Annual Report

2024-2025

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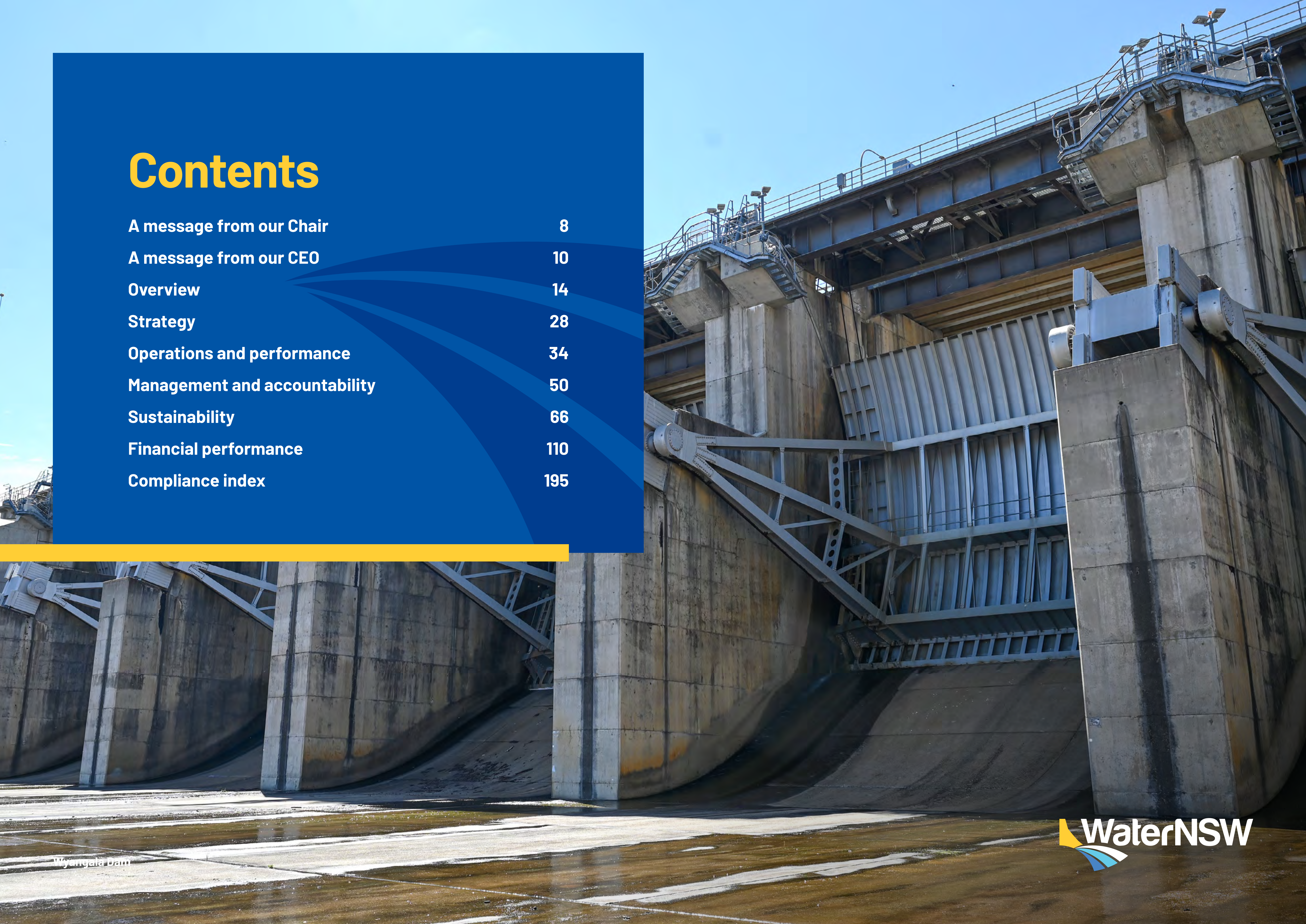


Wyangala Dam

Acknowledgement of Country

Our work with First Nations people is important to us. We acknowledge and have a great appreciation for the knowledge and connection that First Nations people have with water and land, and we are committed to building, supporting and strengthening our partnerships with First Nations people across our operations.

Letter to Shareholder Ministers

The Hon. Daniel Mookhey MLC

Treasurer

52 Martin Place

SYDNEY NSW 2000

The Hon. Courtney Houssos MLC

Minister for Finance

52 Martin Place

SYDNEY NSW 2000

Dear Shareholder Ministers

We are pleased to submit the Annual Report of WaterNSW for the year ended 30 June 2025 for presentation to the Parliament of NSW.

This Annual Report has been prepared in accordance with the *State Owned Corporations Act 1989* and the *Government Sector Finance Act 2018*.

Yours sincerely

Peter Duncan AM

Chair

Andrew George

Chief Executive Officer and Managing Director

Tallowa Dam

Peter Duncan AM

A message from our Chair

WaterNSW delivers two-thirds of the water used across the state, making our services essential to water users, communities, and the people of NSW.

This year, we have faced a raft of economic and regulatory challenges. Despite these complexities, WaterNSW continued to deliver strong outcomes for our customers and communities, while modelling operational excellence in our role in capturing, storing and delivering water.

I would like to acknowledge the collective efforts across the organisation for the exceptional progress made towards WaterNSW's Corporate Strategic Plan.

As part of our Plan, we have worked hard to build trust among the customers and communities we serve, particularly as part of our engagement efforts on matters such as pricing and dam management.

We have also delivered operational excellence – another key priority of the Plan – with the business exceeding its cost savings target for the year and gaining efficiencies, while supporting our strategic priorities.

This focus was reflected in our FY25 financial performance, where we continued to deliver sustainable value to shareholders while upholding a resilient and efficient operating model.

On the regulatory front, WaterNSW's new Operating Licence requirements came into effect on 1 July 2024, outlining expanded responsibilities for the business.

A key undertaking this Financial Year has been the lodgement of WaterNSW's pricing proposal to the Independent Pricing and Regulatory Tribunal (IPART) for the 2025-2030 period.

As part of our submission to this process, we undertook two years of extensive consultation to ascertain the prudent costs required to run our business and maintain our assets.

Despite these efforts, the full assessment of our five-year proposal was ultimately deferred by IPART, and an interim 12-month determination was handed down for Rural Valleys (with Greater Sydney and Water Administration Ministerial Corporation (WAMC) decisions to be made in the new financial year).

The one-year determination falls short of the minimum essential revenue required to run the business and impedes investment decisions over the medium to long term. Consequently, this has put our business in an unprecedented financial position.

We are navigating the outcome of IPART's decisions with a focus on business transformation, to remain viable in the short term and to ensure we can continue to deliver essential services to customers and the community into the future.

We will continue to work closely with our stakeholders and counterparts across the sector and Government throughout this challenging time.

Our focus on delivering water to our customers and communities – when and where it matters – will remain core to our business, while we are committed to taking the steps needed to maintain financial sustainability in the years to come.

This reporting period, the Board farewelled two notable members – Mr Bruce Berry and Mr Mark Barber. On behalf of the Board of Directors, we thank Mr Berry and Mr Barber for their leadership, guidance and strong contributions to the Board.

In August 2024, we welcomed Professor Catherine Bennett, who has extensive experience in governance, working as an academic and infectious disease epidemiologist in health, university and government sectors for over 20 years. Professor Bennett's skills and experience are particularly relevant to WaterNSW's work protecting the Greater Sydney drinking water catchment, and we are pleased to announce her appointment for a three-year term.

I thank my fellow Directors for their counsel and contribution and acknowledge the focus and hard work of WaterNSW Executives and teams this past year. On behalf of the Board of WaterNSW, we extend appreciation to WaterNSW's dedicated employees, and our respect to customers, communities, industry partners and stakeholders across the water sector for their ongoing confidence and support.

I endorse this report to our shareholders, customers, stakeholders and communities.

Peter Duncan AM
Chair

Andrew George

A message from our CEO

This year marks a decade of WaterNSW — a milestone that reflects our enduring commitment to meeting the needs of our customers, water users, and the people of NSW.

Since our formation ten years ago, we have built a legacy of achievement and played a vital role in the water sector.

This past year we have done a lot of heavy lifting, driving operational efficiencies and cost savings for our business, to ensure we are best placed to manage ongoing economic and regulatory challenges.

Our Corporate Strategic Plan outlines our priorities and key focus areas, including business transformation, which is one of our strategic initiatives. **Our strong and continued focus on business transformation** contributed to our business achieving a $46 million net profit after tax improvement compared to the FY25 business plan and SCI.

The value derived from this transformation is critical, as we ensure the viability of our services for our 41,000 customers across NSW.

Over the past year, our organisation has **effectively managed the impacts of frequent and severe weather.** This has been predominantly in the Northern and Coastal regions of the state, where consistent rainfall has resulted in high storage levels across dams.

In Far West NSW, record inflows entered the Barwon Darling catchment. To manage the impacts, we installed new gauging points and reactivated dormant sites to help track levels along the Paroo River, which also supported emergency response efforts in the region.

In comparison, the south of the state experienced much drier conditions and depleting storages, illustrating how volatile the climate is and the need to be prepared for all scenarios – from flood to drought, and everything in between.

For the past two years, our business has steadily focused on driving the **WaterNSW pricing proposal to IPART for the 2025-2030 period.** Our submission, and the subsequent review process, has been a significant undertaking and follows the last two year's extensive customer engagement work – our largest consultation effort to date.

Following our submission, we carried out an extensive review process with IPART's consultants involving more than 60 focussed discussions, 245 detailed requests for information, and the collation of 45,000 pages of evidence.

The initial release of IPART's Information Paper in May 2025 proposed charges for our Greater Sydney and Rural Valleys bulk water services that would lead to a substantial shortfall in revenue.

After consideration, IPART released a one-year determination for our Rural Valleys, which represents a deviation from the usual five-year term. Disappointingly, this determination did not reflect our projections to cover the prudent and efficient costs required to run our business and furthermore, hampers our ability to make long-term investment decisions.

In the background, we continue to manage the ongoing impacts of inflation, and the rising costs associated with operating our business, especially in relation to interest paid on historical debts.

We are now working with Government to consider what IPART's determination means for our operations and service delivery to water users, and we welcome a review into the broader challenges in our regulatory environment to address some of these systemic issues.

The next 12 months will be heavily focussed on implementing our Business Transformation program, designed to ensure we operate within our revenue allowances determined by IPART, and restore our financial sustainability.

Maintaining our infrastructure and assets is essential, so that we can continue to deliver efficient operations and positive outcomes for communities.

Key maintenance works and projects this year included the fishlift upgrade at Tallowa Dam – the largest fishlift of its kind in Australia - to improve reliability for fish migration between the lower and upper Shoalhaven River.

We completed emergency works to repair flood damage to the Lake Brewster levee and inflow channel, fixing the major damage caused in the late 2022 floods - securing the reliability of water storage and supply to Lachlan River customers.

At Oberon Dam, a team of expert divers completed essential maintenance works to replace several valves on the intake tower – to ensure ongoing and efficient water supply to customers in the Fish River region.

We also continued our partnership with 12 local councils as part of the **NSW Government's Town Water Risk Reduction program,** supporting regional communities to establish baseline water quality data to improve their knowledge and management of drinking water supplies.

We have maintained an unwavering focus on safety, ensuring we provide a workplace where our people go home safe and healthy each day.

In FY25, we uplifted our safety fundamentals through a strategic initiative targeting workplace culture. Pleasingly, we experienced a drop in total recordable injuries and saw a 10 per cent improvement in our incident reporting rate. Despite this positive result, we remain focused on other key risks such as the safety of the public visiting our sites and improving contractor safety and injuries resulting in lost time.

Being respected by our customers and the community matters to us – it's one of our strategic priorities. We have been out in the community, meeting face to face with hundreds of customers and community members via community consultation sessions across the state, as well as continuing our presence at regional field day events, to get firsthand insights and feedback.

We have also been engaging with First Nations communities, who we share custodianship of land and waterways, to develop strong and trusting relationships.

Over the past 12 months, we have made progress towards our **Innovate Reconciliation Action Plan (RAP),** partnering with more than 50 First Nations groups on projects, from developing skills to care for the Peel River in Tamworth, to updating our procurement processes to support Aboriginal owned businesses.

We have also engaged three Aboriginal archaeological firms to help us complete 150 cultural heritage surveys at our sites, while making great progress towards our target of 5% Aboriginal workforce participation – currently at 3.77%.

Our business continues to increase its understanding around the direct impacts of climate on our operations and the water sector more broadly. This year, we are pleased to report our **Climate Related Financial Disclosures,** detailing our climate-related risks, the actions we have taken to mitigate such risks, and areas of opportunity for our business.

As part of our strategic priority to **build a more sustainable future,** we have continued to carry out pre-feasibility studies to explore more opportunities for pumped hydro energy. Meanwhile, we support the progression of third-party projects at our sites in the Upper Hunter, Lake Burragorang and Burrendong Dam.

We recognise that the regulatory environment is ever shifting, and we have been promptly responding to these changes, to ensure we are delivering on our obligations. As part of this, we have been working with government and water sector agencies to provide input on legislative/regulatory and policy reforms that shape and affect water management in the state.

Our FY25 financial performance reflects our strong commitment to operational efficiency and disciplined financial management in a tough economic environment. Our net profit after tax exceeded target due to prudent cost control, including the achievement of business transformation efficiencies, and prioritisation of our investments.

In light of the recent IPART pricing determinations, now it is time to focus on future financial sustainability. In the year ahead, we are going to have a focus on delivering on our business transformation. This means becoming a leaner and more focused business – to ensure we can operate within our IPART-determined allowances.

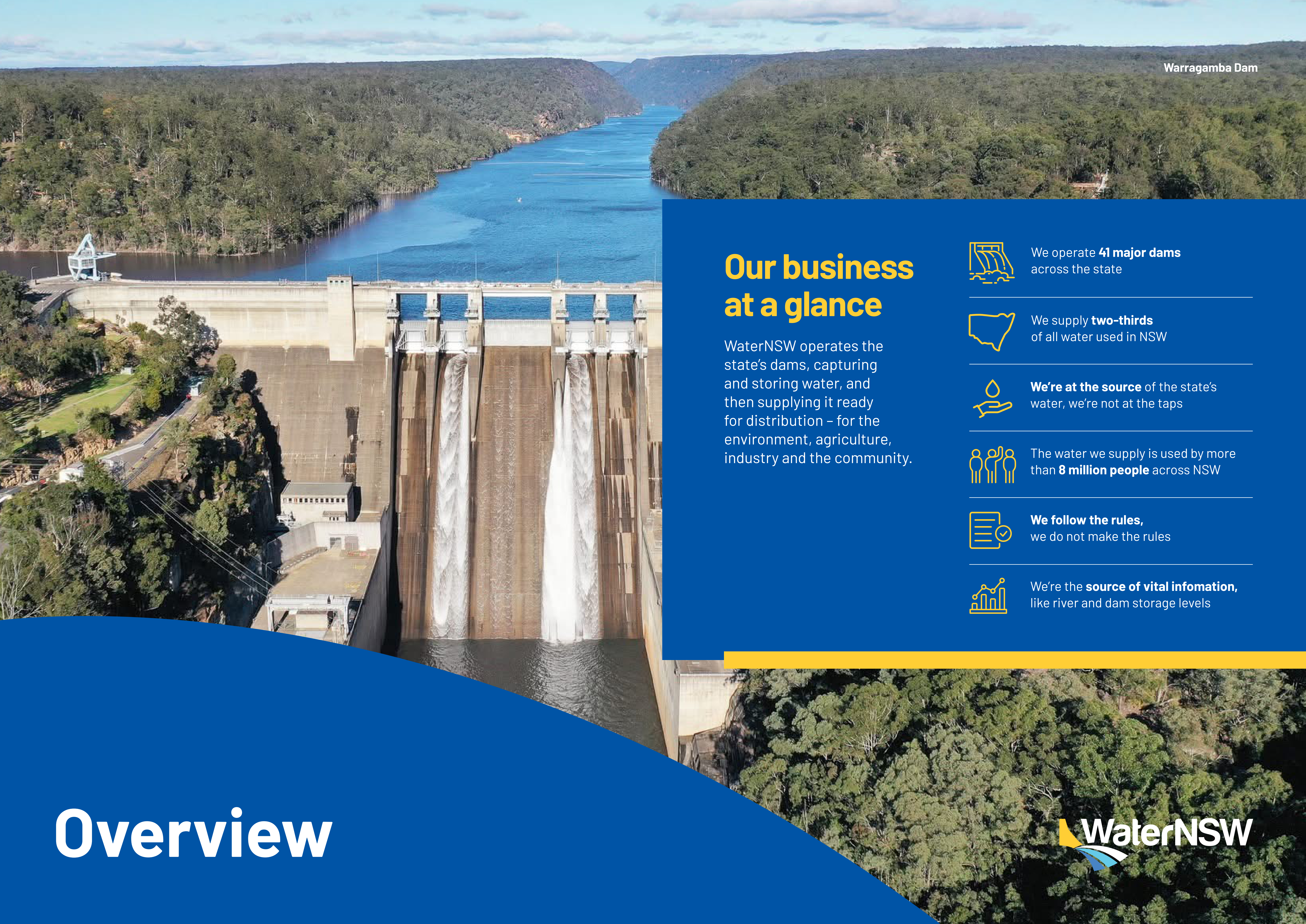
This will involve resetting our priorities, re-focusing on our core purpose, simplifying how we operate, and ensuring we are set up to deliver on our statutory obligations.

While this process may be disruptive, ultimately it will ensure WaterNSW is well-positioned to deliver on our purpose of delivering water, when and where it matters, for generations to come.

In closing, I want to say thank you to our people for their ongoing dedication, professionalism and expertise this past year. Together, we have played an important role delivering an essential service to our customers and communities across NSW.

Andrew George
Chief Executive Officer and Managing Director

Lake Brewster



Warragamba Dam

Overview

Our business at a glance

WaterNSW operates the state's dams, capturing and storing water, and then supplying it ready for distribution – for the environment, agriculture, industry and the community.

- We operate **41 major dams** across the state
- We supply **two-thirds** of all water used in NSW
- **We're at the source** of the state's water, we're not at the taps
- The water we supply is used by more than **8 million people** across NSW
- **We follow the rules,** we do not make the rules
- We're the **source of vital infomation,** like river and dam storage levels

WaterNSW

Our year at a glance

676
gigalitres of water supplied to urban customers across Greater Sydney

3.7%
First Nations employees (an increase of 0.5% on last year)

5,039
gigalitres of water delivered to customers in regional and rural NSW

58,000+
enquiries handled by our Customer Service Centre

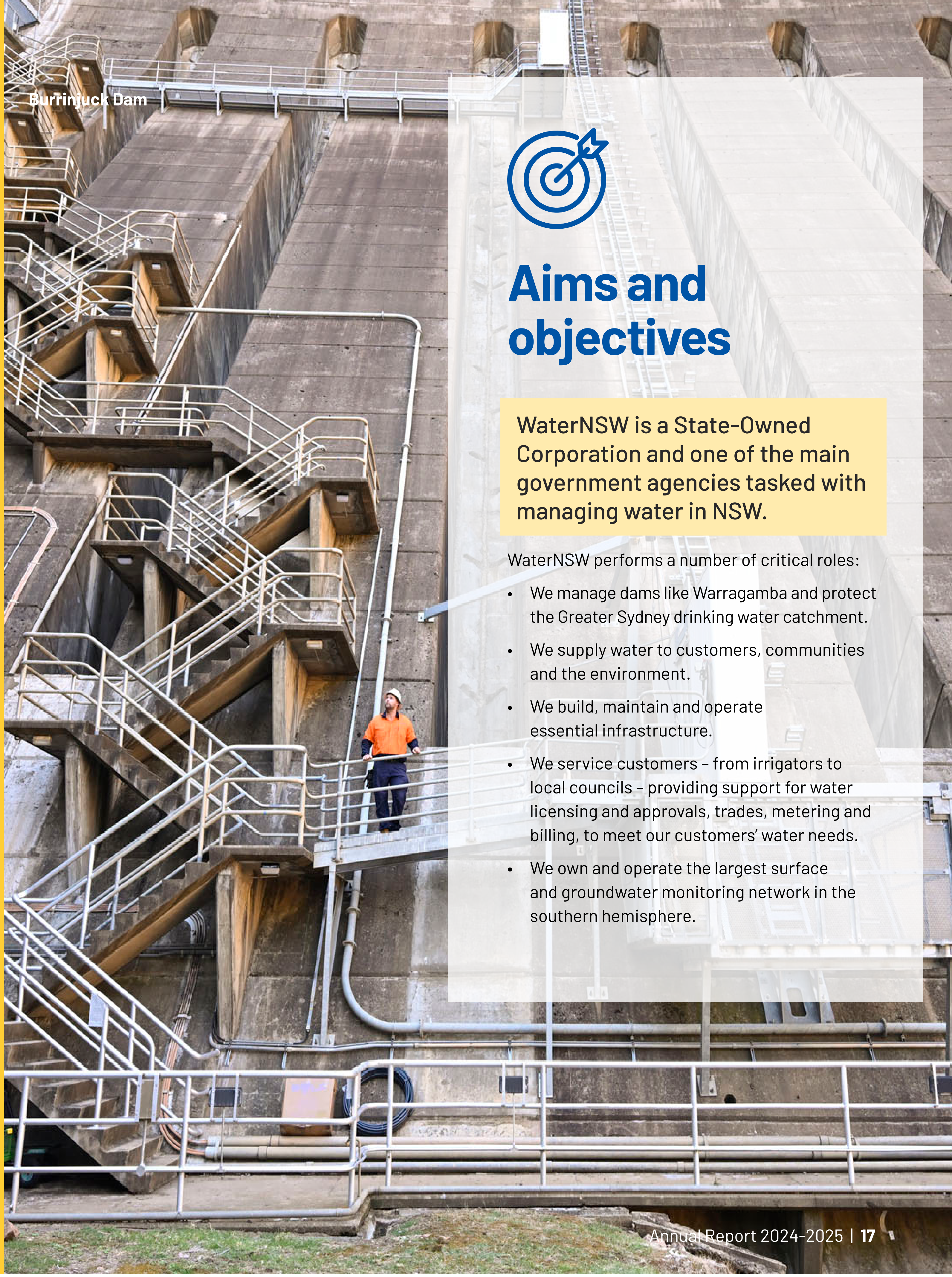
52,000+
stakeholder engagements through Customer Advisory Groups (CAGs), Field Days and community outreach days

5,749
licence and approval applications assessed

10%
improvement in proactive Work Health and Safety reporting

4,148
students educated on curriculum linked excursions and incursions

64,765
visitors to Warragamba Dam Visitor Centre



Burrinjuck Dam

Aims and objectives

WaterNSW is a State-Owned Corporation and one of the main government agencies tasked with managing water in NSW.

WaterNSW performs a number of critical roles:

- We manage dams like Warragamba and protect the Greater Sydney drinking water catchment.
- We supply water to customers, communities and the environment.
- We build, maintain and operate essential infrastructure.
- We service customers – from irrigators to local councils – providing support for water licensing and approvals, trades, metering and billing, to meet our customers' water needs.
- We own and operate the largest surface and groundwater monitoring network in the southern hemisphere.

Charter

Water NSW Act 2014

WaterNSW is a State-Owned Corporation established under the *Water NSW Act 2014* and operates under an operating licence. The functions of WaterNSW under the Act are to:

- Capture and store water and to release water:
  - to persons entitled to take the water, including release to regional towns, and
  - for any other lawful purpose, including the release of environmental water.
- Supply water to Sydney Water Corporation.
- Supply water to water supply authorities and to local councils or county councils prescribed by the regulations.
- Supply water to licensed network operators or licensed retail suppliers within the meaning of the *Water Industry Competition Act 2006*.
- Supply water to other persons and bodies, but under terms and conditions that prevent the person or body concerned from supplying the water for consumption by others within the State unless the person or body is authorised to do so by or under an Act.
- Construct, maintain and operate water management works (including providing or constructing systems or services for supplying water).
- Protect and enhance the quality and quantity of water in declared catchment areas.
- Manage and protect declared catchment areas and water management works vested in or under the control of WaterNSW that are used within or for the purposes of such areas.
- Undertake flood mitigation and management.
- Undertake research on catchments generally, and in particular on the health of declared catchment areas.
- To undertake an educative role within the community.

Water NSW Regulation 2020

A key responsibility of WaterNSW is identifying and managing impacts on water quality in the declared catchment areas. In order to protect water quality, the *Water NSW Regulation 2020* restricts access to lands immediately adjacent to the storages used for drinking water supplies. It also provides for regulatory powers to manage pollution activities that impact water quality.

In Special Areas, (those lands adjacent to water storages in the Greater Sydney drinking water catchment) access may be prohibited or certain activities restricted to protect water quality and ecological health.

The *Water NSW Regulation 2020* (which operates under the *Water NSW Act 2014*) provides WaterNSW with the power to legally enforce access restrictions.

WaterNSW has enforcement powers under the *Protection of the Environment Operations Act 1997* to penalise anyone found to be polluting in the catchment that may impact on water quality. WaterNSW keeps a public register of all notices issued under the *Protection of the Environment Operations Act 1997*.

Water Management Act 2000 and *Water Act 1912*

The objectives of the *Water Management Act 2000* are to provide for the sustainable and integrated management of the water sources of the state for the benefit of both present and future generations and, in particular:

- ecologically sustainable development
- protect, enhance and restore water recourses
- recognise and foster social and economic benefits
- recognise the role of the community
- provide efficient and equitable sharing of water
- management of water sources with other aspects of the environment including native vegetation and native fauna
- encourage the sharing of responsibility and efficient use of water
- encourage best practice management and use of water.

In NSW, the regulator and policy maker for water resource management is the Department of Climate Change, Energy, the Environment and Water (NSW DCCEEW). NSW DCCEEW develops natural resource management policy frameworks, strategies and plans related to water management. NSW DCCEEW is accountable for water sharing plans, which define the rules for sharing the water resources of each regulated river valley between consumptive users and the environment. These water sharing plans are made under the *Water Management Act 2000*. WaterNSW operates in accordance with these plans and delivers water to customers and the environment. Customer water accounts are credited with their shares of available water and, as they use their water, their usage is debited from their accounts.

The majority of water access licences are issued under the *Water Management Act 2000* but some are still issued under the *Water Act 1912*. The operating licence for WaterNSW also confers on WaterNSW certain functions of the Minister administering the *Water Management Act 2000* and the *Water Act 1912*.

Carcoar Dam

Operations and pricing

WaterNSW's activities are guided and regulated by:

Operating licence – WaterNSW operates under an operating licence granted by the Minister on the recommendation of the Independent Pricing and Regulatory Tribunal (IPART). The operating licence enables WaterNSW to exercise its functions under the *Water NSW Act 2014*. IPART conducted a review of WaterNSW's operating licence in early FY 2023-24, which established our new operating licence which commenced on 1 July 2024 and goes until 30 June 2028.

Water sharing plans and licensing – WaterNSW operates in accordance with water sharing plans and delivers water to customers and the environment. Based on the water sharing plan rules, the available water resources are shared throughout the year, allowing water for the environment and for consumptive use.

The water licences and approvals granted to WaterNSW regulate its access to water resources in its area of operations:

- Water access licences authorise WaterNSW to take and use water.
- Water supply work and water use approvals set out how the water management works are to be operated, including the amount of water that WaterNSW must make available for environmental flows.

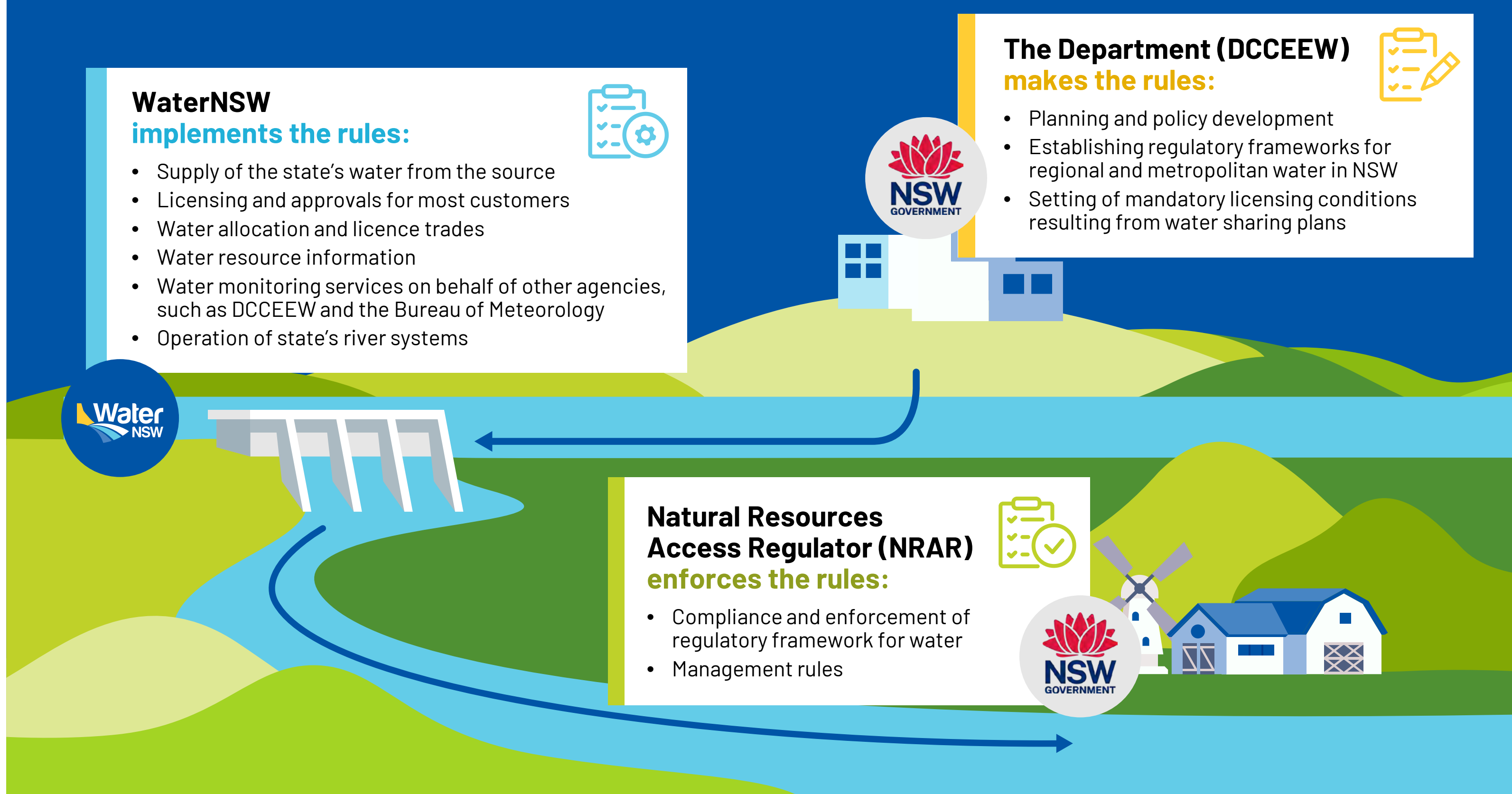
Catchment audits – the *Water NSW Act 2014* requires that there be an independent audit of the health of the declared Sydney catchment area at least every three years. The audit report is provided to the Minister responsible for WaterNSW – see the catchment audit section for information on the most recent audit, which covered the 2019 to 2022 period.

