resilience of pipes, networks and treatment plants, reducing operational risk and supporting regulatory compliance – while the majority supported growth, delivering new and expanded infrastructure to enable housing and economic development, particularly across Sydney's north-west and south-west corridors.

Assets commissioned and milestones completed

Tangible delivery outcomes were achieved during the year, with a number of assets completed and commissioned into service. These included the West Camden Water Resource Recovery Facility, expanding treatment capacity to service growth in the south-west; the Bonds Creek Carrier Extension, extending the new wastewater network servicing the Western Sydney Aerotropolis; North West Growth Area Package 4A, delivering network infrastructure to unlock housing in Sydney's north-west; and the SP1022 New Rising Main, improving wastewater transfer capacity and reliability.

Key renewal and compliance milestones were also delivered. Relining of the critical Pressure Main 1 at Homebush was completed, satisfying a condition of the Malabar system environment protection licence and materially reducing the risk of wastewater overflows into the Parramatta River catchment. Upgrades at Wollongong Water Recycling Plant, including renewal of inlet works, odour control and screening infrastructure, improved safety for operational personnel, plant reliability and compliance with the *Protection of the Environment Operations Act 1997* (NSW). New access infrastructure at North Head enabled commencement of the long-term rehabilitation and desilting program for the Northern Suburbs Ocean Outfall Sewer, which serves a catchment of 1.7 million people.





Servicing growth and building resilience

Significant progress was made across several strategic infrastructure programs that are creating capacity for Sydney's growth. The North West Treatment Hub Growth Program is expanding wastewater treatment capacity across the Castle Hill, Rouse Hill and Riverstone facilities to support growth in the serviced population from around 200,000 to 450,000 people by 2036. The Upper South Creek Advanced Water Recycling Centre and Networks Program, together with Mamre Road Aerotropolis servicing, progressed the critical infrastructure that will service the Western Sydney Aerotropolis and surrounding growth areas. In the south-west, Stage 1 infrastructure for the Wilton growth area progressed, creating servicing capacity for about 4,000 dwellings by 2032, with a wastewater treatment upgrade to support up to 8,000 dwellings by December 2027, enabling a future community of around 15,000 homes. The Malabar System Investment Plan (including the Glenfield and Liverpool Water Resource Recovery Facility upgrades) and the Greater Parramatta and Olympic Peninsula program also advanced during the year.

Investment in drinking water quality and network resilience continued, including the Prospect Pre-treatment Plant – protecting the safety and reliability of drinking water supplied to 4.3 million customers, more than 80 per cent of Greater Sydney – and the Thornleigh Inlet/Outlet Main. These investments will continue to form a substantial component of Sydney Water's capital delivery pipeline over the coming years.

Delivery environment and outlook

This was achieved in an increasingly challenging delivery environment characterised by market capacity constraints, labour and specialist skills shortages, supply chain volatility, cost escalation and affordability pressures across the infrastructure sector. Despite these challenges, the portfolio maintained delivery momentum while continuing to strengthen planning, project controls, governance and delivery practices to support an expanding program of works.

A key focus during the year was transitioning projects from development into delivery while maintaining affordability and investment discipline. The portfolio also continued to improve delivery certainty, strengthen business case development and embed lessons from assurance activities to support future investment commitments and increasing stakeholder expectations.

Industry forecasts continue to indicate strong demand for infrastructure investment across utilities, resources and social infrastructure sectors. We remain focused on improving productivity, strengthening early project planning, enhancing delivery certainty and partnering effectively with industry to ensure future capital investment objectives can be achieved safely, efficiently and sustainably.

Major capital works in 2025–26

Project[1]	Cost for 2025–26 financial year ($ million)	Cost to date ($ million)	Forecast completion date	Description
Sewage Pumping Station SP1211 Kemps Creek Dual Pressure Main	**$8**	**$126**	Completed July 2025[2]	Deliver dual pressure main required to service a significant increase in customers
West Dapto works package 3	**$17**	**$132**	Completed September 2025[2]	Deliver new water and wastewater infrastructure to support customer growth
West Camden Wastewater Treatment Plant Upgrade Stage 3	**$14**	**$240**	Completed November 2025[2]	Expand treatment plant capacity to support significant customer growth
Thornleigh Reservoir outlet main	**$62**	**$94**	October 2026	Construct a new tunnelled drinking water main between the pump station and reservoir to improve water quality and system reliability
Servicing growth at Yallah Marshal Mount	**$52**	**$84**	December 2026	Deliver water and wastewater services to support approximately 4,360 residential dwellings, commercial lots and a town centre
Calderwood package 3A water and sewerage	**$40**	**$70**	January 2027	Deliver water and wastewater services for approximately 4,500 residential lots and a town centre
Upper South Creek – advanced water recycling centre (AWRC) and pipelines	**$133**	**$964**	March 2027	Construction of AWRC and discharge pipelines
Badgerys Creek growth servicing	**$28**	**$54**	March 2027	Deliver permanent wastewater services to the initial Aerotropolis Core and Badgerys Creek precincts, including key enterprise-zoned land
Richmond Water Recycling and Wastewater Treatment Plant consolidation	**$70**	**$174**	April 2027	Expand treatment plant capacity to accommodate significant customer growth
North West Treatment Hub compliance works – Castle Hill and Rouse Hill	**$63**	**$219**	June 2027	Deliver a program of wastewater treatment upgrades to meet compliance requirements. Completion has been delayed by the development of new biosolids regulation, site conditions and specialist supply constraints
North Head Waste Water Treatment Plant biosolids amplification	**$14**	**$10**	August 2027	Upgrade treatment and processing facilities to improve biosolids quality. Delivery has been affected by project complexity and construction within an operational treatment plant
Menangle Park Stage 2 water and wastewater	**$28**	**$45**	October 2027	Provide wastewater and drinking water services for the Menangle Park Growth Area
Nepean Water Filtration Plant Stage 1	**$25**	**$66**	December 2027	Increase Nepean Water Filtration Plant capacity to 33 megalitres per day through a Stage 1 upgrade, including ultra-filtration and dissolved air flotation pre-treatment

Project[1]	Cost for 2025–26 financial year ($ million)	Cost to date ($ million)	Forecast completion date	Description
Greater Macarthur growth area – Wilton and Bingara Stage 1	**$127**	**$168**	January 2028	Provide wastewater, drinking water and recycled water infrastructure for the early stages of development in South East Wilton and North Wilton, as well as existing residents of Bingara Gorge
Metro North West Urban Renewal Corridor	**$66**	**$107**	January 2028	Expand water and wastewater networks to support growth in the Metro North West Urban Release Corridor, servicing an additional 24,000 dwellings
Ryde to Pymble Transfer Main (RP03)	**$30**	**$44**	March 2028	Construct a new pipeline between Ryde Pump Station and Wahroonga Reservoir to address capacity constraints and support regional growth
Prospect Water Filtration Plant pre-treatment	**$120**	**$197**	May 2028 (Package 1) October 2029 (Packages 2 and 3)	Upgrade Prospect Water Filtration Plant to provide safe, reliable and compliant drinking water. Delivery has been impacted by approval, design, procurement, weather and construction delays
Vaucluse Diamond Bay strategy	**$30**	**$70**	June 2028	Construct new pumping stations and wastewater pipelines to transfer flows to Bondi Water Resource Recovery Facility for treatment before ocean discharge. The Parsley Bay package is complete with the Diamond Bay package scheduled for completion in June 2028
Mamre Road wastewater, drinking water and recycled water	**$22**	**$34**	July 2028	Deliver major wastewater infrastructure for the Mamre Road Precinct, including pumping stations, gravity mains and pressure mains connected to the AWRC
Orchard Hills Water Filtration Plant	**$25**	**$37**	September 2028	Upgrade the Orchard Hills Water Filtration Plant to improve water quality, reliability and resilience, ensuring compliance with drinking water standards
Malabar System Works Stage 1 (Liverpool and Glenfield Water Resource Recovery Facility)	**$124**	**$183**	June 2029	Upgrades to network and treatment assets to support compliance, growth and asset renewal in the Upper Malabar System
Willoughby Submain amplification	**$6**	**$7**	December 2029	Increase wastewater network capacity to support existing demand and future housing and employment growth in Willoughby, Crows Nest, Artarmon, St Leonards and Naremburn
North West Treatment Hub growth works	**$256**	**$426**	January 2030	Upgrade the Rouse Hill, Castle Hill and Riverstone Water Resource Recovery Facilities in stages to support wastewater treatment needs from growth in north-west Sydney
Western Sydney Airport growth area drinking water trunk infrastructure	**$1**	**$4**	June 2031	Construct 13 km of drinking water main to service AeroCore, the Agribusiness Precinct and parts of the Western Sydney Airport Cargo Precinct

Project[1]	Cost for 2025–26 financial year ($ million)	Cost to date ($ million)	Forecast completion date	Description
Austral and Leppington Wastewater Stage 3 and 4	**$29**	**$217**	March 2033	Service the eastern front of the South West Area and parts of the Aerotropolis. Phase 1 is complete
Quakers Hill to Prospect – securing our water supply	**$23**	**$33**	April 2033	Upgrade the Quakers Hill Water Resource Recovery Facility to increase secondary treatment servicing capacity from 28 megalitres per day to 48 megalitres per day to continue compliance through provision of advanced treatment and explore options to use recycled water
Northern Suburbs Ocean Outfall Sewer desilt and rehabilitation package B, C, D, E and F	**$42**	**$170**	November 2034	Desilt and rehabilitate the Northern Suburbs Ocean Outfall System to restore capacity and maintain asset performance
Upper South Creek networks	**$186**	**$247**	December 2034	Deliver approximately 96 km of wastewater mains and nine pumping stations to support growth in the Upper South Creek catchment. Completion dates for future stages may change
Wastewater treatment plant renewals		**Ongoing**	Ongoing	Continued replacement of equipment near the end of its service life
Information technology projects		**Ongoing**	Ongoing	Continued minor projects to reduce operating expenditure, renew IT systems and equipment and deliver new systems and capabilities
Wastewater reticulation and wastewater trunk main renewals		**Ongoing**	Ongoing	Continued replacement and rehabilitation of wastewater mains near the end of their service life
Water reticulation and water trunk main renewals		**Ongoing**	Ongoing	Continued replacement of water mains near the end of their service life
Reservoir renewal and reliability program		**Ongoing**	Ongoing	Continued renewal to ensure reservoirs operate at the lowest costs and comply with regulatory requirements
Wastewater pumping station renewals		**Ongoing**	Ongoing	Continued replacement of equipment near the end of its service life
Water pumping stations		**Ongoing**	Ongoing	Continued improvement of reliability and safety and minimising of life cycle costs
Meter replacement program		**Ongoing**	Ongoing	Improvement of measurement and monitoring of water volume and service reliability

1 Only projects in progress are represented.

2 Project completed.

Heritage delegation actions



We maintain a Heritage and Conservation Register (S170 Register) that lists our assets that have state or local heritage significance. For each register-listed asset, we have a conservation management plan which includes historic photographs, drawings and general research, to help us maintain the asset's heritage value.

Sydney Water has regulatory power to approve and endorse certain activities on our assets listed on the register. We can grant excavation permits and/or exempt work that could impact non-Aboriginal archaeological sites in our area of operations. We can also endorse conservation management plans and heritage asset action plans for assets listed on the register.

Decisions made under Heritage Council of NSW delegation 2025–26

Site	Approval type	Approved under Act section	Works approved	Approval date
SHR Item #01624 Como Rail Bridge	Section 60 Approval	Section 63 of the *Heritage Act 1977* (NSW)	Upgrade and repair works	3 September 2025
SHR Item #01321 Chatswood Reservoirs No. 1 and No. 2	Section 60 Approval	Section 63 of the *Heritage Act 1977* (NSW)	Re-chlorination plant construction	30 March 2026
SHR Item #01624 Como Rail Bridge	Section 65A Modification	Section 65A(1)(a) of the *Heritage Act 1977* (NSW)	Variation to scope – removal of redundant trestle fabric	19 May 2026
SHR Item #01623 Bondi Ocean Outfall Sewer	Section 60 Approval	Section 63 of the *Heritage Act 1977* (NSW)	Rehabilitation, relining and repair works	20 May 2026

Research and innovation

We advanced our approach to research and innovation with the introduction of a new scorecard and Supplier Innovation Framework to quantify our results.

Sydney Water's Innovation, Research and Deployment Plan underpins our commitment to delivering world-class water services. In the past year, our investment was directed towards strategic priorities and customer outcomes. Structured governance, strong partnerships and well-targeted projects enabled complex business challenges to be addressed through evidence-based solutions, while strengthening the capacity required to adopt and scale innovation across the organisation.

In 2025–26, we invested $2.8 million in research and innovation initiatives delivered with universities, industry, utilities and government partners (Table 1). These initiatives addressed water quality and reliability, environmental protection, operational excellence, organisational capability and sustainable business outcomes. Co-funding remains central to our approach, enabling our organisation to maximise the value of every dollar invested while accessing leading expertise, technologies and research infrastructure through our partnerships.

We continued to participate in nationally significant research collaborations addressing key challenges facing the water sector, including water quality, healthy waterways, digital water management and greenhouse gas emissions reduction. This work included:

Australian Research Council (ARC) Linkage projects

- The key to the long-term health of Australian rivers (led by Griffith University)
- Mitigating disinfection by-products – are we creating more toxic chemicals? (led by Griffith University)
- Reducing direct greenhouse gas emissions from urban wastewater systems (led by the University of Queensland)

ARC Industrial Transformation Research Hub

- ARC Research Hub in the Internet of Things for Water (led by Queensland University of Technology)



Sydney Water also maintained involvement in the Cooperative Research Centres (CRCs), including CRC SAAFE and CRC SmartCrete. These partnerships support projects focused on:

- Antimicrobial resistant Escherichia coli in wastewater: A genomic analysis across the treatment train
- Sustainable concrete for wastewater infrastructure
- Digitalised hammer for gravity sewers condition assessment.

The partnership with Water Research Australia (WaterRA), Australia's leading water industry research organisation, was further strengthened during 2025–26. Through this collaboration, we supported projects that address priority challenges for the water sector including:

- Enhanced source water control program for recycled resources
- Nanobubbles for effective and energy-efficient water treatment
- The WaterVal program, a nationally coordinated framework of validation protocols to assess contaminant removal
- Water industry consortium on research into antimicrobial resistance (led by CRC SAAFE and WaterRA).

Collectively, these collaborations accelerate the translation of research into operational outcomes and strengthen evidence-based decision-making across the business.

We introduced a new Research and Innovation Scorecard to strengthen our approach to measuring and communicating value. The scorecard provides a more transparent view of performance across project delivery, research impact, economic value and financial commitment.

We also established a Supplier Innovation Framework for a consistent pathway for trialling and validating market-ready technologies while engaging with external suppliers. Through the Sydney Water Research Network, our university and research partnerships continued to grow,



improving pathways and enabling faster mobilisation of research capability against priority business challenges.

We matured initiatives originating from the Sydney Water Innovation Festival Design Incubator. An AI-powered policy chatbot, the Bill of Carbon (carbon accounting capability for capital projects) and an on-country First Nations cultural immersion program all progressed from concept development into business integration and implementation. These initiatives strengthened innovation capability across the organisation while delivering practical outcomes aligned with business needs and customer value.

Sydney Water's research and innovation activities also received external recognition, including finalist nominations in the Australian Water Association NSW Water Awards (Sydney Water Innovation Festival Design Incubator Program) and the 2026 NSW iAwards (Advanced AI Chunking Capability), alongside multiple presentations at Ozwater'26. Research undertaken through strategic partnerships generated technical reports, industry articles, knowledge transfer materials and peer-reviewed publications, supporting both operational improvements within Sydney Water and broader industry advancement.

Table 1: Research and innovation investments in 2025–26

Project	Research partner	Investment*
Use of gravity measurements for the identification of underground leak plumes	Nomads Atomic	**$497,500**
Streetscapes for urban water management, greening and cooling	University of New South Wales	**$353,300**
Membrane bioreactor recovery of side stream nutrients	University of Technology Sydney	**$283,000**
Performance of HydGene's biocatalytic cartridge technology for PFAS, triclosan and galaxolide remediation	HydGene Renewables	**$199,000**
Reducing direct greenhouse gas emissions from urban wastewater systems	University of Queensland	**$189,000**
RiverWatch® freshwater predictive model	Jacobs Consulting	**$185,000**
Assessment of the use of recycled water for irrigation of urban green spaces	Macquarie University	**$183,190**
Biogas scrubbing method development – North Head	Process Engineering Technologies	**$172,000**
Sustainable concrete for wastewater infrastructure	CRC SmartCrete, University of Sydney	**$128,184**
Wastewater treatment with algae	Pacific Bio (Regen Aqua)	**$108,590**
Hawkesbury-Nepean base model development	University of Western Australia	**$102,760**
Digitalised hammer for gravity sewers condition assessment	CRC SmartCrete, University of Sydney	**$101,482**
Enhanced source control program for recycled resources	WaterRA	**$66,000**
ARC Research Hub in the Internet of Things for Water	University of Queensland	**$50,000**
The key to the long-term health of Australian rivers	Griffith University	**$50,000**
Water industry consortium on research into antimicrobial resistance	WaterRA, CRC SAAFE	**$30,000**
Nanobubbles for effective and energy-efficient water treatment	WaterRA	**$30,000**
WaterVal program	WaterRA	**$26,000**
Mitigating disinfection by-products – are we creating more toxic chemicals?	Griffith University	**$23,000**
Antimicrobial resistant *Escherichia coli* in wastewater: A genomic analysis across the treatment train	WaterRA, University of Technology Sydney	**$20,000**
Determining the root cause of geosmin release at Orchard Hills water filtration plant lagoons	University of Technology Sydney	**$16,000**
Graphene oxide membrane pilot plant	University of New South Wales	**$7,210**
Total		**$2,821,216**

* The information included is based on cost estimates as at 30 June 2026 and may be subject to change.

Implementation of Price Determination 2025–30

Our new prices came into effect on 1 October 2025, as approved by the Independent Pricing and Regulatory Tribunal (IPART).

Pricing

How we set our prices

Our services are declared monopoly services under section four of the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW). The Independent Pricing and Regulatory Tribunal (IPART) sets and regulates our prices to ensure they are fair for our customers, while allowing us to cover costs and generate an adequate return on our assets.

We must set prices according to the IPART-determined maximum price, or IPART-determined methodology for calculating the maximum price. We cannot charge less than the maximum price set by IPART without the NSW Treasurer's approval.

Retail prices

In September 2025, IPART published its 2025–30 price determination for Sydney Water, which sets the prices we can charge for water, wastewater, stormwater drainage and other services from 1 October 2025 to 30 June 2030.

Sydney Water completed an audit in December 2025, followed by a review in February 2026, to verify that charges had been applied in accordance with both the previous 2020–25 IPART price determination for the period 1 July to 30 September 2025, and the new 2025–30 IPART price determination for the period 1 October 2025 to 30 June 2026. The review of charges from 1 October 2025 included verification of changes to the Rouse Hill stormwater catchment area charges, the removal of the Rouse Hill land charge (as properties within this catchment are no longer subject to further land charges), and selected new ancillary charges introduced under the 2025–30 price determination.

The audit covered 20 key prices, representing more than 90 per cent of the total value and volume of bills issued by Sydney Water, including concessions provided to eligible pensioner households. Overall, the audit provided assurance that charges were applied in accordance with IPART's determined prices. Two pricing non-compliances relating to ancillary services were subsequently identified through ongoing review activities: the Trade Waste Administering Non-Compliance fee in January 2026 and the Billing Record Search Statement fee in June 2026, and were promptly corrected.

A further non-compliance was identified during an operational review of charges applied to developers. A superseded hourly rate for the Contract Administration Charge was applied resulting in customers being undercharged between 1 October 2025 and 30 June 2026. The price was corrected on 2 July 2026.

New (or upgraded) connection charges

Sydney Water has implemented and complied with the obligations under the *IPART Final Determination – Maximum prices for connecting, or upgrading a connection, to a water supply, sewerage, or drainage system – October 2018* for Sydney Water, Hunter Water and Central Coast Council.

Schedule 1 – Connecting new developments to the system – water, wastewater and stormwater developer charges

During 2018–19, IPART released a determination on the maximum prices for connecting or upgrading a connection to a water supply, wastewater or drainage system. The NSW Government policy to allow contributions for water, wastewater and stormwater services was gradually reintroduced from 1 July 2024. As approved by the NSW Treasurer, contributions were set to zero between 1 July 2023 and 30 June 2024 and were then reintroduced from 1 July but capped at 25 per cent of the full charge during 2024–25. Capping moved to 50 per cent in 2025–26 with full contributions payable from 1 July 2026.

IPART registered Sydney Water's new integrated stormwater Development Servicing Plan (DSP) for the Mamre Road precinct on 1 May 2025. The prices in this new DSP were exempt from the phase-in that applies to all other DSPs, so have been levied in full in the 2025–26 financial year.

In its determination of retail prices from 1 October 2025, IPART determined that customers in the Rouse Hill Stormwater Drainage Area would no longer be required to pay a land charge. The relevant costs would instead be recovered in future from developers in a Stormwater Infrastructure Contribution. A new Rouse Hill Stormwater DSP was registered with IPART effective from 1 June 2026. No connection requests reached completion during June and therefore no charges were payable in the period.

Schedule 2 and 3 – Connecting or upgrading existing developments to the system – minor service extension charges

In the 12 months to June 2026, Sydney Water did not provide any new service to an existing property to which this determination applied. This determination also allows grandfathering of all existing cases. That is, the prices for existing cases can be calculated in accordance with IPART's previous determination of those charges. One property was notified of the grandfathered price which would apply if the property connected during this period.

Recycled water infrastructure contributions

Sydney Water has complied with IPART's 2019 price determination for recycled water services, which sets a methodology for fixing the maximum price that a water agency may charge for recycled water infrastructure contributions.

Compliance with IPART's 2019 Recycled Water Determination – infrastructure contribution per equivalent tenement (ET) 2025–26

Recycled water scheme	Status of development servicing plan (DSP)	Infrastructure contribution[1] ($ per ET)	Compliance status against the determination
Rouse Hill	Reviewed and registered (Oct 21)	$5,048.78	Compliant
Hoxton Park	Reviewed and registered (Oct 21)	$9,552.35[2]	Compliant

1 Infrastructure contributions are described as 'new connection charges' in the 2019 determination.

2 The NSW Treasurer gave approval to cap the price at the Hoxton Park scheme in 2016. The price above reflects the capped price, which is adjusted each year for inflation.

Sydney Water prices

IPART pricing table 2025–26

2025–26[1]	IPART determined price ($) ($2025–26)	Sydney Water daily rate ($)[2] ($2025–26)
Service charges ($)		
Residential premises		
Water		
Metered[3]	117.94	0.32312
Unmetered[9]	688.54	1.88641
Wastewater[4]	691.90	1.89561
Stormwater (drainage)		
Standalone premises	115.34	0.31600
Multi premises	36.87	0.10101
Low impact	36.87	0.10101
Non-residential properties		
Water		
Water service charges by meter size (mm)		
20	117.94	0.32312
25	184.28	0.50488
32	301.93	0.82721
40	471.76	1.29249
50	737.13	2.01953
80	1,887.04	5.16997
100	2,948.50	8.07808
150	6,634.13	18.17570
200	11,794.00	32.31233
250	18,428.13	50.48803
300	26,536.50	72.70274
500	73,712.50	201.95205
600	106,146.00	290.81096
Unmetered	688.54	1.88641

2025–26[1]	IPART determined price ($) ($2025–26)	Sydney Water daily rate ($)[2] ($2025–26)
Wastewater		
Unadjusted wastewater service charges by meter size (mm)[5, 6, 7]		
20	634.53	1.73844
25	991.45	2.71630
32	1,624.40	4.45041
40	2,538.12	6.95375
50	3,965.81	10.86523
80	10,152.48	27.81501
100	15,863.25	43.46096
150	35,692.31	97.78715
200	63,453.00	173.84384
250	99,145.31	271.63099
300	142,769.25	391.14863
500	396,581.25	1,086.52397
600	571,077.00	1,564.59452
Unmetered	691.90	1.89561
Stormwater (drainage)		
Standalone premises		
Small (200 m^2 or less)	36.87	0.10101
Medium (201–1,000 m^2) or low impact	115.34	0.31600
Large (1,001–10,000 m^2)	666.00	1.82466
Very large (10,001–45,000 m^2)	2,955.70	8.09781
Largest (45,001 m^2 or greater)	7,387.36	20.23934
Multi premises	36.87	0.10101
Low impact assessed non-residential property (irrespective of property area)	115.34	0.31600

2025–26[1]	IPART determined price ($) ($2025–26)	Sydney Water daily rate ($)[2] ($2025–26)
Usage charges ($/kL)		
Residential premises		
Filtered water	3.17	
Uplift on Drought Response Days[8]	0.41	
Non-residential properties		
Filtered water	3.17	
Uplift on Drought Response Days[8]	0.41	
Wastewater	1.44	
Mandated recycled water supply services ($/kL)		
Recycled water usage charge[10]	2.85	

1 The charges in the table above took effect from 1 October 2025 with the commencement of IPART's 2025–30 Determination. The charges are stated as annual amounts and, in accordance with clause 27(2) of the 2025–30 Determination, were apportioned (based on the number of days in the period from 1 October 2025 to 30 June 2026) as they applied to a period of less than a full financial year. Charges applicable for the period 1 July 2025 to 30 September 2025 are published in Sydney Water's 2024–25 Annual Report apart from the Sydney Desalination Plant (SDP) Adjustment to the base water supply service charges which was updated to reflect the pass through of actual variations in SDP costs compared to forecast.

2 Service charges are levied daily and are calculated using a 365-day year.

3 'Metered residential property' means a residential property that is serviced by one or more meters and includes a residential property within multi-premises that is serviced by one or more common meters.

4 IPART's maximum determined wastewater service charge for meter sizes not specified in its determination is calculated using the following formula: (meter size)2 x 20 mm charge/400.

5 The wastewater service charge for residential customers includes a deemed wastewater usage charge of $216.00 ($2025–26) per year based on a discharge allowance of 150 kL per year.

6 The service charge assumes a Discharge Factor (DF) of 100 per cent. The relevant DFs may vary from one non-residential property to another, as determined by Sydney Water. In the case of a property deemed to have a single 20 mm meter under clause 12.2(1) of the 2025 IPART Final Determination, the DF is 75 per cent.

7 IPART's maximum determined wastewater meter connection charge for meter sizes not specified in its determination is calculated using the following formula: (meter size)2 x 20 mm charge/400 x DFs.

8 Drought Response Days as defined in Part 8 of the 2025 IPART Final Determination for Sydney Water. There were no Drought Response Days in the 2025–26 financial year.

9 Water service charge for unmetered customers of $688.54 ($2025–26) per year during non-drought periods includes a deemed water usage charge of $570.60 ($2025–26) per year based on a usage allowance of 180 kL per year multiplied by the filtered water usage price of $3.17 per kL (as defined in Part 2 of the 2025 IPART price determination for Sydney Water).

10 IPART deferred setting prices for Sydney Water's mandated recycled water schemes in the 2025 determination but has accepted Sydney Water's recycled water price of 90 per cent of the filtered water usage price (non-drought). Sydney Water's mandated recycled schemes include those located at Rouse Hill, Hoxton Park, Colebee, Ropes Crossing, Oran Park/Turner Road and Wilton/Bingara.

Notes:

Other charging arrangements – including for metered standpipes, trade waste and ancillary charges – were applied in accordance with IPART's determined maximum price. For more information, visit www.sydneywater.com.au/about/policies-publications/reports-publications.

Charges levied by Sydney Water in 2025–26 were based on IPART-determined prices, with one exception: Castlebrook Cemetery. For the July 2025 quarter, Sydney Water applied a low-impact stormwater drainage charge to the Castlebrook Cemetery development instead of the Rouse Hill stormwater drainage charge. This arrangement was approved by the NSW Treasurer in 2014 under section 18(2) of the IPART Act. From 1 October 2025, IPART determined that Rouse Hill stormwater charges would be aligned with Sydney Water's declared stormwater drainage charges.



SECTION 4

Management and accountability





The way we govern our organisation helps us manage risk and ensure accountability in our decision-making. Strong governance is essential to maintaining the trust of our customers, communities, partners and stakeholders.

Numbers and remuneration of senior executives

Executive remuneration 2025–26

	2025–26		2024–25		Average total remuneration package	
PSSE band equivalent	Female	Male	Female	Male	2025–26	2024–25
Above Band 4 equivalent	0	1	0	1	$780,000	$725,000
Band 4 equivalent	0	1	1	0	$528,469	$509,535
Band 3 equivalent	7	5	3	5	$435,096	$429,165
Band 2 equivalent	15	13	18	13	$331,900	$322,382
Band 1 equivalent	1	4	2	4	$293,111	$281,949
Total	**23**	**24**	**24**	**23**		
Grand total	**47**		**47**			

At 30 June 2026, approximately 2.50 per cent of our employee-related expenditure was for senior executives. It was 2.59 per cent as at 30 June 2025.

Note: From 2025–26, senior executive reporting includes only the Executive Leadership Team and Heads of Business. The data and inclusion criteria have been updated in line with the revised guidelines issued by NSW Treasury this year. Comparative figures for 2024–25 have been restated to reflect this updated methodology, ensuring consistency and comparability across reporting periods.

Governance

In line with the *Sydney Water Act 1994* (NSW), the *State Owned Corporations Act 1989* (NSW) and the constitution of Sydney Water, the Board consists of a Chairperson and up to nine other Directors appointed by the shareholders.

The Portfolio Minister publicly advertises for nominations for Board membership. All members of the Board, except the Managing Director, are appointed for terms of up to three years, which may be renewed by the shareholders. A Non-executive Director's remuneration is set by the shareholders and paid by Sydney Water.

The Board and Executive recognise that strong corporate governance is essential for Sydney Water to be a high-performing organisation with a sustainable future. Our governance framework helps us to:

- deliver the outcomes our customers and shareholders expect
- support our people and business operations
- set the framework for sound ethical, financial and risk management practices and effective compliance and auditing programs.

The Board complies with NSW Treasury's *TPP17–10 Guidelines for Governing Boards of Government Businesses* (TPP17–10) and *TPG23–06 Board Appointments for State Owned Corporations and Other Commercial Government Businesses* (TPG23–06). These frameworks serve as the basis for measuring the activities of the Board and management against corporate governance best practice.

Under the Board Charter, the Board assesses its performance each year. In 2025–26, the Board undertook an externally facilitated assessment and evaluation of its performance which is required under the Board Charter every three years.

The Board is supported by a Corporate Secretariat team, led by the Corporate Secretary.

If not, why not reporting

During the reporting period, Sydney Water satisfied the governance practices outlined in TPP17–10.



Sydney Water Board Directors

Professor Don Nutbeam AO was on a leave of absence when this photo was taken and is therefore not pictured.

Board of Directors

Sydney Water's Board appointments are made in accordance with NSW Treasury's TPG23–06. The Board actively promotes diversity and inclusion in the workplace, and Sydney Water's Board exceeds the NSW Treasury's gender diversity goal for state-owned corporation boards of having at least 40 per cent of positions filled by women.

The Board is responsible for the corporate governance of Sydney Water. This includes:

- approving the strategic direction
- establishing performance targets as set out in the Statement of Corporate Intent
- monitoring the achievement of those targets
- reviewing internal control systems, corporate governance frameworks and compliance.

The Board strives to honestly, fairly and diligently serve the interests of Sydney Water's shareholders, people, suppliers and customers and the community. It has delegated responsibility to the managing director and chief executive officer for implementing strategic direction and managing Sydney Water's day-to-day operations through an Instrument of Conferral of Powers. The Board operates according to its Board Charter, which complements Sydney's Water's Constitution and its Directors' Code of Conduct.

The Board Charter allows the Directors to seek independent professional advice at the expense of Sydney Water where necessary.

Director independence

All Non-executive Directors on the Board are independent. They are subject to duties and responsibilities regarding conflicts of interest, including a disclosure requirement. The Corporate Secretary maintains a register of interests, which is reviewed at each Board meeting, and Directors are invited to declare any conflicts of interest (perceived or actual) at the start of each Board meeting.

Indemnity and insurance

In line with the *State Owned Corporations Act 1989* (NSW) and the Constitution of Sydney Water, all Directors have been granted indemnity, with the approval of our shareholders, in accordance with the NSW Treasury TPP18–04 *Directors and Officers Indemnity Policy for State Owned Corporations.*

Sydney Water has insurance coverage for Directors' and Officers' liability, which underpins and augments the Deed of Indemnity. These insurance arrangements do not cover conduct involving a lack of good faith or wilful breach of duty.

Board of Directors skills matrix

The Board considers that its membership should comprise Directors who collectively bring a broad range of technical skills, expertise and experience.

The Board has identified its desired collective skill set and the target number of Directors who should be specialists in each of these areas. It is not expected that Directors will possess specialist skills in all areas, but they are expected to possess all key qualifying skills to join the Board.

The skills matrix enables the Board Nominations Committee to identify and consider any gaps in the Board's collective skills, which are regularly reviewed, especially when considering upcoming Board appointments.

At the conclusion of the reporting period, Sydney Water's Board collectively possessed all identified skills considered necessary to support the organisation's strategic direction.

Table 2: Board of Directors skills matrix at 30 June 2026

Skills and experience	Explanation	Target number of Directors at the desired specialist level of competency	Status
Accounting, financial management, reporting and auditing	Expertise in technical management accounting and reporting, and financial auditing reporting and financial auditing	1	▲
Customer	Expertise in customer-centric decision making, emerging customer demands and behaviours, and human-centred design	1	▲
Cyber and digital	Expertise in developing, selecting and implementing leading business transformation technology, including responding to digital disruption	2	▲
Regulatory and law	Expertise in regulatory environments and experience in interpreting and applying relevant legislative frameworks within a complex business	1	▲
Capital management and infrastructure finance	Technical expertise in capital transactions, debt capital markets, funding strategies and investments	1	▲
Environment	Technical and professional expertise in water resource management and environmental protection practices	1	▲
Health	Technical and professional expertise in protecting public health as it relates to water	1	▲
Engineering, construction, safety	Technical and professional expertise in an engineering, construction or safety context, including overseeing work health and safety systems	2	▲
Stakeholder engagement	Experience managing reputational risk, including stakeholder management, influence and positioning	1	▲
Innovation	Experience in facilitating successful innovation within a large organisation to deliver new products, services and outcomes	1	▲
CEO experience	Prior Chief Executive Officer experience in a large organisation comparable to Sydney Water	2	▲
Corporate board experience	Prior experience on corporate or commercial boards of comparable size and complexity	4	▲
Financial literacy[1]	Experience with financial statements and drivers of financial performance, including finance controls in a large organisation	All	▲
Risk management[1]	Experience in applying and overseeing risk management frameworks, including settling the Board's risk appetite	All	▲
Commercial, business acumen and leadership[1]	Experience at a senior executive level within a large and complex corporate or commercial enterprise, with proven ability to make informed decisions and think strategically	All	▲
Strategy development[1]	Experience in developing, setting and implementing clear strategic direction, including performance monitoring	All	▲
Culture and people[1]	Ability to understand, assess and drive the desired organisational culture in a corporate context	All	▲

Performance indicator key ▲ Target met or exceeded ▼ Target not met

1 Indicates the key qualifying skills required to join the Board.



MOHS, BAppsSc (Hort), GAICD and Adjunct Professor at Charles Sturt University

Director:
14 August 2024 to 30 September 2024

Chair:
1 October 2024 to current

Committees:
Nomination Committee* (Chair)

Planning and Infrastructure, Audit and Risk and Safety, Culture and Remuneration Committees
(Ex-officio member)

The Hon. Niall Blair

Non-executive Director and Chair

Skills and experience

Niall is an environmental, social and governance (ESG) specialist with more than 25 years' experience across government and the private sector, specialising in risk management, food and fibre production systems, circular economy solutions and sustainability.

He is an accomplished Chair and non-executive director with demonstrated financial accountability and corporate governance experience and a strong background in workplace safety, quality and environmental management systems development and auditing.

Niall also served the people of NSW for nine years as a senior member of the NSW Parliament. During his tenure he was appointed NSW Minister for Primary Industries, Water, Forestry, Lands, Trade and Industry and Deputy Leader of the Government in the Legislative Council.

External appointments

Niall is Chair of the NSW Biodiversity Conservation Trust; Chair of Strategic Advisory Board, and a non-executive director of the Cotton Research and Development Corporation, and Murrumbidgee Irrigation.

Niall previously held the position of Professor of food sustainability at Charles Sturt University.



Dip Law – SAB; FAICD

Director:
26 June 2025 to current

Committees:
Audit and Risk Committee* (Chair)

Safety, Culture and Remuneration Committee

Nominations Committee

Christine Barrett (formerly Covington)

Non-executive Director

Skills and experience

Christine brings 40 years' experience in environmental, planning and real property law and extensive experience as a non-executive statutory board member. She has a strong skill set in risk and experience as an audit and risk committee member. Her legal practice extends to environmental compliance and prosecutions, site contamination issues, biodiversity law, water law and environmental, social and governance areas.

She has advised extensively on urban renewal projects, broadacre development, infrastructure delivery, heritage issues, planning pathways and appeals and compulsory acquisition. Christine's clients include government and the private sector in a wide range of sectors including residential, industrial and commercial property development, electricity generation and transmission, transport, affordable housing, mining, local government, construction, education, aged care and retail. She also brings experience in gender equality and workplace diversity and inclusion.

External appointments

Christine is a Director of Macquarie Point Development Corporation, deputy chair of the NSW Biodiversity Conservation Trust and a Board member of Corrs Chambers Westgarth. She is also the Senior Advisor – Gender Equality at Corrs Chambers Westgarth.

Her previous board and statutory roles include Board member of the NSW Environment Protection Authority, deputy chair and chair of the ACT City Renewal Authority, Board member of the Barangaroo Delivery Authority, director and chair of affordable housing provider City West Housing Pty Limited, State appointee to the Central Sydney Planning Committee, independent chair of the Assessment Review Committee – Native Vegetation and Executive Committee member of the Committee for Sydney.



GAICD, BComm

Term of appointment:
22 June 2026 to current

Committees:
Audit and Risk Committee*

Lianne Buck

Non-executive Director

Skills and experience

Lianne is an experienced non-executive director and audit and risk committee chair of ASX-listed and unlisted companies. Lianne has specialised in financial markets and investments, corporate finance, strategy, sustainability and risk management. She is an accomplished leader, combining current board and governance experience with a successful career in government and the private sector.

Lianne has over 30 years' experience in Australian and global investment equity and debt markets, focusing on infrastructure and real estate, growing businesses while managing risk and executing on multi-year major capital expenditure programs. She has strong foundational training as a Chartered Accountant, demonstrated ability to deal with significant complexity and ambiguity, strong financial acumen and is highly experienced in partnership building and stakeholder management.

External appointments

Lianne is a non-executive director and audit committee chair of Lendlease, Argo Investments and St George Community Housing. She is also a non-executive director of AusNet and serves as an Investment Committee member for StepStone Infrastructure and Real Assets. Lianne has previously held roles as non-executive director of Melbourne Airport, Spark Infrastructure and ISPT Property.

Lianne actively contributes to social impact initiatives as a member of the Australian Institute of Company Directors, Chief Executive Women and Women in Infrastructure Networks as well as an Investment Committee member of the St Ignatius College Bursary Fund. .



Term of appointment:
17 November 2025 to current

The Hon. Bob Carr

Non-executive Director

Skills and experience

As the longest continuously serving Premier in NSW's history, Bob brings a wealth of experience to the board of Sydney Water. During 10 years as Premier, the State Government set new records for spending on infrastructure, became the first government in the state's history to retire debt, created 350 new national parks, introduced the world's first carbon trading scheme and curbed the clearing of native vegetation. Bob served as Australia's Foreign Minister for 18 months and helped to negotiate a strategic partnership with China.

External appointments

Bob is currently Chair of the Australian Heritage Council, Museums of History NSW and the Salaam Foundation.

He has served on the International Task Force on Climate Change convened by Former British PM Tony Blair, and was Professor of Industry in Climate and Business at the University of Technology Sydney. For his services to conservation, he was given the World Conservation Union's International Parks Merit Award and was made a life member of the Wilderness Society. Bob has served as an honorary scholar of the Australian American Leadership Dialogue.



BE (Hons) EnvEng, MEM, GAICD

Term of appointment:
17 November 2025 to current

Committees:
Planning and Infrastructure Committee*

Safety, Culture and Remuneration Committee*

Audit and Risk Committee*
(Ex-officio member)

Darren Cleary

Managing Director

Skills and experience

Darren is a respected leader in the Australian water industry, with extensive experience in strategic planning, infrastructure delivery and regulatory engagement. He joined Sydney Water after serving as managing director of Hunter Water from 2020–25, where he led major initiatives to strengthen water security and resilience for the Hunter Region.

During his tenure at Hunter Water, Darren oversaw the development of the Lower Hunter Water Security Plan and commenced construction of the Belmont Desalination Plant – the region's first new water source in 30 years.

Darren is passionate about fostering a culture of innovation, collaboration and inclusion, empowering teams to deliver sustainable solutions that meet the needs of customers and communities. His leadership is focused on creating value through strategic partnerships and forward-thinking initiatives.



BE (Civil) – Hons 1, MBA, PhD, GAICD, MIEAust

Director:
1 November 2022 to current

Committees:
Safety, Culture and Remuneration Committee (Chair)

Planning and Infrastructure Committee

Nominations Committee*

Dr Alex Fisher

Non-executive Director

Skills and experience

Alex is an experienced organisational leader, senior executive and director with more than 30 years' experience in diverse environments including the military, academia, utilities, government and consulting.

She has an extensive background working in government-owned corporations and statutory authorities in the water sector (across the full water cycle management), including deep experience and success in driving operations, asset management, program and project management, including for delivery of major infrastructure capital works projects and programs.

External appointments

Alex has been involved in numerous industry organisations, committees and high-profile alliances in the past, including completed terms as the deputy chair of Dams Safety NSW and specialist external director for Many Rivers Regional Housing Services (Aboriginal Corporation). She is also a former strategic advisor for the Birdon Group.

Alex is a member and graduate of the Australian Institute of Company Directors and a member of the Australian Institute of Engineers. She holds various formal and volunteer positions with Surf Life Saving Australia, Surf Life Saving NSW, Tacking Point Surf Life Saving Club and Port Macquarie Surf Life Saving Club and instructs classes at Your Life Fitness Centre.



FAAHMS; FFPH (UK); PhD

Director:
26 June 2025 to current

Committees:
Safety, Culture and Remuneration Committee

Planning and Infrastructure Committee*

Professor Don Nutbeam AO

Non-executive Director

Skills and experience

Don is the executive director of Sydney Health Partners and a Professor of public health at the University of Sydney. His career has spanned senior leadership positions in universities, government and health services. He has also made sustained contributions to international organisations including the World Health Organisation and the World Bank.

He was formerly president and vice-chancellor of the University of Southampton, UK; Provost of the University of Sydney; and Head of Public Health for the UK Government.

External appointments

Don is currently a member of the Board of Western Sydney Local Health District, Sydney Health Partners and the Australian Health Research Alliance. He is a member of the Council and the Executive of the Australian Academy of Health and Medical Sciences, and Chair of the World Health Organisation ad hoc Advisory Committee on Health Literacy.



BA/Dip Ed, BLegs/ GDLP, LLM FAICD

Term of appointment:
17 November 2025 to current

Committees:
Audit and Risk Committee*

Maree O'Halloran AM

Non-executive Director

Skills and experience

Maree is an experienced non-executive director and a practising solicitor. She has more than three decades of experience across the education, finance and legal sectors. In 2011, Maree was awarded a Member of the Order of Australia for a range of representative roles in education and industrial relations.

Maree is a former President of the NSW Teachers Federation and a former Director (CEO) of the Welfare Rights Centre Ltd, which provides advocacy and legal services for people living in socioeconomic disadvantage.

External appointments

Currently the Chair of Teachers Health, the sixth largest private health insurer in Australia, Maree is also the former Chair of Teachers Mutual Bank. She has also previously served as a Director of HESTA and the NSW SAS Trustee Corporation and on a number of not-for-profit boards/committees of management in the community sector including, most recently, on the Tenants' Union of NSW Board.



BCom (Hons);
MSc Economics;
MAICD

Director:
26 June 2025
to current

Committees:
Planning and Infrastructure Committee* (Chair)

Audit and Risk Committee

Nominations Committee

Michael Schur

Non-executive Director

Skills and experience

Michael is an experienced board member and infrastructure advisor to private and public sector clients, both in Australia and internationally. Michael has conducted risk assessments, project structuring, financial due diligence and commercial negotiations on more than 60 publicly and privately financed infrastructure projects with a combined value in excess of $100 billion.

He is a regular advisor to Australian and New Zealand governments, providing independent advice on multi-billion-dollar investment projects and programs in the water, rail, road, renewable energy, housing and health sectors. He has been involved in the structuring of numerous public private partnership projects (PPP) and was previously the chief executive of the new Royal Adelaide Hospital PPP. Internationally, he is an ongoing advisor to the International Monetary Fund and the Asian Development Bank on infrastructure transactions, policies and regulatory frameworks across Asia Pacific.

Michael was previously Secretary to the NSW Treasury. He holds a master's degree in economics from the University of London and the University of Witwatersrand in South Africa. He also holds a bachelor's degree in economics, with Honours, from the University of Witwatersrand.

External appointments

Michael is principal and director of MS Consult Pty Limited. He also recently completed a four-year term as a board director of International Parking Group, Australia's largest private hospital parking provider, where he played a leadership role in the development of both the asset management strategy and the new acquisition strategy. He was actively involved in developing the company response to the COVID-19 pandemic.

Michael was previously a non-executive board director of Housing New Zealand Corporation, the $40 billion NZ-government owned land development, social and affordable housing organisation, between 2015 and 2019, He also chaired the audit and risk subcommittee of the board, where he oversaw development of a robust enterprise risk management strategy; implementation of a substantial internal audit program; and development of the business' long-term (40-year) investment strategy.



Michelle Tierney

Non-executive Director

GAICD, BA, PgDip, MBA

Term of appointment: 1 September 2025 to current

Committees:
Planning and Infrastructure Committee*

Safety, Culture and Remuneration Committee*

Audit and Risk Committee*

Skills and experience

Michelle is an accomplished non-executive director and Chair, with over a decade of listed and unlisted board experience across ASX and NZX markets and over 30 years' experience in the commercial property sector. She has deep expertise from her previous role as chief operating officer and senior executive across corporate real estate and financial services sectors.

Michelle has a proven track record in governance oversight, strategic leadership and value creation, with expertise in property investment, funds management and ESG initiatives. She is a committed advocate for Indigenous leadership and First Nations governance excellence.

External appointments

Michelle currently serves on the boards of Stride Property Group, Growthpoint Properties Australia, Peet Ltd and the Cotton Research and Development Corporation. She is a non-executive director with Assemble, Australia's leading living platform and largest developer and manager of social and affordable housing projects backed by 2 of Australia's largest superannuation funds, Australian Super and HESTA, a Board member of Uniting NSW.ACT and Message Stick Foundation, and hair of CareerTrackers Indigenous Internships.

Michelle actively contributes to social impact initiatives as a member of the Property Council of Australia's Indigenous Advisory Group, Australian Institute of Company Directors (AICD), Chief Executive Women (CEW) and Women on Boards.

Director departures during the reporting period



Greg Couttas

Non-executive Director

BComm, FCA

Director:
17 November 2016 to 16 November 2025

Committees:
Audit and Risk Committee* (Chair)

Safety, Culture and Remuneration Committee*

Nominations Committee*

Skills and experience

Greg brings to the Board significant finance and risk management expertise, having served as a senior audit partner at Deloitte for 28 years until his retirement in November 2016. He held several senior management roles at Deloitte, including managing partner for NSW from 2005–2008. Greg served as a member of the Deloitte Australia Board from 2005–2016 and was Chairman of the firm's Audit and Risk Committee for 11 years.

External appointments

Greg is a non-executive Director of Hireup Holdings Pty Ltd and a member of the Governance Board of The Salvation Army Australian Territory. Formerly, he was a non-executive Director of Virtus Health Limited and on the Boards of Victoria Power Networks Pty Ltd and SA Power Networks Pty Ltd, which were joint ventures between Cheung Kong Infrastructure and Spark Infrastructure and was a member of the Audit and Risk Committee of the Reserve Bank of Australia.



Craig Roy

Non-executive Director

MSc, MBA, FAICD

Director:
1 January 2019 to 31 December 2025

Committees:
Planning and Infrastructure Committee* (Chair)

Audit and Risk Committee*

Nominations Committee*

Skills and experience

Craig brings to the Board extensive experience in research and commercialisation strategy, innovation and entrepreneurship across a wide range of global projects and industry sectors. He is skilled in business sustainability in complex social, stakeholder and environmental settings. As a meteorologist and oceanographer, he understands the environment and climate change and its impacts on business. Craig was deputy chief executive officer of the CSIRO from 2010–2018. His career includes two decades as an officer of the Royal Australian Navy.

External appointments

Craig is Chair of Australian Research Data Commons and Silex Systems Limited and a non-executive Director of Global Laser Enrichment LLC (a joint venture between Silex and Cameco), Australian Composites Manufacturing CRC and the Australian Genomic Cancer Medicine Centre Limited (Omico). Craig was formerly the Chair of Data61, non-executive Director of the Australian National Commission of UNESCO and on the Vice Chancellor's Industry Board member for the University of Technology Sydney.

* Denotes individuals who did not hold the designated roles for the full reporting period.

Board committees

The following permanent committees have been convened for the period.

Audit and Risk

Members:

G Couttas (Chair)*
C Barrett (Chair & Member)*
C Roy*
M Schur
M O'Halloran*
M Tierney*
L Buck*
N Blair#
D Cleary*#

Purpose:

To oversee Sydney Water's financial reporting, evaluate audit processes and assess the risk and control environment for financial and non-financial risk.

Planning and Infrastructure

Members:

C Roy (Chair)*
M Schur (Chair & Member)*
D Nutbeam
A Fisher
M Tierney
N Blair#
D Cleary*

Purpose:

To oversee Sydney Water's strategic approach to planning for Greater Sydney, including asset investment, and its environment and regulatory strategies.

Safety, Culture and Remuneration

Members:

A Fisher (Chair)
G Couttas*
C Barrett
D Nutbeam
M Tierney*
N Blair#
D Cleary*

Purpose:

To oversee Sydney Water's safety and people strategy including safety and wellbeing performance, culture, remuneration, capability, talent management and succession planning.

Nominations

Members:

N Blair (Chair)
G Couttas*
C Roy*
A Fisher*
C Barrett*
M Schur*

Purpose:

To assist the Board in fulfilling its corporate governance responsibilities with regard to Director appointments and reappointments.

* Denotes individuals who did not hold the designated roles for the full reporting period.

\# Denotes the individual attends these meetings in an ex-officio capacity without member voting rights.

Board meetings and attendance

The Board meets eight times a year. Meetings are held in line with Sydney Water's Constitution, following an annual schedule of set meeting dates and with additional meetings called when Directors see fit. A total of 11 Board meetings were held in 2025–26.

Table 3: Directors' meetings 2025–26

Director	Board	Audit and Risk Committee	Nominations Committee	Planning and Infrastructure Committee	Safety, Culture and Remuneration Committee
Number of meetings held	**11**	**4**	**1**	**4**	**4**
N Blair	11 (C)	4	1 (C)	4	4
L Buck*					
**B Carr#### **	6				
**D Cleary#### **	7	2		3	3
G Couttas#	4	2(C)	1		1
C Barrett (formerly Covington)	11	2(C), 2			4
A Fisher	11			4	4 (C)
D Nutbeam	11			3	3
**M O'Halloran#### **	7	2			
C Roy#	3	1	1	2 (C)	
M Schur	10	3		2 (C), 2	
**M Tierney### **	8	2		4	3

Notes: The table above reflects meetings attended by Directors as members or in an ex-officio capacity but does not include attendance as observers. The Board held workshops with the Executive and these sessions are not counted as Director meetings. (C) denotes chairperson.

\# Director Couttas ceased being on the Board on 16 November 2025

Director Roy ceased being on the Board on 31 December 2025

Director Tierney joined the Board on 1 September 2025

Director Carr joined the Board on 17 November 2025

Director O'Halloran joined the Board on 17 November 2025

Director Cleary joined the Board on 17 November 2025

* Director Buck was appointed to the Board on 22 June 2026. Notification of her appointment was not received until after the final Board meeting of the financial year.

Legal events

The following are the key changes in law and major judicial decisions that affected Sydney Water between 1 July 2025 and 30 June 2026.

Work health and safety and digital work systems

The *Work Health and Safety Amendment (Digital Work Systems) Act 2026* (NSW) was passed by the NSW Parliament on 12 February 2026 and received royal assent on 18 February 2026, although its key provisions will commence on dates yet to be proclaimed following the release of regulator guidance under the *Work Health and Safety Act 2011* (NSW).

The Act introduces specific obligations on persons conducting a business or undertaking to identify, assess and manage risks arising from digital work systems (including psychosocial impacts) and represents Australia's first dedicated regulatory regime addressing the safety impacts of digital work systems. Sydney Water is currently reviewing and assessing its digital work systems, including those involving artificial intelligence, algorithms, automation and online platforms, to understand risks associated with automated work allocation, such as excessive workloads, intrusive monitoring, unreasonable performance metrics and potential discriminatory outcomes, with the objective of identifying, assessing and managing these risks and strengthening overall safety management systems.

Security of critical infrastructure and critical infrastructure risk management program

The *Security of Critical Infrastructure Act 2018* (Cth) has been strengthened through the enhanced obligations under the *Security of Critical Infrastructure (Critical Infrastructure Risk Management Program) Rules 2023* (Cth) which became effective on 10 June 2026 (Enhanced Rules). The Enhanced Tules expand risk management across five domains: cyber and information security; personnel; supply chain; physical security; and all hazards and foreign ownership, control and influence risk. They require organisations to address foreign ownership and offshore access risks, align with a recognised cyber security framework, and implement stronger controls across technology, people, suppliers and physical assets.

These requirements are phased, with initial obligations under the enhanced rules due by around June 2027, and full compliance expected by around June 2028. This reflects a shift away from compliance based solely on policy towards a demonstrable uplift in organisation-wide capability, supported by enhanced identity and authentication controls, improved patching, management of legacy systems, network segmentation, assessment of emerging technologies, strengthened personnel vetting, increased oversight of critical suppliers, and enhanced physical security and resilience, including the ability for critical systems to operate for up to three months during disruption.

We are currently assessing the impact of these enhanced rules and progressing uplift activities across these areas, including enhanced cross-functional governance, assurance and Critical Infrastructure Risk Management Program reporting obligations.

Work Health and Safety Silica Worker Register

The *Work Health and Safety Amendment (Silica Worker Register) Regulation 2025* (NSW) introduces a mandatory Silica Worker Register (SWR) for businesses involved in high-risk crystalline silica processing. It aims to improve health monitoring for workers at risk of silica-related illnesses, such as silicosis and lung cancer.

From 1 October 2025, a person conducting business or undertaking must register any worker on the SWR who undertakes high-risk crystalline silica substance processing, within 28 days of commencing that work.

While Sydney Water does not undertake high-risk crystalline silica processing as a primary business activity, certain operational and maintenance tasks involving silica-containing materials are captured by this requirement. As such, Sydney Water has registered 326 workers on the SWR. We have also implemented engineering and other exposure controls, as well as providing health monitoring for affected workers.

Workers compensation amendments

The *Workers Compensation Act 1987* (NSW) was amended by the *Workers Compensation Legislation Amendment Act 2025* (NSW) assented to on 24 November 2025 and the *Workers Compensation Legislation Amendment (Reform and Modernisation) Act 2026* (NSW) assented to on 11 February 2026. These amending Acts change the liability and entitlements for psychological injury in the New South Wales workers compensation schemes. The key changes made by these amendments will commence on 1 July 2026.

The reforms are designed to simplify the workers compensation scheme and reduce claim costs by introducing annual indexation, a single whole person impairment assessment and a stricter test for medical treatment. Employers will also be responsible for the first two weeks of weekly compensation payments, increasing the cost of individual claims to employers. Psychological injury claims will now also have stricter eligibility requirements, requiring employment to be the main contributing factor, where previously the requirement was for employment to be a substantial contributing factor.

Environmental legislation amendments

The *Environmental Legislation Amendment Act 2025* (NSW) amended 12 Acts, although not all provisions have yet commenced.

Importantly, the *Protection of the Environment Operations Act 1997* (NSW) was amended to introduce a wide range of reforms. Clean-up notices and prevention notices may now be registered on the title of land. The financial threshold for when harm to the environment is material has been increased to $50,000 of actual or potential loss or property damage (up from $10,000). The definition of land pollution has been expanded so that it now includes matter introduced into or onto a building, chattel or fixture. The definition of a 'relevant person' in relation to a pollution incident has been expanded to include the owner of the premises and a person who contributed to the pollution incident.

Environment protection licences may now include a condition to require an activity involving an industrial chemical to comply with or have regard to the iChEMS Minimum Standards. The Environment Protection Authority (EPA) is now able to recover costs and expenses incurred in a variety of circumstances. A new offence has been created of harassing a person on the basis that the person is or was an EPA officer, including by means of a phone call, text message or email, social media or other internet service. The range of matters that the court is to take into consideration when imposing a penalty has been expanded to include the impact of the offence on Aboriginal cultural values and practices and environmental justice principles. These are principles intended to prevent or minimise the disproportionate impact of environmental harm on vulnerable or disadvantaged communities or persons.

Planning systems reforms – Development Coordination Authority

The *Environmental Planning and Assessment Act 1979* (NSW) was amended by the *Environmental Planning and Assessment Amendment (Planning System Reforms) Act 2025* (NSW) assented to on 24 November 2025 (the amending Act). The amending Act introduced reforms to modernise the planning system to accelerate housing delivery, infrastructure and job creation by establishing the Development Coordination Authority (DCA) within the Department of Planning, Housing and Infrastructure. The aim of the DCA is to provide a single coordinated state response for development applications, state-significant development applications and planning proposals.

The DCA commenced its statutory functions on 1 July 2026.

Sydney Water's input into the development assessment process primarily occurs through concurrences and referrals under section 78 of the *Sydney Water Act 1994 (NSW).* Those referrals provide early advice on servicing capacity, infrastructure timing and asset protection requirements.

The amending Act amended section 78 of the *Sydney Water Act 1994 (NSW)*, with such amendments commencing on 1 July 2026. As a consequence of those amendments, the DCA will be the responding authority to concurrences and referrals concerning the operation of Sydney Water's network and operations. We are working with the DCA to transition that work.

Major judicial decisions

Following a plea of guilty by Sydney Water to a licence breach offence under section 64(1) of the *Protection of the Environment Operations Act 1997* (NSW) (POEO Act), the Land and Environment Court handed down its primary judgment on 29 April 2026 and a supplementary judgment on 23 June 2026. The court ordered Sydney Water to pay a total monetary penalty of $240,000, pay the EPA's legal and investigation costs (totalling $351,869), and publish notices detailing the conviction in newspapers and on social media. The majority of the monetary penalty will be paid to City of Canterbury-Bankstown Council and Fairfield City Council to fund environmental improvement projects.

Sydney Water also pleaded guilty to and has been convicted of one offence of failing to provide information and records (being CCTV footage of the rising main) without lawful excuse under section 211(1) of the POEO Act. The licence breach offence occurred in July 2022 when a Sydney Water pressurised wastewater main in Carramar broke, resulting in up to 419 kL of diluted wastewater entering the nearby Prospect Creek. A second incident occurred in August 2022 with 3 kL of diluted wastewater entering Carrawood Park but being contained on-site.

Privacy management

Sydney Water treats personal information and health information (known as personal information) according to the applicable provisions of the *Privacy and Personal Information Protection Act 1998* (NSW) (PPIP Act), the *Health Records and Information Privacy Act 2002* (NSW) and the notifiable data breach framework of the *Privacy Act 1988* (Cth).

We have established a privacy governance framework that sets out how we manage and protect personal information. The framework includes:

- a Privacy Management Plan (PMP) that describes our commitment to and practices to comply with NSW privacy laws. The PMP can be found on our website: www.sydneywater.com.au/content/dam/sydneywater/documents/privacy-management-plan.pdf
- a Data Breach Policy, Public Notification Register, and Internal Register of Eligible Data Breaches for the Mandatory Notification of Data Breach Scheme
- a privacy page located on Sydney Water's external website that contains important information for our customers
- policies, processes, guides and a corporate privacy awareness e-learning module for employees.

This reporting period Sydney Water:

- Reviewed and updated its PMP and Data Breach Response Plan
- Celebrated Privacy Awareness Week in May with an employee engagement campaign and internal workshop on the theme of privacy and artificial intelligence
- Undertook privacy impact assessments of high-risk initiatives.

Reviews conducted under Part 5 of the Privacy and Personal Information Protection (PPIP) Act

Part 5 of the PPIP Act establishes an internal review process that allows individuals to apply for a review of Sydney Water's conduct when handling their personal information. During the past reporting period, two internal reviews were conducted as per the process prescribed by Part 5 of the PPIP Act.

Government Information (Public Access) Act 2009 (NSW)

The *Government Information (Public Access) Act 2009* (NSW) (GIPA Act) provides an open and transparent process for the public to access information from NSW public sector agencies and encourages the proactive release of government information.

The primary services of Sydney Water are to provide drinking water, recycled water, wastewater and stormwater management (in limited areas) to its customers, all of which are regulated by an operating licence.

As we perform these functions, we release information about current and planned projects and initiatives.

Sydney Water's review of its authorised proactive release of government information program in this reporting period focused on environmental information. This coincided with the Right to Know Week 2025 theme. We publish information about our water quality and water testing programs on the Sydney Water website. Additionally, we proactively release information through the Sydney Water website including media releases and information about contracts and projects.

Between 1 July 2025 and 30 June 2026, the total number of access applications received was 166 (this excludes invalid applications). Of these, one access application was refused in part, because the access application was for information for which there was a conclusive overriding public interest against disclosure.

Additionally, Sydney Water received 154 informal access applications and 15 third-party consultation requests from other NSW Government agencies.



Table A: Number of applications decided in the reporting year by type of applicant and outcome[1]

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	0	4	1	1	0	1	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	5	28	0	2	2	6	0	1
Not for profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	5	47	1	1	0	1	0	1
Members of the public (other)	6	48	0	6	1	3	0	1
Total	**16**	**127**	**2**	**10**	**3**	**11**	**0**	**3**

1 More than one decision can be made in respect of a particular access application. If so, we record each decision made. This also applies to Table B.

Table B: Number of applications decided in the reporting year by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications[2]	4	2	0	2	0	0	0	0
Access applications (other than personal information applications)	5	4	1	4	2	3	0	2
Access applications that are partly personal information applications and partly other	7	121	1	4	1	8	0	1
Total	**16**	**127**	**2**	**10**	**3**	**11**	**0**	**3**

2 A *personal information application* is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Table C: Invalid applications

Reason for invalidity	No of applications
Application does not comply with formal requirements (section 41 of the Act)	30
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	30
Invalid applications that subsequently became valid applications	27

Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 to the Act

	Number of times consideration used[3]
Overriding secrecy laws	0
Cabinet information	1
Executive Council information	0
Contempt	0
Legal professional privilege	0
Excluded information	1
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

3 More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of the Act

	Number of occasions when application not successful
Responsible and effective government	4
Law enforcement and security	1
Individual rights, judicial processes and natural justice	118
Business interests of agencies and other persons	8
Environment, culture, economy and general matters	2
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0
Total	**133**

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	145
Decided after 35 days (by agreement with applicant)	12
Not decided within time (deemed refusal)	11
Total	**168**

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	2	2	**4**
Review by Information Commissioner[4]	0	0	**0**
Internal review following recommendation under section 93 of the Act	0	0	**0**
Review by NCAT (NSW Civil and Administrative Tribunal)	1	1	**1**[5]
Total	**3**	**3**	**5**

4 The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

5 The two decisions reported were from a single application reviewed by NCAT.

Table H: Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications for review
Applications by access applicants	6
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

Table I: Applications transferred to other agencies under Division 2 of Part 4 of the Act (by type of transfer)

	Number of applications transferred
Agency-initiated transfer	1
Applicant-initiated transfer	0



Risk management activities

Our Risk Management Framework enables us to understand and navigate the risks we encounter while safeguarding the interests of our customers and shareholders. Our approach is aligned with the risk management standard AS ISO 31000:2018 – Risk management – Guidelines and is consistent with the NSW Treasury Policy and Guidelines Paper TPP12-03.

The framework articulates our risk appetite, distinguishing between areas where risk must be minimised and those where a calculated approach to taking higher risk is acceptable. We ensure that we are operating within appetite through the monitoring of our risk tolerance metrics. Trend monitoring of tolerances allows us to forecast whether there is the potential to cross those points and take appropriate preventative actions. To support risk management activities across the business, the framework provides the policies, guidelines and procedures needed to manage risks effectively.

Sydney Water's Audit and Risk Committee assists the Board in overseeing the effective implementation of our Risk Management Framework, including assurance on the effectiveness of controls. The Board and its subcommittees monitor our risk profile, which considers current performance, forecasted performance, emerging risks and the effectiveness of controls in managing existing known risks. This enables us to better manage risks to deliver our vision, strategy and values.