Catchment health indicators – Catchment audits are required to assess the health of the declared catchment areas using a list of indicators developed under Section 41 of the *Water NSW Act 2014* and listed in the operating licence. WaterNSW is required to:

- evaluate the findings of the catchment audit to the extent to which they relate to its activities and risks to water quality
- incorporate the findings of the audit into its risk framework, and its programs and activities relating to catchment management
- report to the Minister on its progress to achieve improvements in catchment health, to prevent degradation of existing catchment health and to maintain existing catchment health, having regard to the findings.

NSW Water Strategy – the NSW Water Strategy sets the overarching vision for 12 regional and two metropolitan water strategies, tailored to the individual needs of each region in NSW. Together, the strategies will improve the resilience of NSW's water services and resources.

Price determinations – about every four to five years, IPART sets the maximum bulk water prices that WaterNSW can charge our customers. WaterNSW was subject to four price determinations in 2023-24 – see the implementation of price determinations section for more information.



Key government relationships

Water agencies – roles and responsibilities

WaterNSW, the NSW Department of Climate Change, Energy, the Environment and Water (NSW DCCEEW), and the Natural Resources Access Regulator (NRAR) are party to a Roles and Responsibilities Agreement that came into effect on 30 June 2021.

The agreement sets out how the three agencies collaborate and work together to deliver key water management functions under the Water Administration Ministerial Corporation (WAMC). It also is required for WaterNSW to meet its operating licence obligations.

The agreement details each agency's role in performing the functions of WAMC, and provides a framework for resolving any interagency issues, along with the identification of improvement opportunities.

Memoranda of Understanding (MoU)

MoU are a requirement of the *Water NSW Act 2014*. The memoranda:

- establish cooperative relationships with regulatory agencies
- develop consultative processes to consider operational, strategic, and public health and environmental issues
- allow for exchange data and information.

The MoU with NSW Health recognises the role of that agency in relation to water quality standards and public health.

The MoU with the Environment Protection Authority recognises the role of that agency in protecting the environment of NSW.

The Raw Water Supply Agreement with Sydney Water recognises the role of WaterNSW in supplying water to Sydney Water and includes provisions relating to the quality and continuity of that supply.

WaterNSW also has a range of other agreements with other key stakeholder agencies, as required by the Operating Licence, including an MoU with the Natural Resources Access Regulator (NRAR) which we are transitioning to a new Cooperation Protocol and a newly established Cooperation Protocol with NSW Fisheries.

Management and structure

As at 30 June 2025

Board

The Board sets the overall policy, strategy and direction of WaterNSW. All decisions relating to the operation of WaterNSW are made by or under the authority of the Board in accordance with Section 20L of the *State Owned Corporations Act 1989*.

Refer to the Board section for more information on directors, meetings and governance.

Executive

The Executive Managers report to the Chief Executive Officer.

Andrew George

Chief Executive Officer and Managing Director
BE (Hons), FIE Aust, CPEng, EngExec, GAICD

Andrew is the Chief Executive Officer and Managing Director of WaterNSW, responsible for managing the state's dams and bulk water supply infrastructure and servicing a diverse range of customers – including the environment, agriculture, industry and the community, throughout regional NSW and Greater Sydney.

Recognised as an innovative thinker who approaches complex problems with an enquiring and solutions-focused mindset, Andrew has been involved in the strategic transformation of the NSW water sector, both as an Executive of WaterNSW since its inception in 2015, and more recently as CEO and Managing Director since 2020.

Andrew brings a decade of experience in successfully implementing organisational transformation programmes and sector reforms, delivering shareholder, customer and community value in a complex regulatory environment.

With more than 15 years' experience in water utilities, Andrew has excelled in leadership roles spanning regulatory and market strategy, government relations, engineering, asset management, and major infrastructure delivery.

Andrew holds a Bachelor of Civil and Environmental Engineering (Honours) from the University of Technology Sydney, is a Fellow of Engineers Australia and is a Graduate of the Australian Institute of Company Directors.

Andrew is also a Director of WaterNSW Infrastructure Pty Ltd.

Beth Winchester

Executive Manager – Safety, People and Culture
BComm, CPA

Beth is an experienced senior leader across multiple business functions. After several finance roles within the Lend Lease Group, Beth transitioned into human resources, holding positions that included Regional and Global leadership responsibilities. Beth then became Executive General Manager People & Culture for Fuji Xerox Australia Pty Ltd where she was responsible for the Human Resources, Internal Communications and Property portfolios of the Australian operations for 12 years.

Beth has held a number of volunteer committee and board positions including serving on the KU Board for a 5-year term.

As Executive Manager – Safety, People and Culture, Beth and her team work to:

- deliver people and culture operations such as policies, payroll, recruitment framework
- lead strategic projects and functions such as employee engagement, workforce planning, industrial relations strategy, fostering positive employee relations in order to create a strong performance culture
- develop and deliver learning and development frameworks and capability uplift programs for all employees
- develop work health and safety policies, procedures and standards and ensure they are implemented across WaterNSW.

Clair Cameron

Executive Manager – Corporate Affairs
BA Comm, MHL

A highly practised senior leader, Clair has over 20 years' experience leading Communications, Stakeholder Engagement and Public Affairs teams working on complex projects in the private and public sectors.

Clair is passionate about listening and engaging stakeholders at all levels and advising at a strategic level on issues management and communications. Prior to joining WaterNSW, Clair spent six years in leadership roles at the NSW Environment Protection Authority. Prior to that she led communications functions for organisations including Meat and Livestock Australia and FTI Consulting.

As Executive Manager – Corporate Affairs, Clair works with her team to:

- safeguard and build Water NSW's brand and reputation
- lead WaterNSW's engagement with stakeholders and the community
- manage engagement with industry, government and First Nations communities
- provide community education
- manage WaterNSW's internal and external communications.

David Stockler

Executive Manager – Customer Services
Cert Bus, Fin & Marketing, GAICD

David is a highly practised leader in the field of customer experience and operations, having developed his skills over many years working in the utilities and telecommunications sectors.

David joined WaterNSW in early 2016 after serving in senior positions at Optus and AGL, amongst others. In addition to his role at WaterNSW, David previously served 6 years as a non-executive Director of the NSW Energy & Water Ombudsman.

As Executive Manager – Customer Services, David works with his team to:

- ensure excellence in customer services, communications, and digital capabilities
- manage customer water ordering, account management requests, issues and complaints
- manage billing and revenue collection
- assess and determine customer licence and approval applications and water trading in compliance with regulations.

Fiona Smith

Executive Manager – Strategy and Performance
BSc, MBA, GAICD

Fiona has over 30 years of experience in the water industry and joined WaterNSW upon its formation, having previously worked for the Sydney Catchment Authority. Fiona's experience includes catchment protection, land management, regulatory and compliance management, sustainability, water planning and management, treatment, distribution, wastewater treatment and reuse.

In addition to her role, Fiona is a Non-Executive Director of Water Research Australia.

As Executive Manager – Strategy and Performance, Fiona and her team work to:

- develop WaterNSW's corporate strategy including monitoring and reporting
- lead the long-term operations strategy on science, assets and water management
- coordinate IPART submissions and related issues like operating licence audits and reviews
- develop and advise on regulatory and policy proposals and reforms
- drive transformation projects in collaboration with other portfolios, monitor and report
- set key operational and strategic indicators in collaboration with other portfolios to proactively manage performance and report on their results
- manage environmental planning and sustainability initiatives.

Joe Pizzinga

Executive Manager – Finance, Legal and Risk
BCom (Acc/LLB), AMP Harvard, Fellow of CPA Australia

Joseph Pizzinga is an experienced financial leader, with a respected catalogue of Chief Financial Officer roles in the utilities industry. Joe's aptitude for finance and business operations was finessed during his five years as CFO of Ausgrid, and nearly another five years prior to that at Endeavour Energy.

Joe is a Fellow of the Australian Society of Certified Practicing Accountants and has a degree in Commerce, majoring in Accounting and Business Law. Joe has also previously attended Harvard Business School where he undertook Harvard's Advanced Management Program.

As Executive Manager – Finance, Legal and Risk, Joe works with his team to:

- manage financial planning, budgeting reporting and governance
- manage the procurement functions
- manage the commercial aspects of WaterNSW's the land and properties holdings, including faciities management
- provide legal advice, including company secretary responsibilities
- provide the internal audit and corporate risk management and compliance functions.

Keepit Dam

Leeanne Chau

Executive Manager – Digital and Chief Information Officer
BBus

Leeanne is a people focused leader, well-respected for her depth and breadth of experience across the private and public sectors, combined with a passion to deliver digital-enabled value to capitalise on the opportunities technology and data provide for innovative transformation.

Leeanne has successfully led large-scale transformational initiatives across digital, data and technology and key strategic programs at APA Group, Australian Taxation Office, Ausgrid and Deloitte Consulting.

As Chief Information Officer and Executive Manager – Digital, Leeanne works with her team to:

- drive digital transformation and ways of working
- maintain core information technology infrastructure systems, data and policy
- provide technical expertise on digital initiatives
- identify and deliver initiatives to enhance our digital services
- oversee cybersecurity measures and legislative obligations.

Ronan Magaharan

Executive Manager - Operations
BE (Elec), BSc (Comp)

Ronan is an experienced leader in operations, water planning, engineering, asset management, and major infrastructure delivery. His experience has been gained predominantly in the water and power generation industries.

Joining WaterNSW in early 2016 as Manager, Asset Maintenance and Services, Ronan was promoted to the position of Executive Manager Assets at WaterNSW in December 2018. Prior to WaterNSW, he worked at Snowy Hydro for eight years in a variety of engineering and senior management roles.

As Executive Manager – Operations, Ronan and his team work to:

- manage assets (built infrastructure and natural assets such as land) and water systems to secure and deliver water supply to customers
- analyse demand and supply to ensure the on time and efficient delivery of water
- respond to incidents where direct water supply is affected (such as floods, droughts and heavy rainfall) to ensure continued safe water supply and operation of assets
- monitor and maintain safe, high-quality water
- continuously improve operations to strive for excellence.

Ronan was also a Director of WaterNSW Infrastructure Pty Ltd.

Nepean Dam

Our vision

To support the resilience of NSW communities through our leadership in delivering water services, for generations to come.

Our purpose

Water, delivered when and where it matters.

Our vision and purpose form part of our Corporate Strategic Plan. This plan sets out the future of WaterNSW and provides a shared vision for all WaterNSW employees to enable us to work together on these priorities of the business, ultimately with the aim of meeting the needs of our customers and communities across NSW.

Our purpose is summed up in one simple statement that goes to the heart of all that we do and our core business.

Our vision recognises the importance of WaterNSW in ensuring the prosperity and continued growth of communities across NSW by providing an essential service that can be relied upon.

Strategy

WaterNSW

Strategic priorities

We have five strategic priorities that are targeted to guide us in achieving our purpose and vision.

Delivering operational excellence - safe, reliable, affordable water services through technical and operational excellence.

Developing our people and capabilities - diverse, high performing workforce responsive to customer and community needs.

Respected by the customers and communities that we serve – trusted to support social, cultural and economic prosperity of customers and community through transparency and community presence.

Working together in partnership – committed to working in partnership with stakeholders to manage sustainable, secure and healthy waterways.

Building a sustainable future – our part in creating a more resilient water system to enable thriving communities while reducing our environmental footprint.

Strategic initiatives

Eleven strategic initiatives, under these strategic priorities, were launched or continued in FY25. The strategic initiatives are key to meeting our long-term goals and are key performance indicators.

Strengthening Regulatory Performance

Delivering operational excellence

We established this initiative to strengthen our ability to anticipate, influence, and effectively respond to regulatory changes arising from the end-of-term review of our operating licence and numerous regulatory changes led by other state and federal government agencies.

This was demonstrated through sustained, constructive engagement with government agencies and the provision of timely advice to inform proposed changes to water-related policy, legislation and regulations.

Notably, we delivered a comprehensive plan to implement our new Operating Licence 2024-2028, and we are continuing to engage with our regulator and government on timeframes to implement some of the new licence obligations.

Our proactive engagement helped shape amendments to the *Water NSW Act 2014* regarding the scope of regulations to protect special areas in the declared catchment area and controlled areas around our infrastructure.

At a national level, we made significant progress in meeting our obligations under the *Security of Critical Infrastructure Act*, with 2024 being the first year the Board was required to make the relevant attestation under the Act. We made several submissions to inform the development of a new National Water Agreement between the Commonwealth and State governments and secured funding under the Federation Funding Agreement to advance key Commonwealth water market reforms.

Business Transformation Program

Delivering operational excellence

Our Business Transformation Program continued this financial year, focussing on identifying long, medium and short-term initiatives to deliver cost savings and operational efficiencies while supporting our strategic priorities. In FY25, the program progressed further recurrent savings, underpinning our commitment in our Pricing Submission to IPART to cut $133 million in operational costs from our business over the forward five-year period.

Key achievements included implementing 25 other savings initiatives such as improving the way we deliver training, utilising our in-house resources to monitor water in Sydney, reducing contractor and consultant spend, and rationalising devices and software licences. There has also been an extensive planning effort to help address future efficiency and financial challenges following the IPART determination.

Digitally Enhanced Services

Delivering operational excellence

Digitally Enhanced Services represents part of our digital transformation journey, designed to position our organisation for success in the next regulatory periods, through 2030 and beyond.

Part of delivering this initiative was the implementation of the Digital Fundamentals Program, establishing greater clarity on our service offerings, engagement approach and uplifting our capabilities.

The initiative further identified operational expenditure savings of $800,000 - linked to the Business Transformation Program. We have also defined our strategic position on artificial intelligence (AI) and data and analytics to guide future investment and capability uplift, ensuring we remain responsive and competitive in a rapidly evolving digital landscape.

Future Workforce Strategy

Developing our people and capabilities

We're committed to shaping a future-fit workforce by anticipating tomorrow's challenges, identifying capability gaps and nurturing the talent and skills required to thrive in an evolving business landscape. By analysing our current workforce and defining the capabilities needed, we can create targeted strategies and tools to empower our people and position our organisation for sustained success.

In the past year, we delivered workforce analytics, insights and research that serves as a valuable knowledge repository for the organisation. This foundational work will help identify emerging capability needs, guide strategic workforce planning and inform the development and implementation of targeted actions to ensure we are well positioned to meet future workforce challenges and opportunities.

Workplace Culture Programs

Developing our people and capabilities

This initiative was about elevating our workplace culture and shaping a positive, robust and high-performing workplace through targeted programs that boost employee connection, advance safety culture and which strengthens our commercial focus.

Our annual engagement survey results remained consistent with the previous year – at 61 percent – reflecting a resilient and committed workforce and aligning closely with the Australian Employee Engagement average (2021-2024).

We also maintained accreditation with the ISO 45001:2018, strengthened our Work Health and Safety (WHS) risk management approach and enhanced our competency management framework. These actions support us in creating a safer, more capable and engaged workplace. For more detail see our WHS update.

Improve Communications and Engagement

Respected by the customers and communities we serve

This strategic initiative was designed to ensure our customers, communities and stakeholders receive more proactive, tailored and timely information from WaterNSW, to meet their needs.

From completing detailed stakeholder mapping in every valley to attending field days, improving correspondence service standards and proactively engaging with local MPs and media, our efforts increased our reach, strengthened our relationships and delivered meaningful engagement with our customers, communities and stakeholders.

This year, we also trialled targeted valley updates, taking vital water data and operational information to a set of valleys, driving traffic to our WaterInsights platform, alongside our efforts on social media which promoted dam storage levels to localised audiences.

All key deliverables in this initiative were successfully completed on time and to a high standard, with most program outcomes either meeting or exceeding the established targets, setting solid foundations for FY26.

For more detail see our Customer Engagement update.

Growing Non-Regulated Revenue

Working together in partnership

This initiative aims to grow non-regulated income and strengthen long-term financial sustainability by leveraging our existing assets, expertise, and programs to develop revenue-generating opportunities with high potential returns and managed risks. Where possible, these initiatives are supported by external funding.

We expanded successful programs such as the Town Water Risk Reduction Program (TWRRP), engaging with 23 local water utilities to improve their management of drinking water supplies.

We have undertaken a desktop review to explore opportunities to generate tradeable carbon and biodiversity credits on our land, and developed a strategic framework to respond to new land leasing opportunities.

Renewable Energy Program

Working together in partnership

We are also growing non-regulated revenue by advancing renewable energy initiatives that align with the state's net zero goals and to support a more sustainable future for WaterNSW.

Through strong partnerships with private developers, we are progressing two major programs: the Renewable Energy Storage Program and the Long Duration Storage Program, which aim to deliver two gigawatts of energy over at least eight hours—enough to power around one million homes.

Through the programs, we are securing Development Agreements that unlock renewable energy projects and explore pumped hydro opportunities on our land, creating long-term value for both the business and the state.

We have signed an agreement with ZEN Energy for preliminary investigations at Lake Burragorang, and ACEN's Project Phoenix at Burrendong Dam has completed initial geotechnical work. The Upper Hunter hydro projects at Glenbawn and Glennies Creek dams continue to progress well, with both currently in the early stages of development. In May 2025, AGL acquired full ownership of the projects from Upper Hunter Hydro.

To support these ongoing efforts, we've introduced a streamlined site access procedure to ensure timely and coordinated assessments that maximise the potential of our assets in driving NSW's clean energy future. For more detail see our Renewable Energy Program update.

Alternative Funding Strategy

Working together in partnership

Over the past year, WaterNSW has taken a proactive approach in exploring various funding strategies to address anticipated revenue shortfalls from the IPART determination. By collaborating with both internal and external stakeholders, we have delivered a strategic review of our land portfolio for land sale, lease and biodiversity opportunities. We further developed and implemented the non-core revenue opportunities, and supported by grant funding for Federal and NSW Governmentt programs, we undertook a range of activities and initiatives delivering on broader policy objectives of Government, that simultaneously enabled WaterNSW to explore opportunities to expand its services.

Pricing Proposal FY26-FY30

Working together in partnership

We submitted the WaterNSW Pricing Proposal to IPART for the 2025-2030 period in September 2024, following extensive engagement with customers and stakeholders – our largest consultation work to-date.

Following the submission, we presented our final proposal at two public forums and commenced a detailed review process with IPART and their expenditure review consultants, participating in 64 focussed discussions, responding to 245 detailed Requests for Information and compiling 45,000 pages of evidence.

In May 2025, IPART released an Information Paper on our rural bulk water proposals, which proposed a material shortfall in revenue.

After consideration, IPART released a one-year determination for rural bulk water services commencing on 1 July 2025, which would allow IPART time to further review our submission, and together with the NSW Government consider the broader challenges identified in their Information Paper.

IPART's Greater Sydney decision is still pending further review and will be released in 2025. We continue to work with IPART, Government and stakeholders to address systemic issues faced by WaterNSW in the current regulatory environment. For more detail see Implementation of Pricing Determinations.

Implement Environmental, Social and Governance (ESG) Program

Building a sustainable future

We continued our sustainability journey this year by progressing the strategies outlined in our ESG program, with particular focus on identifying emissions reduction pathways, climate change adaptation, biodiversity and carbon credits, and sustainability reporting.

We developed an ambitious emissions reduction program, progressed a Climate Change Risk Assessment and Adaptation Plan, and completed a Climate Change Maturity Assessment to guide future action. The endorsed Land Strategy provides a framework for optimising land use in alignment with our strategic, financial and operational priorities.

For more detail see our ESG program update.

Burrinjuck Dam

Operations and performance

Significant operations and activities

Overview

We take care of the state's water at the source – capturing, storing, delivering.

We use our expertise to carefully capture and store our most vital natural resource. We then supply that water ready for distribution, for the environment, agriculture, industry and the community.

Water storage

With 41 major dams across the state, we play a vital role at the source of the state's water, delivering two-thirds of all water used in NSW.

Greater Sydney

In Greater Sydney, WaterNSW collects water from river catchments to the south and west of Sydney, and stores it in 21 dams including Warragamba, Nepean, Cataract and Avon Dams. We transport stored water from these dams via our network pipes and canals to Sydney Water and other water utilities, who treat and supply the water to households.

Warragamba Dam is Greater Sydney's major supply dam, with a storage capacity of 2,064,680 ML.

Warragamba Dam, along with our Metropolitan and Shoalhaven Dams, store water ready for transfer to Prospect Water Filtration Plant, operated by Sydney Water, which supplies about 80 per cent of Sydney's drinking water. The Greater Sydney system is complex yet highly flexible, allowing us to draw water from different storages for supply to Sydney Water, as well as local councils.

Under NSW Government rules, dams in Sydney — including Warragamba — operate as urban water supply dams. These dams are required to retain as much water as possible, to safeguard water supply for the five million people who live in Greater Sydney. For this reason, stored water cannot be released to create airspace for flood mitigation purposes.

Regional NSW (Rural Valleys)

WaterNSW captures, stores and delivers water across 20 large dams in regional NSW. These dams are located across the state on 12 major river systems including the Border Rivers, Gwydir, Namoi, Peel, Lower-Darling, Murray, Murrumbidgee, Bega/Brogo, Hunter/Paterson, Richmond, Lachlan, and Macquarie.

Some regional dams are permitted to be used for flood management and mitigation, where water may be released in anticipation of rainfall to allow additional airspace to capture inflows. Due to flood management where water can be 'surcharged' above the Fully Supply Level, the total volume of water in some dams may reach 101 percent or more, however only water stored up to the Full Supply Level – or up to 100 percent of the dam's capacity is used to report on the available capacity.

WaterInsights

We're the source of vital information, giving customers and communities access to the information they need - like river and dam storage levels.

This real-time data helps our customers, communities and industry partners to make informed decisions such as business and on-farm planning and deciding when to visit one of our dams for recreation.

WaterInsights is our interactive web data tool and covers more than 800 water sources in NSW. It provides access to everything our customers and water users need to know about water resources and how they are managed. This includes dam storage levels, inflows, outflows, river heights, forecast rainfall and historical data. Visit waterinsights.waternsw.com.au for more information.

Water delivery

The water we supply is used by more than eight million people across NSW. Our customers range from small family businesses to farmers, irrigators, councils, utilities, industry and environmental water holders like the State and Australian governments, who use water to protect our ecosystems and keep rivers flowing.

While we deliver the state's water from the source, it's ultimately our customers like Sydney Water, local councils and local water utilities across regional NSW that treat and supply the water to households.

We know every drop of water counts and we are always focused on developing innovative ways to conserve this vital natural resource.

We hold ourselves to the highest standards in water delivery, ensuring that 99 percent of water orders are released on time, and we aim to ensure operational losses are kept below 3% over a rolling 24-month period.

Greater Sydney

In Greater Sydney, our major customer is Sydney Water. We deliver most of the water required by Sydney Water via our network of pipelines and canals, to Prospect, Orchard Hills, Nepean, Macarthur, Illawarra, Woronora, Cascades and Warragamba Water Filtration Plants.

In 2024-25, WaterNSW delivered 534 gigalitres of water to Sydney Water, who then treated and supplied that water to households and businesses in Greater Sydney.

Regional NSW (Rural Valleys)

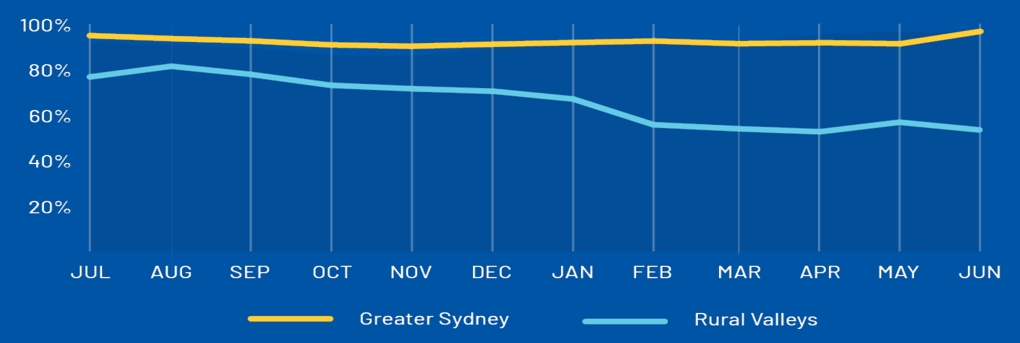
We're an essential part of local communities across regional NSW. When our customers place a water order, we release this from our dams down the river system, for their extraction and use.

We also release and deliver water to customers including the State and Australian Government Environmental Water Holders for the environment via their licensed (or 'held') environmental water, to keep ecosystems and rivers healthy.

In 2024-25, WaterNSW delivered 5,039 gigalitres of water in regional NSW.

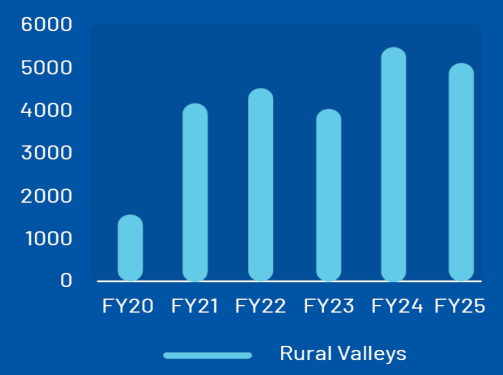
Storage levels 30 June 2024 to 30 June 2025

Storage volumes are measured in gigalitres (GL) which is one billion (1,000,000,000) litres of water.



Water sales volumes FY20-FY25

Volumes are shown in gigalitres (GL) which is one billion (1,000,000,000) litres of water.



Water quality

As custodians of the state's water, maintaining source water quality and protecting the Greater Sydney drinking water catchment is core to our role. In June 2024, low levels of perfluoroalkyl and polyfluoroalkyl substances (PFAS) — a group of man-made chemicals — were detected in the Adams Creek and Medlow catchments, including at Sydney Water's Cascade Water Filtration Plant in the Blue Mountains. All treated water samples were below the levels required by the current Australian Drinking Water Guidelines.

In response, we enhanced our testing regime for untreated source water in the Blue Mountains dams and began publishing monthly results on our website. We have worked closely with Sydney Water and NSW Health throughout this process.

An independent investigation in May 2025 identified three potential sources of contamination: two motor vehicle accident sites and the Medlow Bath Rural Fire Brigade station. WaterNSW is now commencing further detailed investigations with support from the NSW Environment Protection Authority (EPA), to refine potential source identification and appropriate management actions.

Medlow Dam and Greaves Creek Dam remain offline until permanent mitigation measures are implemented.

For more detail on how we protect the Greater Sydney drinking catchment, see our Catchment Audit page.

Medlow Dam

Case study: Town Water Risk Reduction Program

In FY25, we continued to share our expertise with local water utilities as part of our ongoing involvement in the NSW Government's Town Water Risk Reduction Program (TWRRP) initiative.

We collaborated with 12 regional councils – Bourke, Central Tablelands Water, Clarence, Dubbo, Gwydir, Mid-Western, Murrumbidgee, Richmond Valley, Singleton, Snowy Monaro, Snowy Valleys, and Upper Hunter – to establish baseline data on source water quality and support improved management of local drinking water supplies.

A key outcome included the monthly collection of water samples from reservoirs and rivers upstream of treatment plants, for our experts to analyse and share results with councils to inform local water management decisions.

We also provided participating councils with tools and information needed to collect water samples, including specialised kits and the creation of seven new training videos highlighting best practice in water sampling and safety.

This initiative builds on our expertise in catchment protection and dam operations and aims to fast-track improvements to regional water quality through targeted risk identification and collaborative action.

Maintaining our infrastructure and assets

Given the scale and complexity of our operations and infrastructure, ongoing investment is essential to maintain asset capability, meet our compliance and regulatory obligations, and deliver operational excellence. However, our ability to invest and maintain our assets is subject to Pricing Determination allowances, which are currently expected to be below what we have proposed. As a result, investments are being deferred to later years, resulting in a projected material increase in our capital program post FY29.

In our day-to-day work, we focus on ensuring our infrastructure and systems are reliable, efficient, and responsive to customer needs — aiming to support long-term performance while meeting our Operating Licence requirements and investing within Pricing Determination operating and capital allowances.

In FY25, we invested $146.6 million into maintaining and upgrading our assets and infrastructure.

Key projects and works included:

- **Warragamba pipeline and corridor – Trench 2 civil works:** This project restores risk-prioritised sections of the pipeline and corridor, to maintain secure and reliable water supply and delivery. In FY25, civil works were completed including completion of drainage on the dual pipelines, excavation of soil, concrete installation and the construction of drain slabs. The project is expected to be completed in FY26.
- **Warragamba pipeline valves and controls update:** The project aims to improve the reliability of water transfer from Warragamba Dam to Prospect Water Filtration Plant. In FY25, we completed pipeline outage and low voltage works, cross-connection valve installations, pressure transmitter installations, as well as the installation of a flowmeter and bypass system and key works at Mamre Road and Wallgrove Road.
- **Tallowa Dam fishlift reliability upgrade:** This project was undertaken to enhance the reliability of the fishlift and re-establish consistent environmental flow operations. We completed Issued for Construction (IFC) drawings and procured Supervisory Control and Data Acquisition (SCADA) software and electrical components to undertake the works. Civil and structural works have commenced with mechanical, electrical and software development and integration well underway.
- **Warragamba and Prospect Dam survey automation**: The project enhances dam safety monitoring and inspection capability by enabling advanced detection of condition changes which are potential early indicators of dam safety risks. In FY25, physical works at Warragamba and Prospect Dams were completed, with practical completion achieved two months ahead of schedule. The overall project is on track for final completion in FY26.
- **Flood remediation works**: We progressed insurance works to repair damage caused by flooding in recent years. In FY25, repairs were completed at impacted sites including at Blowering Dam, Lake Brewster, Warragamba Road and Nepean, Menindee Main and Hay weirs.

Case study: Enhancing dam operations with Low Earth Orbital satellite connectivity

In FY25, we successfully deployed Low Earth Orbit satellite technology to 24 dam offices across regional NSW, transforming digital connectivity and operational efficiency. This initiative supports safer, smarter, and more productive dam operations by replacing legacy NBN satellite services with fast, reliable internet access.

Remote dam sites had long struggled with unreliable network connectivity, limiting staff productivity, digital service delivery, and real-time communication. The existing NBN satellite infrastructure was no longer meeting operational demands, prompting the need for a modern, high-performance solution.

The project introduced Starlink Low Earth Orbital satellite technology, delivering:

- high-speed, consistent internet access across all targeted sites
- modern network design ensuring secure and resilient data flow
- real-time collaboration capabilities, including Microsoft Teams video conferencing
- support for essential systems such as Voice over Internet Protocol (VoIP) and remote CCTV monitoring.

Delivered on time, on budget, and with zero safety incidents, the rollout was carefully planned to minimise disruption and maximise impact.

The upgraded network infrastructure provides a robust foundation for future digital initiatives, reinforcing our commitment to innovation and continuous improvement in regional operations.

Case study: Internet of Things (IoT) capability expansion

In pursuit of operational excellence and enhanced environmental monitoring, WaterNSW has significantly expanded its IoT capabilities across multiple strategic initiatives. These projects aim to improve data collection, reduce operational costs, and enhance safety for field teams, while supporting regulatory compliance and future scalability.

> The expansion of IoT technologies across these initiatives reflects a strategic commitment to innovation, safety, and sustainability. By leveraging real-time data and reducing reliance on manual fieldwork, WaterNSW is setting a strong foundation for smarter, more resilient operations.

Key outputs from IoT expansion include:

- **Hazard reduction burning**: A proof of concept was launched to deploy IoT-enabled sensors in the Metropolitan Special Areas to assess fuel moisture levels. These sensors transmit data remotely to our IoT platform, enabling the Catchment Management team to conduct advanced analysis and modelling. Key benefits include reduced time on the road for field staff, lower travel costs and time to remote sites and higher-resolution data which supports improved risk assessment and management.
- **Swamp monitoring modernisation**: Legacy loggers requiring manual site visits were replaced with low-cost IoT devices. These devices now transmit data directly to the IoT platform, enabling real-time monitoring of sensitive swamp ecosystems. Key benefits include a reduced need for travel to remote sites and more frequent data intervals which allow earlier detection of environmental issues.

- **Groundwater monitoring expansion**: An additional 400 IoT devices were rolled out across groundwater monitoring sites, significantly increasing the network's coverage and data granularity. Key benefits include reduced travel requirements for data collection and frequent data updates which enhance monitoring and decision-making capabilities.
- **Satellite metering pilot**: A pilot program was initiated to test Satellite local intelligence device technology integrated with the IoT platform. This solution is designed to support customers in areas without cellular coverage, helping them comply with Non-Urban Metering Reform regulations. Key benefits include regulatory compliance by offering a viable metering solution where 4G connectivity is unavailable.

Dam safety

We are committed to upholding the highest standards of dam safety to protect lives, property, and the environment. Our comprehensive Dam Safety Management System provides a systematic approach to identifying, assessing, and managing dam safety risks.

This system ensures compliance with statutory obligations and reinforces our responsibility to safeguard our people and communities.

Dam safety is maintained through a rigorous program of surveillance and monitoring. Our skilled professional and technical teams oversee all aspects of dam safety, including:

- routine surveillance and inspections
- technical investigations and risk assessments
- strategic planning and prioritisation
- project initiation and oversight
- regulatory compliance and reporting.

Through this proactive and disciplined approach, we ensure the ongoing integrity and resilience of our dam infrastructure.

We have also continued to enhance our dam monitoring and condition assessments using machine learning technology, and this year, successfully completed a surveillance concept pilot known as the Dam of the Future platform. This platform delivers complex monitoring solutions involving drone surveillance data on critical weirs, to enable fast and data driven decision-making regarding dam safety.

Case study: Expanding flood training across regional dams

In FY25, we significantly expanded our flood operations training program, enhancing the capability of specialist dam operators across regional sites at Wyangala, Keepit, Copeton, Burrendong, and Burrinjuck dams.

> The enhanced training ensures our operations and planning employees are equipped with critical flood management skills and strengthens our flood preparedness and response capacity.

The initiative builds on international recognition WaterNSW received in November 2024 for innovation in recruiting, retaining, and developing water management specialists.

Flood preparedness and response is critical to safeguarding our communities, protecting dam infrastructure and maintaining water security, and having well-prepared regionally based teams ensures we are best placed to perform this essential function.

Implementation of pricing determinations

Regulatory arrangements

In FY25, WaterNSW was subject to:

- New South Wales price regulation for monopoly services under the *Independent Pricing and Regulatory Tribunal Act 1992 (NSW)*
- Commonwealth price regulation in the Murray Darling Basin under the:
  - *Water Act 2007 (Commonwealth)*
  - Water Charge Rules (WCR) 2010 made under section 92 of the *Water Act 2007*
  - Australian Competition and Consumer Commission (ACCC) Pricing principles for price approvals and determinations under the WCR of July 2011.

From 1 July 2025 IPART set WaterNSW's infrastructure charges for the Murray-Darling Basin valleys under state law and does not need an exemption under the Water Charge Rules 2010 to do so.

> Every four to five years, IPART sets the maximum bulk water prices that WaterNSW can charge our customers and the maximum prices that the Water Administration Ministerial Corporation (WAMC) can charge for water planning, management and regulated services.

IPART also regulates the prices that Sydney Water, Hunter Water, the Central Coast Council, Essential Water and the Sydney Desalination Plant can charge their customers.

IPART also recommends the terms and conditions of the Operating Licences for Sydney Water, Hunter Water and WaterNSW – at an interval of no longer than five years. IPART's regulatory framework aims to ensure the water businesses' services meet the needs of their customers and the community. The licences set the terms and conditions that each utility must adhere to protect customers, ensure service quality and reliable supply, and assess the impact of the utility on the environment.

Each year, IPART regulates the performance of the businesses by monitoring their compliance against their Operating Licences. In FY24, IPART completed a review of WaterNSW's operating licence and a new licence commenced on 1 July 2024.

Price determinations

Price determinations set out the maximum prices and methodologies for calculating the prices WaterNSW can charge its customers for the services described in the relevant determinations, of which four separate determinations apply to WaterNSW.

WaterNSW's budget and financial targets in the annual Statement of Corporate Intent are also set to achieve the outcomes in these pricing determinations while aiming to deliver greater value to our customers and communities, and meet or exceed NSW Treasury's financial targets.

Bulk Water and WAMC Pricing Submissions for 2025-2030

Every five years, we submit a pricing proposal document to IPART outlining our business plans and the revenue required to deliver water services.

In September 2024, we lodged our WaterNSW pricing proposals to IPART for the 2025-2030 period. These submissions are critical to both the sustainability of our water delivery functions, commercial activities and charges to bulk water users.

The bulk water and WAMC pricing proposals cover the prudent costs to run our business, maintain our assets and fund new capital works, while ensuring we maintain our investment grade credit rating.

The combined Greater Sydney and Rural Valleys bulk water pricing proposal was our first prepared under IPART's 3Cs framework - Customer, Costs and Credibility. The framework emphasises embedding customer preferences into the proposal and demonstrating the prudency and efficiency of our activities and costs, aligning closely with our Corporate Strategy to put customers at the heart of our business.

It was also our first pricing proposal that reflected WaterNSW's bulk water services as a single function, for both rural and urban customers.

We undertook our most extensive stakeholder engagement to date, consulting broadly with customers, communities, water users, Customer Advisory Groups, Water Working Groups and First Nations stakeholders. This helped us identify which WaterNSW services should be prioritised, and were most valued, to better understand the challenges our customers face when it comes to water.

We were highly transparent, sharing financial information and fostering deeper conversations across a breadth of issues to ensure our proposal genuinely reflected customer needs and values.

Notable challenges we face over the coming regulatory periods include navigating an uncertain macroeconomic environment, ongoing reviews and changes to our obligations, addressing the impacts of climate change and managing assets within acceptable risk tolerances while building greater resilience with less than required revenue.

While we're focused on the costs that we can control, there continues to be additional costs outside of our control as result of increased operating licence obligations, government regulation and higher interest rates.

The costs for conferred functions provided by WaterNSW on behalf of the WAMC were the subject of a separate joint submission with NSW DCCEEW and NRAR.

Implementation of pricing determinations

Following the lodgement of our pricing proposal with IPART in September 2024, we have actively supported IPART with its review of our proposals, coordinating interviews with the expenditure review team and responding to data requests over several months.

> In a deviation from IPART's standard practice of delivering a five-year determination following a review of our proposal, in June 2025, IPART issued a one-year determination for our rural water bulk charges. This determination commenced on 1 July 2025 and ends on 30 June 2026, or when replaced.

The one-year determination is reflective of a top-down price-cap regulation (CPI—X) pricing decision that departed from IPART's usual building block framework that would have included a detailed assessment of our proposed costs.

IPART advised that it has deferred the release of the final determinations for new Greater Sydney bulk water charges and WAMC charges until 1 October 2025.

Despite, the best efforts of all parties, IPART has not been able to make the expected determinations for our WAMC and bulk water services in line with the original timeline. These delays have resulted in significant uncertainty and required adjustments to investment programs while the process is finalised.

During FY26, IPART intends to conduct a separate building block determination using its established framework to set new Rural Valley bulk water charges to take effect from 1 July 2026.

While it is the intention that a final determination for rural and regional bulk water services will be in place from 1 July 2026, our investment program will continue to be impacted until recent challenges and the prospect of extensive reviews into the services and regulatory frameworks are resolved.

Refer to IPART's website for WaterNSW's pricing proposal and further information on pricing determinations.

Forthcoming reviews

IPART's decisions, as well as other publications, have signalled reviews of the regulatory frameworks and the industry structure for services provided by WAMC and the WaterNSW Greater Sydney and Rural Valleys bulk water services in the short to medium term.

The need for review reflects pressures impacting the water industry globally. For example, the UK government has recently decided to dissolve the Water Services Regulation Authority (OFWAT) and undertake significant reforms of the institutions and guiding framework for the economic and service standard regulation of water utilities in the United Kingdom. This is significant for our context as OFWAT has been a leading influence of the development of regulatory approaches in Australia.

Engaging our customers

We are deeply embedded in the communities we serve, living and working alongside our customers across NSW.

> Being respected by the customers and communities we serve is one of our strategic priorities. We understand that building trust and contributing to the social, cultural, and economic prosperity of our customers requires transparency and active engagement in the community.

In FY25, we engaged with 784 customers and more than 52,000 community members across the state through forums such as our Customer Advisory Groups (CAGs), Field Days and community outreach days.

Customer Advisory Groups (CAGs)

An important way we connect with our customers is through our Customer Advisory Groups (CAGs), a group of customer representatives based in ten regions across the state.

Each CAG comprises a cross-section of stakeholders including regulated and unregulated river customers, groundwater, stock and domestic and environmental water users, irrigators, major and local water utilities, local government and Aboriginal Cultural water users.

We regularly meet with our CAGs to share updates on topics and issues relevant to each region and to listen and better understand the unique needs and challenges of our customers and valleys.

In FY25, we held 30 CAG meetings across the twelve valleys, as well as two additional CAG Chairpersons meetings. Key topics discussed included water

planning and delivery, regional operations, customer services, drought preparedness, maintenance updates and WaterInsights, our interactive web data tool.

This financial year marked our last term for the current CAG cohort. In March and April 2025, we ran an extensive campaign to recruit CAG members for the upcoming 1 July 2025 to 30 June 2030 term, targeting water user associations and organisations across 11 area-based valleys. Throughout the campaign period, we received 136 nominations.

Field Days

Our continued presence at regional Field Days across NSW provided valuable opportunities to engage directly with customers and community members.

These agricultural events are an important way for our team of local experts to connect with stakeholders and gain insights, and to also educate the community about our role capturing, storing, and delivering water.

Over the past year, we have attended Field Days in Mudgee, Gunnedah, Henty, Murrumbateman, Borenore, Tocal and Casino. Over these events, we engaged with 371 customers and had more than 1,300 engagements with the community. Key topics discussed included metering, licensing and approvals, water planning and delivery, and pricing and water charges.

Community drop-in sessions

In April 2025, we also hosted community drop-in sessions at Wentworth and Woolgoolga. The sessions enabled water users and residents to meet with our helpful experts and discuss topics such as basic landholder rights, existing farm dams, groundwater bore applications, licensing and approvals, metering and measurement and stock and domestic water use.

Over the year, we also regularly engaged with and provided updates to our customers and impacted communities on key projects such as the Pindari bubble plume, Copeton Dam spillway electrical upgrades and the Lake Cargelligo Embankment Upgrade. These engagements involved site and landholder visits, face-to-face meetings and regular communications via email and phone.

Project Engagement

This year, our Project Engagement team supported communications and engagement on more than 34 initiatives across the state. The types of projects supported ranged from flood recovery works, weir and regulator upgrades and dam priority works to electrical maintenance, telemetry upgrades, new pipelines, access roads, bridges and enhancements to recreational areas.

Highlights included targeted stakeholder engagement for WaterNSW's Renewable Energy Program, Cold Water Pollution Trial, and the Lake Cargelligo Embankment Upgrade. Our engagement spanned on-the-ground community and stakeholder consultations through to property visits and drop-in sessions, landholder access negotiations, community surveys, regular updates and briefings, media relations, social media updates, dedicated project websites, and sponsorship opportunities – ensuring stakeholders remained informed, connected and engaged at every stage.

Statement of Corporate Intent

Each year WaterNSW agrees on a Statement of Corporate Intent with our shareholders. The Statement outlines the objectives, business strategy and performance targets for key financial and non-financial measures. The Statement is available at waternsw.com.au.

Performance targets and outcomes

	Measure	Target	Result
Financial	Returns to shareholders[1]	$66.1m	$73.7m
	Regulated opex[2]	$289.4m	$237.7m
	Regulated capex[2]	$215.5m	$134.4m
	Capital structure	53.9%	51.0%
	EBITDA[3]	$158.5m	$219.0m
Non-financial	Incident severity rate - employees and contractors	Zero class 4 or 5, and no more than 1 class 3 incident	3 class 3 incidents reported
	Incident severity rate - general public	Zero class 4 or 5, and no more than 1 class 3 incident	2 class 3 incidents reported
	Customer satisfaction	Aggregate performance against value, trust, service delivery and ease of doing business KPIs is within target performance range from annual VOC survey	Target met
	Water quality	Meets agreed standards > 97.5% of the time	99.98%
	Water delivery	Operational losses as a % of total sales volumes are no more than 3% (24-month rolling average)	4.6%
	Employee engagement	2.5% improvement on prior year	61% of target met
	Corporate strategy	100% of strategic initiatives meet expectations	80%

[1] Returns to shareholders is calculated on an accrual basis. This measure includes current income tax, government guarantee fee (GGF), dividend, and return of capital. The GGF is paid to NSW Treasury in accordance with competitive neutrality principles. It is based on the differential between the market rate of borrowings for a private sector business of a similar risk and WaterNSW's cost of debt obtained from TCorp, which borrows using the State's credit rating.

[2] WaterNSW's regulated business comprises monopoly activities related to bulk water infrastructure and water delivery. Revenue for these activities is regulated by IPART.

[3] Earnings before interest, taxation, depreciation and amortisation.

Returns to shareholders were higher than target due to higher current income tax arising from the positive EBITDA result.

Regulated operating expenditure was lower than target due in part to efforts under our business transformation initiative. Projects were delayed, deferred or reprioritised to enable efficient delivery of essential services to our customers. This included deferring unfunded conditions under our 2024-2028 Operating Licence that have a significant additional cost and cannot currently be absorbed.

Regulated capital expenditure was lower than target due to deferral of works, project delays, changes in business priorities and identified cost savings. Some major new projects were not commenced pending the outcomes of the pricing determinations for Greater Sydney, Rural Valleys and WAMC.

Net debt to regulated asset base was lower than target, as lower capital expenditure reduced the level of borrowings required.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was higher than target, largely due to lower operating expenditure.

The incident severity rate measures incidents with potential for severe harm and classifies them on a scale from one to five[1] based on the actual harm observed. The focus this year has been on improving risk management though the introduction of a critical risk framework. One injury was classified as class two (minor hurt) and 20 as class one (negligible /no hurt) during the financial year. Analysis of these incidents show they all fall within the 12 critical risks identified by our critical risk program.

Incident severity rate (employees and contractors) - WaterNSW experienced three class three incidents: two involving contractors (manual handling and using power tools) and one involving an employee performing manual handling tasks. We remain focused on preventing high severity injuries such as these through implementation of a critical risk and activity-based risk assessment program, contractor WHS management enhancements, and modification to our learning and development programs.

Incident severity rate (general public) – Two class three incidents[1] occurred involving the public's interaction with recreational assets. WaterNSW has adapted our approach to public safety site assessments as part of our ongoing public safety enhancements this year. We updated our work order inspections at one site to include an asset involved in one of the incidents.

Customer satisfaction - WaterNSW's performance against all four customer KPIs — ease of doing business, trust, value, and service delivery — not only met expectations but surpassed last year's results, reflecting meaningful progress in every dimension.

Quality of water available for supply continues to exceed agreed standards of >97.5% and represents similar performance to the same time last year.

Water delivery - Performance was impacted by several high-loss months during the 2023-24 irrigation season, mainly due to external factors in the Southern region as a result of water orders being rejected after their release due to rainfall in the region. River operator interventions and favourable weather patterns have helped reduce operational surplus caused by weather volatility and customer order forecasting inaccuracies in this reporting period, and we continue to optimise our water order-to-delivery processes and activities.

Employee engagement – Whilst there hasn't been an increase in the employee engagement score, this remains consistent with the previous year at 61% and represents a solid result comparable to the Australian Employee Engagement average (2021-2024).

Corporate Strategy – This measure assesses delivery of our strategic initiatives. Out of the ten strategic initiatives, two were assessed as moderately not meeting the originally planned expectations for FY25 - those being Strengthening Regulatory Performance and Pricing Proposal FY26-FY30. Together, progress against our ambitious Corporate Strategic initiatives were deemed to have slightly underperformed as of 30 June 2025, and largely due to resourcing being consciously directed to the operational and regulatory priorities that emerged during the year.

[1] Incident severity classifications: Class 1 – Fatality, Class 2 – Severe (irreversible or life-threatening injury), Class 3 – Moderate (admission to hospital or temporary disablement/incapacitation), Class 4 – Minor (treated by a registered medical practitioner, no incapacitation) and Class 5 – Insignificant (basic medical and First Aid)

Carcoar Dam

Management and accountability

Board

Governance

Under Section 20L of the *State Owned Corporations Act 1989*, all decisions relating to the operation of WaterNSW are to be made by or under the authority of the Board; and the Chief Executive Officer and Managing Director is responsible for the day-to-day management of WaterNSW in accordance with the general policies and specific directions of the Board.

The Board has adopted a Charter which builds on the key legislation and instruments set out above. The Charter is reviewed annually to ensure it remains consistent with WaterNSW's objectives and best practice corporate governance.

The Board has also adopted a Code of Conduct that applies to all directors which sets out, among other things, the standards in accordance with which they are expected to act.

NSW Government Commercial Policy Framework

NSW Treasury Policy and Guidelines Paper TPP17-10 Guidelines for Governing Boards of Government Businesses is a component of the NSW Government's Commercial Policy Framework. The Commercial Policy Framework is a suite of policies aiming to replicate in commercially focused government businesses the disciplines and incentives that lead private sector businesses toward efficient commercial practices.

The purpose of the Guideline is to outline the Government's expectations for standards of corporate governance that should be adopted by all governing boards of NSW Government businesses, which includes WaterNSW. Boards are required to use 'if not, why not' reporting in the adoption of the recommendations in these Guidelines.

WaterNSW has adopted the standards of corporate governance contained in TPP17-10. Arrangements that are consistent with the spirit of the recommendations exist in relation to having a timely disclosure policy.

Performance review

The Board is committed to undertaking annual board performance reviews. Every three years the review is conducted by an external and independent facilitator. The Board conducted an externally facilitated independent review in FY25 and a summary of the recommendations and actions planned to address the recommendations was shared with NSW Treasury.

Indemnity and insurance

Schedule 10 of the State Owned Corporations Act 1989 provides the legislative basis for WaterNSW to indemnify its officers against certain liabilities incurred in their capacity as officers. In line with this and the WaterNSW Constitution, directors have been granted an indemnity with the prior approval of the voting shareholders as required by the NSW Treasury Policy and Guidelines Paper TPP 18-04 Directors and Officers Indemnity Policy for State Owned Corporations.

WaterNSW has several insurance policies under the NSW Treasury Managed Fund Scheme (NSW TMF). These policies include but are not limited to public liability, property, workers compensation and motor vehicle insurance.

Directors during the financial year to 30 June 2024

The Board usually has eight directors comprising a non-executive Chair, six non-executive directors and one executive director (the Chief Executive Officer and Managing Director). On 2 August 2024, the term of appointment of non-Executive Directors Bruce Berry and Mark Barber expired. Professor Catherine Bennett was appointed on 5 August 2024, resulting in seven duly appointed directors on the Board as at 30 June 2025.

The non-executive Directors are appointed by the voting shareholders as set out in the *WaterNSW Act 2014* and hold their office for a period of up to three years, which may be renewed by the Shareholders.

The Directors come from a wide range of backgrounds and bring to the Board an appropriate mix of skills and experience to enable WaterNSW to meet its objectives.

Peter Duncan AM,
Chair

Grad Dip Management; Assoc Dip Applied Science

Peter Duncan has more than 40 years of experience in government and infrastructure, working at local, state and national levels. He has held various senior public sector roles including local government, Premier and Cabinet, Transport for NSW, Primary Industries and for the Olympic Coordination Authority.

His current appointments include Chair of WaterNSW, ARTC, NSW Local Government Boundaries Commission, non-executive director of the Westpac Rescue Helicopter Service, Inland Rail Pty Ltd and board member of Infrastructure NSW and the Australian Public Policy Institute.

Peter is the principal of an advisory business, chairs the Northern Rivers regional advisory committee of the Rescue Helicopter Service.

Patricia Forsythe AM

BA Dip Ed FAICD

Patricia is Chancellor of the University of Newcastle and brings over 30 years of experience in government and public policy including as a past member of the NSW Legislative Council, as Executive Director of the Sydney Business Chamber and recently as Australian High Commissioner to New Zealand. Patricia has served on boards in the government, higher education and not-for-profit sectors and is a Fellow of the Australian Institute of Company Directors and on the Newcastle Advisory Committee, Venues NSW.

Kaye Stevenson (nee Dalton)

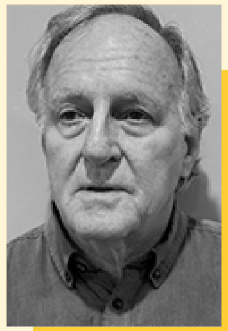
BSc (Forestry)

Kaye has over 30 years of experience working in the natural resource and water sectors and is a former Non-Executive Director of Murrumbidgee Irrigation Limited. Kaye has designed and managed complex water recovery projects aimed at returning water to the environment and has a background in water policy and water reform. Kaye is Managing Director of The Risorsa Group Pty Ltd, a consulting company specialising in engagement and communication in the water industry.

Victoria Taylor

Grad Cert Water Policy & Gvnce, GAICD

Victoria has over two decades of experience in primary industries policy, governance, and communications, particularly in irrigated agriculture. She is a Non-Executive Director of Horticulture Innovation Australia and Chair of the Centre for Entrepreneurial Agri-Technology at the Australian National University. Ms Taylor is also the Head of Sector Building at Cellular Agriculture Australia, a part-time role focused on the regulatory, policy and research settings required to develop the potential of future foods in Australia.



Bob Debus AM

BA, LLB

Bob Debus has a background in law and public policy and a strong commitment to the protection of the environment. He has had a long career working in leadership roles at the highest levels of Government, serving as a senior Minister in both the NSW and Australian governments in portfolios such as Attorney-General, Emergency Services and Home Affairs. He has significant experience in natural resource management and environmental policy, having been NSW's longest serving Environment Minister, and through his current roles as Chair of the non-government organisations Wilderness Australia and the Great Eastern Ranges Initiative.

Professor Catherine Bennett

BSc (Hons), MAppEpid, PhD, GAICD

Catherine has extensive experience in governance, working as an academic and infectious disease epidemiologist in health, university and government sectors for over 20 years, including Deakin University, the University of Melbourne and NSW Health. She was a board member for the National Centre for Farmer Health from 2017-2024, Head of the School of Health and Social Development at Deakin University from 2010-2019. She has been the elected staff representative on Deakin University Council since 2021. She is a Deakin Distinguished Professor and inaugural Chair in Epidemiology, specialising in community transmission of infectious diseases and antibiotic resistance. Catherine is a prominent public analyst on public health matters, keynote speaker, and advisor to industry, governments, and institutions globally, and led the health component of the Independent Inquiry into the Australian Government COVID-19 Response.

Andrew George

BE (Hons), FIE Aust, CPEng, EngExec, GAICD

Andrew is the CEO and Managing Director of WaterNSW and has held several Executive positions since its inception in 2015, where he was part of the inaugural Executive team and has since been involved in the strategic transformation of the NSW water sector. Andrew has over 15 years of experience in bulk water supply utilities with extensive experience in regulatory and market strategy, government relations, engineering, asset management, and major infrastructure delivery. Andrew is also a Director of WaterNSW Infrastructure Pty Ltd.

Remuneration

	2023-24	2024-25
Number of board members during the year	7	7
Total remuneration	$0.5 million	$0.5 million

Independent board member remuneration excludes remuneration paid to the Chief Executive Officer, whose remuneration is reported as part of the Executive Leadership Team. Further information on key management personnel compensation is included in the audited financial statements.

Committees

The Board has established the following standing committees.

Committee	Purpose
Asset and Investment	Assists the Board in fulfilling its responsibilities regarding investments in assets and operating programs and noncore business. the Asset Management System and the Dam Safety Management System. Advises the Board on the alignment of our investments with our strategies, including regulatory obligations (e.g. in relation to asset and dam safety), and oversees WaterNSW investment governance frameworks and the delivery of our investment programs.
Audit and Risk	Assists the Board in in fulfilling its responsibilities for audit, risk, assurance, regulatory compliance, and financial reporting.
Safety, People and Culture	Assists the Board in fulfilling its people and safety responsibilities. Oversees WaterNSW's strategic development and initiatives with respect to Diversity and Inclusion, Reconciliation Action Plan, and Modern Slavery as part of its Environment, Social and Governance (ESG) strategy.
Sustainability and Service Delivery	Assists the Board in ensuring there are effective systems and strategies in place to deliver our services to customers and communities with a customer centric and sustainability focus. Assists the Board in ensuring effective and accountable systems are in place to protect and monitor the quality and quantity of water in declared catchment areas and across NSW with the aim to protect public health in relation to WaterNSW's supply of bulk and treated drinking water. The Committee also oversees the development and implementation of our ESG strategy and the WaterNSW IPART pricing proposals.
Nominations	Assist the Board in relation to new director appointments.

Meetings

Board meetings are held in accordance with the Board Charter and WaterNSW's Constitution, following an annual schedule of set meeting dates. Additional meetings are called when directors see fit.

The table below reflects meetings attended by directors in their capacity as a member only, however directors are able to attend any meeting as an observer.

	Board	A&I [1]	A&R [2]	SP&C [3]	S&SD [4]	Nom [5]
Peter Duncan	13 (13)	4 (4)	-	-	-	-
Kaye Stevenson (nee Dalton)	13 (13)	3 (3)	-	5 (5)	1 (1)	-
Mark Barber [6]	0 (0)		-			-
Bruce Berry [7]	4 (4)	2 (2)	4 (4)	-	-	-
Patricia Forsythe	12 (13)	-	6 (7)	5 (5)	-	-
Victoria Taylor [8]	12 (12)	-	7 (7)	1 (1)	4 (4)	-
Catherine Bennett [9]	13 (13)	-		-	3 (4)	-
Bob Debus	12 (13)			5 (5)	3 (4)	
Andrew George	12 (13)	-	-	-	-	-

1. Asset and Investment
2. Audit and Risk
3. Safety, People and Culture
4. Sustainability and Service Delivery
5. Nominations
6. Mark Barber's term expired 2 August 2024
7. Bruce Berry's term expired 15 November 2024
8. Victoria Taylor's term expired 20 March 2025 and her reappointment was confirmed 3 April 2025
9. Catherine Bennett appointed 5 August 2024

( ) Indicates the number of meetings held during the time a director held office or was appointed a member during the reporting period.

Executive

Executive remuneration by band 2024-25

	Average TRP Range	2023-24 Male	2023-24 Female	2024-25 Male	2024-25 Female
Band 4+	$519,436 to $600,015	1		1	
Band 3	$368,527 to $519,435	3	4	3	4
Band 2	$292,945 to $368,526				
Band 1	$205,377 to $292,944				

Percentage of total remuneration

	2023-24	2024-25
Total executive remuneration	$3.7 million	$4.3 million
Total employee remuneration including executive remuneration	$183.9 million	$207.5 million
Executive remuneration as a percentage of total remuneration	2.0%	2.1%

Further information on executive remuneration is included in the audited financial statements.

Employees

On 30 June	2023-24	2024-25
Total employees	**1078**	**1151**
Number of employees – Aboriginal and Torres Strait Islander	34	42
Number of employees - Permanent	988	1041
Number of employees - Term	69	93
Number of employees – Casual	21	17
Employee FTEs	**1026.6**	**1113.6**

Engagement

The results from the 2025 Employee Engagement Survey show an engagement score of 61 percent which is consistent with 2024 (61 percent) and an increase of 5 points from 2023.

This represents a solid result which is comparable to the Australian Employee Engagement average (2021-2024). Participation rates continue to remain high year on year with 81 percent in 2025, a 5 percent increase from the last full survey in 2023.

Senior Leadership Communications and Future Focus were key uplifts from 2024 with an increase of 9 percent and 8 percent respectively, and overall People Leader engagement remained strong with a moderate rise from 2024.

Enabling Infrastructure was the bottom scoring dimension at 40 percent, particularly in regard to 'making high quality decisions at the right speed' and 'being quick to invest in new ideas.'

All safety dimensions ranked in the top 3, with 'feeling safe at work' at 92 percent, demonstrating our continued commitment, focus and performance in this area.

Overseas travel

There was one instance of overseas travel in FY25 where Brandon Pearce, Project Manager in our Operations team traveled to New Delhi, India from 27 September to 3 October 2024.

Brandon attended the International Commission of Large Dams (ICOLD) 2024 Annual Meeting & International Symposium where he was elected to the ICOLD Young Professionals Forum Board.

The ICOLD global event brought together engineers, policy makers and experts from 83 countries to discuss and share insights on the critical role of dams in sustainable development and environmental protection.

Mostly self-funded by Brandon Pearce with a $1,000 contribution from WaterNSW.

Reward and recognition

Through our Splash recognition program, we proudly value and appreciate the contributions of our people and encourage everyone to show appreciation and recognise each other when they are living our values and delivering great results.

In FY25, our four programs generated:

- **The Ripple Effect** builds a culture of appreciation. 307 Values eCards were sent to say 'thank you' and recognise individuals and teams who are living our values.
- **Milestones** celebrates the contribution of employees who reach service milestones. 381 employees were recognised during the year at 40 locations across NSW.
- **Dam Good Awards** recognises our stand-out achievers each quarter. In FY25, there were 41 winners (19 individuals and 22 teams) from 261 nominees (188 individuals and 73 teams).
- **Splash Annual Awards** recognises the individuals and teams who have delivered significant and exceptional results each year. In FY25, there were 52 winners (2 individual and 6 teams) selected from 184 finalists (118 individuals and 66 teams).

Consultants

A consultant is a person or organisation engaged by WaterNSW under contract on a temporary basis to provide recommendations or high-level specialist or professional advice to assist decision-making by WaterNSW. The table below lists consultant expenses for 2024-25.

Name	Project	$'000
GHD Pty Ltd	Rural dams portfolio risk assessment	2,050
Colliers International Holdings (Australia) Ltd	Commercial advice – office accommodation	80
Mantel Operations Pty Ltd	Position paper on artificial intelligence	80
Utilities Regulation Advisory Pty Ltd	IPART pricing proposal	70
Ernst & Young	Options analysis – Water Market Systems	54
Engagements costing less than $50,000	14 engagements	177
Total excluding GST		**2,511**

Legal change

Changes in Acts and subordinate legislation.

Water NSW Act 2014

During FY24 a review was initiated of the *Water NSW Act 2014*, which is expected to be amended in late 2025 to provide explicit heads of power for specific matters regulated by the Water NSW Regulation 2020.

Water NSW Regulation 2020

The Water NSW Regulation 2020 is due to be repealed on 1 September 2025. Water NSW is working with the Department of Climate Change, Energy the Environment and Water to re-make these regulations.