Table 4: Summary of enterprise risks for 2025–26

Category	Description
Operating environment	We lose trust and confidence in Sydney Water from failing to understand, manage or respond to customer, community, stakeholder and regulator expectations
Public health	Products and services delivered to our customers fail to protect public health
Safety and wellbeing	We fail to undertake work safely, which could lead to injury or death of workers or members of the public
Environment	Our operations fail to protect the environment from material harm
Asset safety, reliability and capability	Failure of a critical asset or system capacity impacting our ability to meet customer outcomes and service needs
Capital program delivery	Failure to effectively prioritise, scope, fund and deliver capital investments required to maintain and improve customer and environmental service outcomes
Enterprise security	Our enterprise security arrangements fail to safeguard operations and data from potential threats or attack
Ethics and integrity	Our people are not working with integrity and upholding the ethical standards of the organisation
Finance	We fail to operate as a financially successful and sustainable business by not meeting our financial targets and obligations
Culture and workforce	We fail to ensure we have the right people in the right roles, with the right capability required now and in the future, enabled through our employment framework and value proposition to deliver a culture of accountability, agility and innovation
Procurement and supply chain	We fail to procure and manage suppliers of goods and services efficiently and transparently at the right time, price and quality
Climate change	We do not adequately manage the effects of climate change, which impedes operations leading to an inability to meet demand for our products and services. We do not effectively mitigate our impact on climate change

Insurance arrangements and activities

Sydney Water's insurance program focuses on mitigating risks. We consider enterprise risks in determining insurance arrangements to ensure we have adequate financial resources to mitigate and minimise the effects of adverse events.

We regularly review our insurance program to confirm it is relevant and effective in mitigating risks. If appropriate, we transfer insurable risks to either the commercial insurance market or to Insurance and CareNSW (icare).





SECTION 5

Sustainability



Our approach

> Sustainability shapes the way we manage our environmental impact, respond to climate risks, support our people and create long-term value for the communities we serve. By embedding these priorities into our decision-making, we strengthen our ability to adapt, innovate and deliver essential services in a changing world.

We define our role in sustainability as balancing the needs of future generations while supporting a better life for customers today. We recognise that sustainability is not a fixed destination but a continuous process of improvement.



Sydney Water is committed to sustainability and achieving positive economic, social and environmental outcomes. This commitment is guided by a set of principles designed to help our people consider sustainability in their work:

Providing equity between generations

- We demonstrate responsible guardianship and how today's decisions are in the best long-term interest of customers.
- Create equitable environments, services, and practices.

Action in the face of uncertainty

- Take both a risk and resilience approach to better respond to unforeseen events, disruption and change.

Regenerative and circular outcomes

- Support a transition to a circular economy within our operations and supply chain.

Focus on making meaningful progress

We strive to make continual and iterative progress on the issues that are most material to customers, our people and partners.

Genuinely capture, manage and disclose sustainability impacts

- Build trust with our customers, our people and partners with appropriate governance and reporting.

Play a role in sustainability as part of the broader community

- Collaborate, learn and work with our customers, our people and partners to enhance our collective sustainability impact.

We are a participant in the United Nations Global Compact and prepare an annual communication on progress. We align our strategic outcomes with the UN Sustainable Development Goals. This includes integrating universal principles for human rights, labour, the environment and anti-corruption into our strategies, policies and operations.

Our sustainability efforts are reflected in tangible actions – from installing renewable energy assets and reducing carbon emissions to engaging and empowering our customers and communities through grants and partnerships and water literacy and education programs.

We also contribute to global water equity through our partnership with WaterAid Australia and continue to build our relationships with First Nations communities and organisations.

Material issues

Our material issues highlight the sustainability topics where there is significant impact from the perspective of Sydney Water, our customers and stakeholders. They reflect priorities outlined in our Operating Licence, our strategy, customer expectations, stakeholder interests and our commitments under the United Nations Global Compact.

This table maps each material sustainability issue to relevant measures, sections in our annual report and where you can find more information.

Strategic outcome	Material Issues	Related metrics	Section in our annual report	Find out a little more
Customer Experience	**Affordable and equal access to water and sanitation**	• Affordability • Customers on Payment Assistance • Customers in arrears	Pricing p49	www.sydneywater.com.au/residential/accounts-billing/help-pay-water-bill.html
	Community amenity	• Public access and recreation		www.sydneywater.com.au/about/what-we-do/environmental-protection-sustainability.html www.sydneywater.com.au/about/what-we-do/stormwater-management.html
Environmental Protection	**Ecosystems & the natural environment**	• Natural area and green infrastructure land actively managed		www.sydneywater.com.au/about/what-we-do/environmental-protection-sustainability.html www.sydneywater.com.au/about/policies-publications/reports-publications.html
	Overflows and pollution	• Quality of treated wastewater (concentration) • Pollution and environmental harm incidents	Our operations p33	www.sydneywater.com.au/about/what-we-do/wastewater-systems/epa-pollution-monitoring.html www.sydneywater.com.au/about/policies-publications/reports-publications.html
	Circular economy, resource use and waste (consumption, recycling, landfill, reuse)	• Volume of recycled water available • Materials recovered		www.sydneywater.com.au/about/what-we-do/recycled-water.html www.sydneywater.com.au/about/policies-publications/reports-publications.html

Strategic outcome	Material Issues	Related metrics	Section in our annual report	Find out a little more
Environmental Protection	**Emissions and energy**	• Net Carbon emissions	Climate change p86	www.sydneywater.com.au/about/what-we-do/environmental-protection-sustainability/responding-to-climate-change.html
	Climate change resilience	• Climate risk maturity health check	Climate change p86	www.sydneywater.com.au/about/what-we-do/environmental-protection-sustainability/responding-to-climate-change.html
Water quality and reliability	**Reliable, safe and clean drinking water**	• Drinking water quality • Available water supply	Our operations p33	www.sydneywater.com.au/about/what-we-do/safe-drinking-water.html
	Water use (our customers' and our own)	• Drinking water use		www.sydneywater.com.au/residential/save-water.html www.sydneywater.com.au/about/policies-publications/reports-publications.html
Accountable, agile, innovative culture	**Working conditions (labour rights and work health and safety)**	• Safety (TRIFR)	Work health and safety p93 People and workplace relations p89	www.sydneywater.com.au/about/who-we-are.html
	Diverse and inclusive workforce	• Diversity and equity index	Diversity, equity and inclusion p96	www.sydneywater.com.au/about/careers/diversity-equity-inclusion.html
Successful and sustainable business	**Ethical procurement (including workers in the value chain)**		Modern slavery p87	www.sydneywater.com.au/about/our-suppliers/procurement-approach.html
	Rights of Indigenous Peoples		Diversity, equity and inclusion p96	www.sydneywater.com.au/about/careers/diversity-equity-inclusion.html
	Fair and decent business conduct (for example whistle blower protection, anti-corruption, payment practices)		Governance p57 Legal events p70	www.sydneywater.com.au/about/who-we-are.html



Climate change

We recognise that climate change will affect the services we provide and are committed to both reducing our impact and strengthening our resilience to future climate risks.

Our Climate-related financial disclosures provides the community and stakeholders with greater transparency on our climate-related risks and opportunities, and what we are doing about them. We have prepared our disclosure in accordance with NSW Treasury's TPG24-33: *Reporting framework for climate-related financial disclosures.*

Our Climate-related financial disclosures for 2025–26 can be found on our website at www.sydneywater.com.au/about/policies-publications/reports-publications/annual-report.html

Modern slavery

Sydney Water supports the objectives of the *Modern Slavery Act 2018* (Cth), which closely align with our corporate values. We are strongly committed to ensuring that our operations and supply chain are free from modern-day slavery practices; that, as a business, we do not profit from the exploitation of others, and that the products and services we deliver to more than 5.6 million of our customers are ethically sourced.

Our latest Modern Slavery Statement can be found on our website www.sydneywater.com.au/about/our-suppliers/procurement-approach.html.

This year, we've implemented initiatives that reinforce our deep commitment to minimise and ultimately eliminate modern slavery practices.

Alignment with the Office of the NSW Anti-Slavery Commissioner's (OASC) Guidance on Reasonable Steps (GRS) to manage modern slavery risks in operations and supply chains

As mentioned in the 2024–25 statement, we have started to align with the GRS issued by the OASC and for the 2025–26 financial year we have taken the following actions based on the seven Reasonable Steps outlined in the GRS: *commit, plan, source, manage, remedy, report and improve.*

Financial year 2025–26 action	Alignment with GRS
Identified and assessed modern slavery risks by mapping procurement categories of goods and services using the Inherent Risk Identification Tool (IRIT) version 2.0	**Commit, plan**
Released the *Sydney Water Code of Conduct* which outlines the expected ethical standards, responsibilities and behaviours, including respect for and upholding human rights	**Commit**
Continued engagement with other companies and organisations across Australia to share lessons learned, best practices and to discuss current trends	**Commit**
Selected suppliers identified in the high-risk categories and assessed them using the online Modern Slavery Platform we implemented together with other Water Services Association of Australia (WSAA) members – see 'Online solution to conduct modern slavery risk assessment focusing on our suppliers' below	**Source**
Provided free modern slavery learning resources embedded in the online Modern Slavery Platform to support supplier awareness and capability	**Manage**
Submitted report on the reasonable steps taken in line with Appendix K – GRS Annual Reporting Template using the online GRS Annual Reporting Form and as a standalone report on our external website	**Report**
Continued engagement with OASC for updates and guidance to align with the GRS	**Improve**
Celebrated the International Day for the Abolition of Slavery by re-emphasising our commitment to ensuring our operations and supply chain are free from modern slavery practices, everyone's role in combating modern slavery and the availability of the modern slavery awareness training which is mandatory for the Procurement and Supply Chain team	**Improve**

Collaboration across Australia

We continued to participate in the Informed 365–Water Services Association of Australia (WSAA) Collaboration, a sector-wide initiative helping water utilities identify, assess and manage modern slavery risks in supply chains. Through monthly collaboration, members shared insights on supplier risk assessment, engagement, reporting requirements, grievance mechanisms and emerging risks, supporting a more consistent approach across the sector.

During 2025–26, we contributed to consultations on strengthening Australia's modern slavery framework and engaged with organisations including the Australian Attorney-General's Department, Be Slavery Free, other NSW State Owned Corporations and the UN Global Compact Network Australia. These forums provided opportunities to share lessons, monitor emerging trends and strengthen our approach to identifying and managing modern slavery risks.

We also established a partnership with The Freedom Hub to support future employee education and awareness initiatives.

Online supplier risk assessment platform

We continued to use Informed 365's digital platform to assess and manage modern slavery risks across our supply chain, supporting compliance with the *Modern Slavery Act 2018* (Cth).

During 2025–26, we conducted comprehensive risk assessment of our suppliers, prioritising those identified as high risk under the Office of the Anti-Slavery Commissioner's Industry Risk Identification Tool. By year end, 303 suppliers had been invited to complete a risk assessment, with 261 responses received.

In partnership with WSAA, we also participated in a market review of supplier risk assessment platforms to evaluate emerging technologies and industry best practice. Following the review, WSAA retained Informed 365 as the preferred sector solution, and we will continue using the platform to support supplier risk management and ongoing improvement.



People and workplace relations



The culture we create, our commitment to safety and the capabilities we build directly influence our ability to deliver trusted services and create lasting value for our customers.

We increased our focus on workplace relations compliance, governance and risk management in response to evolving workplace legislation and regulatory expectations. We continued to review and enhance our policies, processes and employment practices to support compliance and promote fair and consistent outcomes for employees.

We continued to transform our employee and industrial relations approach, placing greater emphasis on collaboration, transparency and early engagement with employees and their representatives. Through constructive consultation and ongoing dialogue, we sought to strengthen relationships, rebuild trust and confidence and support a culture where employees have a meaningful voice in shaping the future of Sydney Water.

This approach supports organisational resilience, workforce engagement and the successful delivery of Sydney Water's strategic objectives.

Our Enterprise Agreement

The Sydney Water Enterprise Agreement 2023 was approved by the Fair Work Commission and has a nominal expiry date of 30 June 2026. The agreement will continue to operate until it is replaced by a new enterprise agreement.

Our guiding principles are:

- creating a culture that caters for consistency and differentiation
- supporting a two-way relationship between people and people leaders, built on trust and understanding
- maintaining affordable bills for our customers.

On 3 March 2026, Sydney Water commenced bargaining for a new enterprise agreement. Consistent with our focus on constructive employee and industrial relations, bargaining has been underpinned by open engagement, good faith discussions and a commitment to building positive outcomes for employees, their representatives and Sydney Water.

Workforce numbers – full-time equivalent[1], 2021–22 to 2025–26

Human resources	2021–22	2022–23	2023–24	2024–25	2025–26
Full-time equivalent – permanent	2,747	2,953	3,228	3,623	3,883
Full-time equivalent – temporary	203	239	157	242	221
Full-time equivalent – part-time	102	114	110	102	104
Total	**3,052**	**3,306**	**3,495**	**3,967**	**4,208**

1 Workforce numbers are calculated by apportioning the full-time equivalent (FTE) hours worked to the actual headcount. FTE figures were correct as at mid-June 2026 because of a system freeze as Sydney Water transitioned to the new Dayforce platform.

Workforce numbers – headcount[2], 2023–24 to 2025–26

Human resources	2023–24	2024–25	2025–26
Headcount – permanent	3,225	3,623	3,884
Headcount – temporary	151	242	221
Headcount – part-time	154	146	146
Total	**3,530**	**4,011**	**4,251**

2 Headcount correct as at mid-June 2026 because of a system freeze as Sydney Water transitioned to the new Dayforce platform.





Consultants

Payments to consultants for engagements costing equal to or greater than $50,000, 2025–26[1]

In 2025–26, we engaged 22 consultants costing less than $50,000, with total costs of $353,013.64.

Consultant name	Title of project	Contract description	Category	Amount ($)
Aurecon Australasia Pty Ltd	Sewer pumping stations structural assessment	Structural condition assessments and repair option advice for sewer pumping station assets	Management services	293,578.74
Aqua Consultants Ltd	Data centre servicing strategy assurance	Independent assurance of Sydney Water's data centre servicing strategy	Assurance services	216,535.16
Trace Consulting Group Pty Ltd	Supply chain logistics project	Opportunity assessment and feasibility study of supply chain distribution network logistics and operational requirements	Management services	125,200.00
Commercial & Infrastructure Pty Ltd	Mamre Road Precinct quantity surveying and business case support	Quantity surveying and business case advisory services for the Mamre Road Precinct project	Management services	108,690.00
KPMG	Windsor Sewerage Scheme Assets acquisition due diligence	Financial and accounting due diligence services relating to the acquisition of South Windsor wastewater assets from Hawkesbury City Council	Management services	91,167.00
Total				**835,170.90**

1 Consultants are defined as companies that provide opinion or advice on a task. The consultant is independent of any ensuing process or work, and Sydney Water decides whether to act on the consultant's findings. It is the advisory nature of the work that differentiates it from other tasks commonly provided by service contractors.



International travel

International travel, 2025–26

Date of travel	Number of employees and role	Destination	Name of conference
19–27 August 2025	1 (Corruption Prevention and Investigations Manager, People and Governance)	Malaysia	2025 Association of Certified Fraud Examiners (ACFE) Fraud Conference Asia-Pacific ACFE funded the travel
14–29 September 2025	2 (Senior Process Engineer, Water and Environment Services) (North West Hub Manager, Water and Environment Services)	Germany	Factory acceptance testing of infrastructure during manufacturing Sydney Water funded the travel

Work health and safety

Our ambition to build trust, learn continuously and make it easy to work safely remains at the heart of our approach to safety, health and wellbeing. The Better Safer Together plan reflects our ongoing commitment to creating an environment where our people and delivery partners can thrive.

Developing strong safety leadership remains a key focus. Through our Visible Safety Leadership program, we support leaders to engage meaningfully with staff, reinforce safe behaviours and address unsafe behaviours and conditions before harm occurs.

- The Leading to Safety program continues to strengthen leader capability across the organisation. During the 2025–26 financial year, 125 employees completed the program, bringing the total number of trained leaders to 345. The program's scope has expanded beyond operational leaders managing high-risk work to include all people leaders across Sydney Water, including those leading office-based teams.
- Safety Behavioural Interactions (SBIs) are meaningful conversations between leaders and their teams to recognise safe behaviours, address risks early, and create opportunities to learn, improve and stay safe together. A total of 171 trained leaders recorded SBIs during the year. Leaders who completed the Leading to Safety program during the year contributed 1,307 SBIs, representing 43 per cent of all SBIs completed across Sydney Water and contractor worksites.
- Overall, 3,039 SBIs were completed during the year, including 1,560 focused on high-risk work activities. Of these high-risk work observations, 77 per cent identified no at-risk observations, indicating the critical controls contained within Sydney Water's Safety Minimum Requirements were generally being implemented effectively.

Sydney Water continues to take a proactive approach to managing psychosocial hazards and promoting positive mental health in the workplace.

- Our Psychological Health Management Plan provides a framework for improving psychological health through targeted programs, uplifting leader capability and workplace risk management. During the year, 701 leaders (77.3 per cent) were trained to identify psychosocial hazards and implement appropriate control measures.
- Psychosocial Hazard Risk Assessments continue to be undertaken across the organisation using the People at Work methodology, with assessments prioritised according to risk.
- Each September, Sydney Water carries out the Spring into Wellbeing campaign timed to coincide with R U OK? Day. Spring into Wellbeing encourages our people to improve their physical, mental, financial, social and career wellbeing. It included a six-week team-based physical activity challenge for the second consecutive year. Participation more than doubled with 66 teams and more than 370 individuals taking part, compared with 30 teams and 180 individuals in the previous year.

Our Injury Prevention Plan continues to focus on eliminating or minimising exposure to workplace hazards, strengthening early intervention programs and promoting behaviours that reduce the likelihood and severity of injury.

- Sydney Water maintained its commitment to PhysioCare, our on-site physiotherapy program, and continued to support targeted initiatives aimed at preventing manual handling injuries.
- These efforts have contributed to continued improvements in safety performance. Sydney Water achieved a total recordable injury frequency rate (TRIFR) of 3.1 for employees, improving from 4.7 in the 2024–25 financial year and remaining below the organisational target of ≤5.0 for the third consecutive year.
- The combined TRIFR for Sydney Water employees and contractors improved with a reduction from 4.8 to 3.8, remaining below target and achieving the strongest result recorded in the last five years.
- Sydney Water recorded 85 reportable workers compensation claims during the 2025–26 financial year, a reduction of eight claims (8.6 per cent) compared with the previous year. Improvements were driven primarily by reductions in body stressing injuries, mental stress claims and injuries associated with sound, pressure, chemicals and environmental factors.
- Despite the overall reduction in claims, falls, trips and slips increased from nine to 19 claims and became the second most common injury mechanism during the year. Reducing these incidents remains an ongoing area of focus.

Table 5: Number of reportable workers compensation claims by mechanism of injury

Mechanism of injury	Number of claims 2025–26	2024–25
Body stressing	26	40
Falls, trips and slips of a person	19	9
Mental stress	18	21
Being hit by moving objects	7	4
Hitting objects with a part of the body	5	4
Sound and pressure	4	7
Vehicle incidents and other	3	1
Heat, electricity and other environmental factors	1	4
Chemicals and other substances	1	3
Biological factors	1	0
Total	**85**	**93**

Figure 1: Total recordable injury frequency rate (TRIFR) for employees and contractors, last five years to 30 June 2026

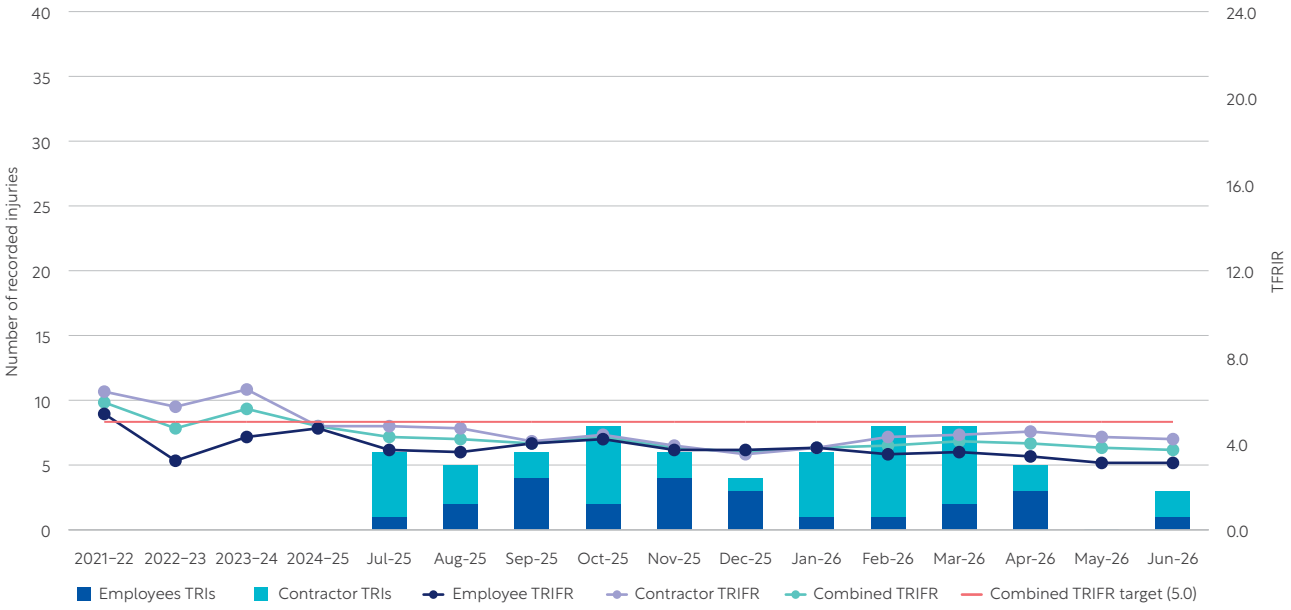
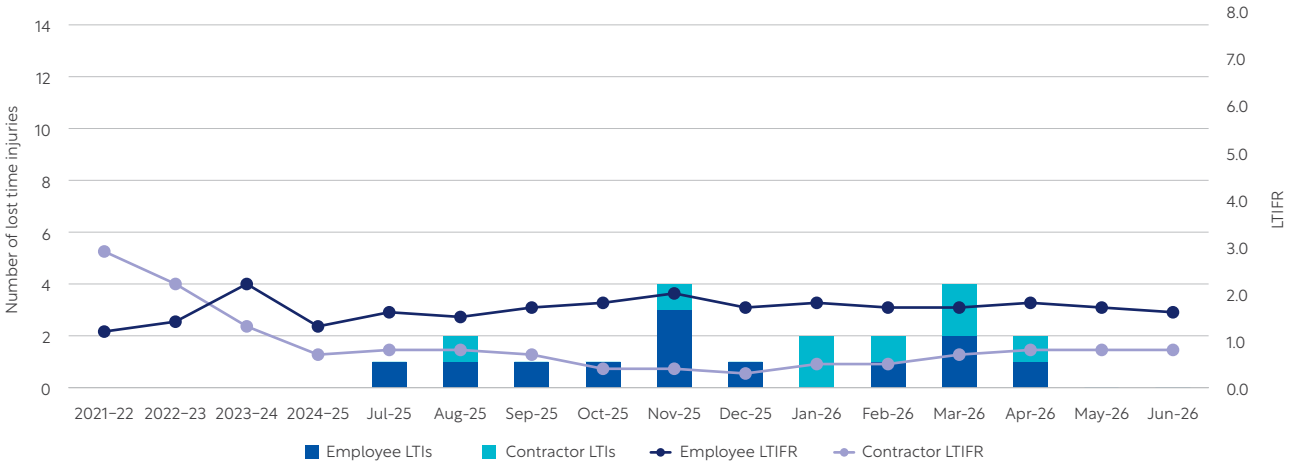


Figure 2: Lost time injury frequency rate (LTIFR) for employees and contractors, last five years to 30 June 2026



Notes:

- TRIFR is the number of recordable injuries per million hours worked. The total recordable injuries (TRI) include lost time injuries (LTI) and medical treatment injuries (MTI).
- Lost time injury frequency rate (LTIFR) is the number of LTIs per million hours worked. An injury is an LTI if the person was away from work for one or more full days or shifts.
- The results reflect the most recent data at the time of reporting. Historical data has been updated to include any LTIs or MTIs notified since the previous reporting periods.

The results refer to hours performed by employees and contractors. We use the contractor hours reported to Sydney Water. Sydney Water reported 60 notifiable incidents to SafeWork NSW during the year, compared with 33 in the previous 12 months. Most notifiable incidents involved gas strikes, including damage to residential gas services and gas mains during excavation and maintenance activities. The results highlight the importance of effective planning, asset identification, supervision and excavation controls when undertaking high-risk work.

Sydney Water had no prosecutions under the *Work Health and Safety Act 2011* (NSW) during the 2025–26 financial year, consistent with the previous year.



Diversity, equity and inclusion

Sydney Water continued to advance diversity, equity and inclusion (DEI) through the Diversity, Equity and Inclusion Plan 2023–2026, with a focus on inclusive foundations, disability and neurodiversity and cultural diversity.

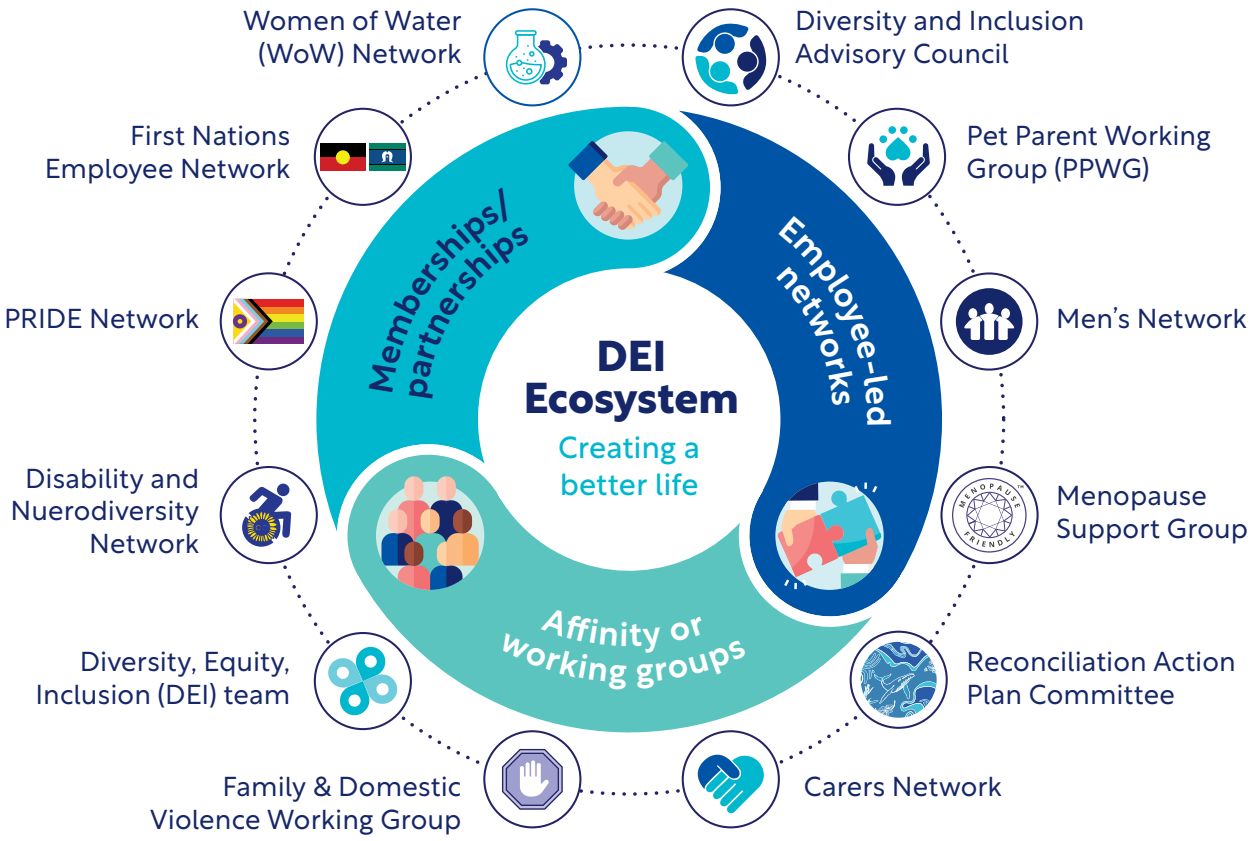
Through employee-led networks, awareness initiatives and continuous improvement of our policies, systems and processes, we continued to foster a workplace where diverse perspectives are valued and people can thrive.

During the year, we strengthened organisational capability through a refreshed DEI 101 learning program, enhancements to the DEI Hub, improved workplace adjustment resources and a tailored inclusion approach for operational and field-based employees. These initiatives support psychological safety, team performance and a more equitable employee experience.

Our diversity index remained strong at 91 per cent, exceeding our organisational aspiration of 75 per cent. Representation increased in several priority areas, including women in science, technology, engineering and mathematics roles (25.9 per cent), culturally diverse leaders (20.8 per cent) and employees identifying as having disability or neurodiversity (2.7 per cent). These gains (from 0.9 per cent to 0.8 per cent) were partially offset by declines in women in leadership roles (from 51.0 per cent to 47.9 per cent) and First Nations representation, highlighting areas for continued focus.

We also continued to build inclusive leadership, improve equitable recruitment and career pathways and strengthen partnerships that support underrepresented groups. A key enabler of this work is our DEI Ecosystem, which connects employee networks, advocates and leaders to elevate diverse perspectives, foster belonging and support employee wellbeing.


SYDNEY WATER
MEN'S NETWORK
ourselves and our mates
Sydney
WATER


Women of Water (WoW) Network
Diversity and Inclusion Advisory Council
First Nations Employee Network
Pet Parent Working Group (PPWG)
PRIDE Network
Men's Network
Disability and Nuerodiversity Network
Menopause Support Group
Diversity, Equity, Inclusion (DEI) team
Reconciliation Action Plan Committee
Family & Domestic Violence Working Group
Carers Network
Memberships/ partnerships
Employee-led networks
Affinity or working groups
DEI Ecosystem
Creating a better life

Disability and neurodiversity

Sydney Water participated in the Australian Disability Network's Access and Inclusion Index and developed a 76-action plan to strengthen disability inclusion across the organisation.

In 2025, we joined the Hidden Disabilities Sunflower Program, reinforcing our commitment to supporting employees and customers with non-visible disabilities. More than 500 employees completed awareness training, helping build understanding of disability and neurodiversity across the business.

These initiatives are helping create a more inclusive and accessible workplace where people feel recognised, supported and empowered to contribute. We will continue to build capability and improve accessibility for our employees, customers and communities.

Cultural diversity

Sydney Water celebrates the diversity of its workforce through employee-led cultural and multifaith events, including Lunar New Year, Eid, Easter, Nowruz, Diwali and Christmas. These celebrations help foster a workplace where different cultures, beliefs and identities are recognised and respected.

We also supported broader community inclusion through our partnership with City East Community College, providing practice interviews for skilled migrants and refugees to help strengthen pathways to employment.

Throughout the year, employees participated in key diversity, equity and inclusion events, including International Women's Day, International Women in Engineering Day, Neurodiversity Celebration Week, National Reconciliation Week, NAIDOC Week, Pride Month and Mardi Gras.

Gender equity

Sydney Water continued to advance gender equity through our DEI Ecosystem, maintaining our Family Friendly Workplace accreditation and supporting employees at different life stages and with caring responsibilities.

Through the Men's Network and Women of Water (WoW) Network, we promoted allyship, wellbeing and inclusion, while continuing to increase the representation of women in STEM and operational roles.

More than 500 employees participated in International Women's Day initiatives, alongside events recognising International Day of Women and Girls in Science and International Women in Engineering Day.

WoW continued to support leadership, networking, mentoring and wellbeing initiatives, introducing a new governance model focused on Women in Leadership, Women in Health and Women in STEM and Operations.

We will continue to strengthen representation and embed inclusive practices across Sydney Water, helping create a workplace where everyone can thrive.

First Nations equity and inclusion

Sydney Water's Reconciliation Action Plan builds relationships with First Nations communities through cultural learning, economic participation and strong governance.

During the year, we continued our Starting with Country – Connecting Through Stories program, delivering cultural immersion experiences at Little Bay, La Perouse and on Dharawal Country. We also entered the third year of our Jawun partnership, with six employees participating in secondments with First Nations organisations.

In 2025, we partnered with Engineering Aid Australia to support pathways for First Nations young people into engineering, technology and STEM careers. The partnership has been extended to 2027 and includes work experience and internship opportunities.

We also met our Aboriginal business spend target for the third consecutive year, engaging 62 verified Indigenous suppliers and increasing direct spend to $6.1 million, supporting business growth, employment and economic participation for Aboriginal communities.