Cyber Security Legislative Reforms

The Cyber Security Legislative Package received Royal Assent on 29 November 2024, enacting:

- Cyber Security Act 2024
- Intelligence Services and Other Legislation Amendment (Cyber Security) Act 2024
- Security of Critical Infrastructure and Other Legislation Amendment (Enhanced Response and Prevention) Act 2024

The Cyber Security Legislative Package impacted WaterNSW by imposing enhanced cyber security obligations under the Security of Critical Infrastructure Act 2018 (SOCI Act). As a critical infrastructure operator in the water sector, WaterNSW is required to report serious cyber incidents within strict timeframes, implement risk management programs, and, if designated a System of National Significance, comply with even higher standards such as vulnerability assessments and direct government cyber intervention protocols. These obligations aim to ensure operational resilience, protect public health, and maintain confidence in the water supply amid growing cyber threats.

Water Management (General) Amendment (Landholder Negotiation Scheme) Regulation 2025 (LNS Regulation) & proclamation of s398 amendments to the Water Management Act

The LNS Regulation came into force in June 2025, formally implementing the Landholder Negotiation Scheme. It establishes a statutory scheme under the Water Management Act 2000 for negotiating voluntary agreements with landholders affected by proposed environmental water releases (like new or higher flow regimes). WaterNSW is obliged to provide advance notification to affected landholders whenever environmental flows are declared under the new scheme. Parallel legislative amendments clarify that WaterNSW is exempt from civil liability when undertaking environmental flow releases in good faith - if consistent with legislative and procedural requirements (via Section 398(1)(c) and Section 399B in the Act).

Water Management Amendment (Water Access Licence Register Reform) Act 2024

The Act received royal assent on 23 October 2024, requiring WaterNSW to support the creation and maintenance of a public, searchable water register, expanding operational and data management responsibilities. The new legislative obligations will require system upgrades, greater transparency, and enhanced coordination with government and stakeholders.

Significant judicial decisions affecting WaterNSW or users of our services

There were no significant judicial decisions affecting WaterNSW during 2024-25.

Risk management and insurance

WaterNSW is committed to embedding and maintaining a positive culture of risk management that enables the ongoing development and innovation of our operations through strategic initiatives while supporting the efficient delivery of essential water services to our customers. The objective of WaterNSW's Risk Management Framework is to preserve and where possible, create value for the community and our partners. The framework is consistent with ISO 31000:2018 Risk management – Guidelines and NSW Treasury Internal Audit and Risk Management Policy for the General Government Sector (TPP20-08).

Strategic, financial and operational risk events that may impact the achievement of corporate objectives are documented in the Corporate Risk Management Plan and categorised by Risk Category. Identified material risks are assessed to determine the appropriate treatment and are managed to levels that are tolerable and in line with the Board approved Risk Appetite Statement.

WaterNSW's Risk Appetite Statement and Methodology sets out WaterNSW's approach in defining the risk boundaries within which WaterNSW has freedom to operate, to pursue the achievement of its objectives. The Board approves the Risk Appetite Statement for each of the ten risk categories on an annual basis or in response to changes in our operating environment.

Documented risk events identified emerging risks and (Risk Appetite) exposures are reviewed and assessed on an ongoing basis by the Executive Leadership Team in consultation with subject matter experts and reported to the Board Audit and Risk Committee on a quarterly basis.

WaterNSW has a comprehensive insurance program through the Treasury Managed Fund which is managed by icare. Our insurance includes workplace injury, legal liability, loss or damage to assets, travel, and volunteer workers, and Principal Arranged Insurance for major works projects. The insurance program is reviewed annually to effectively limit the potential financial consequences of risks where applicable.

Risk category	Risk description
Strategic	Identifying and executing strategic / material projects to deliver expected benefits whilst managing any financial and/or reputational impacts.
Financial	Achieving an appropriate return for our shareholders whilst delivering sustainable price outcomes for our customers through prudent operating cost management, financial risk management, and improving our capital efficiency and productivity.
People and culture	Provide a safe, respectful, diverse, and inclusive work environment, free from bullying, harassment, and discrimination.
Health and safety	Provide a safe place for our employees, contractors and the public and seek to continually improve our work health and safety management system and performance.
Compliance	Avoiding significant breaches that may result in material fines, penalties or reputational damage and zero appetite for deliberate, negligent or systemic violations of legislative or regulatory requirements.
Digital and data	Managing cyber security risks that result in disruption of operations and compromise of confidential and personal information and to protect our assets contained within our ICT systems and services.
Environment	Managing environmental impact from our actions and decisions is to minimise the potential and actual harm to the environment and the community we serve.
Assets and infrastructure	Delivering value for customers, shareholders, and the community in performing our core business which is supported by the effective management of our water infrastructure assets and other supporting assets.
Assets and infrastructure	Assets and infrastructure are not available, not fit for purpose or in poor condition due to damage, degradation, inappropriate selection or mismanagement
Water quality and security	Operating our assets and manage water responsibly to meet the needs of our customers and communities, now and into the future. We deliver water efficiently to minimise any loss and conserve supply.
Customers and stakeholders	Improve the availability of water resources that are essential for the people of NSW by providing value and promote and maintain the confidence and trust of our stakeholders, our customers and the community.

Access to information

Government Information (Public Access) Act 2009

The Government Information (Public Access) Act 2009 (GIPA Act) aims to facilitate public access to government information. The *GIPA Act* provides rights to information that are designed to meet community expectations of more open and transparent government. It encourages the routine and proactive release of government information, including information held by providers of goods and services by government agencies.

The *GIPA Act* requires WaterNSW to make publicly available information about the agency contained in any document tabled in Parliament by, or on, its behalf. WaterNSW is also required to make available a disclosure log containing details of government information already released under the *GIPA Act*. These documents are available at waternsw.com.au.

Proactive release of information

Section 7 of the *GIPA Act* requires WaterNSW to review our program for the proactive release of information that may be of interest to the public at least every 12 months.

During 2024-25, WaterNSW conducted regular reviews of the content and currency of information available on its website and welcomed any feedback from staff, customers and members of the general public to make accessing our information easier.

WaterNSW's program for the proactive release of information included reviews of information held by WaterNSW that may be of interest to the public (that is, not already released proactively), GIPA applications (informal and formal) received to see what categories of information are requested, information produced in the last year that may be of interest to the public to release proactively, and the initiatives, developments or projects that WaterNSW would like the public to know about.

WaterNSW proactively released information on its website, free of charge, about our dams, water storage, water delivery, water quality (including updated information about PFAS), catchment protection, water data, projects and extreme weather response.

WaterNSW is committed to the delivery of customer service, providing our customers with the highest level of services and support as efficiently as possible. WaterNSW is also committed to helping educate our community about our current projects.

WaterNSW also utilises social media accounts, including on Facebook, X, Instagram, LinkedIn and YouTube, providing our customers and the communities of NSW with up-to-date information about WaterNSW.

Applications received by WaterNSW

During 2024-25 WaterNSW received 63 valid applications under the *GIPA Act*. 60 applications were decided in accordance with s58 of the *GIPA Act* as shown in the tables below. One application was transferred to another agency and two had their processing period extend into 2025-26. The tables below set out where there was a public interest against disclosure.

Type of applicant

	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 if information is held	Application withdrawn	**Total**
Media	1	-	-	-	-	-	-	-	1
Members of Parliament	-	-	-	-	-	-	-	-	0
Private sector business	-	-	-	-	-	-	-	-	0
Not for profit organisations or community groups	-	-	-	-	-	-	-	-	0
Members of the public (application by legal representative)	5	4	-	-	-	1	-	-	10
Members of the public (other)	21	18	3	5	-	1	-	1	52
Total	**27**	**22**	**3**	**5**	**-**	**2**	**-**	**1**	**63**

Type of application

	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 if information is held	Application withdrawn	**Total**
Personal information applications	1	-	-	-	-	-	-	-	1
Other than personal information	26	22	3	5	-	3	-	1	60
Part personal information applications and part other	-	-	-	-	-	-	-	-	0
Total	**27**	**22**	**3**	**5**	**-**	**3**	**-**	**1**	**61**

*The above table includes one outcome from the 2023-24 reporting period

Invalid applications

There were no invalid applications during 2024-25.

Conclusive presumption of overriding public interest against disclosure

Public interest consideration listed in Schedule 1	Number of times used
Overriding secrecy laws	-
Cabinet information	-
Executive Council information	-
Contempt	-
Legal professional privilege	2
Excluded information	-
Documents affecting law enforcement and public safety	-
Transport safety	-
Adoption	-
Care and protection of children	-
Ministerial code of conduct	-
Aboriginal and environmental heritage	-
Total	**2**

More than one public interest consideration can apply to an access application and, if so, each consideration is recorded (but only once per application). This also applies in relation to the following table.

Other public interest considerations against disclosure

Public interest consideration listed in Schedule 14	Number of occasions application not successful
Responsible and effective government	8
Law enforcement and security	3
Individual rights, judicial processes and natural justice	18
Business interests of agencies and other persons	2
Environment, culture, economy and general matters	1
Secrecy provisions	-
Exempt documents under interstate Freedom of Information legislation	-
Total	**32**

Timeliness of response

Response time	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	53
Decided after 35 days (by agreement with the applicant)	9
Not decided within time (deemed refusal)	-
Total	**62**

*Timeliness includes one outcome from the 2023-24 reporting period.
*Timeliness excludes one application which was withdrawn.

Applications received under Part 5

Response time	Decision varied	Decision upheld	Total
Internal review	3	4	-
Review by Information Commissioner1	1	1	-
Internal review following recommendation (section 93)	-	1	-
Review by NCAT	-	-	-
Total	**4**	**6**	**0**

Applications transferred to other agencies

Response time	Number of applications
Agency-initiated transfer	1
Applicant-initiated transfer	-
Total	**1**

Privacy and Personal Information Protection Act 1998 (PPIP Act)

WaterNSW is committed to the effective management of personal and health information. The Privacy Statement at waternsw.com.au provides information in relation to WaterNSW's management of such information. Detailed information about how we manage and protect personal and health information is included in our Privacy Management Plan, while our Data Breach Policy sets out our procedures for responding to data breaches and meeting notification and recording obligations under the Mandatory Notification of Data Breach scheme (Pt 6A, *PPIP Act*). Our Privacy Policy shows we are committed to the effective management of personal and health information.

WaterNSW did not receive any requests for internal review under Pt 5 of the *PPIP Act* within the 2024-25 reporting period.

External costs of production

No external costs were incurred to produce this report.

Access to Annual Report

This Annual Report is available at waternsw.com.au.

Sustainability

Environmental, Social and Governance (ESG) program

At WaterNSW, our vision is to support the resilience of NSW communities through our leadership in delivering water services, and we recognise our responsibility to manage the state's water, land and assets in sustainable ways.

Our ESG program is aligned to our strategic priority of 'Building a Sustainable Future' and through this, we are focused on making transparent decisions that reduces our environmental footprint, improves the resilience and quality of water sources, maintains our social licence to operate, and creates healthy ecosystems for our communities to enjoy for generations to come.

FY25 marked the inaugural publication of WaterNSW's Climate Related Financial Disclosures, detailing our climate-related risks, the actions we have taken to mitigate such risks, and areas of opportunity for our business.

For more information see our climate-related financial disclosures.

WaterNSW

Catchment resilience

In Greater Sydney, WaterNSW is responsible for protecting the health of the Sydney catchment area to ensure reliable, quality drinking water is available for the 5 million people of Sydney and the Illawarra, Blue Mountains, Southern Highlands, Goulburn and Shoalhaven regions.

> We are committed to protecting our catchment areas, preserving our Special Areas and supplying the best quality source water possible to our customers.

The *Water NSW Act 2014* states that we are responsible for ensuring that declared catchment areas and water management works in such areas are managed and protected to promote water quality, the protection of public health and public safety, and the protection of the environment.

When it comes to catchment protection and resilience, our role encompasses:

Managing and protecting declared catchment areas and water management works vested in or under the control of WaterNSW that are used within or for the purposes of such areas.

Protecting and enhancing the quality and quantity of water in declared catchment areas.

Undertaking research on catchments generally, and on the health of declared catchment areas.

Catchment Audit

As the agency charged with protecting the quality and quantity of water drawn from the Greater Sydney catchment, WaterNSW plays a key role in optimising catchment protection.

The Sydney Drinking Water Catchment Audit is a triennial and statutorily required (Section 42 of the *Water NSW Act 2014*) assessment of the state of the declared catchment. Catchment health indicators include water quality, water availability, biodiversity and habitats, and land use and human settlements.

The audit – conducted since 1999 - is an assessment of key catchment conditions, rather than a review of WaterNSW's performance.

The most recent audit 2019-2022 was published in August 2023 and found ongoing reduction in risk associated with water quality and availability, biodiversity and habitat and land use and urban development. However, the audit found that climate-driven events, including severe drought, bushfires and subsequent heavy rainfall events combined with cumulative impacts have a negative influence on overall catchment health.

The audit includes 24 recommendations to the NSW Government, aimed at further reducing the risks to catchment health. The auditor nominated WaterNSW as the lead agency to implement 12 of the recommendations.

Eight of these 12 actions have been completed with progress ongoing for the remaining four. We continue to review the findings and recommendations in the audit report that are relevant to our operations and regularly reports back to government.

We have also commenced the engagement of an independent auditor, on behalf of the Minister, to conduct the 2022-2025 audit.

Annual Catchment Management Report 2024-25

> Each year, WaterNSW releases an Annual Catchment Management report outlining catchment management and protection activities, relevant to the declared Catchment Areas, including our community education and catchment research efforts.

Highlights and key activity from our FY25 report included:

- **WaterNSW was a finalist in the Australian Water Association NSW Research & Development Excellence Award** for our collaboration with UTS on the Catchment Futures project. We were also recognised with an ISG Paragon Award for Sustainability: Exceptional implementations of digital sustainability strategies and initiatives for developing an AI method to monitor Elver migration.
- **Partnership with five catchment councils** to arrange audits of stormwater treatment devices across the catchment. Four of the five councils engaged in the program have completed audits with the final audit in progress. Outcomes of the audits are guiding management actions for this important asset.
- **Continued to ensure our water catchments are protected from developments**, with 100 strategic planning agencies and 323 development and infrastructure protection responses provided to local councils or state agencies.
- **New partnership programs signed with the Mulloon Institute and the Australian River Restoration Centre** to establish the Water Stewardship Program and continue the Rivers of Carbon – Source Water Linkages (ROCSWL) program. These programs will continue our work improving the management of grazing landscapes.
- **Joint sponsors WaterNSW and NPWS response to wet conditions** that prevented hazard reduction burning by stepping up efforts to establish mechanical fire breaks.
- **Increased efforts to prevent pollution** from new developments in the Declared Catchment through targeted activities.
- **Continued investment in water literacy** by delivering school education programs at the Warragamba Dam Visitor Centre.

The full report can be found on the WaterNSW website.

Science Program

We conduct a wide range of scientific research and targeted investigations to support risk assessments, increase understanding of anthropogenic and climate impacts, pollutant behaviour, improve monitoring and analysis, and prioritise actions to promote catchment health and water quality.

The Science Program is an adaptable program of research that is aligned with business priorities and objectives, comprising of short and long term projects tackling complex research questions. Projects that address business needs and take advantage of collaborative opportunities is critical to providing an agile program.

The 2021-2025 Science Program targets two priority research themes of catchment resilience and integrated water management, alongside an ongoing focus on research communication, emerging risks, and business improvement opportunities from new research and technology.

In FY25, we had 24 active projects addressing a wide range of topics, including:

- Developing tools to model post-fire erosion contaminant transport into lakes
- Reviewing autosampler performance of wet weather water quality sampling
- Trialling passive samplers as alternatives monitoring methods for pesticides, nutrients and metals
- Assessing drivers of water quality in areas of concern in the catchment audit
- Drivers of algal dynamics and the role of macrophytes in water quality of Prospect Reservoir
- Using satellite remote sensing to validate lake hydrodynamic models

Our research findings were presented at the national water and environment conferences and published in several peer-reviewed journal articles.

You can find more information in our Annual Catchment Management Report.

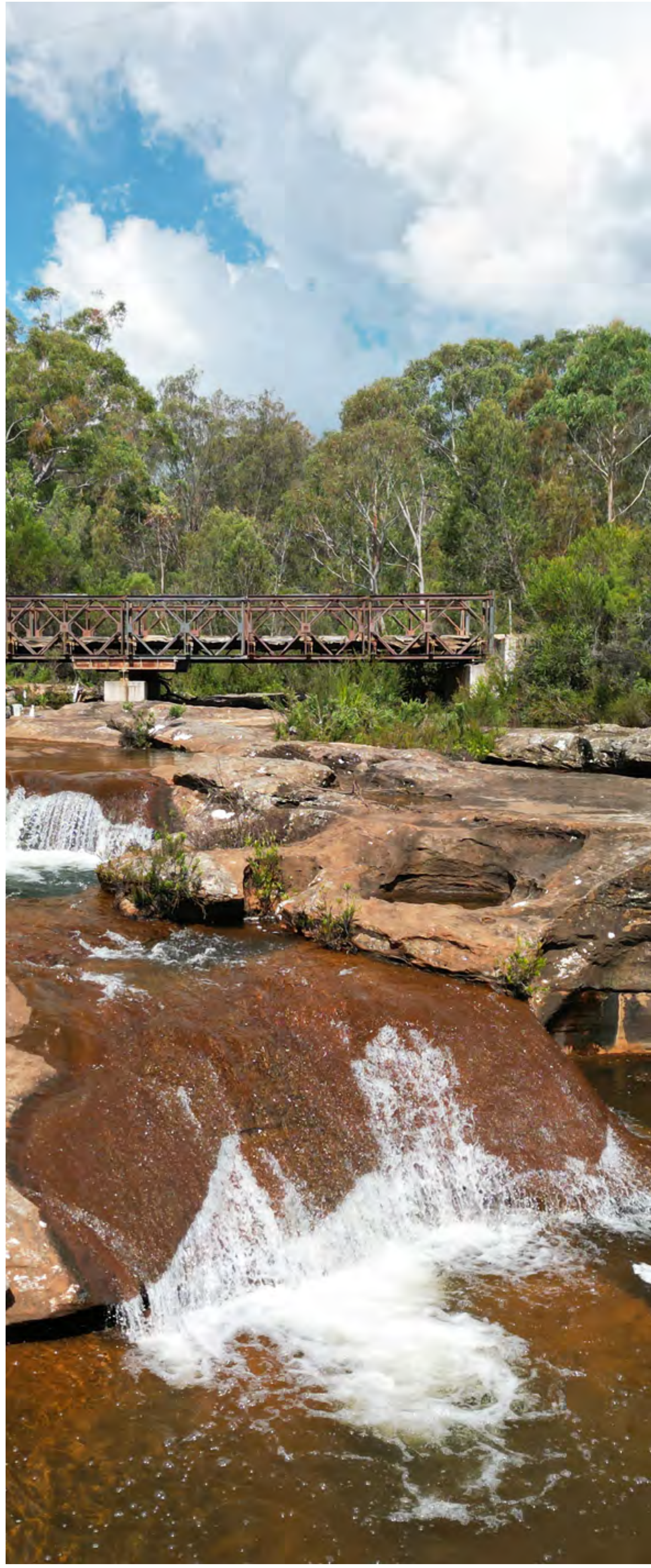
Case study: Scenario planning for long term water security

We are proactively planning for the long-term protection of Greater Sydney's drinking water through our Catchment Futures project, developed in partnership with the University of Technology Sydney's Institute for Sustainable Futures (UTS-ISF). This research initiative explores how megatrends — such as climate change, population growth, and land use transformation — could impact catchment health and water quality by 2040 and 2060.

Using 30 years of historical land use data, the project team constructed a series of alternate future scenarios, combining narrative foresight with spatial modelling. These scenarios provide tangible illustrations of how different trajectories may affect the catchments that supply drinking water to over five million people.

Unlike traditional modelling approaches, Catchment Futures integrates descriptive storylines to stimulate creative and critical thinking about complex future challenges. Geographic Information System (GIS) projections derived from each scenario are designed to interface with catchment models, enabling our teams to assess potential changes in water quality beyond historical experience.

This approach supports our research obligations and strengthens our capacity to identify emerging risks, knowledge gaps, and opportunities for intervention, well before significant impacts to catchment health occur. The project also demonstrates the value of collaboration between scientific institutions and the water industry in building resilience and sustainability.



Renewable Energy Storage Program

We continue to focus on delivering renewable energy initiatives by leveraging our existing land and assets to grow our non-regulated income and support the state's net zero targets.

We have two key programs as part of this initiative: the Renewable Energy Storage program and the Long Duration Storage program.

> The programs facilitate private sector investment in large scale renewable energy long duration storage projects, leveraging our land and assets. It has been designed to contribute to several of our strategic priorities, while complementing government initiatives and assisting in achieving NSW's objectives for an affordable, secure and low emission energy market.

We continue to streamline our approaches to progress timely and coordinated assessments that unlock the full potential of our land and assets.

Income received from the projects will help to offset our operations costs, putting downward pressure on prices for customers, and supporting progress towards a net-zero economy. Many of the potential projects will be regionally based and provide economic and job opportunities for those areas.

The projects will not impact our core function of delivering water – when and where it matters – including the net amount of water available to our customers, water users and the environment.

Renewable Energy Storage

Under the Renewable Energy Storage program, we finalised an agreement enabling ZEN Energy to undertake essential early investigations and successfully completed preliminary geotechnical works for ACEN's Project Phoenix at Lake Burrendong, and similar arrangements are being finalised with AGL (acquired from Upper Hunter Hydro).

To date, we have signed four Development Agreements under the Renewable Energy Storage program, with a total capacity of 3.2 gigawatts. We will earn a combination of milestone, lease and royalty payments from projects as they progress through planning and into operation.

Long Duration Storage

The Long Duration Storage program has commenced eight pre-feasibility studies to pave the way for future pumped hydro opportunities at our sites. The program has an aspirational target of delivering 2 gigawatts of energy with at least eight hours duration, or enough to power around one million homes.

Reconciliation Action Plan (Innovate)

Our Innovate RAP launched in 2023 is on track for completion by September 2025. We adopted the RAP framework from Reconciliation Australia in 2021 and completed our Reflect RAP in 2022.

> These RAPs have been the backbone of our reconciliation work and saw us deliver on our commitments and increase economic, social, environmental and cultural outcomes for First Nations Peoples across NSW.

The Innovate RAP has been governed by our internal Ngulaway RAP working group who have supported us to deliver our calendar of cultural events including National Reconciliation Week, NAIDOC week and support for the annual memorial of the Appin Massacre.

Key engagement outcomes from FY25:

- **Increased First Nations representation** in our employment to 3.7% in FY25 (from 3.2% in FY24).
- **Increased procurement of Aboriginal owned businesses** – increasing spend to $1.74 million across 26 businesses (from $326,000 across three businesses in FY24) – and improved processes to support better onboarding.
- **Engaged three Aboriginal owned archaeological firms** to ensure better outcomes for cultural heritage protection and culturally appropriate engagement with First Nations communities.
- **Attended key regional events** such as the Koori Knockout, Inaugural Tamworth Rangers Gathering and the NSW Aboriginal Land Council Wiradjuri Regional forum.
- **Held stalls at multiple career expos** to increase our First Nations recruitment.
- **Co-designed better outcomes on projects with Traditional Owners**, First Nations groups, organisations and business across the state including in Tamworth, Warragamba and Pindari Dam.
- **Engaged with Native Title groups** to meet legislative requirement and improve relationships and support an application for an Aboriginal Place on WaterNSW land.
- **Engaged Traditional Owners early in our operational project lifecycles**, to avoid impacts to cultural heritage and co-design opportunities.
- **Developed tools and resources for best practice Cultural Heritage management and assessment** and completed 94 cultural heritage projects reducing time and cost by approximately 38%.

Case study: Peel River education and cultural collaboration

In November 2024, WaterNSW in partnership with the Tamworth First Nations community, co-hosted a cross-cultural environmental education event on the Peel River, engaging approximately 80 Year 7 and 11 students from four local high schools.

The event took place at one of 50 re-snagging sites installed by WaterNSW to enhance aquatic habitats for native species including Murray Cod, Silver Perch, Platypus, and Rakali.

The event highlighted the cultural significance of gali (water) and the importance of respectful, sustainable waterway management. It also supported curriculum-aligned learning and strengthened partnerships with the Tamworth Local Aboriginal Land Council and local schools.

This collaboration forms part of our broader commitment to co-designing project delivery approaches that enhance education, training, and employment opportunities for First Nations communities, while improving environmental outcomes.

Co-led by WaterNSW scientists, local Elders, and the Walaaybaa Junior Rangers, the initiative combined scientific learning with cultural knowledge-sharing, offering hands-on activities including:

- Demonstrations of electrofishing and autonomous water quality monitoring
- Seed bombing for native vegetation regeneration
- Cultural storytelling and traditional fish trapping techniques
- Scientific insights into biodiversity monitoring and habitat restoration

Work health and safety (WHS)

At WaterNSW, safety is who we are – it's how we do things. In addition to operating a certified Work Health and Safety Management System (ISO45001:2018), WaterNSW has focused on further improving our safety fundamentals through a targeted workplace culture strategic initiative.

This initiative has made improvements to our WHS critical and activity-based risk management programs, contractor WHS management system, public safety and modification to our learning and development programs.

Safety performance

WaterNSW has experienced an increase in Total Recordable Injury Frequency (TRIFR) and Lost Time Injury Frequency Rate (LTIFR) compared to FY24.

There was also an overall increase in low potential Lost Time Injuries (LTI) and several high potential Lost Time Injuries (LTI) involving contractors (refer to table below).

Despite this increase, we have reported a 10 percent improvement to our incident reporting rate and a 69 percent improvement to our hazard reporting rate – leading to greater transparency around incidents.

While our injury and incident severity metrics have not met our expectations, the nature of the incidents validates our focus on improving our safety fundamentals through critical and activity-based risk programs, WHS contractor management, public safety and changes to our learning and development programs aimed at improving our safety culture – to ensure that all incidents are reported.

On June 30	2023-24	2024-25
Total Recordable Injuries (TRI)	19	14
Total Recordable Injury Frequency Rate (TRIFR)[1]	7.4	10.0
Lost Time Injuries (LTI)	3	11
Lost Time Injuries Frequency Rate (LTIFR)[2]	1.2	4.4
SafeWork NSW Notifiable Incidents	2	5
Prosecutions Under the Work Health and Safety Act 2011	0	0
Workers compensation claims by mechanism of injury		
Sound and pressure	4	2
Body stressing	3	10
Hitting objects with part of the body	1	3
Vehicle incidents and other	4	1
Falls, trips and slips of a person	6	3
Heat, electricity and other environment	0	3
Mental stress	1	2
Being hit by moving objects	0	2
Chemicals and other substances	2	0
Total	**21**	**26**

[1] TRIFR is calculated by dividing TRI by the total hours worked multiplied by one million.
[2] LTIFR is calculated by dividing the total number of LTIs by the total hours worked multiplied by one million.

Health and wellbeing

We take a holistic approach to managing health and wellbeing and we have a continued focus on preventative initiatives including occupational hygiene, flu vaccination, My Fitness Passport (gym membership), health and wellbeing education and a comprehensive Employee Assistance Program, including the formalisation of internal ambassadors in FY25.

Workforce diversity

Inclusion and Diversity Program

WaterNSW is committed to building a workplace where inclusion, diversity and belonging thrive.

We support inclusion and diversity through various initiatives and structures, including our Inclusion and Diversity (I&D) Council. The Council, led by an Executive sponsor, includes a diverse cross-section of the organisation, representing a range of diversity traits and perspectives. They develop and implement engaging events, awareness campaigns, and employee-level initiatives to foster participation and strengthen our organisational culture.

We also have targeted employee networks, such as the Disability Employee Network and Aboriginal Support Network which function similarly to the I&D Council but with a focus on championing and providing support for specific employee groups.

These groups work hand-in-hand to guide and execute WaterNSW's Inclusion and Diversity Plan.

In FY25:

- WaterNSW achieved its target of 3.3% Aboriginal and Torres Strait Islander representation in January 2025 — a year ahead of the 2026 target.
- Improved recruitment processes and outreach to First Nations communities, including partnerships and event participation, such as presence at the 2025 Koori Knockout.
- Improved the inclusiveness of our procurement strategy by appointing Cultural Choice, a 100% Aboriginal-owned stationery supplier, as a preferred vendor.
- Launched the Disability Employee Network with 14 members, a three-year strategic plan, and weekly peer support groups.

We continue to embed I&D into our culture, ensuring every initiative promotes respect, equity, and opportunity.

Trends in the representation of workforce diversity groups

Workforce diversity group	Benchmark (%)	2021-22 (%)	2022-23 (%)	2023-24 (%)	2024-25 (%)
Women [3]	50	31.1	31.2	31.8	32.26
Aboriginal people and Torres Strait Islanders [4]	3.3	1.1	1.4	3.2	3.67
People whose first language spoken was not English [5]	23.2	22.3	24.9	19.2	20.5
People with a disability [6]	5.6	2.2	1.7	0.9	0.9
People with a disability requiring work-related adjustment	N/A	0.3	0.5	0.3	0.3

Trends in the distribution index for workforce diversity groups

A distribution index score of 100 indicates that the distribution of members of the workforce diversity group across salary bans 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 increase may be more than 100, indicating that members of the workforce diversity group tend to be more concentrated at high salary bands than is the case for other employees.

Trends in the distribution index for workforce diversity groups

Workforce diversity group [7]	Benchmark (%)	2021-22 (%)	2022-23 (%)	2023-24 (%)	2024-25 (%)
Women	100	98	99	97	97
Aboriginal people and Torres Strait Islanders	100	Distribution index not calculated	Distribution index not calculated	96	95
People whose first language spoken was not English	100	108	108	109	108
People with a disability	100	91	Distribution index not calculated	Distribution index not calculated	Distribution index not calculated
People with a disability requiring work-related adjustment	100	Distribution index not calculated	Distribution index not calculated	Distribution index not calculated	Distribution index not calculated

A benchmark from the Australian Bureau of Statistics (ABS) Census of Population and Housing has been included for People whose First Language Spoken as a Child was not English. The ABS Census does not provide information about first language but does provide information about country of birth. The benchmark of 23.2 percent is the percentage of the NSW general population born in a country where English is not the predominant language.

The diversity target in the Premier's Priority for a World Class Public Service in 2019 incorporated a diversity target aiming to double the representation of people with disability in the NSW public sector from an estimated 2.8 percent to 5.6 percent by 2025.

[7] 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.

Education

Every year, tens of thousands of people visit the Warragamba Dam Visitor Centre and surrounding recreational grounds overlooking Warragamba Dam. The Centre opened in 2010 and includes the permanent "Water For Life" exhibition, with audio-visual material and interactive touch table and displays about the dams and catchments, and the history and future of Sydney's water supply.

Visitor Information Officers engage with visitors, answering questions and supporting visitor learning and the centre is open seven days a week, 10am – 4pm (excluding Good Friday and Christmas Day).

The Warragamba Dam Visitor Centre hosted nearly 65,000 visitors in FY25.

Under our Operating Licence we have a responsibility to undertake an educative role within the community. We also have a dedicated range of educational programs facilitated by our education team based at the Warragamba Dam Visitor Centre.

Our free excursion programs offer the chance for students to explore all aspects of water supply and learn about water through interactive activities. We also deliver technical tours and presentations for tertiary students including TAFE and university.

In FY25, approximately 4,000 pre-school, primary, secondary, and tertiary students and their educators participated in face-to-face, curriculum linked excursion programs at Warragamba Dam, as well as our incursion programs. Highlights from the year include the facilitation of CSIRO's Generation STEM program, in which we are a provider of water education experiences for schools undertaking water-based research projects in Greater Sydney. We also delivered interactive activities at the Youth Eco Summit, hosted by Sydney Water at Sydney Olympic Park, to help students learn about their drinking water catchment and caring for local waterways.

Case study: Catchment Carers program takes water education into schools

In FY25, we extended our water education outreach through the Catchment Carers program, delivering hands-on learning experiences to schools within Sydney's drinking water catchment.

As part of the initiative, primary students in Goulburn engaged with interactive activities designed to build awareness of how local actions impact the broader water supply for over five million people.

The incursions, led by our education team, introduced students to water science, the water cycle, catchments, and pollution prevention.

These sessions were held at Goulburn North and Goulburn East public schools.

Take-home materials were provided to extend learning into the community.

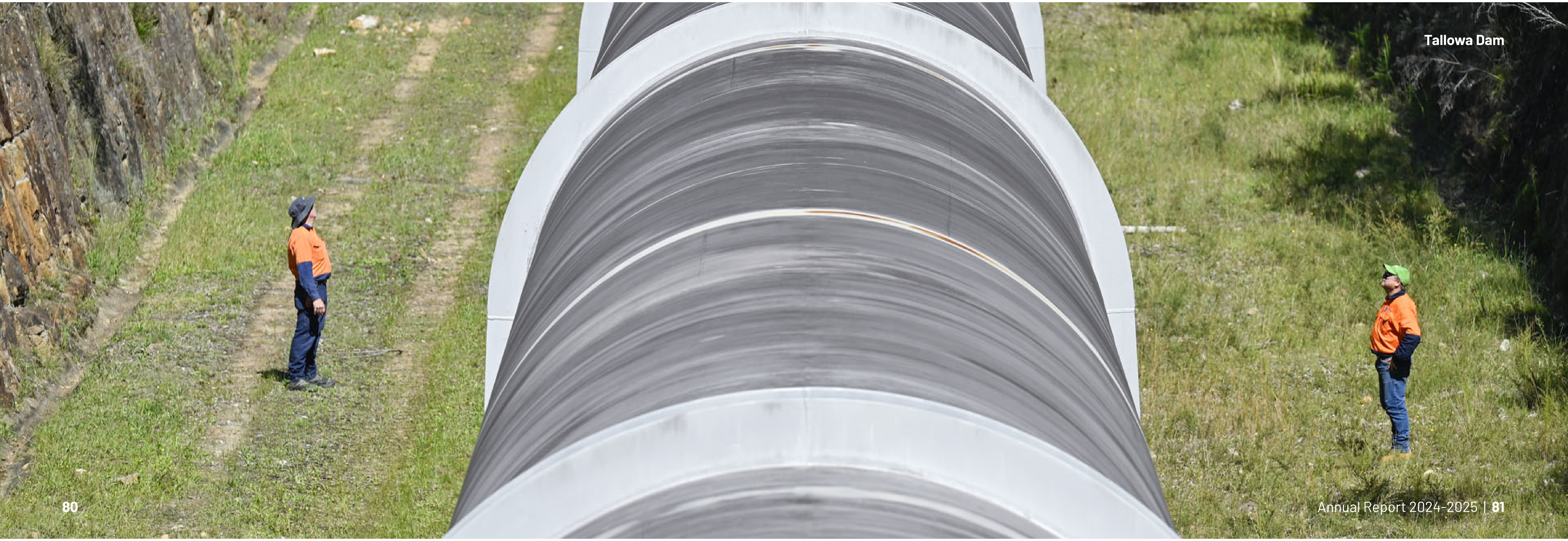
Modern Slavery Act 2018 (cth) and *Modern Slavery Act 2018* (NSW)

WaterNSW prepares a Modern Slavery Statement each year. The statement outlines our actions and systems to mitigate the risk of slavery and human trafficking. We submit our Modern Slavery Statement to be published on the Australian Government's online Modern Slavery Statements Register annually and we also publish the statement at waternsw.com.au.

WaterNSW has not identified any instances of modern slavery within our operations or supply chain in FY25. We have not received any reports or potential instances of modern slavery from our employees, customers or suppliers. The Anti-Slavery Commissioner has not identified or raised with WaterNSW any significant issues concerning our operations.

Actions taken during FY25 to strengthen our approach to mitigate modern slavery risks include:

- **Developed and published our Modern Slavery Policy** to demonstrate our commitment to preventing modern slavery in our operations and supply chains.
- **Completed a gap analysis** against the NSW Anti-slavery Commissioner's Shared Implementation Framework, specifically the Guidance on Reasonable Steps which defined our action plan for FY25.
- **Published periodic employee communications** to highlight how our purchases could be implicated in slavery like practices.
- **Developed a report** to provide spend and supplier analysis to identify our high-risk categories for modern slavery.
- **Reviewed our contract templates**, including modern slavery clauses, to ensure they are still fit for purpose to help mitigate the risk of modern slavery within our supply chain.
- **Continued regular reporting** on the effectiveness of actions as measured against key performance indicators.



Tallowa Dam

Climate-related financial disclosures

WaterNSW is custodian of the state's water, and we play a critical role in managing the impacts of climate change to ensure that we can continue to effectively capture, store and deliver water for our customers and NSW communities. This disclosure outlines how climate-related matters impact WaterNSW and our operations and outlines our strategies for addressing and managing climate-related risks and opportunities, including both physical and transition. We developed this disclosure in line with the NSW Treasury Policy TPG24-33 Reporting Framework for Climate-related Financial Disclosures for NSW Government entities.

FY25 represents the first year for mandatory Climate-Related Financial Disclosures. We acknowledge our disclosure is based on our best endeavours, and accordingly there may be limitations to the robustness and consistency of our reporting. Our future disclosures will continue to evolve as we continue to grow our expertise, assurance frameworks and improve our processes for identifying and managing climate-related risks and opportunities. Guided by scientific progress and best practice, our initiatives and responses to climate change will expand and adapt. Our disclosures will also reflect the evolving external policies and scientific insights on climate change. To support our progress, this disclosure has been reviewed by an external practitioner, who has provided pre-assurance advice aimed at enhancing organisational capability and readiness.

In alignment with NSW Treasury guidance, this disclosure has not undergone third-party assurance. However, WaterNSW has proactively sought expert input and conducted internal assurance activities to support this disclosure.

Our approach to materiality

Climate-related information is considered material where it could reasonably impact our service delivery, financial sustainability, or ability to meet regulatory or statutory obligations and community expectations. We assessed materiality considering qualitative and quantitative factors of our risks and opportunities, cumulative impacts, historical climate exposures, our climate risk assessment, and stakeholder interest in our climate-related performance and commitments.

Reading this disclosure

Our disclosure is structured to guide you through our climate journey across four key areas:

- **Governance** outlines who oversees our decision making and how climate considerations are embedded in our leadership and board processes.
- **Strategy** outlines how we're adapting our business approach to address climate risks and seize opportunities, including our transition plans.
- **Risk Management** details how we identify, assess, and manage climate-related risks alongside our business risks.
- **Metrics and Targets** demonstrates how we measure our climate performance and track progress toward our commitments.

Each section builds on the previous one to tell the complete story of how climate considerations are integrated into our business operations and decision-making. Our disclosure should be read in conjunction with our 2025 Annual Financial Statements. Together, these documents provide a comprehensive view of our financial performance, position, and climate-related risks and opportunities that may affect our operations, service delivery, and financial prospects.

Governance

WaterNSW's Board provides strategic oversight of our climate-related risks and opportunities (CRROs), supported by our **Sustainability and Service Delivery Committee's** oversight of implementation strategies for managing our natural resources and future strategies for managing climate change including adaptation. Our **Audit and Risk Committee** oversees the post-implementation assurance, risk management, and external reporting obligations related to Climate-Related Financial Disclosures, while our **Assets and Investment Committee** advises on strategic, regulatory, climate-resilient alignment of our operations and capital investments. Together, these bodies form an integrated governance and decision-making framework that embeds CRROs across planning, delivery, and performance, ensuring alignment with WaterNSW's ESG Program and long-term infrastructure resilience. Further detail is outlined in Table 1.

Table 1: Governance oversight and management's roles and responsibilities

	Current focus	Future focus
Board	The Board oversees WaterNSW's functions, ensuring that our climate risks and opportunities are considered within our strategic and financial plans, investments and governance and risk management frameworks. The Board also oversees WaterNSW's obligations against various legislative and regulatory obligations, including but not limited to the *Water NSW Act 2014*, *Water Management Act 2000*, and the WaterNSW Operating Licence. We're enhancing our understanding of the impacts of climate change on our customers, business and the water sector. WaterNSW is also developing its governance frameworks to support its Climate-Related Financial Disclosures. The diverse skills and knowledge of our directors plays a crucial role in supporting our commitment to maintaining critical expertise for effective climate-related governance. This commitment is routinely monitored, as reflected in our Board skills matrix, which is maintained in accordance withTPP17-10 Guidelines for Governing Boards. The Board has participated in a Climate-Related Disclosures knowledge session.	WaterNSW will be implementing our Climate Change Adaptation (CCA) Plan, following approval from the Board. This will enable the implementation of actions outlined in the CCA Plan, commencing from FY26.
Sustainability and Service Delivery Committee (SSDC)	Overseeing the implementation of ESG programs, water quality and land management, including oversight of the potential impacts, risks, and opportunities of climate change on our operations.	Regular reporting on our climate change response, overseen by our **Climate Risk Officer (CRO),** will track progress of our CCA Plan and associated future metrics and targets.
Audit and Risk Committee (A&RC)	Monitors risks and opportunities in line the WaterNSW's Risk Management Policy and supporting risk management governance framework. The A&RC endorses WaterNSW Risk Appetite Statements for Board approval and monitors action plans to address risks and opportunities, including those related to climate change. The A&RC also oversees and endorses the Climate-Related Financial Disclosures for Board approval.	External reporting and assurance obligations regarding Climate-Related Financial Disclosures in FY26.
Asset and Investment Committee (A&IC)	Advises the Board on investment decisions, including the integration of climate-related risks and opportunities into asset planning, and delivery. This includes oversight of major initiatives such as the **Warragamba Dam Climate Resilience** project, as well as asset renewal and upgrade programs that address both physical and transition climate risks to our assets. The A&IC also oversees our **Renewable Energy Storage Program** and is advised of key decisions by the relevant steering committee.	The A&IC will ensure that future investments support long-term infrastructure climate resilience, regulatory compliance, and WaterNSW's broader climate adaptation objectives.
Management's role and responsibilities	Deliver on the Board approved Corporate and Operational Strategies including WaterNSW Asset Management Plans. Management is also responsible for developing and implementing **numerous control measures,** to mitigate operational risks and actively adapt to climate change by integrating extensive knowledge and context into our established business practices. Management focuses on understanding climate risks and opportunities affecting WaterNSW's assets and operations while developing appropriate strategies and implementing approved adaptation and mitigation programs. Supporting this commitment is WaterNSW's **CRO**, responsible for oversight of climate change risk management and maturity, as required by WaterNSW's Operating Licence. The CRO supports management, Board Committee's and the Board having oversight of our climate risks, including implementation of mitigation and adaptation actions, monitoring emerging climate risk management obligations and expectations, tracking updates to climate change projections, and reviewing new research into sector-specific impacts.	• Broader management training on Climate-Related Financial Disclosure obligations and commitments. • Continued Implementation of ESG program that includes addressing both climate change risk assessments and exploring the potential to reduce our climate-related impact. • Asset-based risk assessments and ongoing operational risk reviews. • Deploy appropriate treatment action plans, consider financial and business responses, and communicate risk and consequences to appropriate regulatory authorities. • Climate change risk assessments every two to five years; with annual review of implementation of adaptation actions pursuant to the NSW Climate Risk Ready Guide.

Burrinjuck Dam

Existing processes and controls – what we are currently doing

WaterNSW manages weather and climate risks daily using established controls across our water delivery assets, operations, and safety. These pre-existing climate risk mitigation and adaptation measures are embedded within a range of operational and corporate teams.

These process and controls include, but are not limited to the following (refer to **Figure 1 to Figure 3** for details):

- Business management systems covering assets, the environment, water quality, dam safety and work health and safety
- Enterprise risk management frameworks, including business continuity and disaster recovery plans
- Strategic plans (internal and in partnership with other organisations)
- Emergency and incident plans and protocols
- Joint incident planning with partner agencies (NSW Rural Fire Service (NSW RFS), Bureau of Meteorology, NSW State Emergency Service (SES), etc.)
- Modelling and forecasting tools
- Ongoing programs on research, asset renewal, dam safety, catchment protection and land management
- Infrastructure redundancies and operational flexibility in some systems.

These controls, structured around the **core themes of our future Climate Change Adaptation Plan,** need to be routinely maintained and enhanced as part of our climate adaptation journey. They include both assessment or mitigation of potential climate change impacts and responses to actual impacts.

Figure 1: Existing controls - Assets and operations

Disruptions to water quality

Disruptions to water delivery

Asset impairment or damage

Operational flexibility
- system connectivity allowing the ability to blend source water in Sydney
- water column extraction adjustment in dams with multi-level offtake
- management or scheduling of environmental releases

Source water quality management
- installation of booms to reduce debris contamination in storages
- installation of erosion control measures
- use of aeration in some storages

Dam safety management
- regular dam safety surveillance and risk assessments (informed by site specific probable maximum flood estimation) and dam safety upgrade programs

Asset management
- operational performance testing of critical assets
- monthly asset risk register monitoring and management
- investigations of root cause defects, including climate related causes
- tailored asset class strategies and asset standards
- asset criticality assessments, e.g., exposure to extreme weather events
- periodic inspections and preventative maintenance
- asset renewal projects, e.g., protection, automation, improved access
- asset and safety improvement programs
- flood response plans

Water monitoring
- operational water quality monitoring with periodic audits
- enhanced monitoring during extreme weather and post-event recovery
- priority replacement of damaged monitoring sites

Land and catchment management
- asset surrounds maintenance e.g. hazard reduction burning
- surface drainage assessments and management of easements
- access route control and exclusion of public from recreation sites when floods or bushfires threaten
- land surveillance (e.g. fire towers and use of satellite imagery)
- reinstatement of infrastructure impacted by bushfire or floods

Catchment protection
- active land management including fuel and vegetation management
- joint management of Special Areas with NSW National Parks and Wildlife Services
- augmentation of natural water filtration processes

Drought response plans
- operational responses to extend supply (e.g. Shoalhaven transfers to Sydney; pulse releases in rural valleys)
- operation of deepwater pumping stations in Warragamba, Nepean, and Cascade
- resource assessment and depletion scenario planning

Figure 2: Existing controls - Business strategy and planning

Disruptions to water quality	Disruptions to water delivery	Asset impairment or damage

Water quality management system

Science programs
- research to better understand climate change impacts on catchment health and water quality, and build capacity for long-term climate resilience

Dam safety management
- periodic portfolio risk assessment and update of dam flood hydrology
- incident response protocol, training, and exercise

Corporate Management Systems and Assurance Framework
- Work, Health & Safety
- Environmental Management System
- Asset Management System
- Quality Management System
- Dam Safety Management System
- Australian Drinking Water Guidelines

Strategic plans and programs
- Strategic asset management plans that consider long-term outlook to build system resilience
- System resilience planning
- Incident management protocols
- ESG program
- Business Continuity Framework
- Flood Operations Manuals and Periodic Testing

Strategic planning and partnerships with other organisations
- joint planning with Sydney Water to develop long-term capital and operational plan and master plans
- shared bushfire management with NSW RFS
- easement management in coordination with landowners
- emergency planning, response coordination, and data sharing with the Bureau of Metrology, NSW RFS, NSW SES and other local emergency agencies
- catchment and land management planning with leaseholders, communities and local government
- periodic review and updates to the Greater Sydney (yearly) and Regional Drought Response Plans with partner agencies
- development and implementation of long-term strategies with NSW DCCEEW, e.g Greater Sydney Water Strategy and Regional Water Strategies

Partnerships
- Collaboration with government agencies and stakeholders for Greater Sydney and rural water quality (e.g. NSW Health)

Figure 3: Existing controls - Data systems and intelligence, risk management

Disruptions to water quality	Disruptions to water delivery	Asset impairment or damage

Water quality management system
- water quality alert system (e.g. algal alerts during heatwaves)
- algal risk forecast
- catchment-to-customer risk assessment process
- source water quality forecasting in Greater Sydney

Dam safety management
- warning systems for flood induced dam emergencies
- hydrological modelling and probable maximum flood assessment
- periodic risk assessment and safety reviews using the So Far As Is Reasonably Practicable (SFAIRP) Framework and Methodology

Asset management
- field work improvement projects
- operational asset risk register
- asset handover process

Systems
- Surveillance, Monitoring, Automation & Remote Telemetry (iSMART)
- critical infrastructure and access routes registration with NSW RFS

Modelling and forecasting
- system yield and storage depletion forecast modelling
- development of integrated catchment and lake water quality models for strategic assessment in Greater Sydney catchments
- Computer Aided River Management (CARM) models
- modelling advice, considering operational constraints, to water strategies and climate independent water supply augmentation planning processes

Corporate Risk Management Framework and Risk Appetite Statements

Strategy

Our Corporate Strategic Plan directly addresses the changing environmental dynamics through our 'Building a Sustainable Future' priority. This commitment focuses on reducing our environmental footprint, improving the resilience and quality of our water resources, strengthening our social license, and creating healthy ecosystems for future generations. Climate resilience forms a central pillar of our ESG program, which involves close collaboration with stakeholders to enhance water quantity and quality outcomes, develop climate-resilient plans, and increase reuse while reducing waste.

We're the organisation taking care of the state's water at the source – capturing, storing and delivering. We have an extensive geographical footprint, which gives us first-hand insights into climate-related risks and opportunities. Over the past decade, we have witnessed the profound impacts from severe droughts, devastating bushfires, and extreme rainfall and flooding events, which have reshaped community expectations and how we deliver our operations and services. These recurring climate events, increasing in frequency and severity, have challenged our asset management and customer service capabilities, directly informing our evolution toward more climate-resilient strategic planning and risk management approaches.

Our ability to continue providing reliable water services to our customers now and in the future depends increasingly on our capacity to adapt to and manage the effects of climate change on our assets and operations. We deliver two thirds of all water used in NSW and are therefore particularly susceptible to climate change impacts. Droughts affect our ability to secure enough water supply for critical needs, high quality water for urban supply and can impact our infrastructure operations. While extreme rainfall can threaten or damage property or infrastructure, exceed storage capacity and can compromise water quality. These conditions are set against a backdrop of a growing urban population in Sydney, declining regional water use and the evolving water needs of our customers, who range from small family businesses to farmers, irrigators, councils, utilities, industry and environmental water holders.

Our climate-related risks and opportunities

WaterNSW has undertaken a preliminary climate risk assessment in accordance with the Climate Risk Ready NSW Guide as outlined in our approach to climate-related risk assessment. This preliminary assessment will be followed by a more detailed climate risk assessment in FY26 as part of our CCA Plan. Our climate-related risks and opportunities are multi-faceted and cover the following categories:

- **Physical risks** – acute and chronic
- **Transition risks** – regulatory, policy, legal and reputational

Figures 4 and 6 outline WaterNSW's key material climate-related risks and opportunities, while Table 4 outlines the potential non-financial impacts of climate change on our business and operations[1]. In this context, short-term is defined as zero to five years (originally aligned to our proposed five-year Regulatory Pricing Proposal to IPART), medium-term as 25 years (2050); and long-term as 45 years (2070). The choice to prioritise 2050- and 2070-time horizons for scenario analysis addresses the limitations of near-term projections to 2030 where climate signals are less pronounced, aligning with the life expectancy of our assets and infrastructure and to allow for 20-year averaging to reduce inter-annual variability and identify robust climate trends.

Figure 4: Our climate risks

Physical[2]: Acute and chronic risks

Time horizon: Medium-term (2050) and long-term (2070)

Disruptions to water quality	Disruptions to water delivery	Asset impairment or damage
More intense droughts, bushfires, and rainfall events, and compounding weather extremes may degrade source water quality, resulting in WaterNSW not meeting its raw water supply agreement with customers in Greater Sydney and broader water quality implications in regional NSW, such as blackwater events and mass fish deaths.	More intense droughts, bushfires, and rainfall events, and compounding weather extremes may disrupt operations, leading to service interruptions or inability to deliver supply to customers, and further challenge water resource and delivery planning in regional areas.	More intense droughts, bushfires, and rainfall events, and compounding weather extremes may cause damage to or loss of critical assets, or affect their integrity and performance, which will require investment, time, and resources to rectify.

Transition[3]: Regulatory, Policy, and Legal

Time horizon: Ongoing

Risk 1: Decarbonisation

Evolving climate policy regulations, and/or operating licence obligations may impose stricter decarbonisation requirements on WaterNSW, increasing our compliance costs beyond our regulatory funding and what customers can afford, while creating operational challenges that constrain our capacity to deliver our core services.

Transition[3]: Regulatory and Reputational

Time horizon: Medium-term (2050) and Long-term (2070)

Risk 2: Resilience

Essential future climate resilience and adaptation investments may exceed our regulatory funding and what customers can afford, that, if not resolved, could pose greater risks to our physical infrastructure and assets and/or our capacity to deliver our core services which may also impact our reputation with customers, stakeholders and the community.

[1]Refer to financial impacts of our climate risks and opportunities for an overview of the current and anticipated financial impacts of climate change on WaterNSW.

[2] **Physical: Acute risks** are event-driven, short-term risks resulting from increased severity and frequency of extreme weather events including cyclones, hurricanes, severe storms, floods, storm surges, droughts, water stress, wildfires, bushfires, extreme temperatures, hailstorms, landslides and other extreme precipitation events.

Physical - Chronic risks are longer-term shifts in climate patterns and average conditions including rising mean temperatures, sea level rise, changing precipitation patterns, ocean acidification, shifts in weather patterns and seasonal variations, chronic heat stress, water scarcity from long-term climate shifts.

[3] **Transitional risk** is a risk that arises from the transition to a lower-carbon economy, including risks from changes in policy, regulation, legislation, technology, markets, and reputation.

Table 4: Impact of our climate risks on our assets and operations

Climate hazard	Potential impacts	Regions and concentration of assets most impacted	Physical climate risks		
			Water delivery	Water quality	Assets
Extreme rain **Projected future exposure level relative to today** Across multiple scenarios and time horizons, WaterNSW's exposure to extreme rain days is projected to increase, as measured by: • Future change in extreme rain frequency • Future change in extreme rain intensity	**Infrastructure and asset damage** • Dam safety implications of higher peak flows and dam spill volumes (e.g. higher probable maximum flood). • Flood damage to water supply infrastructure and water monitoring stations, including nearby embankments and retaining walls. • Debris and sediment deposition may cause blockages of inlet and outlet regulators at river diversion points and pipelines. **Catchment health and water quality deterioration** • Increasing runoff carrying more organic matter and sediments entering waterways and storages, or in the case of the Duckmaloi water treatment plant, could compromise its performance in the Fish River system. • Large environmental damage and poor catchment health. **Operational disruption** • Localised flooding and landslides restrict access to assets and monitoring sites impacting operations and critical activities (e.g. repairs and maintenance). • More frequent and intense floods can compromise staff health and safety and restrict mobility. • Safety risks to the public (in catchments and lands we own or manage).	Following our preliminary climate risk assessment, additional work is required to validate and confirm, with a reasonable level of confidence, the specific asset concentrations and geographic regions most likely to be affected by future climate-related impacts based on the different emissions scenarios and time horizons. We anticipate refining this analysis in future disclosures, subject to the availability of funding and resources, or the establishment of partnerships with other agencies.	✓	✓	✓
Drought **Projected future exposure level relative to today** Across multiple scenario and time horizons, WaterNSW's exposure to longer dry spells, rainfall decline, and water stress is projected to increase, as measured by: • Future change in rainfall • Future change in the longest dry spell • Future change in water stress	**Catchment health and water quality deterioration** • Sustained droughts can contribute to poor catchment health – leaving systems susceptible to adverse quality water following drought-breaking inflows. • Algal blooms and blackwater events may require releases from dams to flush rivers, further reducing water availability. • Toxic algal blooms in storages. • In prolonged and severe dry conditions, lower water levels due to reduced inflows and evaporative losses leading to increased nutrients and other pollutant concentrations with impacts to source water quality. **Operational challenges and reduced water security** • Extended period of low inflows accelerating storage depletion and increasing likelihood of cease-to-flow conditions in regional dams. • More intense drought conditions could make delivery of supply for critical human needs, the environment, and key industries even more challenging in regional NSW. • Hydraulic constraints and water quality risks at low dam levels resulting in supply shortfalls in Greater Sydney. • Diminished capacity to supply by gravity, increasing reliance on pumping stations and power to deliver supply. • As storage levels decline, the ability to select source water or manage offtakes to avoid algal activity in the upper zones diminishes. • Poor water quality could compromise water treatment plant's performance.	Following our preliminary climate risk assessment, additional work is required to validate and confirm, with a reasonable level of confidence, the specific asset concentrations and geographic regions most likely to be affected by future climate-related impacts based on the different emissions scenarios and time horizons. We anticipate refining this analysis in future disclosures, subject to the availability of funding and resources, or the establishment of partnerships with other agencies.	✓	✓	

			Physical climate risks		
Climate hazard	**Potential impacts**	**Regions and concentration of assets most impacted**	**Water delivery**	**Water quality**	**Assets**
Bushfires **Projected future exposure level relative to today** Across WaterNSW's locations, exposure to more frequent bushfire weather conditions under all scenarios and time horizons is projected to increase compared to historical exposure, as measured by: • Future change in extreme fire weather days	**Catchment health and water quality deterioration** • Loss of biodiversity and vegetation, resulting in catchment health deterioration. • Increase sediment, organic load and contaminants, including ash and debris, entering waterways and storages. • Increased atmospheric CO_2 concentrations, which in turn increase CO_2 dissolution in water, changing water chemistry with potential decrease in pH level. **Infrastructure and asset damage and operational disruption** • Partial or full damage to water supply infrastructure and water monitoring stations, including powerlines, transformers, and communications; impacting operations and critical activities. • Restricted access to assets and monitoring sites to do repair or maintenance works or respond to incidents. • Compromised staff health and safety and restricted mobility. • Safety risks to the public (in catchments and lands we own or manage).	Following our preliminary climate risk assessment, additional work is required to validate and confirm, with a reasonable level of confidence, the specific asset concentrations and geographic regions most likely to be affected by future climate-related impacts based on the different emissions scenarios and time horizons. We anticipate refining this analysis in future disclosures, subject to the availability of funding and resources, or the establishment of partnerships with other agencies.	✓	✓	✓
Compounding weather events **Projected future exposure level relative to today** Under both moderate and high emission scenarios, concurrent hot and dry compound weather events are projected to become more frequent, occurring annually, with larger decreases in the return period further south and under a high emission scenario.	**Catchment health and water quality deterioration, damage to assets, and operational disruptions** • Extreme rainfall following bushfires can increase high nutrient sediment transport, ash, organic material into fluvial systems triggering eutrophication, causing algal bloom. • Increased contaminant runoff during rainfall events due to drought preconditioning with impacts to water quality, which may lead to more frequent changes to system configuration and notifications of exceedances to customers, such as Sydney Water. • Hot-dry-windy conditions intensifying bushfires or wet-windy events causing flash floods, treefall, and landslides – which could damage or impair the performance of assets and water monitoring stations, including powerlines and communications, impacting operations and critical activities. • Compromised staff health and safety and restricted mobility. • Safety risks to the public (in catchments and lands we own or manage).	Following our preliminary climate risk assessment, additional work is required to validate and confirm, with a reasonable level of confidence, the specific asset concentrations and geographic regions most likely to be affected by future climate-related impacts based on the different emissions scenarios and time horizons. We anticipate refining this analysis in future disclosures, subject to the availability of funding and resources, or the establishment of partnerships with other agencies.	✓	✓	✓

Figure 5: Business response - what are we doing about it?

Further to our existing processes and controls, our planned mitigation and adaptation initiatives in response to our climate risks – and the pursuit of our related climate opportunities – are outlined in **figures 5 and 6**. Delivery, timing, and scope of these initiatives will be impacted by revenue constraints, resource availability, and shifting corporate priorities—including changes in risk appetite – following IPART's Pricing Determination in the second half of 2025. Specific impacts are currently difficult to predict.

Climate risks addressed

Transitional | Disruptions to water quality | Disruptions to water delivery | Asset impairment or damage

Direct

Warragamba Dam Climate Resilience Project
Warragamba Dam is undergoing a Climate Resilience Project to ensure compliance with modern dam safety standards and enhance its ability to withstand increasingly frequent extreme flood events linked to climate change. WaterNSW is conducting risk assessments, including structural and hydrological modelling, to identify feasible risk reduction measures, with studies expected to conclude by the third quarter of fiscal year 2026.

Pindari Bubble Plume System Trial
Aims to reduce Cold Water Pollution impacts on downstream ecosystems in the Severn River system, which may intensify with climate change, using a renewable energy-powered bubble plume system. This trial will also explore the potential for reducing evaporative losses and fugitive methane emissions from our storages, while protecting aquatic biodiversity. Government funding for this program is expected to be $31m, with WaterNSW as the lead delivery partner.

Asset Management Improvement Program
Designed to future-proof our assets, while embedding ESG and climate change considerations in new processes used for Strategic Options Assessments for asset renewals and replacement projects.

Climate Change Response
- Contribute to the NSW Government's net zero target.
- Endorsement and rollout of our CCA Plan.
- Finalising our proposed emissions reduction pathways.

Renewable Energy Storage Program
Continue investigations on long duration energy storage and renewable energy projects that support the NSW Government's net zero target

Bushfire and Water Quality Prioritisation
Improving our understanding of the risks posed to water quality across our catchments from wildfires, hazard reduction burns and erosion rates

Catchment Water Quality Models
Catchment water quantity and quality models, linked to new hydrodynamic reservoir models being developed to support water quality impacts of climate change on Greater Sydney storages

Water Quality Trend Analysis
Developing a new method that identifies the contribution of rainfall and streamflow to long-term water quality trends (Greater Sydney).

Water Security Assessment
Greater Sydney yield update and design drought review incorporating climate change impacts on water availability

Modelling Programs
- Hydrologic Risk Assessments of 17 rural NSW dams as a part of the Portfolio Risk Assessment (PRA) Program including the assessment of climate change impacts on Burrendong (Macquarie), Copeton (Gwydir) and Keepit (Namoi) dams.
- Greater Sydney Water Supply System Modelling for Future Climate States: build on existing work to assess methodologies to estimate climate change impacts on water supply systems and yield variability and sensitivity. The initiative aims to enhance water supply and system resilience planning, based on the latest climate science and water supply risk analysis.

Dam Safety Programs
- Rural Dams Portfolio Risk Assessment Program: future planned work to focus on climate change impacts on dam safety

Indirect

Drought Plans implementation
- Water Quality Monitoring Plan
- Drought-critical assets improvement initiatives
- Implementation of Maintenance and Capital Programs to ensure assets function as required

Strategic Planning with Partner Agencies
- Collaborating with NSW DCCEEW, Sydney Water and Hunter Water to develop a framework for assessing and addressing climate change in water planning and management (Greater Sydney). Supporting Sydney Water in developing its supply augmentation plan (Master Plan).
- Upgrade of decision pathway capabilities and forecasting systems to risk-based flood, storage and river operations across the Lachlan, Murrumbidgee and Namoi valleys, to ensure reliable water delivery while safeguarding communities and infrastructure from extreme flood events downstream.