Strengthening our DEI Ecosystem

The Diversity, Equity and Inclusion Advisory Council provides governance and employee representation for Sydney Water's DEI priorities, helping inform decision-making, monitor progress and elevate employee voices across the organisation.

For the second consecutive year, Sydney Water recognised Inclusion at Work Week, bringing together members of the DEI Ecosystem to connect, share insights and celebrate progress. The DEI Showcase at the Parramatta Hub highlighted the achievements of employee networks and inclusion initiatives, with participation from the Sydney Water Board and Executive Team demonstrating visible leadership support for diversity, equity and inclusion.

Strategic memberships and partnerships

Our memberships and partnerships support the delivery of Sydney Water's DEI Plan. Through expertise, benchmarking, accreditation frameworks and industry networks, they help strengthen inclusion, improve employee experience, increase workforce diversity and support progress towards our goals for representation, belonging and accessibility.

Reconciliation

- Engineering Aid Australia
- Jawun
- Circles in the Sand

Disability and accessibility

- Australian Disability Network
- Hidden Disabilities Sunflower
- Centre for Accessibility Australia
- WaterAble

Gender equity

- National Association of Women in Operations
- National Association of Women in Construction
- Family Friendly Workplaces
- Menopause Friendly Australia

LGBTQIA+ inclusion

- Pride in Diversity
- Pride in Water

Broader inclusion capability

- Diversity Council Australia

Pride equity and inclusion

Sydney Water maintained Australian Workplace Equality Index (AWEI) Bronze Accreditation, reflecting our commitment to LGBTQIA+ inclusion and creating a workplace where people feel respected, valued and supported.

Employees and allies participated in initiatives that promoted visibility, connection and allyship, including the Pride Blood Drive. We also participated in Sydney Gay and Lesbian Mardi Gras Fair Day, hosting a stall and providing free water refill stations for more than 50,000 attendees.

Insights from the AWEI assessment continue to inform our action plan, helping us strengthen LGBTQIA+ inclusion across the organisation.

Trends in the representation of workplace diversity groups[1]

Workforce diversity group	Benchmark[2] (%)	2021–22 (%)	2022–23 (%)	2023–24 (%)	2024–25 (%)	2025–26 (%)
Women	50	34.8	35.9	36.4	36.9	37.5
Aboriginal and Torres Strait Islander peoples	3.3	1.0	1.3	1.1	0.9	0.8
People whose first language is not English	23.2	15.2	16.2	16.0	16.4	16.9
People with disability	5.6	1.8	1.8	1.8	2.5	2.7
People with disability requiring a work-related adjustment	N/A	0.2	0.2	0.3	0.4	0.4

1 Employee numbers at 30 June 2025.

2 NSW Public Service Commission benchmark.

Trends in the distribution of workforce diversity groups[3] – distribution index[4]

Workforce diversity group	Benchmark/ target	2022	2023	2024	2025	2026
Women	100	97	97	97	96	98
Aboriginal and Torres Strait Islander peoples	100	86	80	84	89	90
People whose first language is not English	100	111	110	109	107	107
People with disability	100	104	105	104	98	101
People with disability requiring a work-related adjustment	100	N/A	N/A	N/A	N/A	N/A

3 The information was provided by the NSW Public Service Commission.

4 A distribution index of 100 indicates that the distribution of members of the workforce diversity group across salary bands is equivalent to that of the rest of the workforce. A score of less than 100 means that members of the workforce diversity group tend to be more concentrated at lower salary bands than is the case for other employees. The more pronounced this tendency is, the lower the score will be. In some cases, the index may be more than 100, indicating that members of the workplace diversity group tend to be more concentrated at higher salary bands than is the case for other employees. The distribution index is not calculated when the number of employees in the workforce diversity group is less than 20 or when the number of other employees is less than 20.


Crewsaver
CREWFIT 165 SPORT



SECTION 6

Financial performance



Financial statements

As a State Owned Corporation, Sydney Water must operate as efficiently as any comparable business and maximise the NSW Government's net investment.

Each year, the board of directors agrees a Statement of Corporate Intent (SCI) with the shareholders. The SCI includes key business objectives, commercial performance, income targets, operational expenditure and capital investment. The SCI also forms the basis for our yearly budget.

During 2025–26, our net profit after tax (NPAT) was $513 million, which was $15 million below the SCI target. Earnings before interest, tax, depreciation, and amortisation (EBITDA) for the year were $2,342 million, which was $29 million above the SCI target. The NPAT variance was mainly driven by total income being $45 million below the SCI target and depreciation, amortisation, impairment and loss on asset sales being $76 million above the SCI target. This was partially offset by favourable variances in operating expenses of $74 million, borrowing costs of $20 million and income tax expense of $12 million.

Compared with 2024–25, NPAT increased by $138 million and EBITDA increased by $381 million, reflecting higher revenue under the current IPART Price Determination 2025–30, while depreciation, amortisation, impairment and loss on asset sales, and borrowing expenses also increased.

A final dividend payable of $495 million was approved for 2025–26, which was $52 million higher than the SCI target.

Table 6: Profit and loss statement, 2022–23 to 2025–26

Financial performance target	2022–23 result	2023–24 result	2024–25 result	2025–26 result	2025–26 SCI target	2025–26 variance to SCI target
Total income ($ million)	2,946	3,218	3,485	3,924	3,969	(45)
Operating expenses ($ million)	1,557	1,438	1,524	1,582	1,656	74
Earnings before interest, tax, depreciation and amortisation ($ million)	1,389	1,780	1,961	2,342	2,313	29
Depreciation, amortisation, impairment, and loss on asset sales ($ million)	437	550	558	665	589	(76)
Borrowing expenses ($ million)	507	753	868	949	969	20
Net profit before tax ($ million)	445	477	535	728	755	(27)
Income tax expense ($ million)	131	142	160	215	227	12
Net profit after tax ($ million)	314	335	375	513	528	(15)
Dividend ($ million)	100	170	245	495	443	(52)
Return on assets (%)	3.8	4.4	4.4	4.7	4.9	(0.2)
Net cash flows from operating activities ($ million)	766	910	712	1,071	889	182
Net cash flows from operating activities interest cover (times)	2.5	2.2	1.8	2.1	1.9	0.2
Capital investment program[1] ($ million)	1,558	2,145	2,466	3,021	3,279	(258)
Gearing ratio (%) (interest bearing debt / interest bearing debt plus total equity)	60.0	61.1	62.9	64.0	67.8	(3.8)

1 The capital investment program numbers exclude capitalised borrowing costs.

Income

Total income for the year was $3,924 million, which was $45 million below the SCI target of $3,969 million.

Regulated income was $3,581 million, which was $101 million below the SCI target of $3,682 million. Non-regulated income was $343 million, which was $56 million above the SCI target of $287 million.

Property sales

During 2025–26, five properties were sold that were surplus to operational needs at a total gross sale price of $2.08 million. All sales were completed in line with accepted NSW Government disposal standards and guidelines.

Members of the public can request access to documents regarding property disposal under the *Government Information (Public Access) Act 2009 (NSW)*.

Expenditure

Total operating expenses for the year were $1,582 million, which was $74 million lower than the SCI target of $1,656 million.

Time for payment of accounts

Sydney Water did not incur any penalty interest charges during 2025–26 for late payments to creditors.

Net cash flows from operating activities

The net cash flows from operating activities in 2025–26 were $1,071 million. This was $182 million higher than our SCI target of $889 million and was mainly due to lower cash outflows compared to the SCI target.

Net cash flows from operating activities interest cover (times)

The net cash flows from operating activities interest cover (times) ratio was 2.1, which was 0.2 higher than the SCI target.

Investment management

Sydney Water does not have investment powers to invest outside the NSW Treasury Banking System. All surplus cash is used to repay debt.

Debt management

At 30 June 2026, we had an $11.9 million cash balance, and our total debt was $19.3 billion. Our debt portfolio was sourced through NSW Treasury Corporation, and this was actively managed to limit the cost of funds. Additionally, 97.8 per cent of our total debt was fixed-rate debt maturing out to 2041, with the remaining 2.2 per cent inflation-indexed debt maturing out to 2035.

Table 7: Debt management, 2025–26

	Sydney Water	IPART Benchmark
Weighted average cost 2025–26 (per cent)	5.18 per cent	5.15 per cent

Cash flow

Cash receipts from our operations in 2025–26 were $3,679 million, which was $100 million higher than the SCI target. Other revenue in 2025–26 was $161 million, which was $116 million higher than the SCI target. We used $2,017 million in cash for operational purposes, which was $390 million higher than the SCI target.

Total interest paid was $704 million, which was $301 million lower than the SCI target. Total interest paid includes interest paid and the government guarantee fee paid on our borrowings. Income tax paid was $48 million, which was $55 million lower than the SCI target.

Return on assets and equity

Our return on assets for 2025–26 was 4.7 per cent, against an SCI target of 4.9 per cent.

The return on equity for 2025–26 was 4.9 per cent, which is lower than the SCI target of 5.5 per cent due to net profit after tax being lower than the SCI target, together with a higher equity driven by the fair value uplift from the revaluation of property, plant and equipment.

Return on invested capital

Our return on invested capital for 2025–26 was 5.6 per cent, which exceeded the SCI target of 5.5 per cent.

SCI target 2026-27

Table 8: SCI target 2026-27

Measure	SCI target ($ million)
Total income	4,577
Total operating expenses	1,724
Depreciation, amortisation, impairment, and loss on asset sales	670
Borrowing expenses	1,043
Net profit before tax	1,140
Income tax expense	342
Net profit after tax	798

Sydney Water Corporation

Financial Statements
for the year ended 30 June 2026

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Start of audited Financial Statements

Statement of profit or loss and other comprehensive income

for the year ended 30 June 2026

	Note	2026 $'000	2025 $'000
Revenue	1(a)	3,923,339	3,479,667
Other income	1(b)	1,036	5,271
Finance costs	2(a)	(949,005)	(867,538)
Other expenses	2(b)	(2,247,778)	(2,082,002)
Profit before income tax		**727,592**	**535,398**
Income tax expense	3(a)	(214,537)	(160,889)
Profit for the year		**513,055**	**374,509**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of property, plant and equipment	4	1,233,068	966,217
Income tax effect	3(a)	(369,920)	(289,865)
		863,148	676,352
Remeasurement of defined benefit superannuation net liability	13(c)(viii)	117,040	(11,341)
Income tax effect	3(a)	(35,112)	3,402
		81,928	(7,939)
Other comprehensive income for the year net of income tax		**945,076**	**668,413**
Total comprehensive income for the year		**1,458,131**	**1,042,922**

This statement should be read in conjunction with the accompanying notes.

Statement of financial position

as at 30 June 2026

	Note	30 June 2026 $'000	30 June 2025 $'000
Current assets			
Cash and cash equivalents	8	11,916	42,881
Trade and other receivables	9	709,483	687,692
Other current assets	10	53,283	41,031
Current tax asset		-	15,479
		774,682	787,083
Non-current assets classified as held for sale		23,095	28,060
Total current assets		**797,777**	**815,143**
Non-current assets			
Non-current receivables	9	3,462	10,305
Property, plant and equipment	4	34,495,360	30,295,821
Right-of-use assets	5	2,077,813	2,062,574
Intangible assets	7	462,175	475,811
Total non-current assets		**37,038,810**	**32,844,511**
Total assets		**37,836,587**	**33,659,654**
Current liabilities			
Trade and other payables	11	970,175	939,028
Borrowings and other financial liabilities	12	468,152	222,039
Lease liabilities	5	36,844	38,659
Current tax liabilities		34,437	-
Dividends payable	14	495,000	245,000
Provisions	13	191,689	268,975
Deferred government grants		352	293
Total current liabilities		**2,196,649**	**1,713,994**
Non-current liabilities			
Borrowings and other financial liabilities	12	19,250,442	16,987,171
Lease liabilities	5	2,180,423	2,123,292
Deferred tax liabilities	3(b)	3,020,489	2,498,387
Provisions	13	313,909	446,579
Deferred government grants		-	66
Total non-current liabilities		**24,765,263**	**22,055,495**
Total liabilities		**26,961,912**	**23,769,489**
Net assets		**10,874,675**	**9,890,165**
Equity			
Contributed equity	15	3,933,233	3,911,854
Asset revaluation reserve		4,926,866	4,066,096
Retained earnings		2,014,576	1,912,215
Total equity		**10,874,675**	**9,890,165**

This statement should be read in conjunction with the accompanying notes.

Statement of changes in equity

for the year ended 30 June 2026

	Note	Contributed equity	Asset revaluation reserve	Retained earnings	Total Equity
		$'000	$'000	$'000	$'000
Balance at 30 June 2025		3,911,854	4,066,096	1,912,215	9,890,165
Profit for the year		-	-	513,055	513,055
Other comprehensive income		-	863,148	81,928	945,076
Total comprehensive income for the year		-	863,148	594,983	1,458,131
Transfers between equity items on disposal of assets		-	(2,378)	2,378	-
Total transfers between equity items		-	(2,378)	2,378	-
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	14	-	-	(495,000)	(495,000)
Contributions of equity	15	21,379	-	-	21,379
Total transactions with owners in their capacity as owners		21,379	-	(495,000)	(473,621)
Balance at 30 June 2026		**3,933,233**	**4,926,866**	**2,014,576**	**10,874,675**
Balance at 30 June 2024		3,911,854	3,424,958	1,755,431	9,092,243
Profit for the year		-	-	374,509	374,509
Other comprehensive income/(loss)		-	676,352	(7,939)	668,413
Total comprehensive income for the year		-	676,352	366,570	1,042,922
Transfers between equity items on disposal of assets		-	(35,214)	35,214	-
Total transfers between equity items		-	(35,214)	35,214	-
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	14	-	-	(245,000)	(245,000)
Total transactions with owners in their capacity as owners		-	-	(245,000)	(245,000)
Balance at 30 June 2025		**3,911,854**	**4,066,096**	**1,912,215**	**9,890,165**

This statement should be read in conjunction with the accompanying notes.

Statement of cash flows

for the year ended 30 June 2026

	Note	2026 $'000	2025 $'000
Cash flows from operating activities			
Cash receipts		3,678,826	3,083,489
Cash payments		(2,017,205)	(1,714,160)
Cash generated from operations		1,661,621	1,369,329
Social programs grants received from NSW Government		161,423	133,583
Other grants received from NSW Government		35	230
Interest received		4,610	4,748
Interest paid		(510,104)	(494,686)
Government guarantee fee paid		(193,653)	(193,061)
Contributions paid to DCCEEW Climate Change Fund		(5,535)	(3,550)
Income tax (paid)		(47,551)	(103,914)
Net cash flows from operating activities	8(b)	**1,070,846**	**712,679**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,499	53,070
Other cash contributions received		118,526	72,573
Security and other deposits received		44,283	35,253
Payments for property, plant and equipment		(3,176,846)	(2,825,269)
Payments for intangible assets		(50,015)	(82,747)
Security and other deposits released		(38,792)	(23,316)
Net cash flows from investing activities		**(3,101,345)**	**(2,770,436)**
Cash flows from financing activities			
Proceeds from borrowings	8(d)	2,343,500	2,354,021
Payment of principal for lease liabilities related to right-of-use assets	8(d)	(50,965)	(45,924)
Payment of principal for service concession liabilities	8(d)	(48,001)	(45,472)
Dividends paid	8(d),14	(245,000)	(170,000)
Net cash flows from financing activities		**1,999,534**	**2,092,625**
Net increase in cash and cash equivalents		(30,965)	34,868
Cash and cash equivalents at beginning of the year		42,881	8,013
Cash and cash equivalents at end of the year	8(a)	**11,916**	**42,881**

This statement should be read in conjunction with the accompanying notes.

About these Financial Statements

Corporate information

Sydney Water Corporation (the Corporation) is a NSW statutory state-owned corporation established on 1 January 1999 following the enactment of the *Water Legislation Amendment (Drinking Water and Corporate Structure) Act 1998* and legislative amendments to the *Sydney Water Act 1994*. The address of the Corporation's head office is 1 Smith Street, Parramatta, NSW 2150.

The Corporation provides water and water-related services under its Operating Licence to customers in its area of operations in NSW. It operates under the commercial disciplines of the NSW Government's Commercial Policy Framework and accordingly the directors have determined that it is a for-profit entity for financial reporting purposes. The Corporation's ultimate parent is the NSW Government. Accordingly, the Corporation's financial statements form part of the consolidated NSW Total State Sector Accounts.

The Corporation's financial statements for the year ended 30 June 2026 were authorised for issue in accordance with a resolution of the Board of Directors on 26 August 2026.

Basis of preparation

These general-purpose financial statements have been prepared in accordance with applicable Australian Accounting Standards (including Australian Accounting Interpretations), the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2024, mandates issued by NSW Treasury including NSW Treasury Directions issued under the GSF Act, NSW Treasury Circulars and NSW Treasury Policy and Guidelines Papers adopted in the Corporation's Statement of Corporate Intent.

The financial statements have been prepared on the historical cost basis, except for the following items:

- Certain classes of property, plant and equipment and intangible assets are stated using the fair value basis;
- Greenhouse trading certificates and biodiversity offset credits are held at fair value;
- Inventory is held at the lower of cost and net realisable value;
- Non-monetary developer contributions are recognised at current replacement cost;
- Non-current assets classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell;
- Borrowings and lease liabilities related to right-of-use assets are measured at amortised cost;
- Defined benefit superannuation liabilities are stated at the present value of the accrued defined benefit obligations less the fair value of fund assets; and
- Other non-current provisions are stated at the present value of the future estimated obligations for the relevant liabilities concerned.

Presentation currency

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000).

Comparative information

Except when Australian Accounting Standards permit or require otherwise, comparative information is presented in respect of all amounts reported in the financial statements.

The comparative information in Note 2(b) Other Expenses was amended as the 'Materials, plant and equipment' expenses had incorrectly included amounts that should have been classified as part of the 'Less amounts capitalised' financial statement line item. As a result, 'Materials, plant and equipment' was amended from $82.603 million to $106.702 million, and 'Less amounts capitalised' was amended from $110.216 million to $134.315 million. The comparative information in Note 2(c) Additional information on superannuation expense has also been amended. 'Less amount capitalised' for defined benefit superannuation expense was amended from $5.904 million to $11.029 million, 'Defined contribution superannuation expense before amounts capitalised' was amended from $26.345 million to $57.263 million, and 'Less amount capitalised' was amended from $4.848 million to $24.199 million. These amounts were previously disclosed incorrectly, with a corresponding offsetting misclassification included within Employee Expenses in Note 2(b). Both these amendments affect the presentation and classification of expenses only and do not impact the total expenses reported or the profit or loss recognised for the prior financial year.

The comparative capital expenditure commitment disclosed in Note 16 Commitments has been amended from $5,494.244 million to $5,068.851 million, with corresponding amendments to the related time bands and GST. The adjustment corrects an overstatement of the comparative balance arising from consumed purchase orders not being reflected in the total spend.

Critical judgements and estimates

The Corporation makes estimates and assumptions concerning the future that are regularly evaluated based on historical experience and other factors. This includes expectations of future events that may have a financial effect on the Corporation and that are believed to be reasonable under the circumstances. Actual results may therefore differ from these estimates. Estimates and judgments that are material to the financial statements are disclosed in the following notes:

- Note 3 Taxation;
- Note 4 Property, plant and equipment;
- Note 5 Right-of-use assets and lease liabilities;
- Note 6 Service concession assets and service concession liabilities;
- Note 7 Intangible assets;
- Note 9 Trade and other receivables; and
- Note 13 Provisions.

Material accounting policies

The accounting policies described in these financial statements are based on the requirements applicable to for-profit entities and have been consistently applied to all financial years presented. Material accounting policies that summarise the basis of recognition and

measurement of material items presented in these financial statements are provided in each applicable note about those items. There were no changes in accounting policy during the financial year.

Accounting Standards effective during the financial year

Several amendments to accounting standards are effective in the current financial year. These amendments do not lead to any change in measurement, nor do they have a material impact on the financial statements.

Accounting Standards issued but not yet effective

As at the reporting date, a number of Australian Accounting Standards issued by the AASB were not yet effective and had not been early adopted by the Corporation. These standards are not expected to have a significant impact on the Corporation, except for AASB 18 *Presentation and Disclosure in Financial Statements*. AASB 18 is expected to result in changes to the presentation of the statement of profit or loss and other comprehensive income and the statement of cash flows.

Standard/interpretation	Applicable to reporting periods beginning on or after	Applicable reporting year
AASB 18 *Presentation and Disclosure in Financial Statements*	1 January 2027	2027-28

Impact of climate-related matters on the financial statements

The Corporation is significantly impacted by climate-related events. This is likely to continue and to change into the future. Climate change could impact the ability of the Corporation to continuously provide quality treated water and wastewater services without interruption to an increasing population of customers.

(a) Current impact from climate-related events

Severe floods in recent years resulted in increased soil and silt run-off impacting Warragamba Dam's turbidity levels. The Corporation in the current and previous financial years mitigated this impact to water quality through obtaining desalinated water from the Sydney Desalination Plant. In the financial year 2022-23, there was a change in the arrangements for the use of the Sydney Desalination Plant to also enable the supply of desalinated water to cater for future population growth. This non-rainfall dependent water supply has eased the strain on our existing treatment infrastructure to treat the raw water sourced from Warragamba Dam but comes at an additional financial cost to our customers of $19.049 million for the current financial year (2025: $17.252 million).

Severe floods associated with compounding extreme rainfall events saw temporary disruption of services to our customers based in the Orchard Hills catchment area during July 2022. In response, the Corporation has commenced a program to build a new facility at Orchard Hills Water Filtration Plant to improve the reliability and resilience of operations. The new facility will include a new pre-treatment plant and screening chamber. The work in progress asset balance for this program totals $37.372 million as at the end of the current financial year (2025: $11.823 million).

The Corporation continued the construction of the Prospect Pre-treatment Plant during the year. The plant will provide additional treatment of raw water to support the continued delivery of safe drinking water when raw water quality is affected by extreme weather events. As at the end of the current financial year, the work in progress balance associated with the project was $199.642 million (2025: $78.971 million).

The Corporation commenced two capital programs which have as their objective the mitigation of the physical and transition risks that will arise from future climate-related events. These capital programs relate to implementing a resilient and reliable water supply and to increasing energy efficiency. The following table discloses the work in progress asset balances relating to these two programs.

	2026 $'000	2025 $'000
Resilient and reliable water supply	50,133	31,728
Energy efficiency		
Cogeneration	5,664	3,124
Other energy efficiency projects	5,688	2,865
	11,352	5,989

(b) Future impact from climate change

The change in climate is expected to bring about an increase to both the frequency and severity of natural hazards that the Corporation's infrastructure is exposed to. These natural hazards will continue to include droughts, bushfires and floods but could also include heat waves, intense rainfall events, king tides and rising sea levels.

(c) Impact on fair values of Property, Plant and Equipment

The Corporation has adopted the fair value of its systems asset infrastructure utilising the income approach under AASB 13 *Fair Value Measurement*. The income approach utilises the forecast revenue, operational expenditure and capital expenditure included within the 2026-27 Statement of Corporate Intent and its long-term forecast Corporate Model (refer to Note 4(f)). The capital expenditure forecasts include a long-term redeployment of capital investment to promote increased resilience of our infrastructure network and adaptation to climate change.

Whilst the capital investment program drivers will change over time in response to the risk of climate change, this is not expected to significantly increase the existing risk that the pricing determined by IPART will not be sufficient to cover the Corporation's forecast capital expenditure within any one current price path.

If resilience standards change to render a portion of the infrastructure portfolio obsolete and/or requiring further investment, this is expected to give rise to future capital investment and related pricing to cover the cost of this future capital investment.

Notes to the Financial Statements

Performance for the reporting year

Note 1. Income

(a) Revenue

	Note	Regulated		Non- regulated		Total	
		2026 $'000	2025 $'000	2026 $'000	2025 $'000	2026 $'000	2025 $'000
Revenue from contracts with customers							
Service availability charges (redress rebates)		1,609,661	1,410,471	(5,591)	(4,322)	1,604,070	1,406,149
Usage charges		1,661,600	1,431,049	19,269	18,325	1,680,869	1,449,374
Ancillary services		39,016	29,152	3,885	3,682	42,901	32,834
Sundry revenue		-	-	13,106	17,715	13,106	17,715
Total service/usage charges, ancillary services and sundry revenues		3,310,277	2,870,672	30,669	35,400	3,340,946	2,906,072
Developer contributions – monetary	8(b)	101,137	120,173	11,086	48,835	112,223	169,008
Developer contributions – non-monetary	8(b)	-	-	282,116	236,222	282,116	236,222
Total developer contributions		101,137	120,173	293,202	285,057	394,339	405,230
Total revenue from contracts with customers		**3,411,414**	**2,990,845**	**323,871**	**320,457**	**3,735,285**	**3,311,302**
Timing of revenue recognition							
Over time		3,271,261	2,841,520	13,678	14,003	3,284,939	2,855,523
At a point in time		140,153	149,325	310,193	306,454	450,346	455,779
		3,411,414	2,990,845	323,871	320,457	3,735,285	3,311,302
Other revenues							
NSW Government grants for social programs		164,371	143,773	-	-	164,371	143,773
Other grants from NSW Government		-	-	42	373	42	373
Interest revenue		-	-	4,610	4,748	4,610	4,748
Rent revenue from operating leases		5,425	5,293	5,425	5,293	10,850	10,586
Sundry revenue		-	-	8,181	8,885	8,181	8,885
Total other revenues		**169,796**	**149,066**	**18,258**	**19,299**	**188,054**	**168,365**
Total revenue		**3,581,210**	**3,139,911**	**342,129**	**339,756**	**3,923,339**	**3,479,667**

Recognition and measurement

Regulated revenues are revenues subject to the Independent Pricing and Regulatory Tribunal of New South Wales (IPART) Pricing Determination. Under the current determination, which applies from 1 October 2025 to 30 June 2030, IPART sets prices to balance customer affordability with the efficient delivery of essential water and wastewater services and ongoing infrastructure investment. All other revenues are non-regulated.

Revenue from contracts with customers

The Corporation's revenue streams from contracts with customers each consist of only a single performance obligation and a single transaction price. The transaction price is determined either by IPART (for regulated revenues and for regulated and non-regulated monetary developer contributions) or by agreement with the customer (for all other non-regulated revenues). The variability of the consideration for the Corporation's revenue streams can also be easily identified. The conditions for the customer to receive a redress or other rebate, discount or refund can be readily determined.

The Corporation does not have any contracts with customers where the period between the transfer of the promised services or goods and payment from the customer exceeds one year. As a result, transaction prices have not been adjusted for the time value of money.

Service availability charges
Service availability charges are a fixed charge to customers to cover the cost of making the Corporation's water, wastewater, stormwater, and recycled water services available. The Corporation transfers control over the availability of the services and recognises revenue evenly over time as customers continue to receive their service connection. The service availability charge revenue is billed in advance to customers at the commencement of each quarter and is progressively released to revenue as each month of the quarter concludes.

Redress rebates are provided to customers who experience interruption to their service. This redress rebate is a part of the Corporation's contract with its customers but is not subject to the IPART Pricing Determination.

Usage charges
Usage charges reflect revenue derived from the consumption of the Corporation's water, wastewater, recycled water, and trade waste services. The Corporation transfers control over the services to customers who then simultaneously consume those services, with the transfer and consumption considered to occur over time.

The Corporation recognises revenue based on a right to invoice as this corresponds with the value customers have received to date from their consumption of the services. Consumption is measured through the reading of the Corporation's installed meters. The Corporation recognises an estimate for the accrued revenue earned from unbilled consumption where meters have not been read as at the reporting date (refer to note 9).

Ancillary services
Ancillary services are provided to customers for water, wastewater, stormwater, and recycled water related services including building approvals and the provision of information such as plans and diagrams. Revenue is recognised at a point in time when the control over the services or information is transferred to the customer.

Developer contributions - monetary
The water and wastewater monetary developer contributions came into effect on 1 July 2024 and the Mamre Road Precinct Integrated stormwater monetary developer contributions came into effect on 1 May 2025. This is when the development servicing plans were registered with IPART. Development servicing plans set out the basis for determining infrastructure contributions payable by developers to fund growth-related infrastructure within defined service areas. Certification applications submitted by developers, which involves connection of new developments to the Corporation's water, wastewater, recycled water and Mamre Road stormwater infrastructure, have additional monetary developer contributions charged to cover the incremental cost to the Corporation of the connection.

Sydney Water recognised $11.086 million in non-regulated monetary developer contributions during the financial year (2025: $48.835 million), mainly arising from commercial agreements with private developers. In the prior year, the recognised revenue primarily related to a commercial agreement for the construction and delivery of water-related infrastructure at Sydney Science Park, Luddenham totalling $48.153 million. In the current year, the recognised revenue primarily relates to a commercial agreement for the construction and delivery of recycled water infrastructure to support the Western Sydney Airport development, amounting to $9.600 million.

The monetary developer contributions revenues are recognised when the certification process is completed and control over the compliance certificate is transferred at a point in time to the developer being when the Corporation issues the compliance certificate.

Developer contributions – non-monetary
The construction of pipes and other works by developers for the connection of their developments to the Corporation's water, wastewater, stormwater and recycled water infrastructure is assessed for acceptance by the Corporation. This is to ensure that construction meets the Corporation's design and construction standards for quality of service delivery.

The Corporation issues a transfer of ownership notice to the developer upon the completion of the developer works acceptance procedures. These procedures include checking whether the notice of requirements to the developer all have been completed or satisfied and that the project of completion package put together by the water servicing coordinator can be accepted. In return, the developer contributes the constructed pipes and other works at no cost to the Corporation. The fair value of these non-monetary developer contributions at initial recognition is estimated using current replacement cost. These non-monetary developer contributions are non-regulated revenues.

The non-monetary developer contributions revenues are recognised when the developer works acceptance procedures are completed and control over the transfer of ownership notice is transferred at a point in time to the developer being when the Corporation issues the transfer of ownership notice.

Other revenues

NSW Government grants for social programs
The Corporation delivers several non-commercial social programs of the NSW Government. These include pensioner rebates, properties exempt from service and usage charges and expenditures for priority sewerage areas. The Corporation is reimbursed for the full cost of all social programs. Such reimbursements are recognised as revenue on an accrual basis at the same time as the related social program items are recognised in profit or loss.

Where such reimbursements are received in advance, they are recognised initially as deferred income in the statement of financial position and subsequently as revenue when the costs incurred, or revenues foregone for which they are intended to compensate are recognised in profit or loss.

(b) Other income

	Note	2026 $'000	2025 $'000
Gain on disposal of property, plant and equipment	8(b)	529	3,869
Income from sale of greenhouse trading certificates		104	1,206
Unrealised gain on biodiversity credits		403	196
Total other income recognised in profit or loss		**1,036**	**5,271**

Note 2. Expenses

(a) Finance costs

	Note	2026 $'000	2025 $'000
Interest expense for borrowings at amortised cost		511,945	452,856
Interest expense for lease liabilities related to right-of-use assets	5	216,106	215,914
Interest expense for service concession liabilities		15,719	17,587
Amortisation of deferred discounts on loans	8(b)	193,449	121,069
Total interest expense		937,219	807,426
Government guarantee fee expense – NSW Treasury	11	197,452	193,653
Indexation of CPI bonds	8(b)	20,973	32,773
Other finance costs (income)		-	(518)
		1,155,644	1,033,334
Less amount capitalised as borrowing costs		(206,639)	(165,796)
Total finance costs recognised in profit or loss		**949,005**	**867,538**

Recognition and measurement

Interest and other borrowing costs are expensed as incurred within finance costs in profit or loss unless they relate to qualifying capital assets, in which case they are capitalised as part of the cost of those assets. Qualifying capital assets are assets that take a substantial period of time (12 months or more) to get ready for their intended use or sale.

Payments for the lease liabilities related to the right-of-use assets and for the service concession liabilities are allocated between principal and interest. The interest is expensed as incurred within finance costs in profit or loss over the lease period for the lease liabilities or over the service concession arrangement term for the service concession liabilities. This expense is to produce a constant periodic rate of interest on the remaining balance of the lease liabilities and service concession liabilities for each period.

Borrowing costs are capitalised where there is a direct relationship between the borrowings and the projects giving rise to qualifying capital assets.

Where funds are borrowed specifically for the acquisition, construction or production of a qualifying capital asset, the amount of borrowing costs capitalised is net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average interest rate.

The Government guarantee fee represents the fee paid by the Corporation to NSW Treasury for the guarantee that the NSW Government provides in relation to the Corporation's borrowings.