Unless otherwise stated, our Regulatory Pricing Proposal provides the revenue for our business response in **Figures 5 and 6.**

Our approach to identifying our climate opportunities

In developing our 2021-25 Corporate Strategy, we undertook an external landscape analysis and strategic capability assessment to systematically identify opportunities beyond our core business that meet our strategic objectives. We focused on strong adjacencies to our existing assets and capabilities that supported our ESG commitments while minimising disruption to core operations. This process culminated in the identification of our key climate-related opportunities outlined below.

Pumped hydro: How it works

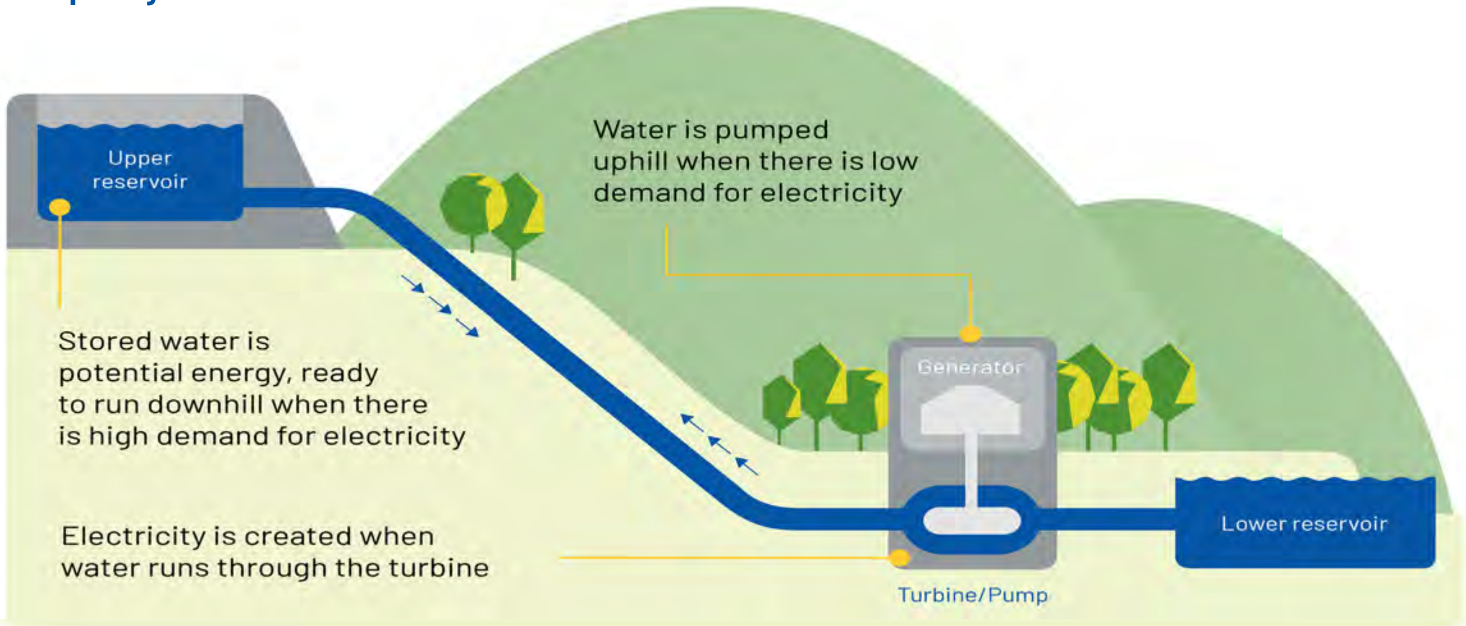


Figure 6: Our climate opportunities

Opportunity 1: Increased demand for renewable energy and long duration storage

Type: transition - market   Time horizon: short term

Potential impact	Region
Generate additional non-regulated revenue streams through future land use arrangements, including leasing, developer contributions and a portion-of-revenue dividends. This involves the use of WaterNSW land for renewable energy and wind farms. The pumped hydro plants will provide long duration energy storage and reliable renewable energy on-demand that contributes to the NSW Government's 2050 net zero emissions target and a sustainable WaterNSW by leveraging our existing asset base. The additional revenue stream will drive downward pressure on WaterNSW customer costs.	**Lake Burrendong** **Lake Burragorang** **Glenbawn Dam** **Glennies Creek Dam**

Business response
• WaterNSW has entered into Development Agreements (DA) with private developers to conduct investigations on WaterNSW land, obtain the approvals and enter a Project Deed for construction and operation of the projects. • Conducting pre-feasibility studies to identify further opportunities. We've received $20.9m out of total $23.5m grant from DCCEEW for the LDS Program.

Opportunity 2: New markets

Type: transition - market   Time horizon: short term

Potential impact	Region
Increase non-regulated revenue streams to help drive downward pressure on customer costs, including: • Strategic divestment of **surplus non-operational land** to reduce our peripheral physical climate risk exposure • Investigate the potential for **carbon and biodiversity** credit programs	**Braidwood** **Various**

Business response
• Developed a Business Development Plan for FY24-30, which includes a key ESG initiative: our Land Strategy, which incorporates a decision-making framework to help determine the optimal use of WaterNSW land.

Our transition plan – our roadmap to a climate resilient and decarbonised future

We are developing our transition plan addressing both climate change adaptation and emissions reduction to strengthen organisational resilience and support our core purpose of delivering water, when and where it matters.

Climate Change Adaptation Plan

Our adaptation plan builds upon existing risk management practices to embed climate considerations across all our operations. The plan addresses three key priority risks: disruptions to water delivery, disruptions to water quality, and asset impairment or damage.

Emissions Reduction Plan

Our emissions reduction approach focuses on robust reporting development of emissions reduction pathways, and delivery of staged cost-efficient interventions.

Key Assumptions

- **Risk assessment foundation:** Current risk management practices provide a solid foundation, with further work needed to embed climate considerations across the organisation and close knowledge gaps.
- **Operational continuity:** Our established frameworks for managing extreme weather events and climate variability will continue to provide baseline resilience while adaptation measures mature.
- **Progressive implementation:** Climate risk management capability will develop over time, enabling more comprehensive initiatives and programs in future plan iterations.

Core climate change adaptation themes spanning three timeframes

- **Assets and operations:** Enhancing the resilience of our physical infrastructure and operational procedures.
- **Business strategy and planning:** Integrating climate considerations into our planning and decision-making processes and aligning approaches across the business.
- **Data systems and intelligence**: Supporting our modelling, analytical, and forecasting capabilities to inform climate considerations in planning and decision-making.
- **Risk management:** Expanding our risk management approach to fully incorporate emerging and priority climate risks.

Critical dependencies

- **Sufficient revenue allowance:** Our Regulatory Pricing Proposal provides for the minimum essential revenue requirement needed for current and future mitigation and adaptation initiatives. Determination outcomes that reflect our proposed level of investment are key to securing resources needed to manage climate risk effectively.
- **Existing partnerships:** Adaptation approaches build on established partnerships and operational strengths developed through managing historical climate challenges.
- **Governance oversight:** Implementation relies on Board Committee oversight and operational leadership from our Management team to ensure coordinated delivery across the organisation.

Future Development

As our climate risk management maturity develops, future disclosures will include enhanced detail on both our **climate change adaptation** and **emissions reduction plans**, with potential expansion of initiatives based on funding outcomes and operational experience.

Financial impacts of our climate risks and opportunities

Climate change poses potential financial risks and vulnerabilities to our water infrastructure and bulk water delivery operations through both acute events and chronic conditions. These material risks directly influence our operational strategies and may impact our revenues, capital and operational costs through multiple pathways, while challenging our ability to project future revenue needs for maintaining and **climate-proofing** our extensive portfolio of dams, weirs, and pipelines, to meet our regulatory and operating licence obligations.

Geographic and other complexities: Our expansive service area faces diverse climate hazards with varying financial challenges and uncertainties. For example, Greater Sydney contributed 59% of revenue from water supply and delivery in FY25 with regulated revenue allowances 80% fixed and 20% variable (based on water volumes), whereas Rural Valleys / WAMC contributed 32% of revenue with variable regulated revenue allowances based on water volumes ranging from 0% to 60% depending on the valley. Hence, variability in water availability and delivery can impact on the available revenue for our mitigation, resilience, and adaptation responses to region-specific climate risks. For example, drought-prone areas require supply augmentation while flood-affected areas need infrastructure hardening. These complexities extend beyond asset resilience to affect water supply reliability and quality, service level requirements, and ultimately water entitlements and consumption.

Current and anticipated impacts: past climatic events have resulted in material asset damage, driving remediation costs and insurance claims (refer to **Table 7a** for details of assets and costs subject to insurance claims). Additionally, prolonged material variability in water supply and delivery volumes may impact on their cash flow generation capacity, potentially affecting fair values (Note 18: Fair Value Measurement). **Figure 7b** provides a qualitative overview of the anticipated financial impacts from our climate risks and opportunities.

Strategic response: Climate realities warrant the need for more dynamic and responsive regulatory settings and financial strategies. We're trying to build our non-regulated revenue streams to capture climate opportunities emerging from the transition to a decarbonised future. While we continue developing climate contingency and risk mitigation plans, measurement uncertainties remain inherent in projecting costs and benefits of our climate risks and opportunities across climate scenarios and time horizons, beyond the current regulatory pricing period. We are enhancing our work over the next 12 months to incorporate multiple scenario analyses in future disclosures, recognising that climate change will continue shaping our financial landscape and requiring proactive planning and risk management to maintain financial sustainability.

Table 7a: Current year financial impacts of insured climate-related events since late 2019

		FY25
Financial category	**Impact of category**	**Effect ($m)**
Profit & loss	Assets written off	0.0
	Costs incurred or provided for	1.2
	Insurance proceeds	10.9
	Subtotal	**12.1**
Cap Ex	Costs incurred or provided for	(18.5)
	Subtotal	**(18.5)**
Total		**(6.4)**

Risk of Material Adjustments to Carrying Amounts: Refer to Note 1 Material Accounting Policy information: Effect of climate-related events for further detail on potential impacts on our financial statements.

Figure 7b: Anticipated Financial Statement impacts of our climate risks and opportunities

Climate risk / opportunity categories

Physical - Acute	Physical - Chronic	Transition
Extreme rain/flood	Droughts	Decarbonisation
Bushfires		Resilience
Compounding weather extremes		Opportunities

Anticipated impacts

Balance sheet

Balance sheet	Acute	Chronic	Transition
Potential additional investments in our water infrastructure and assets			
To rectify or replace **damaged** assets.	✓		
To build **new** water assets (e.g. the new Chaffey Dam Pipeline built in 2020 to provide emergency water supply, or construction of the Wentworth to Broken Hill Pipeline commissioned in 2019).	✓	✓	
To make high-risk assets more **climate resilient** (including understanding climate hydrology impacts on dam safety risk)	✓	✓	✓
To accelerate **asset renewals** for aging or underperforming assets			✓
Potential impairment write downs to our water infrastructure and assets			
Resulting from physical **damage** or **prologed reduction in water sales volumes** (refer to note 18 of the financial statements)	✓	✓	
Potential liability provisions			
Recognition of contingent liabilities resulting from **material extreme weather events** causing yet-to-be-quantified damage to our assets at reporting date.	✓	✓	

Profit & loss

Profit & loss	Acute	Chronic	Transition
Potential revenue volatility			
Driven by reduced availability of water, water quality issues, supply interruptions or demand volatility, insurance proceeds	✓	✓	
Potential increases to our operating costs			
Driven by increased repairs and maintenance, borrowing costs, accelerated depreciation or impairment costs from damage, disposal costs for decommissioned assets, emergency response and recovery, water quality and quantity monitoring, increased insurance premiums and uninsured expenses, electricity costs for pumping or transporting water between storages, planning, resilience and mitigation activities	✓	✓	✓
Potential decarbonisation and compliance costs			
Driven by carbon offset purchases, regulatory fines for non-compliance and specialist resource costs to support management of our climate risks and opportunities	✓	✓	✓
Potential revenue opportunities			
Driven by growth in our non-regulated revenue streams and access to grant funding for our climate opportunities			✓

Cashflow

Cashflow	Acute	Chronic	Transition
Potential expenditure timing and growth impacts			
For unplanned capex and/or opex requirements (e.g. emergency repairs)	✓	✓	
Due to brought forward planned spend (and borrowings) on asset renewal or maintenance	✓		
For building emergency or long-term water infrastructure or assets (may be partially/fully Government funded)		✓	
Higher capex or opex outlays where there is no ability to reduce planned spend		✓	✓
Potential working capital pressures			
From reduced or delayed customer receipts	✓	✓	
Due to delays in insurance claim reimbursements	✓		
Potential cashflow stability			
Through diversification into non-regulated revenue streams (refer to our climate opportunities)			✓

Risk category legend

✓ Applicable risk — **Anticipated** is expected at statement level

Not applicable — **Potential** may occur at detail level

Note: Our ability to address these potential financial risks and pursue related opportunities, as highlighted in **Figure 7b** above, is likely to be impacted by revenue constraints, resource availability, and evolving corporate priorities - including shifts in risk appetite - following the finalisation of IPART's pricing determinations in FY26. Specific impacts remain difficult to predict at this stage.

Risk management

Our approach to risk management

WaterNSW manages risks in accordance with the Board-approved Risk Management Policy, Risk Management Procedures, and Risk Appetite Statement Methodology. The Risk Management Procedures outline WaterNSW's Risk Management Framework (RMF), aiding employees and contractors in identifying and managing risks. The RMF is consistent with the NSW Treasury Internal Audit and Risk Management Policy for the General Government Sector (TPP20-08) and ISO 31000:2018 Risk Management – Guidelines.

Climate risks are integral to our business and have been strategically embedded within our Corporate Risk Management Plan (CRMP). These risks are captured within the following risk categories:

- **Assets and infrastructure:** Assets and infrastructure are not available, not fit for purpose or in poor condition due to damage, degradation, inappropriate selection.
- **Water quality and reliability:** Quality of water supplied to customers and community falls below the minimum required levels; and short and long-term supply of water is inadequate for the needs of the customers and community.
- **Environmental:** Harm to the environment arising from intentional and unintentional events and hazards.

Future focus

- Review and enhance the **causal factors** of our climate-related business risks to ensure climate change is adequately considered.
- Develop and monitor the Climate Change Adaptation Plan (our **Treatment Action Plan**) within our Environmental risk category, in accordance with our Risk Management Framework.

The WaterNSW Three Lines of Defence model applies to the governance and climate risk management

Burrendong Dam

Our approach to climate-related risk assessment

In FY24, we undertook a preliminary Climate Change Risk Assessment, in collaboration with an appropriately qualified independent consultancy, to understand our climate-related risks and identify how WaterNSW's assets and operations across NSW could potentially be impacted.

Our assessment, aligned with the NSW Government Climate Risk Ready Guide, drew on multiple authoritative sources to evaluate potential impacts and our current exposure across our asset portfolio. Our methodology integrated historical climate data, expert consultation with climate scientists, extensive desktop research, and targeted stakeholder interviews. The assessment utilised best-available global and regional climate models and scenarios to analyse both historical trends and projections of future climate exposures, providing robust insights to inform our risk management and adaptation strategies. Our **assessment process** is illustrated in **Figure 8**.

After incorporating inputs from WaterNSW Management and key operational leads, a list of 98 climate-related risks and opportunities were identified through research and stakeholder meetings. A **materiality review** involving ten senior leaders and operational experts prioritised these risks and opportunities based on significance, urgency, existing controls, likelihoods, and potential impacts.

This process culminated in the selection of three priority physical climate risk statements being targeted for deeper climate scenario analysis, being:

- **Disruptions to water delivery:** Drought, extreme rainfall and/or compounding weather extremes may impact the ability of WaterNSW to deliver water when and where required.
- **Disruptions to water quality:** Drought, bushfires, extreme rainfall and/or compounding weather extremes may impact the ability of WaterNSW to maintain water quality according to customer requirements.
- **Asset impairment or damage:** Drought, extreme rainfall and/or compounding weather extremes may damage or impair WaterNSW assets.

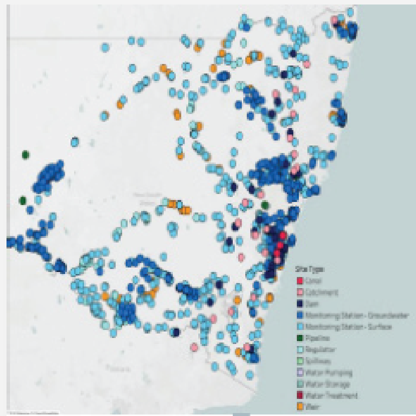
Future focus

Climate Change Risk Maturity Health Check Assessment

WaterNSW is committed to progressively maturing its climate change risk management processes, guided by the NSW Climate Risk Ready Guide. Annual Maturity Health Checks will support this journey, with second and third lines of defence assurance provided through internal and IPART audit functions. Our baseline assessment indicates a 'Repeatable' maturity level, with targeted actions underway to elevate governance and reporting to a 'Systemic' level of climate risk maturity. Near-term priorities include improving asset-based risk assessments and standardising change management processes to improve data capture and consistency across the organisation.

Figure 8: WaterNSW's climate scenario analysis approach

- Examined plausible future climate for **1,589 locations** representing WaterNSW assets across the state, such as catchments, dams, weirs, regulators, pipelines, canals, pumping stations, and water monitoring stations (surface and groundwater).
- Considered eight physical hazards (risk themes) that are most relevant to WaterNSW's context.
- Used the moderate (RCP4.5) and high emission (RCP 8.5) climate change scenarios to analyse plausible but distinct scenarios of how we may be impacted by physical risks.
- Compared the change of modelled future exposure to modelled historical exposure over the **medium-term (2050) and long-term (2070)**.
- Each location was assigned an exposure rating to see how exposure to individual physical hazards varies over time across WaterNSW assets and water sources, e.g. mm of rain/day.
- Exposure ratings were then categorised to provide a range of likely future climate change outcomes, e.g. 'Rare', 'Unlikely', 'Possible', 'Likely', and 'Almost Certain', and are aligned with the likelihood categories of the WaterNSW Risk Management Framework.
- Locations with 'Likely' and 'Almost Certain' categories were selected and aggregated to determine changes to future exposure to each physical hazard.
- The relevant thresholds reflect indicative exposures (e.g., 'Between 10 and 40 days per year') for both historical and future climate conditions across all locations, scenarios, and time horizons.
- Produced forecast scenarios for **bushfires, floods, severe weather, extreme dry, drought, rainfall decline, and compound events** and highlighted the **geographic locations** expected to experience the most significant changes .



Risk theme	Climate metric
Extreme wet	Extreme wet intensity Extreme wet frequency
Flood	Riverine flood risk
Severe weather	Multiple
Extreme dry	Longest dry spell
Drought	Water stress[2]
Rainfall decline	Total annual rainfall
Bushfire	Bushfire weather
Compound events	Multiple

Physical hazards were assessed for 2050 and 2070[2] under two referenc climate scenarios[3] across NSW

Moderate emission scenario RCP4.5	High emission scenario RCP8.5
2.7°C average global warming[3] at 2100, associated with current global climate targets and pledges. Delayed and divergent policies result in a slow emission reduction.	4.4°C average global warming[3] at 2100, associated with limited global climate action. Lack of government and market response causes an increase in emissions.

Increasing physical risk

Physical hazard	Exposure ranking for future values in hazard				
	Rare	Unlikely	Possible	Likely	Almost certain
Extreme wet frequency Annual count of days where the rainfall in a day is greater than 20mm	0 days	Between 1 and 5 days per year	Between 5 and 8 days per year	Between 8 and 12 days per year	Over 12 days per year

Physical hazard	Likely	Almost certain
Extreme wet intensity The maximum amount of rainfall in a single day for a year	Between 60 and 80mm per day	Over 80mm per day

Physical hazard	Possible	Likely	Almost certain
Very high fire weather days Number of days annually where the forest fire danger index exceeds 25 very high rating	Between 10 and 40 days per year	Between 10 and 40 days per year	Over 80 days per year

Metrics and targets

Current position

WaterNSW annually reports Scope 1 and 2 greenhouse gas emissions in accordance with the National Greenhouse and Energy Reporting Act 2007 (Cth). For our Scope 1 and Scope 2 emissions, we employ emission factors derived from the National Greenhouse Accounts (NGA) Factors 2024, to ensure accuracy in our greenhouse gas calculations. This approach allows for a comprehensive and consistent measurement of our carbon footprint across our operational activities.

Our Scope 1 emissions are primarily from transport fuel, with minor contributions from stationary fuel use. Due to the difficulty in distinguishing between our relatively minor use of stationary combustion fuel compared to transport-related consumption, all fuel use is categorised under transportation. Our Scope 2 emissions are exclusively from electricity consumption, as our operations do not involve steam or alternative heating and cooling sources.

All emissions data presented in this report are included in WaterNSW's National Performance Report, which is subject to annual independent assurance in accordance with ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information standards on behalf of IPART. The assurance engagement provides reasonable confidence that WaterNSW's NPR data has been presented fairly, in all material respects, in accordance with the National Urban Water Utility Performance Reporting Framework – Indicators and Definitions handbook. **Table 9** below summarises WaterNSW's total Scope 1 and Scope 2 emissions for FY25.

Disaggregated emissions

WaterNSW, as the reporting entity (the Consolidated entity), comprises Water NSW (the Parent entity) and WaterNSW Infrastructure Pty Ltd (the Controlled entity). WaterNSW has applied the operational control test to define its emission boundaries and is not considered to have operational control over its Controlled entity for Greenhouse Gas Emissions reporting purposes. All emissions data reported in **Table 9** pertain to the Consolidated entity, WaterNSW. No disaggregated Scope 1 and 2 emissions data is reportable for the individual entities.

Future Focus: Other climate-related metrics and targets

As part of our commitment to reducing our contribution to climate change impacts, we are:

- Developing climate-related metrics and targets as key components of our **CCA Plan** and **Renewable Energy and Storage Program** while specific emissions reductions and other climate-related metric targets have not yet been established, our Renewable Energy and Storage Program represent key initiatives underway in support of the NSW Government's net zero emission target under the Climate Change (Net Zero Future) Act 2023; and
- Developing a Scope 3 Greenhouse Gas Emissions Inventory list to fully capture emissions from our value chain.

Table 9: WaterNSW's total Scope 1 and Scope 2 emissions for FY25

Metric Emissions expressed in tonnes of carbon dioxide equivalent (tCO2e)	Source	Activity data source	Calculation methodology	FY25[5]
Scope 1 emissions	Transport energy - fleet fuels	Supplier fuel invoices	Multiply total fuel consumption (litres) by energy content and emission factors from the *NGA[6] Factors 2024* for each fuel type, based on data from our fleet provider.	2,356.80 tCO2-e
Scope 2 emissions	Electricity consumption	Utility invoices	Multiply total electricity consumption (kWh) across all our electricity providers by the NSW emission factor from the *NGA[6] Factors 2024*.	9,694.12 tCO2-e
Total Scope 1 and 2 emissions				**12,050.90 tCO2-e**
Location-based emissions - Scope 2 GHG emissions				
Declared Catchment[7]	Electricity consumption	Utility invoices	Allocated between Declared Catchment and Other areas using National Metering Identifier (NMI) numbers based on geographical boundaries.	7,692.31 tCO2-e
Other areas[8]	Electricity consumption	Utility invoices		2,001.81 tCO2-e
Total Scope 2 emissions				**9,694.12 tCO2-e**

[5] Emissions based on actual data for Q1-Q2; Q3-Q4 combines actual and estimates (based on prior quarter run-rates) where supplier data is unavailable at the disclosure date.

[6] National Greenhouse Accounts.

[7] Declared Sydney catchment area is defined in Schedule 2 of the Water NSW Act 2014. The declared Sydney catchment area is comprised of the inner catchment area and the outer catchment area. The inner catchment area is the area of land within the Special Areas (Warragamba, Metropolitan, Woronora, Blue Mountains (Blackheath, Katoomba and Woodford), Shoalhaven, Fitzroy Falls and Wingecarribee) and the hydrological catchment of the Prospect Reservoir. The outer catchment is the area of land within the hydrological catchments of the Warragamba River and its tributaries which drain to Lake Burragorang; the Shoalhaven River and its tributaries which drain to Lake Yarrunga; and Greaves, Whipcord, Woodford and Cascades Creeks, but excluding the inner catchment area.

[8] 'Other areas' are defined as everything else WaterNSW manages and/or operates.

Financial performance

Keepit Dam

Summary financial performance

	FY24 Actual $million	FY25 Actual $million	FY25 Budget $million	FY25 Variance $million	FY26 Budget $million
Revenue	496.8	494.4	493.5	0.9	523.0
Operating expenditure	(261.2)	(277.0)	(335.0)	(58.0)	(339.4)
EBITDA[1]	**236.0**	**219.0**	**158.5**	**60.5**	**183.8**
Depreciation and amortisation	(105.4)	(107.5)	(108.2)	(0.7)	(115.4)
Interest revenue	0.9	0.6	0.2	0.4	0.2
Interest expense	(67.5)	(88.3)	(91.1)	2.8	(101.5)
NPBT[2] excluding asset revaluation	**64.0**	**23.8**	**(40.7)**	**64.4**	**(33.2)**
Income tax	(19.2)	(7.1)	11.4	(18.6)	9.2
NPAT[3] excluding asset revaluation	**44.8**	**16.7**	**(29.2)**	**45.9**	**(33.2)**
Gains (losses) on asset revaluation	0.2	0.0	0.0	0.0	0.0
Tax effect of asset revaluation	(0.1)	0.0	0.0	0.0	0.0
Net profit after tax	**44.9**	**16.7**	**(29.2)**	**45.9**	**(24.0)**
Capital expenditure	**(217.5)**	**(160.6)**	**(221.9)**	**61.4**	**(228.6)**

[1] Earnings before interest, taxation, depreciation and amortisation
[2] Net profit before tax
[3] Net profit after tax

Revenue was substantially in line with budget. Regulated revenue ($436.0 million) was slightly below budget ($441.1 million), primarily due to lower water volume sales in some Rural Valleys ($2.7 million) and lower regulated metering charges. These lower regulated revenues were offset by favourable revenue from non-regulated sources such as service engagements and grants from other NSW Government agencies, insurance proceeds relating to the impact of weather events, and increased water usage by hydro power stations.

Operating expenditure was favourable to budget due in part to efforts under our business transformation initiative (include hyperlink to that section of the Annual Report). In addition, several projects were delayed, deferred or reprioritised enable efficient delivery of essential services to our customers. This included deferring unfunded conditions under our 2024-2028 Operating Licence (hyperlink to this section) that have a significant additional cost and cannot be absorbed into our current core business.

Capital expenditure was lower than budget due to deferral of works, project delays, changes in business priorities and identified cost savings. Major new projects were not commenced pending outcomes of the pricing determinations for Greater Sydney, Rural Valleys and WAMC (include hyperlink to section on pricing determinations).

Insurance proceeds relating to the impact of weather events

WaterNSW has experienced bushfire and multiple rainfall/flooding events since 2019 which have unfavourable impacted our assets and operations. The estimated incremental cost of these events incurred and/or provided totals $74.8 million. icare has confirmed in principle acceptance of all claims lodged by WaterNSW, meaning the cost of these works will be substantially recovered from our insurer.

As of 30 June 2025 $34.3 million of the $74.8 million has been recovered from icare, of which $10.9 million was recovered in FY25.

Investment performance

WaterNSW deposits short-term surplus funds into 'at call' accounts with TCorp. The interest rate received on at call deposits vary in line with movements in financial markets.

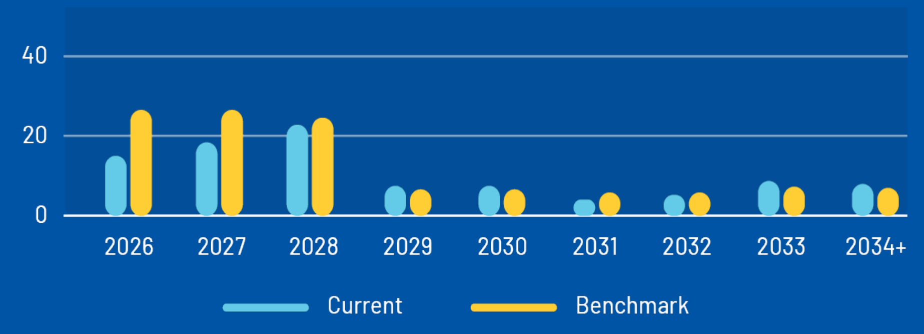
Further information is included in the audited financial statements.

Liability management performance

WaterNSW has a financial capital and risk management policy in place which establishes a debt management benchmark based on the economic regulator's cost of debt methodology. The policy includes strategies to manage liquidity risk, refinancing risk, interest rate risk, inflation risk and foreign currency risk. Under the policy, an annual implementation plan is prepared which sets debt management limits around the benchmark. The Plan is approved by the WaterNSW Board and regular reporting of performance against the plan is provided to the WaterNSW Board Audit and Risk Committee.

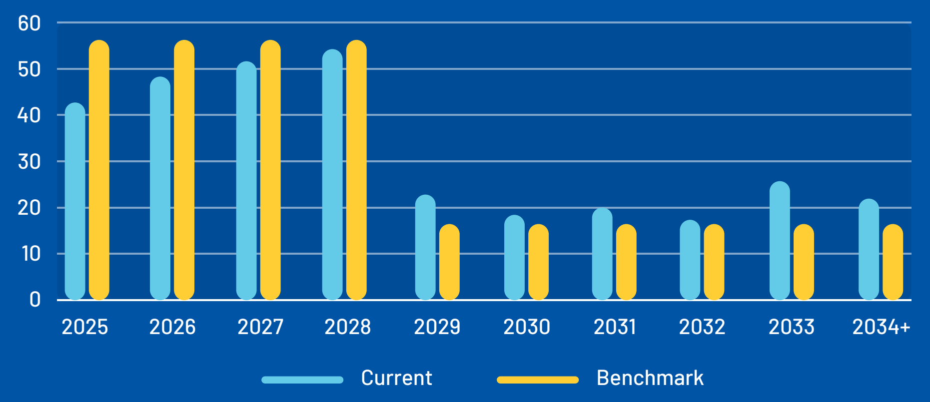
The charts below provide details of WaterNSW's liability portfolio performance against the benchmark. Further information on liability management is included in the audited financial statements.

Debt maturity profile against 2024-25 benchmark – WaterNSW excluding WaterNSW Infrastructure Pty Ltd



WaterNSW

Debt maturity profile against 2024-25 benchmark – WaterNSW Infrastructure Pty Ltd



Events arising after the end of the annual reporting period

Information on after balance date events is included in the audited financial statements.

Land disposal

Information on disposal of land is included in the audited financial statements.

Water NSW

ABN 21 147 934 787

Financial Statements - 30 June 2025

General information

Corporate information

Water NSW as a reporting entity (the Consolidated entity), comprises all the entities under its control, namely Water NSW (the Parent entity) and WaterNSW Infrastructure Pty Ltd (the Controlled entity).

1. Water NSW is a statutory State Owned Corporation domiciled in Australia and constituted under the Water NSW Act 2014. Water NSW's ultimate Parent is the NSW Government.
2. The principal activities of Water NSW under its operating licence are to provide bulk water services, efficiently operate the state's river systems and to protect water catchment areas for its customers in its area of operations in NSW. Water NSW operates under the commercial disciplines of the NSW Government's Commercial Policy Framework and accordingly the Directors have determined that Water NSW is a for-profit entity for financial reporting purposes.
3. WaterNSW Infrastructure Pty Ltd is a wholly owned subsidiary of Water NSW. It was established on 5 November 2018 under the Corporations Act 2001. WaterNSW Infrastructure Pty Ltd's ultimate Parent is the NSW Government. WaterNSW Infrastructure Pty Ltd operates under the commercial disciplines of the NSW Government's Commercial Policy Framework and accordingly the Directors have determined that WaterNSW Infrastructure Pty Ltd is a for-profit entity for financial reporting purposes.
4. The principal activity of WaterNSW Infrastructure Pty Ltd is to provide transportation services for the supply of raw water to Essential Water (an operating division of Essential Energy) in Broken Hill as the local water provider.