6 FINANCIAL PERFORMANCE

(b) Other expenses

	Note	2026 $'000	2025 $'000
Employee-related expenses:			
Total employee-related expenses before amounts capitalised		817,834	728,224
Less amounts capitalised		(344,121)	(279,918)
Total employee-related expenses		473,713	448,306
Non-employee related expenses:			
Availability charges and purchases of bulk water – Water NSW		248,576	224,599
Operational costs - Sydney Desalination Plant		19,049	17,252
Tariff expenses from water filtration plant agreements		117,208	116,960
Maintenance services	2(d)	369,139	387,113
Operational services		107,910	86,331
Materials, plant and equipment		99,831	106,702
Leases of low value assets	5	-	15
Short-term leases expense	5	5,317	2,255
Electricity and other energy		78,622	74,932
Transport		8,881	8,831
Property including land tax		38,806	38,185
Digital services		94,356	77,873
Contribution to NSW Climate Change Fund		5,625	3,550
Other expenses from ordinary activities		63,237	64,461
Total non-employee related expenses before amounts capitalised		1,256,557	1,209,059
Less amounts capitalised		(147,836)	(134,315)
Total non-employee related expenses		1,108,721	1,074,744
Depreciation and amortisation expenses:			
Depreciation of property, plant and equipment	4	439,267	369,542
Depreciation of property, plant and equipment – right-of-use assets	5	91,044	88,852
Amortisation of intangible assets	7	64,295	62,615
Total depreciation and amortisation expenses	8(b)	594,606	521,009
Losses from disposal of:			
Property, plant and equipment	8(b)	54,910	26,028
Total losses from disposal		54,910	26,028
Impairment losses expensed (reversed) through profit or loss:			
Receivables		3,100	2,433
Property, plant and equipment	4, 8(b)	11,506	8,914
Assets held for sale	8(b)	1,575	-
Intangible assets	7, 8(b)	(644)	(412)
Inventory write-off		291	980
Total impairment losses expensed (reversed) through profit or loss		15,828	11,915
Total other expenses recognised in profit or loss		**2,247,778**	**2,082,002**

(c) Additional information on superannuation expense

	Note	2026 $'000	2025 $'000
Superannuation expense recognised in profit or loss			
Defined benefit schemes			
Current service cost	13(c)(viii)	1,535	1,697
Net interest on the net defined benefit liability	13(c)(viii)	19,785	20,755
Defined benefit superannuation expense (advised by Administrator)		21,320	22,452
Other movements		734	3,646
Defined benefit superannuation expense before amounts capitalised		22,054	26,098
Less amount capitalised		(9,280)	(11,029)
Defined benefit superannuation expense		**12,774**	**15,069**
Defined contribution schemes			
Defined contribution superannuation expense before amounts capitalised		69,025	57,263
Less amount capitalised		(29,044)	(24,199)
Defined contribution superannuation expense		**39,981**	**33,064**
Total superannuation expense recognised in profit or loss		**52,755**	**48,133**

(d) Additional information on maintenance expense

	Note	2026 $'000	2025 $'000
Maintenance expenses			
Maintenance related expense included in employee related expenses		89,825	89,467
Maintenance expense included in non-employee related expenses	2(b)	369,139	387,113
Total maintenance expenses		**458,964**	**476,580**

Note 3. Taxation

(a) Income tax expense recognised in profit or loss and on other comprehensive income

	2026 $'000	2025 $'000
Current tax expense		
Current tax on profits for the year	101,113	50,234
Adjustments for current tax of prior years	(3,646)	(853)
	97,467	49,381
Deferred tax expense		
Origination and reversal of temporary differences	114,914	107,692
Adjustments for prior years	2,156	3,816
	117,070	111,508
Total income tax expense in profit or loss	**214,537**	**160,889**
Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax	727,592	535,398
Tax at the Australian tax rate of 30% (2025: 30%)	218,278	160,619
Tax effect of amounts which are not (taxable) deductible		
Research and development concession	(344)	(389)
Sundry items	(1,907)	(2,304)
	216,027	157,926
Under/(over) provided in prior year – current tax	(3,646)	(853)
Under provided in prior year – deferred tax	2,156	3,816
Income tax expense	**214,537**	**160,889**
Income tax on other comprehensive income		
Deferred tax relating to:		
Revaluation of property, plant and equipment	369,920	289,865
Remeasurement of defined benefit superannuation liability	35,112	(3,402)
Total income tax on other comprehensive income	**405,032**	**286,463**

Recognition and Measurement

The Corporation is subject to notional taxation in accordance with the *State Owned Corporations Act 1989*. Notional income tax is payable to the NSW Government through Revenue NSW. The taxation liability is assessed according to the National Tax Equivalent Regime (NTER). The NTER closely mirrors the *Income Tax Assessment Act 1936* and the *Income Tax Assessment Act 1997* as in force at 30 June 2026 and is administered by the Australian Taxation Office (ATO). The income tax expense for the year is the tax payable on the current year's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and for adjustments to tax payable or receivable in respect of prior years.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the financial year. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in equity, in which case the income tax is itself recognised in equity as part of other comprehensive income. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the financial year and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled. Current and deferred tax assets are offset with current and deferred tax liabilities respectively where they relate to income taxes levied by the same taxation authority and the Corporation intends to settle current tax assets and liabilities with that taxation authority on a net basis.
Tax balances are recognised and measured in accordance with applicable accounting standards and relevant taxation legislation, with reference to Sydney Water's Taxation Policy Framework, which sets out the organisation's approach to tax governance, risk management and compliance.

(b) Deferred tax assets and liabilities

Movements

	Balance 1 July 2025 $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Balance 30 June 2026 $'000
Property, plant and equipment and intangibles	2,777,855	108,797	369,920	3,256,572
Other assets	(926)	826	-	(100)
Right-of-use assets	(29,813)	(12,023)	-	(41,836)
Employee benefits	(171,825)	1,220	35,112	(135,493)
Provisions not currently deductible	(23,502)	10,286	-	(13,216)
Anticipated receipts and accrued expenses	874	24	-	898
Service concession liabilities	(52,714)	7,983	-	(44,731)
Greenhouse trading certificates and biodiversity offset credits	(1,562)	(43)	-	(1,605)
Net tax (assets) / liabilities	**2,498,387**	**117,070**	**405,032**	**3,020,489**

	Balance 1 July 2024 $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Balance 30 June 2025 $'000
Property, plant and equipment and intangibles	2,367,741	120,249	289,865	2,777,855
Other assets	1,225	(2,151)	-	(926)
Right-of-use assets	(16,922)	(12,891)	-	(29,813)
Employee benefits	(168,616)	193	(3,402)	(171,825)
Provisions not currently deductible	(6,644)	(16,858)	-	(23,502)
Anticipated receipts and accrued expenses	(14,203)	15,077	-	874
Service concession liabilities	(60,541)	7,827	-	(52,714)
Greenhouse trading certificates and biodiversity offset credits	(1,624)	62	-	(1,562)
Net tax (assets) / liabilities	**2,100,416**	**111,508**	**286,463**	**2,498,387**

Carrying amounts

	Assets		Liabilities		Net	
	2026 $'000	2025 $'000	2026 $'000	2025 $'000	2026 $'000	2025 $'000
Property, plant and equipment and intangibles	-	-	3,256,572	2,777,855	3,256,572	2,777,855
Other assets	-	-	(100)	(926)	(100)	(926)
Right-of-use assets	(41,836)	(29,813)	-	-	(41,836)	(29,813)
Employee benefits	(135,493)	(171,825)	-	-	(135,493)	(171,825)
Provisions not currently deductible	(13,216)	(23,502)	-	-	(13,216)	(23,502)
Anticipated receipts and accrued expenses	898	874	-	-	898	874
Service concession liabilities	(44,731)	(52,714)	-	-	(44,731)	(52,714)
Greenhouse trading certificates and biodiversity offset credits	(1,605)	(1,562)	-	-	(1,605)	(1,562)
Tax (assets) / liabilities	**(235,983)**	**(278,542)**	**3,256,472**	**2,776,929**	**3,020,489**	**2,498,387**
Set-off of tax	235,983	278,542	(235,983)	(278,542)	-	-
Net tax (assets) / liabilities	**-**	**-**	**3,020,489**	**2,498,387**	**3,020,489**	**2,498,387**

(c) Uncertainty over income tax treatment

AASB Interpretation 23 Uncertainty over income Tax Treatment clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes where there is uncertainty over income tax treatments. An assessment is required of each uncertain tax position as to whether it is probable that the ATO will accept the position. Where it is not probable, the effect of the uncertainty is reflected in determining the relevant taxable profit or loss, tax bases and tax rates. The amount is determined as either the single most likely amount or the sum of the probability weighted amounts in a range of possible outcomes, whichever better predicts the resolution of the uncertainty. Judgements are reassessed as and when new facts and circumstances are presented.

An area of tax uncertainty relates to the treatment of non-monetary developer contributions (refer Note 1(a)) following the Full Federal Court decision in Victoria Power Networks Pty Ltd v Commissioner of Taxation [2020] FCAFC 169 (VPN). The VPN decision considered the valuation of gifted assets under section 21A of the Income Tax Assessment Act 1936 and the associated income tax and depreciation consequences.

Since the VPN decision, the ATO has undertaken further consideration of the treatment of gifted assets. During 2025 and early 2026, the ATO advised that it was considering a private ruling application involving an NTER entity and issued administrative guidance to certain named entities confirming that, based on their specific facts and circumstances, their proposed tax treatment and valuation approaches for gifted assets were considered reasonable. Sydney Water was not within the scope of this guidance and was advised to await further ATO guidance.

In July 2026, the ATO finalised the private ruling. The ruling concluded that the arm's length value of the gifted assets at the time ownership transferred to the taxpayer was nil and that no amount was included in the tax cost of those assets. Accordingly, the ruling removed both the potential assessable income outcome and any corresponding tax depreciation deductions for the assets covered by that ruling.

Management notes that the private ruling applies only to the specific taxpayer and fact pattern considered by the ATO and does not extend to Sydney Water's circumstances. While the ruling provides an indication of the ATO's current thinking on gifted assets, no public guidance has yet been issued addressing the treatment of non-monetary developer contributions in the regulated water industry. Accordingly, there remains uncertainty as to whether future ATO guidance may result in a change to Sydney Water's tax treatment of such assets.

Based on the information available at the reporting date, management considers that the most likely outcome is that the current tax treatment of non-monetary developer contributions as assessable income will continue to apply. Consequently, no adjustment has been made to current income tax expense, current income tax payable, or previously recognised tax balances.

Assets, asset related liabilities and fair values

Note 4. Property, plant and equipment

Movements and carrying amounts

	Market land and buildings $'000	Leasehold property $'000	System assets - infrastructure including system land $'000	Service concession assets $'000	Plant and equipment $'000	Computer equipment $'000	Work in progress $'000	Total $'000
At 1 July 2024 – net carrying amount	107,202	30,695	20,918,461	1,594,865	24,468	13,730	4,253,438	26,942,859
Additions to work in progress	-	-	-	-	-	-	2,573,979	2,573,979
Additions transferred from work in progress	525	674	1,961,501	-	6,694	13,400	(1,982,794)	-
Additions – non-monetary developer contributions	-	-	236,222	-	-	-	-	236,222
Disposals	-	-	(26,116)	-	(143)	(30)	-	(26,289)
Reclassified as assets held for sale	(3,644)	-	-	-	-	-	-	(3,644)
Other reclassifications	(7,271)	-	5,446	1,825	-	-	-	-
Reclassified to intangibles	-	-	-	-	-	-	(15,067)	(15,067)
Revaluation increments/(decrements) recognised in the asset revaluation reserve	14,759	1,522	564,702	385,234	-	-	-	966,217
Impairment (losses)/losses reversed or revaluation (decrements)/increments recognised in profit or loss	289	-	-	-	-	-	(9,203)	(8,914)
Depreciation charge	(122)	(1,572)	(326,804)	(20,771)	(8,308)	(11,965)	-	(369,542)
At 30 June 2025 – net carrying amount	**111,738**	**31,319**	**23,333,412**	**1,961,153**	**22,711**	**15,135**	**4,820,353**	**30,295,821**
Additions to work in progress	-	-	-	-	-	-	3,171,412	3,171,412
Additions transferred from work in progress	(541)	1,045	1,821,284	258	3,778	5,969	(1,831,793)	-
Additions – non-monetary developer contributions	-	-	282,116	-	-	-	-	282,116
Disposals	-	-	(53,086)	(2)	(7)	-	-	(53,095)
Reclassified as assets held for sale	(540)	-	-	-	-	-	-	(540)
Other reclassifications	(1,576)	-	(14,510)	16,086	-	-	-	-
Reclassified from intangibles	-	-	-	-	-	-	17,351	17,351
Revaluation increments/(decrements) recognised in the asset revaluation reserve	8,070	4,553	945,430	275,015	-	-	-	1,233,068
Impairment (losses)/losses reversed or revaluation (decrements)/increments recognised in profit or loss	(368)	-	-	-	-	-	(11,138)	(11,506)
Depreciation charge	(130)	(1,734)	(384,614)	(36,979)	(6,865)	(8,945)	-	(439,267)
At 30 June 2026 – net carrying amount	**116,653**	**35,183**	**25,930,032**	**2,215,531**	**19,617**	**12,159**	**6,166,185**	**34,495,360**

	Market land and buildings $'000	Leasehold property $'000	System assets - infrastructure including system land $'000	Service concession assets $'000	Plant and equipment $'000	Computer equipment $'000	Work in progress $'000	Total $'000
At 30 June 2025								
Fair value (level 2) – market approach	114,616	32,373	-	-	-	-	-	146,989
Fair value (level 3) – income approach	-	-	23,333,412	-	-	-	-	23,333,412
Fair value (level 3) – cost approach	-	-	-	2,437,208	152,049	152,743	4,820,353	7,562,353
	114,616	32,373	23,333,412	2,437,208	152,049	152,743	4,820,353	31,042,754
Accumulated depreciation	(52)	(694)	-	(476,055)	(129,338)	(137,608)	-	(743,747)
Accumulated impairment	(2,826)	(360)	-	-	-	-	-	(3,186)
	(2,878)	(1,054)	-	(476,055)	(129,338)	(137,608)	-	(746,933)
At 1 July 2025 – net carrying amount	**111,738**	**31,319**	**23,333,412**	**1,961,153**	**22,711**	**15,135**	**4,820,353**	**30,295,821**
At 30 June 2026								
Fair value (level 2) – market approach	119,526	36,345	-	-	-	-	-	155,871
Fair value (level 3) – income approach	-	-	25,930,032	-	-	-	-	25,930,032
Fair value (level 3) – cost approach	-	-	-	2,839,499	153,910	155,136	6,166,185	9,314,730
	119,526	36,345	25,930,032	2,839,499	153,910	155,136	6,166,185	35,400,633
Accumulated depreciation	(57)	(766)	-	(623,968)	(134,293)	(142,977)	-	(902,061)
Accumulated impairment	(2,816)	(396)	-	-	-	-	-	(3,212)
	(2,873)	(1,162)	-	(623,968)	(134,293)	(142,977)	-	(905,273)
At 1 July 2026 – net carrying amount	**116,653**	**35,183**	**25,930,032**	**2,215,531**	**19,617**	**12,159**	**6,166,185**	**34,495,360**
Revalued assets based on cost model								
Cost	35,909	28,464	28,426,607	798,962	-	-	-	
Accumulated depreciation	(6,039)	(21,040)	(6,987,986)	(425,712)	-	-	-	
Accumulated impairment	(7,023)	-	-	-	-	-	-	
	(13,062)	(21,040)	(6,987,986)	(425,712)	-	-	-	
At 1 July 2026 – net carrying amount	**22,847**	**7,424**	**21,438,621**	**373,250**	**-**	**-**	**-**	

	Market land and buildings $'000	Leasehold property $'000	System assets - infrastructure including system land $'000	Service concession assets $'000	Plant and equipment $'000	Computer equipment $'000	Work in progress $'000	Total $'000
At 30 June 2024								
Fair value (level 2) – market approach	110,170	31,700	-	-	-	-	-	141,870
Fair value (level 3) – income approach	-	-	20,918,461	-	-	-	-	20,918,461
Fair value (level 3) – cost approach	-	-	-	1,806,006	202,907	143,379	4,253,438	6,405,730
	110,170	31,700	20,918,461	1,806,006	202,907	143,379	4,253,438	27,466,061
Accumulated depreciation	(50)	(645)	-	(211,141)	(178,439)	(129,649)	-	(519,924)
Accumulated impairment	(2,918)	(360)	-	-	-	-	-	(3,278)
	(2,968)	(1,005)	-	(211,141)	(178,439)	(129,649)	-	(523,202)
At 1 July 2024 – net carrying amount	**107,202**	**30,695**	**20,918,461**	**1,594,865**	**24,468**	**13,730**	**4,253,438**	**26,942,859**
At 30 June 2025								
Fair value (level 2) – market approach	114,616	32,373	-	-	-	-	-	146,989
Fair value (level 3) – income approach	-	-	23,333,412	-	-	-	-	23,333,412
Fair value (level 3) – cost approach	-	-	-	2,437,208	152,049	152,743	4,820,353	7,562,353
	114,616	32,373	23,333,412	2,437,208	152,049	152,743	4,820,353	31,042,754
Accumulated depreciation	(52)	(694)	-	(476,055)	(129,338)	(137,608)	-	(743,747)
Accumulated impairment	(2,826)	(360)	-	-	-	-	-	(3,186)
	(2,878)	(1,054)	-	(476,055)	(129,338)	(137,608)	-	(746,933)
At 1 July 2025 – net carrying amount	**111,738**	**31,319**	**23,333,412**	**1,961,153**	**22,711**	**15,135**	**4,820,353**	**30,295,821**
Revalued assets based on cost model								
Cost	35,909	28,464	28,426,607	798,962	-	-	-	
Accumulated depreciation	(6,039)	(21,040)	(6,987,986)	(425,712)	-	-	-	
Accumulated impairment	(7,023)	-	-	-	-	-	-	
	(13,062)	(21,040)	(6,987,986)	(425,712)	-	-	-	
At 1 July 2025 – net carrying amount	**22,847**	**7,424**	**21,438,621**	**373,250**	**-**	**-**	**-**	

6 FINANCIAL PERFORMANCE

(a) Asset classes

The Corporation has the following asset classes forming property, plant and equipment:

System assets
These are infrastructure assets that deliver water, wastewater, stormwater services and recycled water to customers through an integrated network of various asset categories. This class also includes system land and water meters. System land is land upon which the various system asset categories are located and which has no other alternative use.

Market land and buildings
These are properties held and owned by the Corporation and that have potential for alternative use.

Leasehold property
This is a property held by the Corporation under a 99-year lease.

Plant and equipment
These are assets that comprise vehicles, office equipment and operating plant and machinery.

Computer equipment
These are assets that comprise computer hardware, such as servers, desktop computers, laptops and other associated computer peripherals.

Service concession assets
The Corporation as a public sector grantor engages private sector operators to provide public services using the Corporation's assets. The private sector operators must exercise managerial discretion over the specified term of the arrangements when providing the public services. The Corporation's assets identified in these arrangements are recognised as service concession assets (refer to note 6).

(b) Acquisitions and capitalisation

Property, plant and equipment assets are recognised initially at the cost of acquisition, which includes costs directly attributable to bringing the relevant asset to the location and condition necessary for it to operate as intended.

Items costing $5,000 or more individually and having a minimum expected working life of three years are capitalised. In the case of system (pipeline) asset categories that work together to form an entire network, all expenditures are capitalised regardless of cost.

For system assets constructed by the Corporation for its own use, the initial cost capitalised includes the cost of construction including direct labour, materials, contractors' services costs, inspection costs, capital support costs and borrowing costs. These costs are capitalised initially as work in progress and then reclassified as completed assets when the asset becomes operational.

Inspection costs are capitalised when incurred and are depreciated over the period until the next inspection. Restoration costs are also capitalised when a decision to decommission the asset has been made. This also gives rise to the recognition of a corresponding liability as a provision (refer to note 13(d)).

Where system assets are handed over as non-monetary developer contributions (also referred to as assets free of charge), they are initially recognised at fair value using the cost approach (refer to note 4(d)) based on an estimate of the sub-contractor's cost, which in effect represents their replacement cost as at the date of acceptance.

(c) Asset revaluations

After initial recognition, each class of property, plant and equipment is stated at fair value less any accumulated depreciation and accumulated impairment losses. Adoption of the revaluation model, rather than the cost model, is required under NSW Treasury mandates for NSW public sector entities.

For system assets, market land and buildings, leasehold properties and service concession assets, remeasurement to fair value is undertaken by way of an asset revaluation. For these asset classes, revaluation increments are recognised in other comprehensive income and credited to an asset revaluation reserve within equity in the statement of financial position.

Plant and equipment, computer equipment and work in progress are not subject to revaluations as their carrying amounts closely approximate their fair value.

Where a revaluation decrement or an impairment loss reverses a previous revaluation increment within the asset revaluation reserve, the revaluation decrement or impairment loss is debited to that reserve until the original credit is extinguished. Any excess debit above the original credit is recognised as an expense in profit or loss.

Revaluation increments and decrements are offset against one another on an 'individual asset' basis.

For system assets (including right-of-use assets similarly classified), the 'individual asset' is considered to be the entire system asset network at the whole of entity level. This is because all the system asset categories work together as an integrated network to provide services to customers and to generate cash flows, rather than individually. For market land and buildings and the leasehold property (including right-of-use assets similarly classified), the 'individual asset' is considered to be each individual land parcel together with any building improvements on the land parcel.

When revaluing system assets, market buildings and leasehold property to fair value, any accumulated depreciation or amortisation is netted against the gross carrying amount and the resulting balance is then increased or decreased by the revaluation adjustment.

Upon disposal of assets that have been revalued, any asset revaluation reserve balance relating to the disposed assets is transferred to retained earnings.

(d) Fair value approaches and hierarchy levels

Fair value is defined as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.' There are three approaches to calculating fair value:

- the market approach, where fair value is determined using prices and other relevant information generated by market transactions involving identical or comparable assets or groups of assets;
- the income approach, where fair value is determined by converting future cash flows to a single current (discounted) amount; and
- the cost approach, where fair value is determined by calculating the current replacement cost of an asset, which represents the amount that would be required currently to replace the service capacity of an asset.

Fair value measurement is classified into three levels of a hierarchy based on the inputs used:

- Quoted prices in active markets (level 1);
- Other observable inputs (level 2); and
- Unobservable inputs (level 3).

Due to the unique nature of the Corporation's property, plant and equipment assets, while level 2 observable inputs are considered, the inputs used to determine the fair value measurements also includes level 3 unobservable inputs. Hence the fair value measurements are considered level 3 valuations. This also applies to intangible assets (refer to note 7).

(e) Fair value measurement of asset classes

The relevant valuation technique used for each asset class of property, plant and equipment is as follows:

System assets – income approach
The income approach is used to value system assets, as there is generally no active market for assets of such a specialised nature. The income approach is considered more relevant to a market participant than the estimated depreciated current replacement cost of these assets.

The income approach calculates fair value using the stream of future net cash flows (discounted to their present value) from the whole, integrated network of system assets held by the Corporation. Determining fair value under this approach is highly dependent on the assumptions used to estimate the future net cash flows (refer note 4(f)).

The Corporation aligns its approach to determining the future cash flows with the pricing methodology applied by IPART. In addition to the cash flows for regulated assets under this approach, the Corporation's fair value calculations also include estimated cash flows from non-regulated assets, which are not included in IPART's methodology.

System assets are assessed as an integrated network because of the interdependent nature of their operations, and they are grouped at a whole of entity level because the IPART pricing methodology assesses future cash flows at that level.

The fair value of system assets is determined by initially calculating the total value of all the Corporation's assets that contribute to the generation of future cash flows. The fair value of system assets is then derived by deducting asset classes that are shown separately and have been valued (at fair value) using a market or cost approach.

Market land and buildings, and leasehold property – market approach
Fair value is measured based on valuations of the open market value of the property by independent valuers, after (where applicable) considering community expectations, government directives and heritage aspects concerning the future use of the property being valued.

Inputs to the valuations are sale prices of similar properties in the same or comparable localities, rental income and applicable lease terms. Where land is environmentally contaminated and the Corporation has an obligation to remediate the land, a separate provision is raised where reliable estimates of remediation costs have been determined. Estimates of the costs to sell are regarded as an impairment to the realisation of fair value and are deducted from the independent market valuations when determining their recoverable amount (as an impairment to fair value).

Independent comprehensive market valuations are obtained every five years unless market conditions necessitate an earlier valuation. During the interim years between comprehensive valuations, an index based valuation adjustment (determined by independent valuers) is applied to each property. Market land and buildings acquired between valuation dates are recognised at a valuation applicable to the reporting period and are revalued at the next valuation date, unless there is a specific need to obtain an independent valuation earlier. At each reporting date, a review of the property market is undertaken to see if there has been a material change in the fair values of market land and buildings since the revaluation date. Where there has been a material change, the carrying amounts in the statement of financial position are adjusted accordingly.

Plant and equipment, computer equipment and work in progress – cost approach
Depreciated historical cost is considered an acceptable surrogate for a market-based fair value for plant and equipment and computer equipment. Cost is considered the most accurate fair value measurement of assets under construction and within work in progress.

Service concession assets - cost approach
Service concession assets are measured at current replacement cost. Current replacement cost is estimated using the modern engineering equivalent replacement asset (MEERA) methodology and then depreciated via the straight-line method based on an assessment of useful lives and asset condition. This assessment is based on visual inspection of the asset and the review of asset condition records provided by the operator.

Independent replacement cost valuations are obtained once every five years. During the interim years between comprehensive valuations, an index based valuation adjustment is applied to each service concession asset. New service concession assets are subject to an independent replacement cost valuation.

6 FINANCIAL PERFORMANCE

(f) Fair value model

A discounted cash flow model is used to determine the total fair value of all the Corporation's asset classes, including market land and buildings, leasehold property, system assets, plant and equipment, computer equipment, service concession assets and intangible assets (refer to note 7). Fair value is calculated based on discounting the future cash flows derived from the IPART methodology for regulated assets and including estimated cash flows from non-regulated assets. For the current reporting year, future revenues were estimated as follows:

- For future years where IPART has set prices in their last Pricing Determination (from 1 October 2025 to 30 June 2030 – the current 'Price Path'), the revenue requirement determined by IPART was used. This is for the 4 years following the 30 June 2026 balance date. Adjustments were made (where required) for changes in water demand/usage and customer growth.
- For future years (after 30 June 2030), the methodology applied by IPART was used. This involves determining a regulatory asset base (RAB) for the purpose of calculating an 'annual revenue requirement', and therefore the future cash flows, that will be generated by the Corporation's assets. The 'annual revenue requirement' is the revenue needed to pay for the Corporation's investment in its assets ('return of' capital), obtain an investment return ('return on' capital) and pay for operating expenses. It also covers an allowance for a theoretical income tax amount and working capital.

The major assumptions used in the Corporation's fair value model are outlined below:

Assumptions	Approach used to determine fair value and impact on fair value measurement
Discount rate	Post-tax weighted average cost of capital (WACC) 'nominal' discount rate of 5.80% (2025: 5.90%). The rate was determined after a market assessment of rate parameters. The asset value would decrease with an increase in the discount rate.
Terminal value and growth rate	The terminal value has been determined as an average of the terminal value based on the Gordon Growth Model and the terminal value based on a 1.0 multiple of the year 30 regulated asset base value. The terminal value based on the Gordon Growth Model uses a growth rate which is the assumed forecast growth rate in free cash flows beyond the initial 30-year (2025: 30-year) forecast period used. A growth rate of 2.50% has been adopted (2025: 2.50%).
CPI rate for future years after the current 'Price Path'	The RAB is escalated using a CPI rate of 2.50% (2025: 2.50%) for determining the annual revenue requirement beyond the current 'Price Path', for future years in the forecast after 30 June 2030. The asset value would increase/decrease with an increase/decrease in the CPI.
Period of discounting	The discounting incorporates cash flows over a 30-year (2025: 30-year) period and an estimate of 'terminal value' using the year 30 regulated asset base value.
Service and usage revenue cash inflows	Estimates of future revenue earnings were drawn from the Corporation's 2026-27 Statement of Corporate Intent and the long-term forecast Corporate Model and were based on: • IPART's 2025-30 Pricing Determination and expected earnings rates over succeeding pricing periods, • the RAB determined by IPART from the 2025-30 Pricing Determination and rolled forward thereafter, and • capital spending over the future forecast / discount period. The asset value would be higher if future revenue was higher.
Infrastructure contributions	Infrastructure contributions to be charged for future years are excluded as these help the Corporation to recover the cost of its growth capital expenditure which in accordance with the requirements of the relevant accounting standard is excluded from the valuation model.
Other non-regulated revenue cash inflows	Cash flows from non-regulated recycled water assets are added to the future regulated income streams. Investment and interest income are excluded. The asset value would be higher if non-regulated revenue (including developer charges on non-regulated recycled water assets) was higher.
Operating expenditure cash outflows	Operating expenditures were drawn from the Corporation's Statement of Corporate Intent and the long-term forecast Corporate Model, excluding non-cash items such as depreciation and impairment expenses. The asset value would be higher if operating expenditure was lower than that incorporated into prices over the current 'Price Path' and no effect thereafter as it is assumed that operating expenditure would be fully funded ('passed through') in future IPART Pricing Determinations.
Capital expenditure cash outflows	Capital expenditure over the 30-year (2025: 30-year) forecast period. The asset value would be higher if capital expenditure was higher. Growth capital expenditure is excluded. The capital expenditure is sourced from the Corporation's 2026-27 Statement of Corporate Intent which is based on IPART's 2025-30 Pricing Determination and for beyond 2030, from the Corporation's long-term capital operating plan.
Cash flows from franking credits	Benefits accruing from franking credits that could accompany future dividends paid by the Corporation to a hypothetical investor (in the private sector) were included in future cash flows.

Sensitivity analysis

Discount rate	Rate Applied %	If higher +0.2%	If lower -0.2%
Nominal post-tax rate	5.80%	6.00%	5.60%
Calculated fair value of property, plant and equipment including right-of-use assets ($'000)	36,573,173	35,137,904	38,085,109
Resulting change ($'000)		**(1,435,269)**	**1,511,936**

Estimated future service and usage revenue	Rate Applied %	If higher +1.0%	If lower -1.0%
Statement of Corporate Intent 2026-27	100%	101%	99%
Calculated fair value of property, plant and equipment including right-of-use assets ($'000)	36,573,173	37,542,624	35,614,224
Resulting change ($'000)		**969,451**	**(958,949)**

Terminal value growth rate	Rate Applied %	If higher +0.25%	If lower -0.25%
Terminal value growth rate	2.50%	2.75%	2.25%
Calculated fair value of property, plant and equipment including right-of-use assets ($'000)	36,573,173	37,409,511	35,853,468
Resulting change ($'000)		**836,338**	**(719,705)**

Terminal value based on a multiple of year 30 regulatory asset base	Rate Applied x	If higher +0.05x	If lower -0.05x
Multiple of year 30 regulatory asset base	1.00x	1.05x	0.95x
Calculated fair value of property, plant and equipment including right-of-use assets ($'000)	36,573,173	36,934,117	36,212,229
Resulting change ($'000)		**360,944**	**(360,944)**

(g) Depreciation and amortisation

Items of property, plant and equipment (excluding freehold land) are depreciated or amortised on a straight-line basis over their estimated useful lives, making allowance where appropriate for residual values. The lives are reviewed annually, considering assessments of asset condition, commercial and technical obsolescence and expected normal wear and tear. Work in progress is not depreciated until the assets are brought into service and are available for use. The normal life expectancies of major asset classes and categories of property, plant and equipment when initially installed are unchanged from the prior year and are as follows:

	Number of Years
System asset network categories:	
Dams (non-catchment) and stormwater wetlands infrastructure	200
Canals, tunnels and weirs	100
Major pipelines (above ground)	140
Water mains, wastewater mains / aqueducts	55 to 150
Stormwater drains and basins	80 to 150
System buildings	20 to 50
Water, sewage and stormwater pumping stations	15 to 100
Reservoirs	15 to 150
Integrated control systems	3 to 15
Water meters	8 to 20
Right-of-use assets	Lease term

	Number of Years
Other classes:	
Market buildings	20 to 40
Leasehold property	99
Plant and equipment	5 to 12
Computer equipment	3 to 15
Right-of-use assets (note 5)	Lease term
Service concession assets (note 6)	7 to 100

For wastewater gravity mains greater than 100mm in diameter, the hole/cavity component is considered to be non-depreciable as these mains are capable of being repeatedly re-lined in the future (rather than being entirely replaced through excavation) and hence only the pipe conduit component for these mains shown above under the category of wastewater mains is considered to be depreciable.

(h) Impairment testing

At each reporting date, the carrying amount of property, plant and equipment assets is reviewed to determine whether there is an indication of impairment. If any indication of impairment exists, an estimate of the recoverable amount of the assets affected is made. Recoverable amount is determined as the higher of fair value less costs to sell, and value in use. Value in use is also determined by discounting future cash flows generated by the Corporation's assets using the IPART regulatory pricing methodology.

Impairment losses for a cash-generating unit taken as a whole are allocated to reduce the carrying amount of each asset in the cash-generating unit on a pro rata basis, except for those assets that have a separately determinable recoverable amount. The Corporation has a single cash-generating unit at the whole of entity level.

Note 5. Right-of-use assets and lease liabilities

Movements and carrying amounts of right-of-use assets

	Market land and buildings	System assets - infrastructure including system land	Plant and equipment	Computer equipment	Total
	$'000	$'000	$'000	$'000	$'000
At 1 July 2024 – net carrying amount	214,008	1,889,831	21,411	-	2,125,250
Additions	1,140	-	11,810	3,755	16,705
Remeasurements	739	7,145	1,587	-	9,471
Depreciation charge	(12,730)	(64,163)	(10,082)	(1,877)	(88,852)
At 30 June 2025 – net carrying amount	**203,157**	**1,832,813**	**24,726**	**1,878**	**2,062,574**
Additions	53,744	-	13,188	21,655	88,587
Remeasurements	925	16,553	218	-	17,696
Depreciation charge	(13,666)	(65,567)	(9,854)	(1,957)	(91,044)
At 30 June 2026 – net carrying amount	**244,160**	**1,783,799**	**28,278**	**21,576**	**2,077,813**

	Note	2026 $'000	2025 $'000
Carrying amounts of related lease liabilities			
Current			
Lease liabilities related to right-of-use assets		36,844	38,659
Total current lease liabilities related to right-of-use assets		**36,844**	**38,659**
Non-current			
Lease liabilities related to right-of-use assets		2,180,423	2,123,292
Total non-current lease liabilities related to right-of-use assets		**2,180,423**	**2,123,292**
Total lease liabilities related to right-of-use assets		**2,217,267**	**2,161,951**
Amounts recognised in profit or loss			
Interest expense for lease liabilities related to right-of-use assets	2(a)	216,106	215,914
Depreciation charge – right-of-use assets	2(b)	91,044	88,852
Leases of low value assets expense	2(b)	-	15
Short-term lease expense	2(b)	5,317	2,255
Amounts recognised in the statement of cash flows			
Cash outflows for lease payments (within cash flows from financing activities)		50,965	45,924
Lease interest paid (within cash flows from operating activities)		216,106	215,914
Total cash outflows for leases		**267,071**	**261,838**

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(a) Types of right-of-use assets and related lease liabilities

The Corporation has the following types of right-of-use assets and related lease liabilities:

Market land and buildings leases
The Corporation leases properties to conduct its operations. Leases for these properties generally have terms of one to ten years' duration with option periods following, ranging up to 15 years. Where no option periods exist, it is necessary to negotiate a new lease with the owner, who has the right to require vacant possession. Where there are option periods, the option to continue occupation rests with the Corporation alone. The following factors are relevant when considering the option to extend the lease term:

- If any leasehold improvements are expected to have a significant remaining value, the Corporation is typically reasonably certain to extend; and
- The Corporation considers the historical lease durations, the costs and business disruption required to replace the leased properties.

Extension and termination options are included in most of the property leases. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Corporation as lessee.

Head office building
The Corporation holds a lease agreement to use the property at 1 Smith Street, Parramatta as a head office. This lease agreement came into effect during May 2024, replacing the previous lease agreement for the same property.

The initial term for the current lease agreement is for ten years which is to end in May 2034. It is assumed the lease term will be extended by a further ten years to May 2044 as the Corporation is considered likely to exercise the two five-year options contained within the current lease agreement.

North Ryde laboratory and car parking facilities
During the current reporting period, the Corporation entered a lease to use the property at 11 Julius Avenue, North Ryde, comprising office and laboratory facilities, warehouse space and car parking. The lease has an initial 10-year term, expiring in May 2036. It is assumed the lease will be extended for a further 10 years, to May 2046, as the Corporation considers it reasonably certain that the two available five-year extension options will be exercised.

System assets leases – infrastructure including system land

Sydney Desalination Plant (SDP)
The Greater Sydney Water Strategy (GSWS) was released in August 2022. The GSWS outlined a change for the use of SDP to meet the growing population needs of Greater Sydney. The intent is that SDP is used to produce additional drinking water to first contribute towards higher dam levels at the start of a future drought and to then slow down the rate of dam depletion during this future drought.

The Corporation is party to a set of arrangements with SDP Pty Ltd (the SDP owner). These arrangements include a water supply agreement to produce desalinated drinking water and a set of operating rules to govern the use of SDP in conjunction with the Corporation's infrastructure network. The operating rules were revised with effect from 1 July 2023 to reflect the GSWS objectives and to provide the Corporation with a greater degree of operational control over SDP. The impact of these revised arrangements is that the Corporation holds a lease agreement over SDP from 1 July 2023. The lease term covers the period 1 July 2023 to 30 June 2062. There is no option for extension.

The Corporation uses the rate implicit in the SDP lease arrangements (IRIL) of 10.897% to discount the future stream of cash flow payments to their net present value. The calculation of the IRIL incorporates an estimate of the residual value for SDP at the end of the lease term. This residual value estimate is based on SDP's Regulated Asset Base value as determined by IPART within its last pricing determination for SDP Pty Ltd.

Recycled water infrastructure lease
The Corporation has a lease agreement to obtain recycled water from a plant that is owned and operated by an external party in the Rosehill/Camellia area. A lease arises for the Corporation in relation to the payments made to obtain the recycled water which is subsequently sold to a small number of foundation customers for industrial and irrigation purposes. The lease agreement is for a term of 20 years, extending to 2031-32. There is no option to extend.

Plant and equipment leases
The Corporation leases motor vehicles and other plant and equipment. These leases are predominantly for terms between two and five years. There is an option to extend the lease liability however these have not been included because the Corporation can replace the asset without significant cost, i.e., commence a new lease liability.

Data centre leases
The two lease agreements for the NSW Government Data Centre facilities expired on 30 June 2026. During the current reporting period, the Corporation entered into two new long-term lease agreements with Macquarie Technology and CDC data centres. Each of the new leases has an initial term of 10 years, with two options to extend for a further two years each.

Short-term leases and low-value leases
The Corporation applied the short-term lease recognition exemption under AASB 16 *Leases* as mandated by NSW Treasury to its short-term leases (where lease term at commencement is 12 months or less and do not contain a purchase option). The Corporation also applied the lease of low-value assets recognition exemption under AASB 16 *Leases* as mandated by NSW Treasury to its leases considered to be low value (less than $10,000). Lease payments on short-term leases and low value asset leases are recognised as an expense on a straight-line basis over the lease term.

(b) Recognition and measurement of right-of-use assets

The Corporation as lessee recognises right-of-use assets and lease liabilities for most leases at commencement date of the lease term. This is the date the underlying lease assets are available for use. Right-of-use assets are initially measured at the amount of the related initial measurement of the lease liability. This amount is then adjusted for any lease payments made at or before the commencement date, any lease incentives received, initial direct costs incurred in relation to the lease and the estimated costs for dismantling and removing the right-of-use asset. Subsequent to initial recognition the right-of-use asset is measured using the cost model as per NSW Treasury mandate.

(c) Depreciation of right-of-use assets

The right-of-use assets are depreciated on a straight-line basis over their lease term as this is considered to be shorter than the right-of-use assets' estimated useful lives. The normal life expectancy of these assets when initially installed is the lease term.

(d) Recognition and measurement of lease liabilities

At the commencement date of the lease, the Corporation as lessee recognises lease liabilities related to right-of-use assets measured at the present value of lease payments to be made over the lease term. Lease payments include:

- Fixed payments less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate;
- Amounts expected to be paid under residual value guarantees;
- The exercise price of any purchase options reasonably certain to be exercised by the Corporation; and
- Payments of penalties for terminating the lease, if the lease term reflects the Corporation exercising the option to terminate.

The lease payments are discounted using the interest rate implicit in the lease. Where this rate cannot be readily determined, which is generally the case for most of the Corporation's leases, the incremental borrowing rate of the Corporation is used instead. The incremental borrowing rate is the rate that the Corporation would have to pay to borrow the funds necessary to obtain a right-of-use asset of similar value and in a similar economic environment, with similar terms and conditions. This rate is then increased by the Government guarantee fee rate charged by NSW Treasury.

After the commencement date, the amount of lease liabilities is increased to reflect the accumulation of interest expense and reduced for the lease payments made. Lease payments are dissected into a principal portion and an interest portion, with the principal portion reducing the lease liability over time.

The carrying amount of the lease liabilities is also remeasured if there is a modification, a change in the lease term, a change in the lease payments due to a change in the CPI index or another index/rate used to determine such lease payments or a change in the assessment of an option to purchase the underlying asset.

Where the Corporation is exposed to potential future increases in variable lease payments based on the CPI index or another index/rate, these are not included within the lease liability until they take effect. When the adjustments take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

The lease agreements do not impose any covenants. The leased assets are not used as security for borrowing purposes. The Corporation also does not provide residual value guarantees in relation to leases.

The average incremental borrowing rate applied to new lease liabilities from 1 July 2025 was 5.75% (from 1 July 2024: 5.92%).

(e) Leases for where the Corporation is the lessor

The Corporation as lessor classifies its leases as either operating or finance leases. The Corporation does not hold any finance leases as lessor.

Note 6. Service concession assets and service concession liabilities

The Corporation holds the following service concession arrangements as at 30 June 2026 and 30 June 2025:

Description	Blue Mountains sewage transfer scheme agreement	Water filtration plant agreements	Gerringong Gerroa sewage treatment plant agreement	Wilton sewerage and recycled water scheme (including the Bingara Gorge treatment plant)
Name and description of the service concession arrangements	The Corporation has a service concession arrangement for both the Corporation owned portion and the operator owned portion of a sewage tunnel in the Blue Mountains. This tunnel is used for the transfer of sewage to the Corporation's sewage treatment plant at Winmalee.	The Corporation has contractual arrangements with the owners of water filtration plants at Prospect, Macarthur, Illawarra, and Woronora for the filtration of bulk water.	The Corporation has a service agreement with an operator for the collection, transport and treatment of sewage using the Corporation's pumping stations, pipe networks and sewage treatment works. The treated sewage is then re-used as part of a dairy farm's operations.	The Wilton Sewerage and Recycled Water Scheme, services the Bingara Gorge development and the pre-existing village of Wilton, NSW, and is comprised of the Bingara Gorge recycled water plant and the network assets including sewerage collection, a transfer sewage pumping station, effluent storage ponds, a recycled water network and an effluent transfer main to the adjacent golf course. The Corporation has a service agreement with the operator to operate and maintain both the Bingara Gorge recycled water plant and the network assets.
Terms of the arrangement	The term of the agreement is for 35 years and commenced in April 1996, with the Corporation having an option to extend to 50 years.	The term of the water filtration plant agreements are: • Macarthur: 1 March 2011 to 8 September 2030. • Illawarra and Woronora: 1 October 2015 – 30 November 2036. • Prospect: 1 Jul 2016 – 30 November 2035.	The term of the agreement is for 34 years and will end on 30 November 2036.	The agreement was due to expire on 30 March 2026. The agreement was extended until 30 June 2029, with two optional one-year extensions.
Rights and obligations	A tariff is payable to the legal owner, separated into principal and interest, and the legal title of the asset will transfer to the Corporation at the end of the agreement. The tariff component includes both a service and capital component, with the latter giving rise to a service concession liability.	A tariff is payable to the legal owner, separated into principal and interest, and the legal title of the asset will transfer to the Corporation at the end of the agreement. The tariff component includes both a service and capital component, with the latter giving rise to a service concession liability.	A tariff is payable to the operator for the operations and maintenance of the Corporation's plant. The tariff component includes only a service component. There is no related service concession liability for this service concession asset.	A tariff is payable to the operator for the operations and maintenance of the Corporation's plant. The tariff component includes only a service component. There is no related service concession liability for this service concession asset.
Frequency of payments	Quarterly.	Monthly.	Monthly.	Monthly.
Changes in arrangements that occurred during 2024-25	No changes.	No changes.	No changes.	No changes.

Description	Blue Mountains sewage transfer scheme agreement	Water filtration plant agreements	Gerringong Gerroa sewage treatment plant agreement	Wilton sewerage and recycled water scheme (including the Bingara Gorge treatment plant)
Changes in arrangements that occurred during 2025-26	No changes.	The Suez Acciona Joint Venture has been contracted to design and construct the Prospect Pre-Treatment Plant for the Corporation. The Pre-Treatment Plant will provide additional treatment for raw water to support the water filtration plant. The program spend is budgeted at $838.000 million and is divided into three packages: • Package 1: Construction and operation of the new 500 ML/day Pre-Treatment Plant. • Package 2: Flood works, including a new tilting gate emergency release point to Prospect Reservoir and decommissioning of old assets. • Package 3: Upgrades to the Prospect Water Filtration Plant including solids and residuals handling and new backwash recovery pumps. The Corporation acquired new high-voltage lines assets at the Prospect water filtration plant, for a cost of $0.258 million.	No changes.	The initial scope of the arrangement required the operator to use managerial discretion to operate and maintain the Bingara Gorge recycled water plant. The arrangement was subsequently modified to require the operator to also use the same level of managerial discretion to operate and maintain the network assets. The agreement was extended to 30 June 2029, with two optional one-year extensions.

Carrying amounts of service concession assets

	Note	2026 $'000	2025 $'000
Blue Mountains Sewage Tunnel - owned by Corporation		628,967	590,574
Blue Mountains Sewage Tunnel - owned by operator		469,483	458,521
Water filtration plants		836,072	808,049
Gerringong–Gerroa sewage treatment plant		137,906	85,504
Wilton sewerage and recycled water scheme (including the Bingara Gorge treatment plant)		143,103	18,505
Total service concession assets	4	**2,215,531**	**1,961,153**

(a) Recognition and measurement of service concession assets

The Corporation will recognise the service concession asset when it obtains control over the underlying asset. Control arises if the following conditions are present:

- The Corporation as the grantor controls or regulates what services the operator must provide with the service concession asset, to whom it must provide the services and the related price, and either;
- The Corporation as the grantor controls through ownership, beneficial entitlement or other factors, a significant residual interest in the service concession asset at the end of the term of the service concession arrangement; or
- The service concession arrangement requires that the service concession asset is used for its entire economic life.

Service concession assets are initially recognised at current replacement cost based on the principles set out within AASB 13 *Fair Value Measurement*.

Where the asset is an existing asset of the Corporation, the asset is reclassified as a service concession asset and remeasured at current replacement cost at the date of the reclassification. Any difference between the previous carrying amount and current replacement cost is recognised as if it were a revaluation of the asset.

Subsequent to initial recognition, the service concession asset is measured at current replacement cost less depreciation and any impairments.

At the end of the service concession arrangement term, the Corporation will reclassify the service concession arrangement to the appropriate asset class. The fair value reverts from current replacement cost to the appropriate approach to determining fair value by asset class. The asset is only derecognised when the Corporation ceases to control the asset.

Note 7. Intangible assets

Movements and carrying amounts

	Computer software $'000	Easements and other rights of access $'000	Work in progress $'000	Total $'000
At 1 July 2024 – net carrying amount	287,346	16,592	151,329	455,267
Additions to work in progress	-	-	67,680	67,680
Additions transferred from work in progress	55,541	-	(55,541)	-
Reclassifications from property, plant and equipment	-	-	15,067	15,067
Impairment (losses)/losses reversed or revaluation (decrements)/increments recognised in profit or loss	-	412	-	412
Amortisation charge	(62,615)	-	-	(62,615)
At 30 June 2025 – net carrying amount	**280,272**	**17,004**	**178,535**	**475,811**
Additions to work in progress	-	-	67,366	67,366
Additions transferred from work in progress	33,458	5	(33,463)	-
Reclassifications to property, plant and equipment	-	-	(17,351)	(17,351)
Impairment (losses)/losses reversed or revaluation (decrements)/increments recognised in profit or loss	-	644	-	644
Amortisation charge	(64,295)	-	-	(64,295)
At 30 June 2026 – net carrying amount	**249,435**	**17,653**	**195,087**	**462,175**

	Computer software $'000	Easements and other rights of access $'000	Work in progress $'000	Total $'000
At 1 July 2025				
Fair value (level 3) – cost approach	1,030,550	-	178,535	1,209,085
Fair value (level 3) – income approach	-	17,004	-	17,004
	1,030,550	17,004	178,535	1,226,089
Accumulated amortisation	(750,278)	-	-	(750,278)
	(750,278)	-	-	(750,278)
At 1 July 2025 – net carrying amount	**280,272**	**17,004**	**178,535**	**475,811**
At 30 June 2026				
Fair value (level 3) – cost approach	1,064,008	-	195,087	1,259,095
Fair value (level 3) – income approach	-	17,653	-	17,653
	1,064,008	17,653	195,087	1,276,748
Accumulated amortisation	(814,573)	-	-	(814,573)
	(814,573)	-	-	(814,573)
At 30 June 2026 – net carrying amount	**249,435**	**17,653**	**195,087**	**462,175**

	Computer software $'000	Easements and other rights of access $'000	Work in progress $'000	Total $'000
At 1 July 2024				
Fair value (level 3) – cost approach	975,009	-	151,329	1,126,338
Fair value (level 3) – income approach	-	16,592	-	16,592
	975,009	16,592	151,329	1,142,930
Accumulated amortisation	(687,663)	-	-	(687,663)
	(687,663)	-	-	(687,663)
At 1 July 2024 – net carrying amount	**287,346**	**16,592**	**151,329**	**455,267**
At 30 June 2025				
Fair value (level 3) – cost approach	1,030,550	-	178,535	1,209,085
Fair value (level 3) – income approach	-	17,004	-	17,004
	1,030,550	17,004	178,535	1,226,089
Accumulated amortisation	(750,278)	-	-	(750,278)
	(750,278)	-	-	(750,278)
At 30 June 2025 – net carrying amount	**280,272**	**17,004**	**178,535**	**475,811**

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(a) Asset classes

Intangible assets are identifiable non-monetary assets without physical substance. The Corporation has the following asset classes forming intangible assets:

Computer software
Computer software that is not an integral part of any related hardware is classified as an intangible asset. Software that is an integral part of related hardware is incorporated within the relevant class of physical assets, such as computer equipment or system assets under property, plant and equipment.

Cloud computing arrangements
Cloud computing arrangements provide the Corporation with the right to access the cloud provider's application software over the term of the arrangement. The Corporation does not receive a software intangible asset at the commencement of the term of the arrangement. A right to receive future access to the cloud provider's application software does not give the Corporation as a customer the right to obtain the future economic benefits flowing from the cloud application software itself and to restrict others from accessing these benefits.

Costs incurred for the development of software code that enhances, modifies or creates an additional capability for existing on premise systems are classified as an intangible software asset where the Corporation has the right to obtain the future economic benefits flowing from the software development and can restrict others from accessing those future economic benefits. Configuration and customisation costs associated with cloud computing arrangements is only capitalised where the Corporation satisfies the definition of control.

Easements and other rights of access
Easements or licences are entered into to allow the Corporation to access system assets situated on or under land owned by other parties.

(b) Acquisition and capitalisation

Intangible assets are capitalised initially at cost. Costs incurred on incomplete intangible assets that are being progressively acquired are recognised as work in progress at the reporting date. These assets are reclassified as completed intangible assets when the assets are fully acquired and are operational or available for use.

(c) Measurement of asset classes

The relevant valuation technique used for each asset class of intangible assets is as follows:

Computer software – cost approach
The fair value of computer software is based on the cost approach as it is considered that there is no active market that can be referenced to obtain a market-based fair value. In this case, amortised historical cost is considered an acceptable surrogate for depreciated replacement cost under the cost approach.

Easements and other rights of access – income approach
The fair value of easements and other rights of access is determined using the income approach as part of the fair value model used for system assets, as the easements are directly related to those assets (refer to notes 4(e) and 4(f)). Easements and other rights of access are included in the calculation of the fair value of the system assets. Any valuation adjustment that is applied to system assets is also applied to easements and other rights of access.

(d) Amortisation

Computer software has a finite life and accordingly it is amortised on a straight-line basis over its expected useful life.

Easements have indefinite lives, as there is no finite period over which their use is fully consumed, and so they are not amortised. Other rights of access that have a defined licensing period are amortised over that period on a straight-line basis.

Easements are only derecognised when a management decision has been made to relocate the relevant system asset component and the need for the easement no longer exists.

Work in progress intangible assets with finite lives are not amortised until the assets are brought into service and are available for use.

The normal life expectancies of intangible asset classes are as follows:

Intangible assets subject to amortisation	Number of Years
Computer software	3 to 15

Working capital management

Note 8. Cash and cash equivalents

(a) Balances at the reporting date

Carrying amounts

	2026 $'000	2025 $'000
Cash at bank	11,916	42,881

Recognition and measurement

Cash and cash equivalents in the statement of financial position comprise cash at bank and short-term deposits with a maturity period of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Corporation does not hold any cash equivalents (2025: nil).

Cash balance not recognised
Under the terms of an agreement between City of Parramatta Council (Council) and the Corporation, the Corporation is contributing to the overall development of the Civic Place public domain at Parramatta. At the reporting date, an amount of $4.477 million (2025: $4.296 million) is currently placed in an interest-bearing bank account administered by the Corporation in accordance with the agreement. The balance of cash in this bank account has not been recognised by the Corporation as an asset because officers of Council are also signatories to the account and restrict its use so that the cash is not able to be used for any other purpose by the Corporation. Funds can only be released from the bank account when Council provides to the Corporation certification of public domain works procured by Council in relation to the Civic Place development. At that time, the Corporation must hand over to the Council 14.3 per cent of the certified value of the public domain work completed.

(b) Notes to the statement of cash flows

	Note	2026 $'000	2025 $'000
Reconciliation of profit to net cash flows from operating activities			
Profit for the year		513,055	374,509
Adjustments for:			
Gain on disposal of property, plant and equipment	1(b)	(529)	(3,869)
Loss on disposal of property, plant and equipment	2(b)	54,910	26,028
Developer contributions – monetary	1(a)	(112,223)	(169,008)
Developer contributions – non-monetary	1(a)	(282,116)	(236,222)
Depreciation and amortisation	2(b)	594,606	521,009
Amortisation of deferred discounts on loans	2(a)	193,449	121,069
Indexation of CPI bonds	2(a)	20,973	32,773
Impairment loss for property, plant and equipment	2(b), 4	11,506	8,914
Impairment loss for assets classified as held for sale	2(b)	1,575	-
Impairment loss (reversed) for intangible assets	2(b), 7	(644)	(412)
Net movement in statement of financial position items applicable to operating activities:			
Other current assets		563	439
Trade and other receivables		26,230	(121,042)
Trade and other payables		(60,525)	55,249
Provisions		(47,013)	46,644
Income tax assets and liabilities		166,986	56,974
Deferred government grants		(7)	(143)
Inventories		(9,950)	(233)
Net cash flows from operating activities		**1,070,846**	**712,679**

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(c) Non-cash financing and investing activities

Assets handed over at no cost by developers and the acquisition and remeasurements of right-of-use assets are not included in the statement of cash flows as these are regarded as non-cash.

The amount capitalised during the current financial year relating to the assets received at no cost from developers (non-monetary developer contributions) was $282.116 million (2025: $236.222 million) (refer to note 1(a) and note 4).

The amount capitalised during the current financial year relating to the acquisition of right-of-use assets (refer to note 5) was $88.587 million (2025: $16.705 million). The remeasurements of leases amounted to an increase in assets of $17.696 million (2025: an increase in assets of $9.471 million).

(d) Reconciliation of changes in liabilities arising from financing activities (from cash flows and non-cash flows)

	Borrowings - NSW Treasury Corporation $'000	Lease liabilities related to right-of-use assets $'000	Service concession liabilities $'000	Dividends payable $'000	Total $'000
Balance at 1 July 2024	14,264,483	2,181,659	484,472	170,000	17,100,614
Cash flows	2,354,021	(45,924)	(45,472)	(170,000)	2,092,625
Non-cash acquisition	-	16,705	-	-	16,705
Non-cash amortisation of deferred premiums	121,069	-	-	-	121,069
Non-cash indexation of CPI indexed loans	32,773	-	-	-	32,773
Remeasurements of liabilities	-	9,511	(2,136)	-	7,375
Dividends payable	-	-	-	245,000	245,000
Balance at 1 July 2025	**16,772,346**	**2,161,951**	**436,864**	**245,000**	**19,616,161**
Cash flows	2,343,500	(50,965)	(48,001)	(245,000)	1,999,534
Non-cash acquisition	-	88,587	-	-	88,587
Non-cash amortisation of deferred premiums	193,449	-	-	-	193,449
Non-cash indexation of CPI indexed loans	20,973	-	-	-	20,973
Remeasurements of liabilities	-	17,694	(537)	-	17,157
Dividends payable	-	-	-	495,000	495,000
Balance at 30 June 2026	**19,330,268**	**2,217,267**	**388,326**	**495,000**	**22,430,861**

Note 9. Trade and other receivables

(a) Balances at the reporting date

Carrying amounts

	2026 $'000	2025 $'000
Current assets		
Trade receivables from contracts with customers		
Outstanding service availability and usage charges	217,919	178,213
Loss allowance	(6,356)	(3,571)
	211,563	174,642
Accrued unbilled usage charges on unread meters:		
Water	271,094	220,053
Wastewater	43,113	46,456
Other	529	2,052
	314,736	268,561
Other trade debtors	77,509	105,912
Loss allowance	(276)	(100)
	77,233	105,812
Total trade receivables from contracts with customers	**603,532**	**549,015**
Other receivables		
Reimbursement receivable – stabilisation works	34,987	77,091
Other debtors and accrued revenue	41,879	35,996
Prepayments	29,085	25,590
Total other receivables	**105,951**	**138,677**
Total current trade receivables from contracts with customers and other receivables	**709,483**	**687,692**
Non-current assets		
Non-current receivable held with Biodiversity Conservation Trust	3,462	3,415
Reimbursement receivable – stabilisation works	-	6,890
Total non-current receivables	**3,462**	**10,305**

Recognition and measurement

Trade and other receivables
Trade and other receivables are amounts receivable for services to customers prior to the end of the financial year and that are yet to be collected. Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price. The Corporation holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance.

Accrued unbilled charges
Accrued unbilled usage charges on unread meters comprises estimates for accrued revenue for water usage, sewer usage, trade waste and recycled water charges where meters have not been read as at the reporting date. The Corporation estimates the accrual based on consumption data and other inputs. These charges are billed to customers with actual consumption once meters are read. The estimation is inherently uncertain due to the continuous consumption of water and the time delay in water meter readings and billings to the customer (generally one quarter in arrears to consumption). Consumption patterns also vary between customers and seasons, adding estimation complexity. Outstanding trade receivables for service availability and usage charges are required to be settled within 21 days. Other trade debtors are generally required to be settled within 14 days. All other current receivables are expected to be realised within 12 months of the reporting date.

Reimbursement receivable – stabilisation works
The Corporation has a reimbursement receivable to cover the cost of stabilisation works at Boundary Creek, Penrith as per a court order. The reimbursement receivable was confirmed by and is held with the Corporation's insurer, Insurance and Care NSW (refer to note 13(d)).

Receivable held with the Biodiversity Conservation Trust
The non-current receivable represents a portion of the proceeds from sale of the Corporation's biodiversity offset credits that will be used to help meet the Corporation's obligations to protect its biodiversity stewardship sites (refer to notes 10 and 13(d)). The proceeds from sale are held with the Biodiversity Conservation Trust (a NSW Government agency).

(b) Ageing analysis of trade receivables from contracts with customers

	Gross Amount 2026 $'000	Allowance for Impairment 2026 $'000	Net amount 2026 $'000	Gross Amount 2025 $'000	Allowance for Impairment 2025 $'000	Net amount 2025 $'000
Outstanding service and usage charges						
Not past due	122,065	(50)	122,015	89,746	-	89,746
Past due 22 - 30 days	6,479	(66)	6,413	6,645	-	6,645
Past due 31 - 60 days	21,081	(1,997)	19,084	17,493	-	17,493
Past due 61 - 90 days	8,366	(91)	8,275	8,391	-	8,391
Past due 91 - 180 days	14,378	(209)	14,169	13,608	-	13,608
Past due 181 - 365 days	14,453	(321)	14,132	14,364	-	14,364
Past due > 365 days	31,097	(3,622)	27,475	27,966	(3,571)	24,395
	217,919	**(6,356)**	**211,563**	**178,213**	**(3,571)**	**174,642**
Other trade debtors						
Not past due	4,531	-	4,531	76,809	-	76,809
Past due 15 - 30 days	1,901	-	1,901	18,572	-	18,572
Past due 31 - 60 days	766	-	766	-	-	-
Past due 61 - 90 days	344	-	344	-	-	-
Past due 91 - 180 days	6,503	-	6,503	4,892	-	4,892
Past due 181 - 365 days	61,785	-	61,785	4,614	-	4,614
Past due > 365 days	1,679	(276)	1,403	1,025	(100)	925
	77,509	**(276)**	**77,233**	**105,912**	**(100)**	**105,812**

All other balances within trade receivables and other receivables are not past due and are expected to be realised at the amounts carried in the statement of financial position when due.

(c) Movement in loss allowance

Movements

	Outstanding service and usage charges		Other trade debtors		Total	
	2026 $'000	2025 $'000	2026 $'000	2025 $'000	2026 $'000	2025 $'000
Carrying amount at beginning of the year	(3,571)	(1,191)	(100)	(100)	(3,671)	(1,291)
Charge for (loss allowance)	(2,924)	(2,433)	(176)	-	(3,100)	(2,433)
Amounts written off	139	53	-	-	139	53
Carrying amount at end of the year	**(6,356)**	**(3,571)**	**(276)**	**(100)**	**(6,632)**	**(3,671)**

The Corporation applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables (refer to note 18(b)).

Note 10. Other current assets

Carrying amounts

	2026 $'000	2025 $'000
Inventories – at cost	51,880	39,064
Greenhouse trading certificates – at fair value	11	70
Biodiversity offset credits – at fair value	1,392	1,897
Total other current assets	**53,283**	**41,031**

Recognition and measurement

Inventories
Inventories include a variety of items on hand including stock, stores and materials for operational and maintenance purposes. These items have been measured by actual count or weight and are valued at cost or net realisable value using the 'weighted average' basis of valuation for the purposes of determining cost. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. The closing balance of the provision for slow moving and obsolete inventory at the end of the financial year is $2.024 million (2025: $4.889 million).

Water that resides in the Corporation's infrastructure assets at the reporting date is not recognised as inventory. This water is under the control of the NSW Department of Climate Change, Energy, the Environment and Water.

Note 11. Trade and other payables

Carrying amounts

		2026 $'000	2025 $'000
Current			
Trade payables		136,210	152,148
Non-trade payables		45,373	61,438
Income in advance		25,067	50,754
Government guarantee fee payable	2(a)	197,452	193,653
Interest expense payable		135,886	109,446
Accrued expenses		390,772	336,893
Compulsory land acquisition payable		39,415	34,696
Total trade and other payables		**970,175**	**939,028**

Recognition and measurement

Trade accounts payable and accrued expenses (other than for interest on loans and the Government guarantee fee) are normally settled within 30 days. Accrued interest on loans and advances is generally payable within a maximum period of six months. Other non-trade payables are payable at various times throughout the financial year. Trade and other payables are not secured against the assets of the Corporation. Trade accounts payable and accrued expenses are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Compulsory land acquisition
The Corporation compulsorily acquired land at Camellia in 2023-24 and recognised an accrual for the purchase price based on an external valuation of $346.961 million. A compensation notice was issued to the previous landowner who then subsequently raised an objection and commenced court proceedings. The Corporation was required to pay 90% of the Valuer General determined valuation within 28 days after notice of commencement of court proceedings. An amount of $312.265 million was paid to the previous landowner during the previous reporting period. The remaining 10% of the Valuer General determined valuation of $34.696 million plus statutory interest of $4.685 million remains accrued for until a court judgement is delivered.

Debt management

Note 12. Borrowings and other financial liabilities

Carrying amounts

	2026 $'000	2025 $'000
Current		
Borrowings:		
Come and Go borrowings – NSW Treasury Corporation	417,000	173,500
Other financial liabilities		
Service concession liabilities	51,152	48,539
Total current borrowings and other financial liabilities	**468,152**	**222,039**
Non-current		
Borrowings:		
Long-term borrowings – NSW Treasury Corporation	18,913,268	16,598,846
Other financial liabilities		
Service concession liabilities	337,174	388,325
Total non-current borrowings and other financial liabilities	**19,250,442**	**16,987,171**
Total borrowings	**19,330,268**	**16,772,346**
Total service concession liabilities	**388,326**	**436,864**

Recognition and measurement

(a) Borrowings

Interest-bearing borrowings obtained by the Corporation from NSW Treasury Corporation are recognised initially at the fair value of the consideration received, which incorporates any transaction costs associated with the borrowings. Subsequent to initial recognition, they are stated at amortised cost using the effective interest method. This includes capital indexed bonds whose carrying amount is restated at each reporting date by way of an indexation adjustment based on CPI. Amortised cost is calculated by considering any differences between the initial fair value and the final redemption value of the borrowings, such as discounts or premiums. These differences are amortised to profit or loss as part of finance costs over the period of the borrowings on an effective interest basis. Indexation adjustments on CPI indexed loans are also recognised as part of finance costs in profit or loss.