The financial results, financial position and cash flows of the Consolidated entity are consolidated as part of the NSW Total State Sector Accounts.

Statements of comprehensive income

For the year ended 30 June 2025

	Notes	Consolidated 2025 $'000	Consolidated 2024 $'000	Parent 2025 $'000	Parent 2024 $'000
Revenue					
Revenue from water supply and delivery	2	379,720	376,490	355,516	353,038
Grants and subsidies	3	65,336	67,109	65,336	67,109
Other revenue	4	49,948	54,089	51,300	55,470
Total revenue		**495,004**	**497,688**	**472,152**	**475,617**
Expenses					
Employee related expenses	5	(163,654)	(141,587)	(163,654)	(141,587)
Depreciation and amortisation	7	(107,530)	(105,418)	(101,800)	(99,911)
Other operating expenses	6	(113,348)	(119,595)	(109,488)	(115,984)
Finance costs	8	(88,299)	(67,497)	(74,233)	(54,928)
Total expenses		**(472,831)**	**(434,097)**	**(449,175)**	**(412,410)**
Operating profit		**22,173**	**63,590**	**22,977**	**63,208**
Other gains/(losses)	9	1,607	384	1,607	384
Gains/(losses) on revaluation of property, plant and equipment	14	(12)	188	84	187
Profit before income tax expense		**23,768**	**64,163**	**24,668**	**63,778**
Income tax expense	10	(7,117)	(19,224)	(7,388)	(19,108)
Profit after income tax expense for the year attributable to the owners of Water NSW		**16,651**	**44,939**	**17,280**	**44,670**
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Gain/(loss) on the revaluation of property, plant and equipment, net of tax	14	114,983	54,375	108,673	42,676
Actuarial gain/(loss) on defined benefit plans, net of tax	27	(378)	651	(378)	651
Items that may be reclassified subsequently to profit or loss					
Net gain/(loss) on hedge of net investment, net of tax		(12)	12	(12)	12
Other comprehensive income for the year, net of tax		**114,593**	**55,038**	**108,283**	**43,339**
Total comprehensive income for the year attributable to the owners of Water NSW		**131,244**	**99,976**	**125,563**	**88,009**

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

Statements of financial position

As at 30 June 2025

	Notes	Consolidated 2025 $'000	Consolidated 2024 $'000	Parent 2025 $'000	Parent 2024 $'000
Assets					
Current assets					
Cash and cash equivalents	11	45,213	63,974	45,206	63,964
Trade and other receivables	12	84,860	88,132	80,846	83,476
Income tax	10	963	-	963	-
Total current assets		**131,036**	**152,106**	**127,015**	**147,440**
Non-current assets					
Trade and other receivables	12	3,235	-	3,235	-
Other non-financial assets		164	732	164	732
Interest in subsidiary	13	-	-	79,201	79,201
Property, plant and equipment	14	3,944,697	3,725,456	3,514,988	3,299,199
Right-of-use assets	15	6,780	15,415	6,780	15,415
Intangible assets	16	16,378	20,328	15,786	19,684
Total non-current assets		**3,971,254**	**3,761,931**	**3,620,154**	**3,414,231**
Total assets		**4,102,290**	**3,914,037**	**3,747,169**	**3,561,671**
Liabilities					
Current liabilities					
Trade and other payables	19	96,390	100,854	90,573	94,951
Contract liabilities	24	9,018	7,696	9,018	7,696
Borrowings	20	285,948	776,151	285,742	771,240
Income tax	10	-	16,281	-	16,281
Provisions	21	135,686	122,490	135,684	122,489
Dividend payable	22	40,000	40,000	40,000	40,000
Other	23	34,668	20,009	34,668	20,009
Total current liabilities		**601,710**	**1,083,481**	**595,685**	**1,072,666**
Non-current liabilities					
Contract liabilities	29	281	910	281	910
Borrowings	25	1,719,227	1,177,062	1,463,648	920,065
Deferred tax	10	418,821	371,710	385,035	341,206
Provisions	26	53,340	53,779	53,340	53,779
Other liabilities	28	89,814	99,911	89,814	99,911
Total non-current liabilities		**2,281,483**	**1,703,372**	**1,992,118**	**1,415,871**
Total liabilities		**2,883,193**	**2,786,853**	**2,587,803**	**2,488,537**
Net assets		**1,219,097**	**1,127,184**	**1,159,366**	**1,073,134**
Equity					
Contributed equity	30	363,815	363,146	363,815	363,146
Reserves		737,012	624,620	677,209	571,127
Retained profits		118,270	139,418	118,342	138,861
Total equity		**1,219,097**	**1,127,184**	**1,159,366**	**1,073,134**

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

Statements of changes in equity

For the year ended 30 June 2025

Consolidated	Contributed equity $'000	Asset revaluation reserve $'000	Cash flow hedge reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2023	363,146	570,361	-	133,700	1,067,207
Profit after income tax expense for the year	-	-	-	44,939	44,939
Other comprehensive income for the year, net of tax	-	54,375	12	651	55,038
Total comprehensive income for the year	**-**	**54,375**	**12**	**45,590**	**99,977**
Reclassification on disposal of assets	-	(128)	-	128	-
Transactions with owners in their capacity as owners:					
Dividends declared	-	-	-	(40,000)	(40,000)
Balance at 30 June 2024	**363,146**	**624,608**	**12**	**139,418**	**1,127,184**

Consolidated	Contributed equity $'000	Asset revaluation reserve $'000	Cash flow hedge reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2024	363,146	624,608	12	139,418	1,127,184
Profit after income tax expense for the year	-	-	-	16,651	16,651
Other comprehensive income for the year, net of tax	-	114,983	(12)	(378)	114,593
Total comprehensive income for the year	**-**	**114,983**	**(12)**	**16,273**	**131,244**
Reclassification on disposal of assets	-	(2,579)	-	2,579	-
Transactions with owners in their capacity as owners:					
Contributions of equity (note 31)	669	-	-	-	669
Dividends declared	-	-	-	(40,000)	(40,000)
Balance at 30 June 2025	**363,815**	**737,012**	**-**	**118,270**	**1,219,097**

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

Parent	Contributed equity $'000	Asset revaluation reserve $'000	Cash flow hedge reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2023	363,146	528,567	-	133,412	1,025,125
Profit after income tax expense for the year	-	-	-	44,670	44,670
Other comprehensive income for the year, net of tax	-	42,676	12	651	43,339
Total comprehensive income for the year	**-**	**42,676**	**12**	**45,321**	**88,009**
Reclassification on disposal of assets	-	(128)	-	128	-
Transactions with owners in their capacity as owners:					
Dividends declared	-	-	-	(40,000)	(40,000)
Balance at 30 June 2024	**363,146**	**571,115**	**12**	**138,861**	**1,073,134**

Parent	Contributed equity $'000	Asset revaluation reserve $'000	Cash flow hedge reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2024	363,146	571,115	12	138,861	1,073,134
Profit after income tax expense for the year	-	-	-	17,280	17,280
Other comprehensive income for the year, net of tax	-	108,673	(12)	(378)	108,283
Total comprehensive income for the year	**-**	**108,673**	**(12)**	**16,902**	**125,563**
Reclassification on disposal of assets	-	(2,579)	-	2,579	-
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 31)	669	-	-	-	669
Dividends declared	-	-	-	(40,000)	(40,000)
Balance at 30 June 2025	**363,815**	**677,209**	**-**	**118,342**	**1,159,366**

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

Statements of cash flows

For the year ended 30 June 2025

	Notes	Consolidated 2025 $'000	Consolidated 2024 $'000	Parent 2025 $'000	Parent 2024 $'000
Cash flows from operating activities					
Receipts from customers		462,126	463,126	437,284	438,778
Receipts of grants and subsidies		66,146	68,633	66,146	68,633
Payments to suppliers and employees		(282,267)	(282,231)	(277,035)	(276,874)
Tax (losses)/liabilities transferred from the Controlled entity		-	-	(851)	(648)
Interest received		1,014	1,360	999	1,341
Interest and other costs of finance paid		(70,160)	(57,940)	(59,978)	(48,773)
Income taxes refunded/(paid)		(26,358)	-	(26,358)	-
Net cash from operating activities	38	**150,501**	**192,948**	**140,207**	**182,457**
Cash flows from investing activities					
Payments for property, plant and equipment and intangibles		(170,828)	(208,045)	(170,610)	(207,853)
Proceeds from disposal of property, plant and equipment		3,267	1,267	3,267	1,267
Net cash used in investing activities		**(167,561)**	**(206,778)**	**(167,343)**	**(206,586)**
Cash flows from financing activities					
Proceeds from borrowings		222,234	174,100	222,234	174,100
Loans received from the Controlled entity		-	-	23,581	21,750
Dividends from the Controlled entity		-	-	-	2,400
Dividends paid		(40,000)	(40,000)	(40,000)	(40,000)
Repayment of borrowings		(182,234)	(139,100)	(182,234)	(139,100)
Repayment of lease liabilities		(1,701)	(1,864)	(1,701)	(1,864)
Repayment of loans to the Controlled entity		-	-	(13,502)	(13,857)
Net cash from/(used in) financing activities		**(1,701)**	**(6,864)**	**8,378**	**3,429**
Net decrease in cash and cash equivalents		(18,761)	(20,694)	(18,758)	(20,700)
Cash and cash equivalents at the beginning of the financial year		63,974	84,668	63,964	84,664
Cash and cash equivalents at the end of the financial year	11	**45,213**	**63,974**	**45,206**	**63,964**

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

Notes to the financial statements

30 June 2025

1 Material accounting policy information

The accounting policies that are material to the Consolidated entity in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Principles of consolidation

In the process of preparing the consolidated financial statements for the Consolidated entity, consisting of the Parent and the Controlled entity, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

The Parent entity has reviewed AASB 10 *Consolidated Financial Statements* and considers that the Parent entity maintains control of the Controlled entity under the Standard.

Water NSW consolidated financial statements for the year ended 30 June 2025 were authorised for issue in accordance with a resolution of the Board of Directors on 17 September 2025.

Basis of preparation

The financial statements are general purpose financial statements that have been prepared on a going concern basis in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the *Government Sector Finance Act 2018* (GSF Act);
- the requirements of the *Government Sector Finance Regulation 2024*;
- Treasurer's Directions issued under the GSF Act; and
- the requirements of the *State Owned Corporations Act 1989*.

Presentation currency

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

Key judgements and estimates

Notes 1, 2, 12 and 19 - Estimated revenue and expenses accruals
Note 10 - Deferred tax assets and deferred tax liabilities
Note 12 - Expected credit losses
Note 17 – Leases
Note 18 - Fair value of property, plant and equipment
Note 20 - Lease liabilities
Note 24 and 29 - Contract liabilities
Notes 21 and 27 - Employee benefits and other provisions, including defined benefit superannuation obligations
Note 26 – Non-current provisions

Effect of climate-related matters

Climate-related matters (physical effects of bushfires, floods and droughts) may affect the financial performance of the Consolidated entity through impacts on variable water delivery revenue, operating costs (e.g. debris clearing, asset repairs, laboratory analysis and water monitoring, chemical costs and response management), asset impairment and write-offs, and the timing of receipt of related insurance proceeds. Additional capital expenditure may also be necessary to replace damaged assets that are required to be written-off.

The short and long-term effects of climate-related matters may impact the significant accounting estimates of the financial statements, such as recoverable amounts from insurance claims, the expected useful lives of assets and fair value measurements. These estimates are further described in the relevant notes.

Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised as a liability at the time the guarantee is issued and initially recognised at fair value plus, in the case of financial guarantees not at fair value through profit or loss, directly attributable transaction costs, where material. After initial recognition, the liability is measured at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised, less accumulated amortisation, where appropriate.

The Consolidated entity has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2025 and as at 30 June 2024. Refer to Note 37 regarding disclosures on contingent liabilities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of certain classes of property, plant and equipment at fair value and derivative financial instruments designated as cash flow hedges measured at fair value through other comprehensive income.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Impairment of non-financial assets measured at amortised cost

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Insurance claims

In line with NSW Treasury accounting guidance, insurance proceeds are recognised only when the claim is approved and paid by the insurer.

Good and Services Tax (GST)

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the statement of financial position.

Where applicable, commitments are disclosed inclusive of GST (refer to Note 35).

Hedge accounting (cash flow hedges)

The Consolidated entity designates certain derivatives as hedging instruments in respect of foreign currency risk in cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

Note 23 sets out details of the fair values of the derivative instruments used for hedging purposes.

New Accounting Standards and Interpretations effective for the first time

Management has reviewed Amendments and Interpretations applicable for the first time in the annual reporting period ended 30 June 2025 and have concluded that the impact, where applicable, is immaterial to the financial statements.

New Accounting Standards and Interpretations not yet mandated or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated entity for the annual reporting period ended 30 June 2025. The impact of these new or amended Accounting Standards and Interpretations is disclosed below.

Standard	Effective date	Summary	Impact on the financial report
AASB 2023-5 Amendments to Australian Accounting Standards - Lack of Exchangeability	Financial year commencing on or after 1 January 2025	Amends AASB 121 to clarify when a currency is exchangeable into another currency and how a company estimates a spot rate when a currency lacks exchangeability.	No material impact at this stage
AASB 17 Insurance Contracts and AASB 2022-9 Amendments to Australian Accounting Standards - Insurance Contracts in the Public Sector (PS)	Financial year commencing on or after 1 January 2023 (PS: 1 July 2026)	AASB 17 replaces AASB 4 Insurance Contracts and applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. AASB 2022-9 makes public-sector-specific modifications to AASB 17 and defers its application for public sector entities to 1 July 2026.	No material impact at this stage
AASB 2024-2 Amendments to Australian Accounting Standards - Classification and Measurement of Financial Instruments	Financial year commencing on or after 1 January 2026	Provides clarification of the timing of the recognition and derecognition of financial assets and financial liabilities, clarification of the classification of financial assets that are linked to environmental, social and governance (ESG) and similar characteristics, and requires additional disclosure requirements with regard to investments in equity instruments measured at fair value through other comprehensive income and financial instruments with contingent features.	No material impact at this stage
AASB 18 Presentation and Disclosure in Financial Statements	Financial year commencing on or after 1 January 2027	AASB 18 Presentation and Disclosure in Financial Statements aims to provide greater consistency in presentation of the income and cash flow statements, and more disaggregated information.	No material impact at this stage

2 Revenue from water supply and delivery

	Consolidated		Parent	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Regulated – Greater Sydney	224,540	222,978	224,540	222,978
Regulated – Rural	96,158	98,199	96,158	98,199
Regulated – Broken Hill Pipeline	24,204	23,452	-	-
Regulated - WAMC	25,304	22,594	25,304	22,594
Other	9,514	9,267	9,514	9,267
	379,720	**376,490**	**355,516**	**353,038**

Disaggregation of revenue

The disaggregation of revenue from contracts with customers that relate to water supply and delivery is as follows:

	Consolidated		Parent	
Timing of revenue recognition	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Services transferred over time	372,467	369,168	348,263	345,715
Services transferred at a point in time	7,254	7,323	7,254	7,323
	379,720	**376,490**	**355,516**	**353,038**

Revenue from water supply and delivery originates in the geographical region of NSW.

The Consolidated entity's revenue streams from contracts with customers consist of only a single performance obligation and a single transaction price. The transaction price is determined either by the Independent Pricing and Regulatory Tribunal (IPART) for regulated revenues or by agreement with the customer. WaterNSW receives regulated revenue from pricing determinations issued by IPART covering Greater Sydney, Rural and the Murray to Broken Hill Pipeline and a share of revenue from the Water Administration Ministerial Corporation (WAMC) determination.

Regulated revenue and other revenue from water supply is represented by the following main categories:

Fixed availability charges

Fixed availability charges are fixed charges to customers to cover the costs of providing water supply services. These charges are regulated and approved by IPART. The Consolidated entity transfers control over the availability of the services and recognises revenue evenly over time as customers continue to receive their service connection.

Volumetric charges

Volumetric charges reflect revenue derived from the consumption of water and water services. These charges are regulated and approved by IPART. The Consolidated entity transfers control over the services to customers who then simultaneously consume theses services, with the transfer and consumption considered to occur over time.

The Consolidated entity recognises revenue based on a right to invoice as this corresponds with the value customers have received to date from their consumption of services. Consumption is measured through the reading of the Consolidated entity's installed meters.

Regulated river water charges

Regulated river water charges reflect revenue derived from the consumption of water and water services such as High Security, General Security and Usage Charges in each of the valleys.

Up to 30 June 2025, charges in the Murray Darling Basin (MDB) valleys (Border, Gwydir, Namoi, Peel, Macquarie, Lachlan and Belubula, Murrumbidgee, Lowbidgee, Murray and Lower Darling, and certain customers in the Fish River Supply Scheme) are regulated by IPART under accreditation arrangements in Part 9 of the Water Charge Rules (2010) Cth (WCR). The Australian Competition and Consumer Commission approved IPART's accreditation under rule 63 of the WCR, with effect from 1 June 2016. With effect from 1 July 2025, charges in the MDB valleys are regulated by IPART under the Independent Pricing and Regulatory Tribunal Act 1992.

Charges in the Coastal valleys (North Coast, Hunter and Paterson, and South Coast), and certain customers in the Fish River Supply Scheme are regulated by IPART under the Independent Pricing and Regulatory Tribunal Act 1992.

The Consolidated entity transfers control over the services to customers who then simultaneously consume theses services, with the transfer and consumption considered to occur over time. The Consolidated entity recognises revenue based on a right to invoice as this corresponds with the value customers have received to date from their consumption of services. Consumption is measured through the reading of the Consolidated entity's installed meters.

Unregulated river water charges

Unregulated river water charges represent one and two-part tariffs for the entitlement charge and usage charge in each of the rural valleys. One-part tariffs are billed based on the full customer entitlement irrespective of actual water utilised. Two-part tariffs are billed at a lower entitlement rate plus a usage charge based on actual water utilised in the period. The Consolidated entity transfers control over the services to customers who then simultaneously consume these services, with the transfer and consumption considered to occur over time.

Other

Revenue from consent charges, solicitors' enquiries, service availability charges and drillers licences is received at a point in time, as payments are due when these services are provided.

Revenue from hydrometric services is received over time, as services are provided and consumed simultaneously by the customers.

Recognition and measurement

Water supply revenue

The Consolidated entity provides water services to its customers under the conditions of their licences. Revenue from rendering of these services comprises both fixed and variable charges. The fixed component is charged according to each licence entitlement, whereas the variable component is charged according to actual consumption and use by the licence holder. The variable usage charges are recognised when the services are provided. The fixed charges are recognised on a periodic basis in accordance with the respective IPART price determinations.

IPART can set regulated charges for customers which are less than full cost recovery based on a range of considerations, such as the impact of prices on customers, regulatory policy and community considerations.

3 Grants and subsidies

	Consolidated		Parent	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
NSW Government contributions to operations	41,669	40,377	41,669	40,377
NSW Government subsidies	14,004	12,616	14,004	12,616
Other Government grants	9,663	14,116	9,663	14,116
	65,336	**67,109**	**65,336**	**67,109**

Recognition and measurement

Government contributions to operations

The Consolidated entity receives NSW Government contributions from the NSW Department of Climate Change, Energy, the Environment and Water to fund part of its operations. The cost of providing rural bulk water services is shared between the NSW Government and customers under the IPART 2022-25 Rural Valley Bulk Water Price Determination. The Government Share of Revenue reflects IPART's view of the total efficient costs which should be recovered from the NSW Government on behalf of other parties and the broader community. The Government Share of Revenue is determined using IPART's cost sharing framework which allocates total efficient costs between the NSW Government and customers. Under this framework, IPART applies the 'impactor pays' principle in identifying the percentage of cost which should be paid for by the NSW Government and customers for each activity undertaken by the Consolidated entity to provide rural bulk water services.

Government grants and subsidies revenue

The Consolidated entity receives Government funding for agreed activities and for past and future capital investment.

Government grants and contributions are recognised and measured in accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*.

Operating grants and contributions that are receivable for expenses incurred or revenue foregone are recognised as revenue in profit or loss on a systematic basis over the periods for which the grant or contribution is to apply.

Funds received in advance or in excess of funding agreements are held as a liability (Subsidies and grants received in advance).

For funding received relating to the construction of capital assets, the total grant amount received is treated as deferred revenue on receipt. Upon completion of the asset, the deferred revenue is then recognised in profit or loss on a systematic basis over the useful life of the asset.

The Operating Subsidy represents IPART's estimate of the under-recovery of costs in the North Coast and South Coast valleys that would need to be borne by either the Parent or NSW Government (e.g. Community Service Obligation (CSO) Payment), where the revenue generated by IPART charges (i.e. the customer's share of total efficient costs) is less than the revenue that is required to achieve full cost recovery.

4 Other revenue

	Consolidated		Parent	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Murray-Darling Basin Authority (MDBA) and other utilities	12,820	15,930	12,820	15,930
Operating leases	1,401	1,379	1,401	1,379
Interest	639	901	623	882
Ancillary services	4,199	2,892	4,199	2,892
Miscellaneous revenue	4,624	8,704	4,624	8,679
External engagements	14,750	8,942	14,750	8,942
Intra-group revenue – pipeline services	-	-	1,368	1,425
Insurance recoveries	11,515	15,228	11,515	15,228
	49,948	**54,089**	**51,300**	**55,470**

Disaggregation of revenue

The disaggregation of revenue by geographic regions is presented in the table below:

	Consolidated		Parent	
Timing of revenue recognition	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Services transferred over time	33,414	29,263	34,781	30,688
Services transferred at a point in time	1,031	5,159	1,031	5,134
Revenue out of scope of AASB 15	15,503	19,667	15,488	19,648
	49,948	**54,089**	**51,300**	**55,470**

Revenue from water supply and delivery originates in the geographical region of NSW.

Recognition and measurement

Murray-Darling Basin Authority (MDBA) and other utilities

Water NSW operates and maintains the NSW section of the Murray River system through carrying out a variety of operating and capital works. Revenue from these works are recognised on an accrual basis.

Interest revenue

Interest revenue is recognised on an accrual basis using the effective interest method.

Operating leases

Income from leased properties is recognised on a straight line basis over the term of the lease. Incentives granted over leased properties are recognised as an integral part of the total rent income.

Rendering of other services

Service revenue is recognised on an accrual basis and in accordance with the substance of the agreement covering such transactions.

Insurance recoveries

Proceeds from insurance claims are recognised when received.

Insurance recoveries include $10.8 million (2024: $8.5 million) of proceeds claimed pursuant to extreme weather events in recent years (2020 bushfires, 2020 floods and subsequent floods).

5 Employee related expenses

	Consolidated		Parent	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Employee related expenses (excluding post employee benefits)	186,924	166,077	186,924	166,077
Capitalisation of employee related expenses	(43,838)	(42,334)	(43,838)	(42,334)
Superannuation – Defined benefit plans	2,827	3,170	2,827	3,170
Superannuation – Defined contribution plans	17,741	14,674	17,741	14,674
	163,654	**141,587**	**163,654**	**141,587**

6 Other operating expenses

	Consolidated		Parent	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Contractors	26,927	32,826	26,884	32,656
Electricity and other energy	3,535	2,971	3,535	2,971
Data management	21,943	21,163	21,943	21,163
Materials, plant and equipment	5,490	5,819	5,490	5,816
Property	6,753	7,012	6,752	7,012
Transport and travel	7,391	6,412	7,383	6,409
Insurance premiums	6,762	6,470	6,625	6,335
Other expenses from ordinary activities	7,457	3,910	7,424	3,866
Construction/installation for third parties	1,074	4,353	1,074	4,353
Operation and maintenance contract Broken Hill Pipeline	3,638	3,257	-	-
Consultants	484	214	484	214
Water monitoring	5,073	7,000	5,073	7,000
Land management	7,579	10,303	7,579	10,303
Land Tax	9,242	7,885	9,242	7,885
	113,348	**119,595**	**109,488**	**115,984**

Reconciliation of total maintenance expenses	Consolidated 2025 $'000	Consolidated 2024 $'000	Parent 2025 $'000	Parent 2024 $'000
Employee-related maintenance expenses	17,184	17,003	17,184	17,003
Contracted labour and other (non-employee related) expenses	16,497	18,387	14,679	16,456
Total maintenance expenses	**33,681**	**35,390**	**31,863**	**33,459**

NSW Treasury Policy TPP06-6 *Capitalisation of Expenditure on Property, Plant and Equipment* requires the total maintenance expense to be dissected into employee related maintenance and other maintenance.

7 Depreciation and amortisation

	Consolidated 2025 $'000	Consolidated 2024 $'000	Parent 2025 $'000	Parent 2024 $'000
Depreciation	100,461	97,579	94,778	92,119
Amortisation	4,818	5,602	4,771	5,555
Depreciation – right of use assets	2,251	2,237	2,251	2,237
	107,530	**105,418**	**101,800**	**99,911**

Recognition and measurement

Depreciation of property, plant and equipment and amortisation of intangible assets

Depreciation and amortisation are provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Consolidated entity.

All material identifiable components of assets are separately depreciated over their respective useful lives. The useful lives of assets by class are set out in the following table for 2025 and 2024:

Asset class	Useful life
Infrastructure systems	5 to 150 years
Buildings	1 to 100 years
Plant and equipment	2 to 50 years
Vehicles	5 to 20 years
Furniture and fittings	3 to 20 years
Information systems	2 to 10 years
Water meters	4 to 20 years
Computer software/easements	3 to 25 years
Right-of-use assets	1 to 20 years

Physical, economic and environmental factors are taken into consideration in assessing the useful lives of the assets, including but not limited to asset condition and obsolescence, technology changes, commercial contract lives and renewals, and climate change.

8 Finance costs

	Consolidated 2025 $'000	Consolidated 2024 $'000	Parent 2025 $'000	Parent 2024 $'000
Interest expense on loans	66,265	42,251	56,243	33,872
Other borrowing costs	388	635	388	635
Government Guarantee Fee	24,567	26,534	20,523	22,344
Borrowing costs capitalised	(3,660)	(2,717)	(3,660)	(2,717)
Unwinding of discounts on provisions	-	9	-	9
Interest expense on leases	739	785	739	785
	88,299	**67,497**	**74,233**	**54,928**

Recognition and measurement

Interest and other borrowing costs, such as the Government Guarantee Fee payable in respect of the Consolidated entity borrowings, are expensed as incurred within finance expenses in profit or loss unless they relate to qualifying assets, in which case they are capitalised as part of the cost of those assets.

Where funds are borrowed specifically to acquire or construct the qualifying asset, then the borrowing costs capitalised are the actual costs incurred on the borrowings, net of any investment income earned from temporarily investing surplus funds.

Where funds come from general borrowings, then a capitalisation rate is applied to project expenditure.

The Consolidated entity applies a capitalisation rate methodology (including Government Guarantee Fee) as the financing activity of the Consolidated entity is co-ordinated centrally. The capitalisation rate is the weighted average of the borrowing costs applicable to the Consolidated entity's general outstanding borrowings for that period.

Borrowing costs capitalised in an accounting period will be determined based on the average project spend (net of any third party capital contribution).

Where construction of an asset is partially funded by way of customer contribution or government grant, the average expenditure on the qualifying asset which is eligible for application of the capitalisation rate will be cumulative expenditure net of actual customer contributions or government grants received.

Qualifying assets are assets that take 12 months or more to be ready for their intended use with the project value in excess of $1 million (net of government grant or customer capital contribution).

9 Other Gains/(losses)

	Consolidated 2025 $'000	Consolidated 2024 $'000	Parent 2025 $'000	Parent 2024 $'000
Proceeds from sale of assets	3,267	1,267	3,267	1,267
Written down value of property, plant and equipment	(1,670)	(883)	(1,670)	(883)
Capital Work in Progress write-off	(2,706)	-	(2,706)	-
Lease remeasurement	2, 716		2,716	
Net gain/(loss) on disposal	**1,607**	**384**	**1,607**	**384**

Recognition and measurement

Gains or losses arising from changes in the carrying amount of an asset are determined by comparing the carrying amount with any related consideration or adjustment, with the net gain or loss recognised in profit or loss. Where the asset had previously been revalued, any remaining balance in the revaluation reserve relating to that asset is transferred to retained earnings at the time of derecognition or adjustment.

10 Income tax

	Consolidated 2025 $'000	Consolidated 2024 $'000	Parent 2025 $'000	Parent 2024 $'000
Income tax expense				
Current tax	9,094	16,281	9,094	16,281
Prior period adjustment – Current tax	20	-	20	-
Prior period adjustment – Deferred tax	(48)	(9)	(48)	(9)
Deferred tax – origination and reversal of temporary differences	(1,949)	2,952	(1,678)	2,836
Aggregate income tax expense	**7,117**	**19,224**	**7,388**	**19,108**
Numerical reconciliation of income tax expense and tax at the statutory rate				
Profit before income tax (expense)/benefit	23,768	64,161	24,668	63,775
Tax at the statutory tax rate of 30%	7,130	19,248	7,401	19,132
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Non-deductible expenses	33	40	33	40
Other differences	(18)	(55)	(18)	(55)
	7,145	19,233	7,416	19,117
Adjustment for current tax recognised for prior periods	(28)	(9)	(28)	(9)
Income tax expense	**7,117**	**19,224**	**7,388**	**19,108**

Consolidated – 30 June 2025 Deferred tax balance	Opening balance $'000	Recognised in income $'000	Recognised in equity/ retained earnings $'000	Closing balance $'000
Property, plant and equipment	(428,043)	3,762	(49,278)	(473,559)
Other creditors	103	(106)	-	(3)
Employee benefits	15,188	1,607	-	16,795
Leased premises	860	(654)	-	206
Defined benefit superannuation	14,618	(457)	162	14,323
Allowance for impairment of receivables	189	(64)	-	125
Deferred Government grants	22,987	(1,168)	-	21,819
Other provisions and accruals	2,397	51	-	2,448
Cash flow – foreign exchange hedge reserve	(9)	-	9	-
Finance lease receivable	-	(973)	-	(973)
	(371,710)	**1,997**	**(49,107)**	**(418,821)**

Consolidated – 30 June 2024 Deferred tax balance	Opening balance $'000	Recognised in income $'000	Recognised in equity/ retained earnings $'000	Closing balance $'000
Property, plant and equipment	(406,475)	1,736	(23,304)	(428,043)
Other creditors	102	1	-	103
Employee benefits	14,456	732	-	15,188
Leased premises	760	100	-	860
Defined benefit superannuation	14,949	(52)	(279)	14,618
Allowance for impairment of receivables	180	9	-	189
Deferred Government grants	24,508	(1,521)	-	22,987
Other provisions and accruals	2,256	141	-	2,397
Income tax losses	4,087	(4,087)	-	-
Cash flow hedge reserve	-	-	(9)	(9)
	(345,177)	**(2,941)**	**(23,592)**	**(371,710)**

In 2024, an additional $3.5 million of income tax losses were recognised following lodgement of the 2023 Income Tax Return. These losses, in addition to the $4.1 million opening balance, brought total income tax losses utilised during 2024 to $7.6 million.