Interest-bearing borrowings are classified as current liabilities only if the borrowing is due to be settled within 12 months after the reporting date and there is no right on the part of the Corporation to roll over the obligation on a long-term basis with the respective lender. All other interest-bearing borrowings are classified as non-current liabilities, including those in which the Corporation has the right to roll over the borrowings for at least 12 months after the reporting date even if they are due to mature within a shorter period.

The agreement with NSW Treasury Corporation for the short-term and long-term borrowing facilities defines an event of default to include:

- failure by the Corporation to pay any amount due under the loan agreement within 7 days of written notice from NSW Treasury Corporation; or
- ceasing to hold a valid approval under the *Government Sector Finance Act 2018*.

The Corporation met all covenant requirements as at 30 June 2026.

(b) Service concession liabilities

Where the Corporation as grantor recognises a service concession asset (refer to note 6), it shall also recognise a service concession liability owed to the owner or operator. The exception to recognition of a service concession liability is when the service concession asset is only recognised as a result of a reclassification from another property, plant and equipment asset class or from intangible assets and there is no additional consideration provided by the owner or operator.

The fair value of the service concession liabilities has been determined as the present value of the payments to be made under the service concession arrangements that represent repayments of the service concession liability. The repayments have been discounted per NSW Treasury mandate using the incremental borrowing rate of the Corporation. This is the rate that the Corporation would have to pay to borrow the funds necessary to obtain a service concession asset of similar value in a similar economic environment and with similar terms and conditions. This rate is then increased by the amount of the Government guarantee fee rate charged by NSW Treasury. Payments by Sydney Water to the operators under the service concession arrangements are, in accordance with their substance, allocated between repayments of the service concession liability and charges for services provided by the operator. Charges for services provided by the operator in respect of the service concession are expensed as the services are delivered.

After initial recognition, the amount of the service concession liabilities is increased to reflect the accumulation of interest expense and is reduced for the service concession liability repayments made.

Service concession liabilities comprise liabilities for the Corporation's obligations under the Blue Mountains sewage transfer scheme agreement and the water filtration plant agreements (refer to note 6).

(c) Borrowing facilities

The Corporation holds the following borrowing facilities as at 30 June:

Financing facilities	Utilised 2026 $'000	Not Utilised 2026 $'000	Total Facility 2026 $'000	Utilised 2025 $'000	Not Utilised 2025 $'000	Total Facility 2025 $'000
Transaction negotiation authority facility	-	110,000	110,000	-	110,000	110,000
Purchase credit card facility	260	440	700	232	468	700
Guarantee facility	21,300	8,700	30,000	21,300	8,700	30,000
Come and Go short-term borrowing facility	417,000	83,000	500,000	173,500	176,500	350,000
Long-term borrowing facility	18,913,268	6,786,732	25,700,000	16,598,846	1,301,154	17,900,000
	19,351,828	**6,988,872**	**26,340,700**	**16,793,878**	**1,596,822**	**18,390,700**

Transaction Negotiation authority
The Corporation holds a transaction negotiation authority facility with Westpac. An authority is provided to Westpac to draw funds from the nominated bank accounts up to the value of the agreed limits. This allows immediate payments to creditors and employees regardless of the available funds in the nominated bank accounts.

Purchase credit card facility
The Corporation holds a purchase credit card facility with Citi.

Guarantee facility
The Corporation has the NSW Treasurer's approval to obtain a guarantee facility from either the Corporation's corporate banker, NSW Treasury Corporation or a combination of both. A guarantee facility is currently held with NSW Treasury Corporation. This guarantee facility is predominantly used by the Corporation to provide a guarantee to Insurance and Care NSW in respect of the Corporation's remaining self-insurance workers' compensation liability. The facility can also be used from time to time whenever a guarantee is required, in lieu of security deposits, under contractual arrangements with external parties.

Come and Go short-term borrowing facility
The Corporation has a Come and Go short-term borrowing facility in place with NSW Treasury Corporation. The facility is used extensively as part of the Corporation's daily cash management function.

Long-term borrowing facilities
The Corporation has the NSW Treasurer's approval to obtain long-term borrowing facilities from NSW Treasury Corporation. The Corporation cannot borrow in its own name from the market without the NSW Treasurer's approval. Accordingly, both new loans and the refinancing of maturing loans are arranged via NSW Treasury Corporation.

NSW Treasury Corporation loans are negotiated with either a floating interest rate, in which case the rate is reset periodically, or at a fixed rate where interest is paid half-yearly in arrears or on maturity.

NSW Treasury Corporation also provides CPI indexed loans to the Corporation. CPI indexed loans are either restated by an indexation adjustment based on CPI on a quarterly basis, or they require payment of the CPI indexation semi-annually along with the interest payment. These loans are usually refinanced at maturity. Fixed rate loans currently have maturities up to 15 years (2025: 16 years) for the Corporation. CPI indexed loans have a maximum term to maturity of 9 years to 2035 (2025: 10 years to 2035). None of these facilities are secured against the assets of the Corporation.

Other liabilities

Note 13. Provisions

Carrying amounts

	2026 $'000	2025 $'000
Current		
Short-term provisions:		
Annual leave	47,788	44,374
Rostered day off	2,877	2,364
Termination benefits	325	2,376
Employee benefits on-costs	4,851	2,630
Total short-term provisions	**55,841**	**51,744**
Current portion of long-term provisions:		
Long service leave	109,671	108,396
Employee benefits on-costs	5,978	5,188
Superannuation	-	104
Workers' compensation self-insurance	1,393	1,401
General insurance	2,116	2,538
Restoration of leased premises	400	-
Stabilisation works	8,479	42,891
Biodiversity management action plan	175	184
Restoration costs from decommissioning and maintaining system assets	7,636	7,762
Hardship applications	-	48,767
Total current portion of long-term provisions	**135,848**	**217,231**
Total current provisions	**191,689**	**268,975**
Non-current		
Long-term provisions:		
Employee benefits for long service leave	18,535	14,534
Employee benefits on-costs	1,010	1,107
Post-employment benefits from superannuation	260,608	391,676
Workers' compensation self-insurance	12,596	14,161
General insurance	4,470	3,563
Restoration of leased premises	6,099	3,255
Stabilisation works	-	6,674
Restoration costs from decommissioning and maintaining system assets	6,956	7,804
Biodiversity management action plan	3,635	3,805
Total non-current provisions	**313,909**	**446,579**
Employee benefits and related on-costs		
Employee benefits – current	160,336	155,134
Employee benefits on-costs – current	10,829	7,818
Employee benefits – non-current	18,535	14,534
Employee benefits on-costs – non-current	1,010	1,107
Aggregate employee benefits and related on-costs	**190,710**	**178,593**

The annual leave and the unconditional entitlements to long service leave (where employees have completed the required period of service or where employees are entitled to pro-rata payments in certain circumstances) are presented as current liabilities. The Corporation does not have an unconditional right to defer settlement for any of these obligations. However, based on experience, the Corporation does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The Corporation expects to make payments totalling $38.401 million (2025: $35.657 million) for annual leave, and payments totalling $28.678 million (2025: $28.345 million) for long service leave in the next financial year. All other provisions under current liabilities are expected to be paid in the next financial year for the amount recognised.

Recognition and measurement

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

If the obligation is to be settled greater than 12 months after the reporting date and the effect is material, a provision is determined by discounting the expected future cash flows required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. This is usually the risk-free rate on Government bonds that most closely matches the timing of the expected future payments, except where noted below. If the obligation is due to be settled less than 12 months after the reporting date, the provision is stated at the best estimate available and is not discounted.

(a) Employee benefits provisions

Short-term employee benefits
Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled less than 12 months after the reporting date in which the employees render the related service. They include wages, salaries, annual leave and rostered day off. All short-term employee benefits that are payable at the reporting date are measured on an undiscounted basis at the nominal amount expected to be paid. Liabilities for wages and salaries are included within trade and other payables (refer to note 11).

Termination benefits
Termination benefits refers specifically to redundancy benefits payable to employees as a result of organisational restructures. Provisions for restructuring are recognised only when the Corporation has a detailed formal plan and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main details to those affected.

The liability for termination benefits for specific employees that have accepted an offer of termination benefits is measured at the calculated entitlement that will be paid to those employees. When specific employees are not known, an estimate for a provision is calculated based on the number of employees expected to accept an offer of termination benefits in accordance with the termination plan. The liability for termination benefits is usually settled in the following financial year and thus is not discounted.

Long service leave liabilities
Long service leave liabilities represent the present value of the future benefits that employees have earned in return for their service in the current and prior reporting years. The discount rate used is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating to the terms of these obligations.

The liabilities and expenses for long service leave are recognised when employees render service that increases their entitlement to future benefits. The expense in each case is recognised as one net amount that encompasses several components, such as current service cost and the interest cost from discounting. Unconditional entitlements to long service leave benefits are classified as current liabilities in the statement of financial position, while conditional and pre-conditional entitlements are classified as non-current liabilities. The high-quality corporate bond discount rate used to value the long service leave liabilities was 5.43% (2025: 4.65%).

Employee benefit on-costs
Costs that arise from employment, but which are not employee benefits themselves, such as payroll tax, are recognised as liabilities and expenses when the employment to which they relate has occurred. Payroll tax payable at the reporting date in relation to wages and salaries paid during the previous month is recognised as part of trade and other payables, consistent with the classification of any recognised liability for wages and salaries. Payroll tax payable in respect of annual leave, long service leave or termination benefits to be made in the future is recognised as part of provisions, consistent with the classification of any recognised liabilities for these employee benefits.

(b) Post-employment benefits - Defined contribution superannuation schemes

Contributions to these schemes are recognised as an expense in profit or loss as incurred. The liability recognised at the reporting date represents the contributions to be paid to these schemes in the following month. The Corporation contributes to the Aware Superannuation Scheme and other private schemes nominated by employees to a lesser extent.

(c) Post-employment benefits - Defined benefit superannuation schemes

The Corporation's net obligation in respect of defined benefit schemes is actuarially calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior reporting years. That benefit is discounted to determine its present value, and the fair value of any scheme assets is deducted. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating to the terms of the Corporation's obligations. Calculations are performed by the Pooled Fund's actuary using the projected unit credit method and they are advised to individual agencies for recognition and disclosure purposes in their financial statements. Where the present value of the defined benefit obligation in respect of a scheme exceeds the fair value of the scheme's assets, a liability for the difference is recognised in the statement of financial position. Where the fair value of a scheme's assets exceeds the present value of the scheme's defined benefit obligation, an asset is recognised in the statement of financial position.

Any superannuation asset recognised is limited to the total of any unrecognised past service cost and the present value of any economic benefits that may be available in the form of refunds from the schemes or reductions in future contributions to the schemes, as advised by the Pooled Fund's actuary. The Corporation discloses defined benefit superannuation liabilities or assets as non-current as this best reflects when the Corporation expects to settle (realise) the liabilities (assets). Remeasurements of the net defined benefit liability or asset are recognised in other comprehensive income (directly through retained earnings) in the reporting year in which they occur. Such remeasurements include actuarial gains or losses, the return on plan assets (excluding amounts included in net interest on the defined benefit liability or asset) and any change in effect of the asset ceiling (excluding amounts included in net interest on the defined benefit liability or asset).

The Corporation contributes to three defined benefit superannuation schemes in the NSW public sector Pooled Fund. The schemes are:

- State Superannuation Scheme (SSS);
- State Authorities Superannuation Scheme (SASS); and
- State Authorities Non-Contributory Superannuation Scheme (SANCS).

The Pooled Fund holds in trust the investments of these schemes. The following disclosures in relation to these schemes have been provided by SAS Trustee Corporation (STC).

Nature of benefits provided by the Pooled Fund
As these schemes are defined benefit schemes, at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. These schemes are closed to new members.

The regulatory framework
The above schemes in the Pooled Fund are established and governed by the following NSW legislation: *Superannuation Act 1916*, *State Authorities Superannuation Act 1987*, *State Authorities Non-Contributory Superannuation Scheme Act 1987*, and their associated regulations. The schemes in the Pooled Fund are exempt public sector superannuation schemes under the *Commonwealth Superannuation Industry (Supervision) Act 1993* (SIS). The SIS legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the NSW Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth Government's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The NSW Government prudentially monitors and audits the Pooled Fund and the STC Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the STC Board and internal processes that monitor the STC Board's adherence to the principles of the Commonwealth Government's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2024. The next actuarial investigation is to be carried out as at 30 June 2027.

Other entities' responsibilities for the governance of the Pooled Fund
STC is responsible for the governance of the Pooled Fund. STC has a legal obligation to act solely in the best interests of the Pooled Fund beneficiaries. STC has the following roles:

- Administration of the Pooled Fund and payment to the beneficiaries from Pooled Fund assets when required in accordance with the Pooled Fund rules;
- Management and investment of the Pooled Fund assets; and
- Compliance with other applicable regulations.

Risks
There are several risks to which the Pooled Fund exposes the Corporation. The significant risks relating to the defined benefits are:

- Investment risk – The risk that investment returns will be lower than assumed and the Corporation will need to increase contributions to offset this shortfall;
- Longevity risk – The risk that pensioners live longer than assumed, increasing future pensions;
- Pension indexation risk – The risk that pensions will increase at a rate greater than assumed, increasing future pensions;
- Salary growth risk – The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions; and
- Legislative risk – The risk that legislative changes could be made which increase the cost of providing the defined benefits.

The Pooled Fund assets are invested with independent fund managers and have a diversified asset mix. The Pooled Fund has no significant concentration of investment risk or liquidity risk.

Significant events
There were no scheme amendments, curtailments or settlements during the reporting year.

Net defined benefit liability movement
The Pooled Fund actuary calculates the defined benefit obligations based on two separate methodologies, an Accounting basis and the Funding basis:

- Under the Accounting basis (used for financial reporting purposes), the Pooled Fund's actuary determines the present value of the defined benefit obligations by discounting the future benefits payable to members at the yield on high quality corporate bonds of a similar maturity at the end of the reporting year.
- Under the Funding basis, the Pooled Fund's actuary determines the value of the accrued benefits as the value of future benefits payable to members (allowing for future salary increases), discounted using the expected rate of return on the assets to fund the benefits.

The Funding basis is used to determine the level of employer contributions needed to be provided by each employer to meet the defined benefit obligations. The net underfunded shortfall calculated using the Funding Basis at 30 June 2026 is $114.376 million (refer to note 13(c)(i)).

6 FINANCIAL PERFORMANCE

Movements and carrying amounts

	SASS		SANCS		SSS		Total	
	2026 $'000	2025 $'000	2026 $'000	2025 $'000	2026 $'000	2025 $'000	2026 $'000	2025 $'000
Reconciliation of the net defined benefit liability								
Net defined benefit liability at beginning of the year	78,494	76,764	(14,044)	982	327,226	315,000	391,676	392,746
Current service cost	534	636	675	712	326	349	1,535	1,697
Net interest on the net defined benefit liability (asset)	3,969	4,054	(1,049)	(263)	16,865	16,964	19,785	20,755
Actual return on Fund assets less interest income	(4,372)	(5,278)	(1,071)	(3,002)	(32,988)	(36,248)	(38,431)	(44,528)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	1,128	-	-	-	26,906	-	28,034
Actuarial (gains)/losses arising from changes in financial assumptions	(4,966)	2,859	(567)	121	(45,452)	37,617	(50,985)	40,597
Actuarial (gains)/losses arising from liability experience	(2,708)	5,238	(1,746)	(1,102)	(23,170)	(16,898)	(27,624)	(12,762)
Employer contributions	(6,943)	(6,907)	(11,571)	(11,492)	(16,834)	(16,464)	(35,348)	(34,863)
Net defined benefit liability at end of the year	**64,008**	**78,494**	**(29,373)**	**(14,044)**	**225,973**	**327,226**	**260,608**	**391,676**
Reconciliation of the fair value of fund assets								
Fair value of fund assets at beginning of the year	141,001	142,892	34,739	22,420	895,220	877,101	1,070,960	1,042,413
Interest income	7,112	7,553	2,040	1,447	45,519	46,572	54,671	55,572
Actual return on Fund assets less interest income	4,372	5,278	1,071	3,002	32,988	36,248	38,431	44,528
Employer contributions	6,943	6,907	11,571	11,492	16,834	16,464	35,348	34,863
Contributions by participants	1,510	1,527	-	-	461	445	1,971	1,972
Benefits paid	(21,067)	(21,779)	(3,633)	(3,599)	(84,806)	(82,635)	(109,506)	(108,013)
Taxes, premiums and expenses paid	(142)	(1,377)	(802)	(23)	2,993	1,025	2,049	(375)
Fair value of fund assets at end of the year	**139,729**	**141,001**	**44,986**	**34,739**	**909,209**	**895,220**	**1,093,924**	**1,070,960**
Reconciliation of the defined benefit obligation								
Present value of defined benefit obligations at beginning of the year	219,495	219,656	20,695	23,402	1,222,446	1,192,101	1,462,636	1,435,159
Current service cost	534	636	675	712	326	349	1,535	1,697
Interest cost	11,081	11,607	991	1,184	62,384	63,536	74,456	76,327
Contributions by fund participants	1,510	1,527	-	-	461	445	1,971	1,972
Actuarial (gains)/losses arising from changes in demographic assumptions	-	1,128	-	-	-	26,906	-	28,034
Actuarial (gains)/losses arising from changes in financial assumptions	(4,966)	2,859	(567)	121	(45,452)	37,617	(50,985)	40,597
Actuarial (gains)/losses arising from liability experience	(2,708)	5,238	(1,746)	(1,102)	(23,170)	(16,898)	(27,624)	(12,762)
Benefits paid	(21,067)	(21,779)	(3,633)	(3,599)	(84,806)	(82,635)	(109,506)	(108,013)
Taxes, premiums and expenses paid	(142)	(1,377)	(802)	(23)	2,993	1,025	2,049	(375)
Present value of defined benefit obligations at end of the year	**203,737**	**219,495**	**15,613**	**20,695**	**1,135,182**	**1,222,446**	**1,354,532**	**1,462,636**

Fair value of Pooled Fund assets

All Pooled Fund assets are invested by STC at arm's length through independent fund managers. Assets are not separately invested for each entity, and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund:

Asset category	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Percentage invested in each asset class
As at 30 June 2026:					
Short term securities	2,932,413	2,061,072	871,341	-	7.9
Australian fixed interest	626,439	-	626,438	1	1.7
International fixed interest	240,126	-	229,320	10,806	0.7
Australian equities	4,492,684	4,143,576	220,815	128,293	12.1
International equities	16,076,920	15,505,733	-	571,187	43.4
Property	2,608,092	383,253	-	2,224,839	7.0
Alternatives	10,089,560	79	4,380,411	5,709,070	27.2
Total	**37,066,234**	**22,093,713**	**6,328,325**	**8,644,196**	**100.0**
As at 30 June 2025:					
Short term securities	2,550,082	2,550,082	-	-	6.7
Australian fixed interest	891,143	1	891,142	-	2.4
International fixed interest	259,116	5,390	246,983	6,743	0.7
Australian equities	4,415,312	4,328,683	86,629	-	11.7
International equities	14,709,914	14,702,437	-	7,477	38.9
Property	2,893,002	450,960	-	2,442,042	7.7
Alternatives	12,068,524	134,404	4,332,150	7,601,970	31.9
Total	**37,787,093**	**22,171,957**	**5,556,904**	**10,058,232**	**100.0**

Level 1 – quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares and listed unit trusts.

Level 2 – inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash, notes, government, semi-government and corporate bonds, unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.

Level 3 – inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property, unlisted shares, unlisted infrastructure, distressed debt and hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cash flow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such, managers make limited use of derivatives.

For the direct properties owned by the Pooled Fund, SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of $292.0 million (2025: $280.0 million)

Significant actuarial assumptions at the reporting date

	2026	2025
Discount rate	5.83% pa	5.29% pa
Salary increase rate (excluding promotional increases):		
2026-27	3.76% pa	3.56% pa
2027-28	3.58% pa	3.58% pa
Thereafter	3.50% pa	3.50% pa
Rate of CPI increase		
2025-26	3.75% pa	3.00% pa
2026-27	3.75% pa	2.60% pa
Thereafter	2.50% pa	2.50% pa

Pensioner mortality: The pensioner mortality assumptions are as per the 2024 Triennial Actuarial investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from STC's website. The report shows the pension mortality rates for each age.

Sensitivity analysis

The Corporation's total defined benefit obligation as at the current reporting date under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at the current reporting date. Scenarios A to F relate to sensitivity of the total defined benefit obligation of the Pooled Fund to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

Discount rate	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Discount rate	5.83%	5.33%	6.33%
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	As above	As above
Defined benefit obligation ($'000)	**1,354,532**	**1,419,039**	**1,294,652**

CPI	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	As above	As above	As above
Rate of CPI increase	As above	Above rates plus 0.5% pa	Above rates less 0.5% pa
Salary inflation rate	As above	As above	As above
Defined benefit obligation ($'000)	**1,354,532**	**1,419,517**	**1,293,857**

Salary inflation rate	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	As above	As above	As above
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	Above rates plus 0.5% pa	Above rates less 0.5% pa
Defined benefit obligation ($'000)	**1,354,532**	**1,357,240**	**1,351,913**

Mortality rate	Base case	Scenario G Lower mortality*	Scenario H Higher mortality**
Defined benefit obligation ($'000)	**1,354,532**	**1,401,375**	**1,307,429**

*Assumes mortality rates, including future improvements, are as if the pensioner were 1 year younger than actual.
**Assumes mortality rates, including future improvements, are as if the pensioner were 1 year older than actual.

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Asset – Liability matching strategies
STC monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cash flows to manage liquidity requirements. No explicit asset-liability matching strategy is used by STC.

Funding arrangements
Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2024. Contribution rates are set after discussions between the employer, STC and NSW Treasury. Funding positions are reviewed annually, and funding arrangements may be adjusted as required after each annual review.

(i) Surplus/deficit

The following is a summary of the 30 June 2026 and 30 June 2025 financial position of the Schemes calculated in accordance with AASB 1056 *Superannuation Entities* (AASB 1056).

	SASS		SANCS		SSS		Total	
	2026 $'000	2025 $'000	2026 $'000	2025 $'000	2026 $'000	2025 $'000	2026 $'000	2025 $'000
Accrued benefits *	184,582	190,695	19,162	21,223	1,004,556	999,647	1,208,300	1,211,565
Fund assets' net market value	(139,729)	(141,001)	(44,986)	(34,739)	(909,209)	(895,220)	(1,093,924)	(1,070,960)
Net (surplus) / deficit	**44,853**	**49,694**	**(25,824)**	**(13,516)**	**95,347**	**104,427**	**114,376**	**140,605**

* There is no allowance for a contribution tax provision in the accrued benefits figure. Allowance for contribution tax is made when setting the contribution rates.

The AASB 1056 deficit is lower than the AASB 119 net defined benefit liability recognised in the Statement of Financial Position, because the expected after-tax rate of return on plan assets is typically higher than the corporate bond rate.

The value of vested benefits at 30 June 2026 was $1,219.9 million (2025: $1,223.3 million).

(ii) Contribution recommendations

	SASS Multiple of Member Contributions	SANCS % of Member Salary	SSS Multiple of Member Contributions
Recommended contribution rates for the Corporation	-	-	-

(iii) Economic assumptions

The economic assumptions adopted for AASB 1056 at the reporting date are:

Weighted Average Assumptions:	2026	2025
Expected rate of return on Fund assets backing current pension liabilities	7.00% pa	7.00% pa
Expected rate of return on Fund assets backing other liabilities	6.20% pa	6.20% pa
Expected salary increase rate (excluding promotional salary increases):		
2026-27	3.76% pa	3.56% pa
2027-28	3.58% pa	3.58% pa
Thereafter	3.50% pa	3.50% pa
Expected rate of CPI increase		
2025-26	4.90% pa	2.50% pa
Thereafter	2.50% pa	2.50% pa

(iv) Movement in AASB 1056 Net Deficit/(Surplus)

	$'000
The increase/(decrease) in the net deficit AASB 1056 position from June 2025 to June 2026 was:	(26,229)
The main factors contributing to the increase/(decrease) and their approximate financial impact have been:	
a. Interest on 2025 net deficit/(surplus) (7.0%):	8,605
b. Actual 24/25 CPI equals assumed (1.90)%:	-
c. Changes in assumed rates of future CPI and Salary increases (refer assumptions above and 2025 report):	23,273
d. Shortfall/(Excess) of the actual investment return for 2026 over that assumed:	(19,342)
e. Shortfall/(Excess) of contributions made over the cost of benefit accrual:	(33,813)

These are the main items. Other items would include variations in salary, pensioner mortality and other experience compared to assumptions.

(v) Sensitivity analysis – AASB 1056

Scenarios A to D relate to the sensitivity of the AASB 1056 liabilities to the major economic assumptions.

Expected rates of return	Base case	Scenario A -0.5% return	Scenario B +0.5% return
Expected rates of return on Fund assets	7.0%/6.2%	6.5%/5.7%	7.5%/6.7%
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	As above	As above
Accrued benefits ($'000)	**1,208,299**	**1,254,965**	**1,164,819**

Rate of CPI increase	Base case	Scenario C +1.0% rate of CPI increase	Scenario D -1.0% rate of CPI increase
Expected rates of return on Fund assets	7.0%/6.2%	7.0%/6.2%	7.0%/6.2%
Rate of CPI increase	As above	As above + 1.0% pa	As above -1.0% pa
Salary inflation rate	As above	As above	As above
Accrued benefits ($'000)	**1,208,299**	**1,296,800**	**1,132,065**

(vi) Expected contributions to be paid in the next reporting year

	SASS		SANCS		SSS		Total	
	2027	2026	2027	2026	2027	2026	2027	2026
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Expected employer contributions	6,943	6,943	11,571	11,571	16,834	16,834	35,348	35,348

(vii) Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 9.6 years (2025: 9.8 years).

(viii) Additional information

Profit or Loss Impact

	SASS		SANCS		SSS		Total	
	2026	2025	2026	2025	2026	2025	2026	2025
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current service cost	534	636	675	712	326	349	1,535	1,697
Net interest	3,969	4,054	(1,049)	(263)	16,865	16,964	19,785	20,755
Profit or loss component of the defined benefit cost	**4,503**	**4,690**	**(374)**	**449**	**17,191**	**17,313**	**21,320**	**22,452**

Other Comprehensive Income

	SASS		SANCS		SSS		Total	
	2026	2025	2026	2025	2026	2025	2026	2025
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Actuarial (gains)/losses on liabilities	(7,674)	9,225	(2,313)	(981)	(68,622)	47,625	(78,609)	55,869
Actual return on Fund assets less Interest income	(4,372)	(5,278)	(1,071)	(3,002)	(32,988)	(36,248)	(38,431)	(44,528)
Total remeasurement in Other Comprehensive Income	**(12,046)**	**3,947**	**(3,384)**	**(3,983)**	**(101,610)**	**11,377**	**(117,040)**	**11,341**

(d) Other provisions

Carrying amounts and movements

	Workers' compensation self-insurance	General insurance	Restoration of leased premises	Stabilisation works	Biodiversity management action plan	Decommissioning and maintaining system assets	Hardship applications
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amounts at beginning of the year							
Current	1,401	2,538	-	42,891	184	7,762	48,767
Non-current	14,161	3,563	3,255	6,674	3,805	7,804	-
	15,562	6,101	3,255	49,565	3,989	15,566	48,767
Movement during the year							
Provisions (reversed)/made	(115)	5,984	3,244	(6,064)	-	(1,080)	(48,767)
Provisions used	(1,458)	(5,499)	-	(35,238)	(179)	(147)	-
Unwinding of discount	-	-	-	216	-	253	-
	(1,573)	485	3,244	(41,086)	(179)	(974)	(48,767)
Carrying amounts at end of the year							
Current	1,393	2,116	400	8,479	175	7,636	-
Non-current	12,596	4,470	6,099	-	3,635	6,956	-
	13,989	**6,586**	**6,499**	**8,479**	**3,810**	**14,592**	**-**

Workers' compensation self-insurance and general insurance
The workers' compensation self-insurance provision recognises the Corporation's remaining self-insurance liability for workers' compensation injury claims prior to 1 March 2007. The general insurance provision recognises the Corporation's remaining self-insurance liability claims relating to damage, costs, goodwill payments, loss or injury (other than workers' compensation). The provisions are actuarially calculated on a discounted cash flow basis, using information including estimates of the probable cost of each claim, the type of injuries and claims, potential recoveries and industry wide experience. The provisions also include an estimate for incurred but not reported claims based on past experience and is based on a likelihood of adequacy of 50%. There is uncertainty with some factors such as probable costs, discount rates, settlement period, the likelihood of adequacy and estimations of future claims, and claims incurred and not yet reported. The liability is calculated on a discounted cash flow basis using the yield on government bonds.

Restoration of leased premises
This provision recognises the Corporation's obligation to pay restoration costs for leased premises where the Corporation must restore the premises back to their original state at the end of the lease term. Estimates of restoration costs are discounted using the yield on government bonds. The main uncertainty is in relation to the actual restoration costs that will ultimately be incurred. Restoration costs are separately capitalised against assets that have been acquired as part of leasing the premises, such as fit outs. Where the Corporation has not incurred expenditure to acquire assets as part of leasing the premises, the restoration costs are expensed in profit or loss.

Stabilisation works
A Land and Environment Court judgment ruled that the Corporation was responsible for the erosion and destabilisation of the bank of land which adjoins Boundary Creek, Penrith. The judgment includes an order that the Corporation undertake substantive works to stabilise the impacted bank of the land and reduce the risk of further erosion. The substantive works includes planning, design and construction. During the previous reporting period, a provision was recognised to cover the costs of fulfilling this legal obligation. At the same time, a reimbursement receivable was also separately recognised (refer to note 9). The Corporation's insurer confirmed that the Corporation's insurance policy provided coverage for reimbursement of the costs of the stabilisation works. The provision expense and the reimbursement revenue has been recorded on a net basis in profit or loss as per the requirements contained within AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

Biodiversity management action plan
This provision recognises the Corporation's obligation under the Biodiversity Stewardship Agreements to protect and maintain its Biodiversity Stewardship sites. The amount is estimated by the NSW Biodiversity Conservation Trust and covers costs such as weed and pest control, signage, fencing and gate maintenance, monitoring, and related management action plan activities.

Decommissioning and maintaining system assets
This provision recognises the Corporation's obligation to pay restoration costs for decommissioning and/or maintaining system asset network components, including costs of dismantling, decommissioning, removing a system asset network component and restoring the site on which it was located. It also includes constructive obligations for rectification works where safety issues have been identified, such as electrical cabling repairs and asbestos removal. Estimates are made in relation to the period over which the system asset network component will be decommissioned, or the constructive obligation is expected to be settled. The liability is calculated on a discounted cash flow basis using the yield on government bonds.

Hardship applications
The Corporation has been appointed as the stormwater drainage authority for the Aerotropolis Precinct (the Precinct). The provision for hardship applications recognised the Corporation's constructive obligation towards satisfying landholder-initiated hardship claims that were yet to be finalised under the Land Acquisition (Just Terms Compensation) Act 1991 and which related to the Corporation's capital works programs for the Precinct. The provision was based on recent market land sales transactions within the Precinct. The provision was reversed in full during the current reporting period as the probability of an outflow of future economic benefit was considered less likely. This was based on the lack of interaction with potential and actual hardship claimants during the current reporting period.

Note 14. Dividends payable

Movements and carrying amounts

	2026 $'000	2025 $'000
Dividends payable at the beginning of the year	245,000	170,000
Movement during the year		
Dividend recognised at 12.65 cents per share (2025: 6.26 cents per share)	495,000	245,000
Dividends paid on shares at 6.26 cents per share (2025: 4.35 cents per share)	(245,000)	(170,000)
	250,000	**75,000**
Dividends payable at the end of the year	**495,000**	**245,000**

Recognition and measurement

A liability for dividends payable is recognised in the reporting year in which the dividend is declared. Dividends are regarded as declared when they are appropriately authorised as no longer at the discretion of the Corporation. This occurs through a formal process whereby the Board recommends the dividend to its voting shareholder Ministers and the final agreed dividend is accepted and approved by the voting shareholder Ministers prior to the end of the financial year. Under the NTER, the Corporation is not required to maintain a dividend franking account.

Equity

Note 15. Contributed equity

Carrying amounts and movements

	2026 $'000	2025 $'000
Issued capital	3,911,854	3,911,854
Equity transfer	21,379	-
Total contributed equity	**3,933,233**	**3,911,854**

Share Capital

The Corporation's two shareholders are:

- the Treasurer; and
- the Minister for Finance, Minister for Domestic Manufacturing and Government Procurement, and Minister for Natural Resources.

Each shareholder holds 1,955,927,000 (2025: 1,955,927,000) ordinary shares non-beneficially on behalf of the NSW Government. The shares entitle the NSW Government to a dividend from the Corporation. The amount of the dividend is determined as part of the annual process of negotiating and agreeing the Corporation's Statement of Corporate Intent with the shareholder Ministers.

Any changes to the Corporation's share capital can only be undertaken in accordance with the Corporation's constitution and with the agreement of its shareholder Ministers.

Equity transfer from WaterNSW

On 7 August 2025, pursuant to the WaterNSW Assets, Rights and Liabilities (Sydney Water Corporation) Transfer Order 2025 signed by the Water Minister, certain work in progress assets of WaterNSW were transferred to the Corporation at fair value. This transaction was treated as an equity transfer in accordance with TPP21-08 Accounting Policy: Contribution by owners made to wholly owned Public Sector Entities. This equity transfer reflects that the responsibility for planning and delivery of future desalination options was reassigned from WaterNSW to the Corporation by the NSW Government. The work in progress assets consist of capitalised planning costs for desalination infrastructure for Sydney and Illawarra.

The values of the assets transferred to the Corporation amounted to $21.379 million.

Unrecognised items

Note 16. Commitments

(a) Capital expenditure commitments

	2026 $'000	2025 $'000
Capital expenditure commitments		
Not later than one year	2,754,904	2,682,032
Later than one year and not later than five years	2,291,934	2,153,787
Later than five years	118,795	233,032
	5,165,633	**5,068,851**

Contractual commitments for capital expenditure cover both property, plant and equipment and intangible assets. Amounts disclosed for these commitments include total GST of $469.603 million (2025: $460.805 million).

(b) Other lease commitments

	2026 $'000	2025 $'000
Receivable as lessor		
Future rentals:		
Not later than one year	11,429	11,071
Later than one year and not later than five years	34,878	35,293
Later than five years	94,744	94,306
	141,051	**140,670**

Leases are non-cancellable and are mainly in respect of residential, commercial and industrial properties, open space and space for telecommunication towers. Leases are for terms ranging from less than one year to 50 years. Lease rentals are generally reviewed annually. Amounts disclosed for these commitments include total GST of $12.823 million (2025: $12.788 million).

Note 17. Contingencies

(a) Contingent liabilities

A contingent liability is a possible obligation that may become payable depending on a future event or a present obligation that is not probable to require payment or cannot be reliably measured. A provision is not recognised for contingent liabilities. The Corporation is a party to various legal actions and claims which have arisen in the ordinary course of business. Any liabilities arising from such claims cannot be reliably measured at this time. In the directors' opinion, disclosure of any further information would be prejudicial to the interests of the Corporation.

Guarantees provided
Under the *Workers' Compensation Act 1987*, as the Corporation was a self-insurer until 1 March 2007 and as a state-owned corporation was deemed to not have Government employer status, the Corporation is required to provide a guarantee to Insurance and Care NSW that secures the Corporation's remaining self-insurance workers' compensation liability. The value of the guarantee at the reporting date was $21.300 million (2025: $21.300 million) (refer to note 12(c)).

(b) Contingent assets

The Corporation is seeking to recover costs incurred under contractual arrangements through litigation. It is also seeking to settle several outstanding insurance claims and recover costs or losses from insurers. In the directors' opinion, disclosure of any further information about these claims would be prejudicial to the interests of the Corporation and cannot be reliably measured at this time.

Other notes

Note 18. Financial risk management

(a) Financial instruments and financial risk factors

The Corporation has the following financial instruments:

- lease liabilities related to right-of-use assets (refer to note 5);
- service concession liabilities (refer to note 6 and 12);
- cash and cash equivalents (refer to note 8);
- trade and other receivables (refer to note 9);
- trade and other payables (refer to note 11); and
- borrowings (refer to note 12).

These financial instruments expose the Corporation to a range of financial risks in its normal course of business operations. These risks include liquidity risk, credit risk, interest rate risk and regulatory risk. The Corporation does not have any material exposure to price risk or foreign currency risk.

(b) Financial risk exposures

Liquidity risk
During the current and previous financial years, there were no defaults or breaches on any borrowings payable. No assets have been pledged as collateral. The Corporation's exposure to liquidity risk is deemed low based on previous financial years' data and current reassessment of risk. Liquidity risk is managed by the Corporation through the maintenance of extensive short-term and long-term cash flow forecasting models, and through the availability of borrowing facilities approved by the NSW Treasurer under the *Government Sector Finance Act 2018* (GSF Act).

The objective is to maintain a balance of funding and flexibility in ensuring cash is available each day to meet the Corporation's financial obligations, whilst maintaining a daily bank balance with minimum surplus funds.

Whilst current liabilities are greater than current assets, the Corporation continues to operate as a going concern. The Corporation derives most of its revenue from the operation of its infrastructure assets, generating positive cash flows and also has access to significant committed borrowing facilities.

Credit risk
Exposures to credit risk for the Corporation are primarily in relation to cash and cash equivalents and trade and other receivables. At the reporting date, the maximum exposure to credit risk for the Corporation is represented by the carrying amount of cash and cash equivalents and trade and other receivables in the statement of financial position (refer to notes 8 and 9).

Cash and cash equivalents
The Corporation only deals with creditworthy counterparties and recognised financial intermediaries as a means of mitigating the risk of financial losses from defaults. Policies are in place to monitor the credit ratings of counterparties and to limit the amount of funds placed with those counterparties, depending on their credit rating.

Trade and other receivables
The Corporation monitors balances outstanding on an ongoing basis and has policies in place for the recovery or write-off of amounts outstanding. The Corporation applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. To measure the lifetime expected credit losses, trade and other receivables were grouped based on:

- whether the trade and other receivables related to service availability and/or usage charges or related to sundry charges; and
- shared credit risk characteristics including whether the outstanding debtor is subject to legal recovery.

The expected loss rates are based on the payment profiles of revenues over the ten-year period prior to the reporting date and the related historical credit losses experienced over the same period. The historical loss rates were then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Corporation identified the NSW gross domestic product rate to be the most relevant factor and accordingly adjusts the historical loss rates based on the expected change in this factor.

Interest rate risk
The Corporation is exposed to changes in market interest rates, primarily from the Corporation's portfolio of interest-bearing short-term and long-term borrowings. The Corporation manages this exposure by implementing various treasury management policies and controls approved by the Board that are designed to ensure debt maturities are spread across the yield curve. These controls include approved parameters specifying the minimum and maximum percentages of debt issuance in maturity bands, approved parameters limiting the maximum exposure to floating interest rate debt products, weighted average life management targets and approved trading bands.

Long-term fixed rate and CPI indexed loans with maturities to 2041 have been issued in order to maintain a high weighted average life of the debt portfolio over time. At the reporting date, the debt portfolio was comprised of 97.8% of fixed rate bond debt and 2.2% CPI indexed debt respectively (2025: 91.1% of fixed rate bond debt and 8.9% CPI indexed debt).

6 FINANCIAL PERFORMANCE

The Corporation's Treasury Management Policy has been approved by the Board, allowing debt management strategies to manage the financial impact of regulatory risks that occur in the current regulatory pricing environment (refer to 'Regulatory risk' below).

The table below details the carrying amounts of financial assets and financial liabilities, including their weighted average interest rates, that are exposed to interest rate risk at the reporting date:

	Note	Weighted average interest rate 2026 %	Weighted average interest rate 2025 %	Carrying amount 2026 $'000	Carrying amount 2025 $'000
Financial assets					
At amortised cost:					
Cash	8	4.35	3.85	11,916	42,881
				11,916	**42,881**
Financial liabilities					
At amortised cost:					
Borrowings:					
Come and Go borrowings - NSW Treasury Corporation	12	4.55	3.76	417,000	173,500
Long-term borrowings - NSW Treasury Corporation	12	4.20	3.83	18,913,268	16,598,846
Other financial liabilities:					
Service concession liabilities	12	3.81	3.82	388,326	436,864
Lease liabilities related to right-of-use assets	5	9.85	9.80	2,217,267	2,161,951
				21,935,861	**19,371,161**

Sensitivity analysis

The table below shows the effect on profit after tax and equity at the reporting date if nominal interest rates had been 100 basis points (that is, one percentage point) higher or lower than current levels, with all other variables being held constant and considering all underlying exposures and related hedges if any.

Based on the value of the Australian short-term interest rates (one month Bank Bill Swap Rate – BBSW) at the reporting date of 4.31% (2025: 3.61%), a 100 basis points increase would increase the rate to 5.31% (2025: 4.61%) and a 100 basis points decrease would reduce the rate to 3.31% (2025: 2.61%). This is broadly representative of recent interest rate increases and decreases within a certain range, which is reasonably possible given historical movements in official interest rates by the Reserve Bank of Australia. Historically, the Reserve Bank of Australia official cash rate has fluctuated between 0.10% and 4.35% over the past five years.

	Interest Revenue Higher (lower) 2026 $'000	Interest Revenue Higher (lower) 2025 $'000	Post Tax Profit Higher (lower) 2026 $'000	Post Tax Profit Higher (lower) 2025 $'000	Equity Higher (lower) 2026 $'000	Equity Higher (lower) 2025 $'000
Judgement of reasonably possible events						
Interest rates 100 basis points higher	119	429	83	300	83	300
Interest rates 100 basis points lower	(119)	(429)	(83)	(300)	(83)	(300)

For the current reporting year shown above, the sensitivity to changes in interest rates at the reporting date relates to the bank account balance only, as no debt was subject to changes in interest rates at the reporting date.

Regulatory risk

The Corporation's operations are subject to periodic price determinations by IPART, which establish the allowable revenue required to fund operating expenditure, capital investment, working capital and returns on regulated assets. Future determinations may differ from management's current assumptions regarding demand, expenditure requirements, capital investment needs, financing costs and performance obligations. Adverse regulatory outcomes could reduce future revenues, constrain cash flows, delay recovery of capital expenditure or require additional investment to meet regulatory obligations.

The Corporation undertakes regular scenario and sensitivity analysis to assess the potential impact of changes in regulatory assumptions. Significant changes in regulatory outcomes may require reassessment of asset values, useful lives, expected cash flows and other accounting estimates.

(c) Financial risk management policies, objectives and reporting

The risks outlined above are managed in accordance with the Treasury Management Policy (the Policy) approved by the Board. This Policy provides a framework of strict controls to manage the impact of these exposures, within the overall framework of the GSF Act. The Policy covers several aspects such as:

- approved delegation levels and segregation of duties for dealing, authorising and settling treasury management transactions;
- approved credit limits for dealing with counterparties;
- the types of treasury transactions, including derivatives, that the Corporation can enter into;
- approved limits for hedging foreign exchange exposures;
- the structure of debt and investment portfolios; and
- approved benchmarks for managing performance.

Treasury and financial risk management performance is reported to a designated sub-committee of the Board on a quarterly basis. Treasury management strategies and performance are also reported on and reviewed on a quarterly basis by a Treasury Committee of senior finance managers.

(d) Capital management

The Corporation's objective when managing capital is to safeguard the Corporation's ability to continue as a going concern, so that it can continue to provide appropriate returns for its shareholders and benefits for the community within its area of operations. This is achieved by maintaining an optimal capital structure that aims to minimise or reduce the cost of capital, whilst at the same time ensuring the Corporation's operations and capital works objectives are achieved. The capital structure of the Corporation is monitored based on a number of factors including:

- the level of gearing for the Corporation; and
- the debt-to-equity ratio.

In determining appropriate prices for the Corporation to charge its customers, IPART has adopted a regulatory gearing assumption of 60 per cent for the purposes of determining the Corporation's WACC. The WACC is a key input in IPART's regulatory pricing methodology in which a regulated asset base is used to determine the Corporation's 'annual revenue requirement' (and ultimately prices to be charged to customers) based on the efficient use of resources and an appropriate rate of return on capital invested.

The table below shows the level of capital employed at the reporting date for the Corporation, as well as financial ratios used in the management of capital.

	Note	2026 $'000	2025 $'000
Interest-bearing debt			
Come and Go borrowings - NSW Treasury Corporation	12	417,000	173,500
Long-term borrowings - NSW Treasury Corporation	12	18,913,268	16,598,846
Total interest-bearing debt		19,330,268	16,772,346
Total equity		10,874,675	9,890,165
Interest-bearing debt + total equity		**30,204,943**	**26,662,511**
Gearing ratio (Interest-bearing debt / Interest-bearing debt + Total equity)		64.00%	62.91%
Total interest-bearing debt		19,330,268	16,772,346
Other interest-bearing liabilities			
Service concession liabilities	12	388,326	436,864
Lease liabilities related to right-of-use assets	5	2,217,267	2,161,951
Total other interest-bearing liabilities		**2,605,593**	**2,598,815**
Total interest-bearing liabilities		**21,935,861**	**19,371,161**
Total equity		10,874,675	9,890,165
Total capital employed		**32,810,536**	**29,261,326**
Debt to equity ratio (Total interest-bearing liabilities / Total equity)		201.72%	195.86%

(e) Maturity analysis of financial assets and financial liabilities recognised in the statement of financial position.

The following tables reflect the maturity bands for settlement of the carrying amounts of financial assets and financial liabilities recognised in the statement of financial position at the reporting date.

	Note	Repricing or maturing in: Less than 1 year $'000	1 to 2 years $'000	2 to 3 years $'000	3 to 4 years $'000	4 to 5 years $'000	More than 5 years $'000	Total $'000
2026								
Financial assets								
Cash	8	11,916	-	-	-	-	-	11,916
Trade and other receivables *		642,514	3,462	-	-	-	-	645,976
		654,430	**3,462**	**-**	**-**	**-**	**-**	**657,892**
Financial liabilities								
Trade and other payables *		926,404	-	-	-	-	-	926,404
Borrowings:								
Come and Go borrowings and long-term borrowings	12	3,630,411	2,736,452	2,842,701	2,886,130	2,701,599	4,532,975	19,330,268
Other financial liabilities:								
Service concession liabilities	12	51,152	54,027	56,796	59,836	42,307	124,208	388,326
Lease liabilities related to right-of-use assets	5	36,844	38,672	39,126	38,274	38,057	2,026,294	2,217,267
		4,644,811	**2,829,151**	**2,938,623**	**2,984,240**	**2,781,963**	**6,683,477**	**22,862,265**
2025								
Financial assets								
Cash	8	42,881	-	-	-	-	-	42,881
Trade and other receivables *		637,861	10,305	-	-	-	-	648,166
		680,742	**10,305**	**-**	**-**	**-**	**-**	**691,047**
Financial liabilities								
Trade and other payables *		870,255	-	-	-	-	-	870,255
Borrowings:								
Come and Go borrowings and long-term borrowings	12	2,813,467	2,596,566	2,504,622	2,460,058	2,460,736	3,936,897	16,772,346
Other financial liabilities:								
Service concession liabilities	12	48,539	50,836	53,692	56,441	59,460	167,896	436,864
Lease liabilities related to right-of-use assets	5	38,659	33,512	34,720	34,243	32,980	1,987,837	2,161,951
		3,770,920	**2,680,914**	**2,593,034**	**2,550,742**	**2,553,176**	**6,092,630**	**20,241,416**

* These balances differ from the statement of financial position as they exclude prepayments and statutory taxes receivable in the case of trade and other receivables, and income in advance and statutory taxes payable in the case of trade and other payables. These items are out of scope in relation to these disclosures.

(f) Contractual maturities of all cash flows from financial liabilities

The following tables reflect the maturity bands for all undiscounted contractual payments for settlement, including repayments of principal and interest, resulting from recognised financial liabilities as at the reporting date. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at the reporting date.

	Repricing or maturing in:						
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2026							
At amortised cost:							
Trade and other payables *	926,404	-	-	-	-	-	926,404
Borrowings:							
Come and Go borrowings and long-term borrowings	4,152,149	3,209,246	3,280,503	3,263,434	3,169,158	5,904,782	22,979,272
Other financial liabilities:							
Service concession liabilities	64,964	65,820	66,450	67,238	47,579	135,783	447,834
Lease liabilities related to right-of-use assets	254,270	254,812	252,711	249,736	247,436	6,557,325	7,816,290
	5,397,787	**3,529,878**	**3,599,664**	**3,580,408**	**3,464,173**	**12,597,890**	**32,169,800**
2025							
At amortised cost:							
Trade and other payables *	870,255	-	-	-	-	-	870,255
Borrowings:							
Come and Go borrowings and long-term borrowings	3,261,609	3,006,317	2,901,109	2,815,442	2,750,771	4,994,724	19,729,972
Other financial liabilities:							
Service concession liabilities	64,262	64,964	65,820	66,450	67,238	183,362	512,096
Lease liabilities related to right-of-use assets	250,906	245,608	244,978	242,591	239,508	6,686,366	7,909,957
	4,447,032	**3,316,889**	**3,211,907**	**3,124,483**	**3,057,517**	**11,864,452**	**29,022,280**

* These balances differ from the statement of financial position as they exclude income in advance and statutory taxes payable. These items are out of scope in relation to these disclosures.

(g) Fair values of financial assets and financial liabilities

The following table details the carrying amounts, their fair values and the basis for determining the fair value at the reporting date for all financial instruments:

	Basis of fair value	Note	Carrying amount		Fair Value	
			2026	2025	2026	2025
			$'000	$'000	$'000	$'000
Financial assets						
Cash	Carrying amount	8	11,916	42,881	11,916	42,881
Trade and other receivables *	Carrying amount		645,976	648,166	645,976	648,166
			657,892	**691,047**	**657,892**	**691,047**
Financial liabilities						
Trade and other payables *	Carrying amount		926,404	870,255	926,404	870,255
Borrowings:						
Come and Go borrowings	DCF** using interest rates T-Corp	12	417,000	173,500	417,000	172,849
Long-term borrowings	DCF using interest rates T-Corp	12	18,913,268	16,598,846	18,608,846	16,587,824
Other financial liabilities:						
Service concession liabilities	DCF using interest rates from independent market source	12	388,326	436,864	350,628	400,427
Lease liabilities related to right-of-use assets	DCF using interest rates from independent market source	5	2,217,267	2,161,951	3,136,659	3,315,274
			22,862,265	**20,241,416**	**23,439,537**	**21,346,629**

* These balances differ from the statement of financial position as they exclude prepayments and statutory taxes receivable in the case of trade and other receivables, and income in advance and statutory taxes payable in the case of trade and other payables. These items are out of scope in relation to these disclosures.
** Discounted cash flows

There were no financial instruments at either the current reporting date or the previous reporting date that were carried in the statement of financial position at fair value determined by any of the three valuation methods defined in note 4(d).

Note 19. Related party disclosures

The Corporation has related party relationships with key management personnel and with entities that belong to the NSW Total State Sector consolidated group controlled by the NSW Government.

(a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. This comprises all directors, whether executive or non-executive, senior executives who lead the various divisional groups of the Corporation, the Corporation's two shareholder Ministers and its Portfolio Minister.

Compensation is shown below for the directors and the senior executives only. The NSW Legislature pays compensation to Ministers and this is not reimbursable from the Corporation.

	2026 $'000	2025 $'000
Short-term employee benefits	4,060	3,810
Post-employment benefits	257	244
Other long-term benefits	2	-
Termination benefits	263	854
	4,582	**4,908**
This comprises compensation relating to:		
Directors:		
Executive	458	1,626
Non-executive	791	560
	1,249	2,186
Senior executives	3,333	2,722
	4,582	**4,908**

The above disclosures for senior executives are based on actual payments made for employee benefits during the reporting year.

(b) Other transactions with key management personnel and related entities

From time to time, key management personnel may purchase goods or services from the Corporation. These purchases are on the same terms and conditions as those entered into by other customers and are trivial in nature. There were no related party transactions during either the current or previous reporting years with other entities related to the Corporation's directors and senior executives.

(c) Other related party transactions

The Corporation is both a lessor and a lessee to several peppercorn leases where the other party is a member of the NSW Total State Sector consolidated group. The peppercorn leases are held to help further the strategic objectives of the NSW Government. The fair value of these leases is not quantified as the costs to obtain valuations would outweigh any benefits of providing such disclosure.

The Corporation also provides unmetered water for urban and bush firefighting free of charge to NSW Fire and Rescue and the NSW Rural Fire Service.

Note 20. Consultants

The total amount paid or payable to consultants engaged by the Corporation during the reporting year was $1.188 million (2025: $0.825 million).

Note 21. Auditors' remuneration

The audit fee (exclusive of GST) for the audit of the financial statements by the Audit Office of NSW is $0.551 million (2025: $0.510 million). The audit fee (exclusive of GST) for the audit of the climate-related financial disclosures to be included in the Annual Report is $0.09 million (2025: nil).

Note 22. Events occurring after the reporting year

Windsor Sewerage Scheme asset acquisition

The Corporation acquired the Windsor Sewerage Scheme assets (the Scheme assets) from Hawkesbury City Council on 1 July 2026 (the transaction). The Scheme assets are made up of 2 treatment plants, 24 pumping stations and over 170 kilometres of pipelines.

The transaction involves the transfer of Hawkesbury City Council's wastewater customers and environment protection licences to the Corporation. The transaction did not involve the transfer of any debt or other liabilities incurred by Hawkesbury City Council in relation to the Scheme assets nor the takeover of the employment of the Hawkesbury City Council employees who operated and maintained the Scheme assets. The transaction did not meet the criteria for an acquisition of a business under AASB 3 Business Combinations.

IPART within its 2025-30 Final Price Determination for the Corporation allowed for the Scheme assets to be integrated into the Corporation's regulated asset base.

Hawkesbury City Council had, prior to transfer to the Corporation of the control over the Scheme assets, written down the value of the Scheme assets to a nominal $1.

The fair value of the Scheme assets has been assessed at a nominal $1 value given the aged condition of the Scheme assets and the future capital cash outflows required for their renewal, operations and maintenance to meet current operational and environmental standards and obligations.

Settlement of Kemps Creek compulsory land acquisition

In August 2021, Sydney Water compulsorily acquired land and an associated easement from the University of Sydney at Kemps Creek for the Upper South Creek Advanced Water Recycling Centre project. As part of the compulsory acquisition process, the Valuer General determined compensation of $0.328 million. The University of Sydney disputed this determination and commenced proceedings in the Land and Environment Court. A Court judgement was not previously expected to be delivered prior to the signing of the Corporation's 2025-26 financial statements on 26 August 2026. In July 2023, Sydney Water made an advance payment of $0.295 million, representing 90% of the Valuer General's determination, and subsequently paid statutory interest of $0.017 million in August 2023. The remaining amount was payable upon the Court's judgement.

In August 2026, Sydney Water and the University of Sydney executed a deed of settlement, under which Sydney Water agreed to pay compensation of $63.866 million, less amounts previously paid as advance payments. The settlement amount is payable within 28 days of the University of Sydney filing a Notice of Discontinuance with the Court. Accordingly, payment of the outstanding amount is not expected to occur prior to the signing of the 2025-26 Financial Statements.

End of audited financial statements

Directors' Declaration

In the opinion of the Directors of the Corporation:

(a) the accompanying Financial Statements and notes thereto:

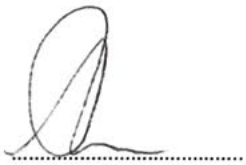
(i) present fairly the Corporation's financial position as at 30 June 2026, its financial performance and its cash flows, as represented by its transactions for the year ended on that date;

(ii) comply with applicable Australian Accounting Standards and the applicable requirements of the *Government Sector Finance Act 2018*, the Government Sector Finance Regulation 2024 and the Treasurer's directions;

(b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

(c) we are not aware of any circumstances at the date of this declaration that would render any particulars included in the accompanying Financial Statements and notes thereto to be misleading or inaccurate.

Signed in accordance with section 7.6(4) of the *Government Sector Finance Act 2018* and in accordance with a resolution of the Directors:



.....
Director



.....
Director

Date: 26 August 2026

INDEPENDENT AUDITOR'S REPORT

Sydney Water Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Sydney Water Corporation (the Corporation), which comprise the Statement of profit or loss and other comprehensive income for the year ended 30 June 2026, the Statement of financial position as at 30 June 2026, the Statement of changes in equity and the Statement of cash flows, for the year then ended, notes to the financial statements, including material accounting policies, and other explanatory information and the Directors' Declaration.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2024 (GSF Regulation) and the Treasurer's Directions
- presents fairly the Corporation's financial position, financial performance and cash flows.

My opinion should be read in conjunction with the rest of this report.

Basis for opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's responsibilities for the audit of the financial statements' section of my report.

I am independent of the Corporation in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110).

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I have fulfilled my other ethical responsibilities in accordance with APES 110.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2026. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters. I have determined the matters described below to be the key audit matters to be communicated in my report.

Key audit matter	How my audit addressed the matter
Fair value of system assets	
At 30 June 2026, the Corporation reported $25.9 billion in system assets measured at fair value. I consider this to be a key audit matter because the: • system assets are highly specialised and financially significant to the statement of financial position, accounting for 75% of total property, plant and equipment balance • discounted cash flow (DCF) model used to fair value system assets is complex and involves significant judgements and assumptions. The fair value is sensitive to changes in valuation inputs. Further information on the valuation techniques, inputs and sensitivity for system assets is disclosed in Note 4.	Key audit procedures included: • obtaining an understanding of the Corporation's approach to estimating the fair value of system assets • assessing whether the DCF model: – incorporated all key assumptions and inputs relevant to valuing system assets of a water entity – met the requirements of Australian Accounting Standards • reviewing the reasonableness of key assumptions and sensitivity of the conclusions to changes in the assumptions • reviewing the model's mathematical accuracy • assessing the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards.
Valuation of defined benefit superannuation liabilities	
At 30 June 2026, the Corporation reported net defined benefit superannuation liabilities totalling $260.6 million. This liability balance is provided to the Corporation by the Administrator of the SAS Trustee, based on an independent actuarial assessment. I consider this to be a key audit matter because the: • underlying liability valuation model (the model) is complex due to the significant degree of judgement required to determine key assumptions used to value the liability • value of the liability is sensitive to minor changes in valuation inputs. Further information on the significant actuarial assumptions and sensitivity analysis is disclosed in Note 13.	Key audit procedures included: • obtaining an understanding of the processes and key controls in place supporting the: – membership data used in the model – defined benefit superannuation liability calculation • assessing the completeness and accuracy of the membership data used in the model • assessing the qualifications, competence, and objectivity of actuarial experts • with the assistance of actuarial experts reviewing the methodology and key assumptions for reasonableness • assessing the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards and Treasurer's Direction.
Accrued unbilled usage charges on unread meters	
At 30 June 2026, the Corporation reported $271.1 million accrued unbilled revenue for customer water usage on unread meters. I consider this to be a key audit matter because there is significant judgment and uncertainty involved in calculating this accrual, such as the:	Key audit procedures included: • obtaining an understanding of the processes and key controls the Corporation has in place to determine the estimated unbilled usage charges

OFFICIAL

Key audit matter	How my audit addressed the matter
• complexity in estimating customer demand across a large number of customers, which can be influenced by many factors including weather and individual circumstances • different rates and product offerings for residential and commercial customers • amount of water loss in transit between the dam and the end customer. Further information on recognition and measurement for accrued unbilled water usage charges is disclosed in Note 9.	• testing the mathematical accuracy of the calculation and assessing the historical accuracy of the estimate against subsequent billings • evaluating reasonableness of the key assumptions for water loss factors, volume and rates used to determine unbilled water usage charges.

Directors' responsibilities for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Direction. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's responsibilities for the audit of the financial statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar6.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Corporation carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Mary Yuen
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

27 August 2026
SYDNEY

Compliance index

Heading	Compliance requirement	Source of requirement	Completed (Yes, No, N/A)	Page
-	Letter of submission	• TPG25-10a	Yes	2
-	Acknowledgement of Country	• TPG25-10a	Yes	3
Overview	Enabling legislation	• TPG25-10a	Yes	10–11
	Structure	• TPG25-10a	Yes	12
	Principal officers	• TPG25-10a	Yes	13
	Functions and services	• TPG25-10a	Yes	13
	Controlled entities and subsidiaries, other related agencies	• TPG25-10a	N/A	-
	Consolidated/combined group	• TPG25-10a	N/A	-
	Extensions	• TPG25-10a	N/A	-
	Exemptions	• TPG25-10a	N/A No current exemptions have been applied for and granted.	
Strategy	Purpose, vision and values	• TPG25-10a	Yes	16–17
	Strategic objectives and outcomes	• TPG25-10a	Yes	18–21
	Current and future strategic plans	• TPG25-10a	Yes	28–29
	Measuring progress	• TPG25-10a	Yes	24–26
	Strategic resource allocation	• TPG25-10a	Yes	27
Operations and performance	Key products and services	• TPG25-10a	Yes	32
	Service delivery models	• TPG25-10a	Yes	33
	Summary of programs and operations	• TPG25-10a	Yes	33–34
	Performance metrics regarding outcomes	• TPG25-10a	Yes	36
	Factors affecting achievement of operational objectives (Additional Sydney Water disclosure): Major issues and problems that arose during the year	• TPG25-10a	Yes	33

Heading	Compliance requirement	Source of requirement	Completed (Yes, No, N/A)	Page
Operations and performance (continued)	Use of technology	• TPG25-10a	Yes	34
	Innovation and improvement	• TPG25-10a	Yes	34
	Funds granted to non-government community organisations	• TPG25-10a	Yes	38
	Research and development	• *Sydney Water Act 1994* (NSW) Schedule 5(3)(a)	Yes	46–48
	Infrastructure program	• TPG25-10a	Yes	40–44
	Events arising after the reporting period	• TPG25-10a	Yes	167
	IPART Determination	• TPG25-10a • *Independent Pricing and Regulatory Tribunal Act 1992* (NSW) section 18(4)	Yes	49–53
Management and accountability	Senior executives	• TPG25-10a	Yes	56
	Boards and committees	• TPG25-10a • TPP17-10 • TPP18-04	Yes	57–69
	People and human resources	• TPG25-10a • *Sydney Water Act 1994* (NSW) Schedule 5(3)(b)	Yes	89–90
	Consultants	• TPG25-10a • *Sydney Water Act 1994* (NSW) Schedule 5(3)(c)	Yes	91
	International travel	• TPG25-10a • *Sydney Water Act 1994* (NSW) Schedule 5(3)(e)(ii)	Yes	92
	Personnel services	• TPG25-10a	N/A	-
	Legislative changes	• TPG25-10a	Yes	70–72
	Privacy and Personal Information Protection Act 1998 (NSW) requirements	• TPG25-10a	Yes	72–73
	Government Information (Public Access) Act 2009 (NSW) requirements	• *Government Information (Public Access) Act 2009* (NSW)	Yes	73–76
	Risk management and insurance	• TPG25-10a	Yes	77–78
	Internal audit and risk management policy attestation	• TPP20-08	N/A This requirement does not apply to State Owned Corporations.	-
	Workforce diversity	• PSC Circular 2014-09 • *Sydney Water Act 1994* (NSW)	Yes	96–100
	Work health and safety	• TPG25-10a	Yes	93–95

Heading	Compliance requirement	Source of requirement	Completed (Yes, No, N/A)	Page
Sustainability	Climate-related financial disclosures	• TPG25–10a • TPG24–33	Yes – summary (For full disclosures refer to *Sydney Water climate-related financial disclosures report 2025–26*)	86
	Modern Slavery Act 2018 requirements	• *Modern Slavery Act 2018* (NSW)	Yes	87–88
	Disability inclusion action plans	• *Disability Inclusion Act 2014* (NSW)	N/A	-
Financial performance	Financial performance	• *Government Sector Finance Act 2018* (NSW) • *Sydney Water Act 1994* (NSW) • *State Owned Corporations Act 1989* (NSW)	Yes	102
	Financial Statements	• *Government Sector Finance Act 2018* (NSW)	Yes	104–166
	Audit report concerning the annual Government Sector Finance financial statements	• TPG25–10a • *Government Sector Finance Act 2018* (NSW)	Yes	168–171
	Clearly identify where the audited information starts and finishes	• TPG25–10a • *Government Sector Finance Act 2018* (NSW)	Yes	107–166
	Controlled entities' financial statements (if applicable)	• TPG25–10a	N/A	-
	Machinery of government changes	• TPG25–10a	N/A	-

Sydney WATER

About this report

This is Sydney Water's full Annual Report for 1 July 2025 to 30 June 2026. It covers our:

- statutory information
- financial statements
- other regulatory information.

Visit **sydneywater.com.au/annualreport** to read the Annual Report 2025–26 and previous reports.

If you have any comments or questions about this report, please email **annualreport@sydneywater.com.au** or write to:

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