Parent – 30 June 2025 Deferred tax balance	Opening balance $'000	Recognised in income $'000	Recognised in equity/ retained earnings $'000	Inter-company transfers $'000	Closing balance $'000
Property, plant and equipment	(397,533)	4,342	(46,574)	-	(439,766)
Other creditors	103	(106)	-	-	(3)
Employee benefits	15,188	1,607	-	-	16,795
Leases premises	860	(654)	-	-	206
Defined benefit superannuation	14,618	(457)	162	-	14,323
Allowance for impairment of receivables	189	(64)	-	-	125
Deferred Government grants	22,988	(1,168)	-	-	21,820
Other provisions and accruals	2,390	51	-	-	2,441
Tax losses	-	(851)		851	-
Cash flow – foreign exchange hedge reserve	(9)	-	9	-	-
Finance lease receivable	-	(973)	-	-	(973)
	(341,206)	**1,727**	**(46,403)**	**851**	**(385,035)**

Parent – 30 June 2024 Deferred tax balance	Opening balance $'000	Recognised in income $'000	Recognised in equity/ retained earnings $'000	Inter-company transfers $'000	Closing balance $'000
Property, plant and equipment	(381,742)	2,499	(18,290)		(397,533)
Other creditors	102	1	-		103
Employee benefits	14,456	732	-		15,188
Leased premises	760	100	-		860
Defined benefit superannuation	14,949	(52)	(279)		14,618
Allowance for impairment of receivables	180	9	-		189
Deferred Government grants	24,509	(1,521)	-		22,988
Other provisions and accruals	2,250	140	-		2,390
Income tax losses	4,087	(4,734)	-	647	-
Cash flow hedge reserve	-	-	(9)		(9)
	(320,449)	**(2,826)**	**(18,578)**	**647**	**(341,206)**

In 2024, an additional $3.5 million of income tax losses were recognised following lodgement of the 2023 Income Tax Return. These losses, in addition to the $4.1 million opening balance, brought total income tax losses utilised during 2024 to $7.6 million.

	Consolidated		Parent	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Current tax (assets) / liabilities	(963)	16,281	(963)	16,281

Recognition and measurement

Income tax

The Parent and Controlled entity are subject to the National Tax Equivalent Regime (NTER) which is based on the *Income Tax Assessment Act 1936 and 1997 (as amended).* Income tax equivalents are payable to Revenue NSW. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same authority on the same taxable entity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised and are expected to apply when the related deferred income tax asset/liability is realised/settled.

Tax consolidation

The Consolidated entity formed a tax consolidated group with effect from 5 November 2018, when WaterNSW Infrastructure Pty Ltd was established. The Parent entity and Controlled entity continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

Assets or liabilities arising under the tax funding and tax sharing agreement with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Under the terms of this agreement, the Controlled entity will reimburse the Parent entity for any current income tax payable by the Controlled entity arising in respect of its activities.

In the opinion of the Directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the Controlled entity in case of a default by Parent entity.

11 Current assets – cash and cash equivalents

	Consolidated		Parent	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Cash at bank	40,258	2,019	40,251	2,009
NSW Treasury Corporation 11am at Call Facility	4,955	61,955	4,955	61,955
	45,213	**63,974**	**45,206**	**63,964**

The above balance reconciles to cash and cash equivalents in the statements of cash flows.

Recognition and measurement

Cash and cash equivalents includes deposits at call with financial institutions.

12 Trade and other receivables

	Consolidated		Parent	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Current assets – trade and other receivables				
Trade receivables	18,677	18,648	16,810	16,811
Allowance for expected credit losses	(295)	(541)	(295)	(541)
	18,382	**18,107**	**16,515**	**16,270**
Accrued revenue from unbilled charges	59,955	63,378	57,839	60,595
Other receivables	3,147	4,068	3,116	4,034
Finance lease receivables (Note 17)	10	-	10	-
Prepayments	3,489	2,669	3,489	2,669
Less: Allowance for expected credit losses	(123)	(90)	(123)	(90)
	66,478	**70,025**	**64,331**	**67,208**
	84,860	**88,132**	**80,846**	**83,478**
Non-current assets – trade and other receivables				
Finance lease receivables (Note 17)	3,235	-	3,235	-
	3,235	**-**	**3,235**	**-**

Allowance for expected credit losses

The ageing of trade receivables for expected credit losses provided for above are as follows.

	Gross amount		Allowance for expected credit losses	
Consolidated	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Not overdue	51	558	4	40
31-60 days overdue	2,424	2,815	126	162
61-90 days overdue	30	29	4	4
More than 90 days overdue	3,050	5,885	160	335
Sundry debtors	385	830	2	4
Government clients	53,251	48,726	-	-
Other debtors (accruals)	18,530	17,066	122	86
Finance lease receivables	3,245	-	-	-
Prepayments	3,410	2,670	-	-
Other receivables not in scope of AASB 9	4,132	10,184	-	-
	88,508	**88,763**	**418**	**631**

	Gross amount		Allowance for expected credit losses	
Parent	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Not overdue	51	558	4	40
31-60 days overdue	2,424	2,815	126	162
61-90 days overdue	30	29	4	4
More than 90 days overdue	3,050	5,885	160	335
Sundry debtors	385	830	2	4
Government clients	49,268	44,069	-	-
Other debtors (accruals)	18,531	17,069	122	86
Finance lease receivables	3,245	-	-	-
Prepayments	3,410	2,670	-	-
Other receivables not in scope of AASB 9	4,105	10,184	-	-
	84,499	**84,109**	**418**	**631**

The ageing of trade receivables from government clients past due but not impaired is presented in the table below.

	Consolidated		Parent	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
31-60 days overdue	346	1,013	346	1,013
61-90 days overdue	3	227	3	227
> 90 days overdue	996	2,951	996	2,951
	1,345	**4,191**	**1,345**	**4,191**

Movements in the allowance for expected credit losses are as follows.

	Consolidated		Parent	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Opening balance	631	600	631	600
Additional provisions recognised	-	62	-	62
Amount used	(29)	(31)	(29)	(31)
Unused amounts reversed	(184)	-	(184)	-
Closing balance	**418**	**631**	**418**	**631**

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 39.

Recognition and measurement

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.
The Consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Accrued unbilled usage charges comprises estimates for accrued revenue for water usage, where meters have not been read as at the reporting date. These charges are billed to customers with actual consumption once meters are read. The Consolidated entity estimates the accrual based on consumption data and other inputs.

13 Non-current assets – interest in subsidiary

	Consolidated			Parent
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Investment in WaterNSW Infrastructure Pty Ltd	-	-	79,201	79,201

Reconciliation of the carrying amounts at the beginning and end of the current and previous financial year

	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Opening carrying amount	-	-	79,201	79,201
Closing carrying amount	**-**	**-**	**79,201**	**79,201**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy disclosed below.

		Ownership interest	
Name	Principal place of business / Country of incorporation	2025 %	2024 %
WaterNSW Infrastructure Pty Ltd – 100 shares at $1 per share	Australia	100%	100%

Recognition and measurement

The investment in wholly-owned controlled entity is accounted for at cost in the financial statements of the Parent. Dividends from the subsidiary are recognised in the Parent's profit or loss when the right to receive the dividend is established.

14 Non-current assets – property, plant and equipment

	Consolidated			Parent
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Market Land	63,742	63,024	63,742	63,024
System Land (including Land under Leases)	337,580	332,453	337,548	332,443
	401,322	**395,477**	**401,290**	**395,467**
Plant and equipment – at cost	23,656	21,511	23,656	21,511
Less: Accumulated depreciation	(18,114)	(17,359)	(18,114)	(17,359)
	5,542	**4,152**	**5,542**	**4,152**
Furniture and fit-out – at cost	16,067	17,652	16,067	17,652
Less: Accumulated depreciation	(10,961)	(11,383)	(10,961)	(11,383)
	5,106	**6,269**	**5,106**	**6,269**
Motor vehicles – at cost	33,354	27,432	33,354	27,432
Less: Accumulated depreciation	(16,688)	(17,650)	(16,688)	(17,650)
	16,666	**9,782**	**16,666**	**9,782**
Information systems – at cost	44,492	38,489	44,492	38,489
Less: Accumulated depreciation	(35,128)	(31,227)	(35,128)	(31,227)
	9,364	**7,262**	**9,364**	**7,262**
Work in progress (WIP)	357,828	313,887	357,391	313,554
Infrastructure – at fair value (income approach)	3,084,467	2,924,408	2,655,227	2,498,494
Water Meters – at fair value (income approach)	15,471	17,960	15,471	17,960
Buildings – at fair value (income approach)	48,931	46,259	48,931	46,259
	3,944,697	**3,725,456**	**3,514,988**	**3,299,199**

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below.

Consolidated	Work in progress $'000	Infra-structure $'000	Water meters $'000	Buildings $'000	System land + Land under Leases $'000	Market land $'000	Other PP&E $'000	Total $'000
Balance at 1 July 2023	240,780	2,837,664	21,821	34,147	313,073	59,612	28,679	3,535,776
Additions	217,500	-	-	-	-	-	-	217,500
Disposals	-	(111)	(388)	-	(77)	-	(306)	(882)
Revaluation gain/(loss) in OCI*	-	54,491	(64)	1,389	19,328	2,535	-	77,679
Revaluation gain/(loss) in profit or loss	-	(185)	-	(8)	129	251	-	187
Transfers from WIP	(137,167)	114,913	10	12,598	-	626	9,020	-
Transfers in/(out)	(7,226)	-	-	-	-	-	-	(7,226)
Depreciation expense	-	(82,364)	(3,419)	(1,868)	-	-	(9,927)	(97,578)
Balance at 30 June 2024	**313,887**	**2,924,408**	**17,960**	**46,258**	**332,453**	**63,024**	**27,466**	**3,725,456**
Additions	163,273	-	-	-	-	-	-	163,273
Equity transfer	-	669	-	-	-	-	-	669
Disposals	-	(70)	(61)	-	(373)	-	(1,165)	(1,669)
Revaluation gain/(loss) in OCI*	-	151,009	45	3,340	8,715	1,152	-	164,261
Revaluation gain/(loss) in profit or loss	-	(17)	-	(8)	(84)	97	-	(12)
Transfers from WIP	(115,727)	92,194	1,034	1,430	83	(530)	21,517	-
Write-off	(2,706)	-	-	-	-	-	-	(2,706)
Derecognition of asset subject to finance lease	-	-	-	-	(3,245)	-	-	(3,245)
Transfers in/(out)	(900)	-	-	-	32	-	-	(868)
Depreciation expense	-	(83,727)	(3,507)	(2,090)	-	-	(11,139)	(100,463)
Balance at 30 June 2025	**357,827**	**3,084,466**	**15,471**	**48,930**	**337,581**	**63,743**	**36,679**	**3,944,697**

* OCI – Other comprehensive income

Parent	Work in progress $'000	Infra-structure $'000	Water meters $'000	Buildings $'000	System land + Land under Leases $'000	Market land $'000	Other PP&E $'000	Total $'000
Balance at 1 July 2023	240,639	2,423,005	21,821	34,147	313,064	59,612	28,679	3,120,967
Additions	217,308	-	-	-	-	-	-	217,308
Disposals	-	(111)	(388)	-	(77)	-	(306)	(882)
Revaluation gain/(loss) in OCI*	-	37,778	(64)	1,389	19,328	2,535	-	60,966
Revaluation gain/(loss) in profit or loss	-	(185)	-	(8)	129	251	-	187
Transfers from WIP	(137,167)	114,912	10	12,598	-	626	9,021	-
Transfers in/(out)	(7,226)	-	-	-	-	-	-	(7,226)
Depreciation expense	-	(76,906)	(3,419)	(1,868)	-	-	(9,928)	(92,121)
Balance at 30 June 2024	**313,554**	**2,498,493**	**17,960**	**46,258**	**332,444**	**63,024**	**27,466**	**3,299,199**
Additions	163,059	-	-	-	-	-	-	163,059
Equity transfer	-	669	-	-	-	-	-	669
Disposals	-	(70)	(61)	-	(373)	-	(1,165)	(1,669)
Revaluation gain/(loss) in OCI*	-	142,001	45	3,340	8,710	1,152	-	155,248
Revaluation gain/(loss) in profit or loss	-	(17)	-	(8)	12	97	-	84
Transfers from WIP	(115,645)	92,194	1,034	1,430	-	(530)	21,517	-
Write-off	(2,706)	-	-	-	-	-	-	(2,706)
Transfers in/(out)	(872)	-	-	-	-	-	-	(872)
Derecognition of asset subject to finance lease	-	-	-	-	(3,245)	-	-	(3,245)
Depreciation expense	-	(78,044)	(3,507)	(2,090)	-	-	(11,139)	(94,780)
Balance at 30 June 2025	**357,390**	**2,655,226**	**15,471**	**48,930**	**337,548**	**63,743**	**36,679**	**3,514,988**

* OCI – Other comprehensive income

System Land disclosed above includes land under leases as per below.

Consolidated/Parent Land under Leases	2025 $'000	2024 $'000
Balance at 30 June 2024	15,501	14,502
Revaluation gain - other comprehensive income	6,760	999
Derecognition of asset subject to finance lease	(3,245)	-
Balance at 30 June 2025	**19,016**	**15,501**

Refer to Note 18 for further information on fair value measurement.

Asset classes

The Consolidated entity has the following asset classes comprising property, plant and equipment.

System assets

These are infrastructure assets that deliver, store and provide bulk water services 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 Consolidated entity and that have potential for alternative use.

Land under leases

Where the Consolidated entity is the lessor for operating leases, the underlying assets involved are identified and presented separately.

Other plant and equipment

These assets include office equipment and operating plant and machinery. This class is included as part of other property, plant and equipment items.

Motor vehicles

These assets include motor vehicles and marine craft. This class is included as part of other property, plant and equipment items.

Furniture and fit-out

These assets include furniture and fit-out assets. This class is included as part of other property, plant and equipment items.

Information systems

These assets include computer hardware, such as servers, desktop computers, laptops and other associated computer peripherals. This class is included as part of other property, plant and equipment items.

Recognition and measurement

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 $1,000 or more for information systems and $5,000 or more for all other plant and equipment individually and having a minimum expected working life of more than one year are capitalised.

In the case of system assets categories that work together to form an entire network, all expenditures are capitalised regardless of cost. For system assets constructed by the Consolidated entity 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 where applicable. These costs are capitalised initially as work in progress and then reclassified as completed assets when the asset becomes operational.
Cost also may include transfers from the cash flow hedge reserve of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent expenditure on property, plant and equipment

Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset, as appropriate. The carrying amount of any component is derecognised when replaced. Repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Major inspection costs

The cost of a major inspection is capitalised as part of the cost of the asset if it is probable that future economic benefits will flow to the Consolidated entity and the cost can be measured reliably. Any inspection cost capitalised is recognised as a component asset and depreciated over the period of time until the next inspection. When each major inspection cost is capitalised, any remaining cost or estimated cost of the previous inspection is derecognised.

Restoration costs

The present value of the expected cost for the restoration or cost of dismantling of an asset at the end of its useful life is included in the cost of the respective asset if the recognition criteria for a provision is met.

For fair value measurement information please refer to Note 18.

Impairment of assets

At the end of each reporting period the Consolidated entity assesses impairment by evaluation of conditions and events that may be indicative of impairment. The assessment will include considering external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying amount.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised as an expense in profit or loss, unless an asset has previously been revalued through the asset revaluation reserve, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation through the statement of other comprehensive income, with any excess recognised in profit or loss. Impairment losses recognised in respect of a cash generating unit are allocated to reduce the carrying amount of the assets in the unit on a pro rata basis, except for those assets that have a separately determinable recoverable amount.

15 Non-current assets – right-of-use assets

	Consolidated 2025 $'000	Consolidated 2024 $'000	Parent 2025 $'000	Parent 2024 $'000
Land and buildings – right-of-use	21,256	27,776	21,256	27,776
Less: Accumulated depreciation	(14,476)	(12,361)	(14,476)	(12,361)
	6,780	**15,415**	**6,780**	**15,415**
Leasehold improvements – right-of-use	147	147	147	147
Less: Accumulated depreciation	(147)	(147)	(147)	(147)
	-	**-**	**-**	**-**
	6,780	**15,415**	**6,780**	**15,415**

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below.

Consolidated/Parent	Land and buildings $'000
Balance at 1 July 2023	16,618
Additions	1,211
Remeasurement	(177)
Depreciation expense	(2,237)
Balance at 30 June 2024	**15,415**
Additions	245
Remeasurement	(6,629)
Depreciation expense	(2,251)
Balance at 30 June 2025	**6,780**

Recognition and measurement

A right-of-use asset is recognised at the commencement date of a lease (i.e. the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability (refer Note 17), adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Subsequent to initial recognition, right-of-use assets are measured using the cost model which requires a lessee to measure the asset at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life.

The right-of-use assets are also subject to impairment testing. Refer to the accounting policies for property, plant and equipment in Note 14.

16 Non-current assets – Intangible assets

	Consolidated 2025 $'000	Consolidated 2024 $'000	Parent 2025 $'000	Parent 2024 $'000
Rights of access and other legal rights	5,709	5,714	4,999	4,999
Less: Accumulated amortisation	(2,337)	(2,028)	(2,219)	(1,957)
	3,372	**3,686**	**2,780**	**3,042**
Software - at cost	52,826	51,954	52,826	51,954
Less: Accumulated amortisation	(39,820)	(35,312)	(39,820)	(35,312)
	13,006	**16,642**	**13,006**	**16,642**
	16,378	**20,328**	**15,786**	**19,684**

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below.

Consolidated	Work in progress $'000	Rights of access and other $'000	Software $'000	Total $'000
Balance at 1 July 2023	-	4,034	14,671	18,705
Transfers from work in progress	(7,226)	-	7,226	-
Transfers from property, plant and equipment	7,226	-	-	7,226
Amortisation expense	-	(348)	(5,255)	(5,603)
Balance at 30 June 2024	**-**	**3,686**	**16,642**	**20,328**
Transfers from work in progress	(868)	(4)	872	-
Transfers from property, plant and equipment	868	-	-	868
Amortisation expense	-	(310)	(4,508)	(4,818)
Balance at 30 June 2025	**-**	**3,372**	**13,006**	**16,378**

Parent	Work in progress $'000	Rights of access and other $'000	Software $'000	Total $'000
Balance at 1 July 2023	-	3,342	14,671	18,013
Transfers from work in progress	(7,226)	-	7,226	-
Transfers from property, plant and equipment	7,226	-	-	7,226
Amortisation expense	-	(300)	(5,255)	(5,555)
Balance at 30 June 2024	**-**	**3,042**	**16,642**	**19,684**
Transfers from work in progress	(872)	-	872	-
Transfers from property, plant and equipment	872	-	-	872
Amortisation expense	-	(262)	(4,508)	(4,770)
Balance at 30 June 2025	**-**	**2,780**	**13,006**	**15,786**

Recognition and measurement

Intangible assets are capitalised initially at cost. Costs incurred on incomplete intangible assets that are being progressively acquired, such as software, are recognised as acquisitions 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.

Following initial recognition, the cost approach is applied as it is considered that there is no active market that can be referenced for performing revaluations to a market-based fair value.

All research costs are expensed. Development costs are only capitalised when the criteria set out in AASB 138 *Intangible Assets* are met. The useful lives of intangible assets are assessed to be either finite or indefinite.

Where intangible assets are determined to have finite lives, they are amortised on a straight-line basis and the expense is recognised as part of the depreciation and amortisation line item in profit or loss. These assets are recognised in the statement of financial position at cost less accumulated amortisation and accumulated impairment losses, where applicable.

Where intangible assets are determined to have indefinite lives, they are not amortised. These assets are recognised in the statement of financial position at cost less accumulated impairment, where applicable. Easements over property and the Instrument of Delegation for foreshore lands are typical assets that come under this category.

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Consolidated entity with the right to access a cloud provider's application software over the contract period. As such the Consolidated entity does not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the customer the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits.

Costs incurred for the development of software code that enhances or modifies, or creates additional capability for, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets.

Impairment of assets

Intangible assets are tested for impairment where an indicator of impairment exists. Please refer to Note 14 for the accounting policy on the impairment of assets.

17 Leases

The Consolidated entity as a lessee

The Consolidated entity leases various properties. Lease contracts are typically made for fixed periods of 1 to 5 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. The entity does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the entity and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). 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 lessee.

Lease liabilities

The following table presents liabilities under leases.

	Consolidated		Parent	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Opening balance	18,278	19,149	18,278	19,149
Additions	245	1,211	245	1,211
Interest expenses	674	785	674	785
Payments	(2,448)	(2,668)	(2,448)	(2,668)
Other movements	221	(199)	221	(199)
Modification to lease terms	(9,508)	-	(9,508)	-
Closing balance	**7,462**	**18,278**	**7,462**	**18,278**

During the year, the Consolidated entity reassessed the remaining term of property leases, primarily in the Sydney metropolitan area, which resulted in a reduction in the term to expiry. The resulting reduction in lease liabilities has been partially offset by a decrease in right-of-use assets reported at Note 15 and a gain on remeasurement reported at Note 9.

The following amounts were recognised in the statement of comprehensive income in respect of leases where the entity is the lessee.

	Consolidated		Parent	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Depreciation expense of right-of-use assets	(2,251)	(2,237)	(2,251)	(2,237)
Interest expense on lease liabilities	(739)	(785)	(739)	(785)
Short-term and low-value leases	(749)	(921)	(749)	(911)
Gain on lease remeasurement	2,716	-	2,716	-
Total amount recognised in the statement of comprehensive income	**(1,023)**	**(3,943)**	**(1,023)**	**(3,933)**

Recognition and measurement

The entity assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The entity recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

(i) Right-of-use assets

Recognition and measurement criteria are disclosed at Note 15.

(ii) Lease liabilities

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the entity's leases, the lessee's incremental borrowing rate is used, being the rate that the entity would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Consolidated entity's lease liabilities are reported under borrowings (refer Notes 20 and 25).

(iii) Short-term leases and leases of low-value assets

The Consolidated entity applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the low-value assets recognition exemption to leases with a fair value of $10,000 or less when new. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

The Consolidated entity as a lessor

The Consolidated entity's properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Although the entity is exposed to changes in the residual value at the end of current leases, the entity typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Lessor for operating leases

Future minimum rentals receivable (undiscounted) under non-cancellable operating leases as at 30 June are as follows.

	Consolidated		Parent	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Within one year	1,879	1,601	1,879	1,601
Later than one year and not later than five years	6,501	5,305	6,501	5,305
Later than five years	42,284	37,077	42,284	37,077
Total (including GST)	**50,664**	**43,983**	**50,664**	**43,983**

Recognition and measurement – lessor for operating leases

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Lessor for finance leases

Future minimum rentals receivable (undiscounted) under non-cancellable finance leases as at 30 June are, as follows (GST inclusive):

	Consolidated		Parent	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Within one year	182	-	182	-
Later than one year and not later than five years	728	-	728	-
Later than five years	10,743	-	10,743	-
	11,654	**-**	**11,654**	**-**

Reconciliation of net investment in finance leases

	Consolidated		Parent	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Future undiscounted rentals receivable (gst exclusive)	9,656	-	9,656	-
Unguaranteed residual amounts – undiscounted	-	-	-	-
Less: unearned finance income	6.411	-	6,411	-
Net investment in finance leases	**3,245**	**-**	**3,245**	**-**

Leases under which the entity transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases.

At the lease commencement date, the entity recognises a receivable for assets held under a finance lease in its statement of financial position at an amount equal to the net investment in the lease. The net investment in leases is classified as financial assets at amortised cost and equals the lease payments receivable by a lessor and the unguaranteed residual value, plus initial direct costs, discounted using the interest rate implicit in the lease.

Finance income arising from finance leases is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Finance lease receivables relate to the lease of land.

18 Fair value measurement

Fair value hierarchy

This note explains the judgements and estimates made in determining the fair value of property, plant and equipment. To provide an indication about the reliability of the inputs used in determining the fair value, the Consolidated entity has divided property, plant and equipment into the three separate fair value hierarchy levels prescribed under Australian Accounting Standards.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated – 2025 Assets	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Land	-	63,742	337,580	401,322
Infrastructure systems	-	-	3,148,869	3,148,869
Work in progress	-	-	357,828	357,828
Other property, plant and equipment	-	-	36,678	36,678
Total assets	**-**	**63,742**	**3,880,955**	**3,944,697**

Consolidated – 2024 Assets	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Land	-	63,024	332,453	395,477
Infrastructure systems	-	-	2,988,628	2,988,628
Work in progress	-	-	313,887	313,887
Other property, plant and equipment	-	-	27,466	27,466
Total assets	**-**	**63,024**	**3,662,434**	**3,725,458**

Parent – 2025 Assets	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Land	-	63,742	337,548	401,290
Infrastructure systems	-	-	2,719,630	2,719,630
Work in progress	-	-	357,391	357,391
Other property, plant and equipment	-	-	36,678	36,678
Total assets	**-**	**63,742**	**3,451,247**	**3,514,989**

Parent – 2024 Assets	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Land	-	63,024	332,444	395,468
Infrastructure systems	-	-	2,562,714	2,562,714
Work in progress	-	-	313,554	313,554
Other property, plant and equipment	-	-	27,466	27,466
Total assets	**-**	**63,024**	**3,236,178**	**3,299,202**

Level 3 assets

Movements in level 3 assets during the current and previous financial year are set out below.

Consolidated	Infra-structure $'000	Land $'000	Other PP&E $'000	Work in progress $'000	Total $'000
Balance at 1 July 2023	2,893,632	313,073	28,679	240,779	3,476,163
Gains/(losses) recognised in profit or loss	(193)	129	-	-	(64)
Gains recognised in other comprehensive income	55,816	19,328	-	-	75,144
Additions	127,524	-	9,019	80,334	216,877
Disposals	(499)	(77)	(305)	-	(881)
Depreciation/amortisation	(87,652)	-	(9,927)	-	(97,579)
Other reclassification and transfers	-	-	-	(7,226)	(7,226)
Balance at 30 June 2024	**2,988,628**	**332,453**	**27,466**	**313,887**	**3,662,434**
Losses recognised in profit or loss	(25)	(84)	-	-	(109)
Gains/(losses) recognised in other comprehensive income	154,394	8,715	-	-	163,109
Additions	94,658	82	21,516	47,546	163,802
Disposals	(133)	(374)	(1,167)	-	(1,674)
Depreciation/amortisation	(89,322)	-	(11,136)	-	(100,458)
Other reclassification and transfers	-	(3,212)	-	(900)	(4,112)
Work in progress written off	-	-	-	(2,705)	(2,705)
Equity transfer	669	-	-	-	669
Balance at 30 June 2025	**3,148,869**	**337,580**	**36,679**	**357,828**	**3,880,956**

Parent	Infra-structure $'000	Land $'000	Other PP&E $'000	Work in Progress $'000	Total $'000
Balance at 1 July 2023	2,478,974	313,064	28,679	240,638	3,061,355
Gains/(losses) recognised in profit or loss	(193)	129	-	-	(64)
Gains recognised in other comprehensive income	39,103	19,328	-	-	58,431
Additions	127,522	-	9,019	80,142	216,683
Disposals	(499)	(77)	(305)	-	(881)
Depreciation/amortisation	(82,193)	-	(9,927)	-	(92,120)
Other reclassification and transfers	-	-	-	(7,226)	(7,226)
Balance at 30 June 2024	**2,562,714**	**332,444**	**27,466**	**313,554**	**3,236,178**
Gains/(losses) recognised in profit or loss	(25)	12	-	-	(13)
Gains/(losses) recognised in other comprehensive income	145,386	8,710	-	-	154,096
Additions	94,658	-	21,516	47,414	163,588
Disposals	(133)	(374)	(1,167)	-	(1,674)
Depreciation/amortisation	(83,639)	-	(11,136)	-	(94,775)
Other reclassification and transfers	-	(3,245)	-	(872)	(4,117)
Work in progress written off	-	-	-	(2,705)	(2,705)
Equity transfer	669	-	-	-	669
Balance at 30 June 2025	**2,719,630**	**337,547**	**36,679**	**357,391**	**3,451,247**

Valuation techniques and inputs used to determine the fair value of land

Following initial recognition at cost, market land is carried at fair value in accordance with TPP 21-09 *Valuation of Physical Non-Current Assets at Fair Value*. Land is subject to an independent revaluation at least every three years. However, the carrying amount of land is reviewed each year to ensure that it does not differ materially from fair value.

The most recent revaluation of land was undertaken at 30 June 2023. The next independent valuation is due in the year ended 30 June 2026. Market land has been valued by the valuer on the basis that it is not contaminated. Refer to Note 37 Contingent liabilities.

The market approach has been utilised to determine fair value. The market approach provides an indication of value by comparing the subject asset with similar assets for which price information is available. Price information for asset transactions is adjusted to reflect any differences in the legal, economic or physical characteristics of the transacted asset and the asset being valued.

Land subject to an operating lease has been disclosed separately from owned assets held and used by Water NSW, and is valued using the income approach.

The significant unobservable inputs used in the fair value measurement of the system land assets relate to the professional judgement utilised to adjust market prices and other relevant information generated by market transactions to arrive at fair value. The use of a significantly higher (lower) transaction would result in a significantly higher (lower) fair value measurement.

The impact on total land assets caused by movements in the value of the system land are as follows.

Consolidated - 2025	Scenario A $'000	Scenario B $'000	Scenario C $'000	Scenario D $'000
% change in land value	1	(1)	5	(5)
Increase/(decrease) in fair value	4,013	(4,013)	20,066	(20,066)

Consolidated - 2024	Scenario A $'000	Scenario B $'000	Scenario C $'000	Scenario D $'000
% change in land value	1	(1)	5	(5)
Increase/(decrease) in fair value	3,955	(3,955)	19,774	(19,774)

Parent - 2025	Scenario A $'000	Scenario B $'000	Scenario C $'000	Scenario D $'000
% change in land value	1	(1)	5	(5)
Increase/(decrease) in fair value	4,013	(4,013)	20,065	(20,065)

Parent - 2024	Scenario A $'000	Scenario B $'000	Scenario C $'000	Scenario D $'000
% change in land value	1	(1)	5	(5)
Increase/(decrease) in fair value	3,955	(3,955)	19,773	(19,773)

Under these sensitivities, a one per cent movement up or down in value per hectare would have an immaterial impact on the overall valuation of the property, plant and equipment.

Valuation techniques and inputs used to determine the fair value of infrastructure systems and buildings

Buildings, system land (including land under leases) and water meters are considered an integral part of system assets. Buildings, land under leases and water meters are revalued using the income approach, system land is revalued using market approach. The fair value measurement of system assets has been categorised as Level 3 in the fair value hierarchy based on the unobservable inputs to the measurement calculation. Determining fair value is highly dependent on the inputs or assumptions used to estimate the future net cash flows that are able to be derived from the relevant assets. The forecast which is approved by the Board is developed by management through a comprehensive annual business planning and budgeting process. The approved budget takes into consideration limits set in the Consolidated entity's regulatory price determinations.

System assets, including infrastructure, buildings, land under leases and meters, are revalued on an annual basis using the income approach.

Work in progress assets are considered an integral part of system infrastructure assets and measured at fair value using the cost approach. This includes direct construction costs, professional fees and capitalised interest. Fair value measurements are classified as Level 3 in the fair value hierarchy due to the use of unobservable inputs.

Cash Generating Units (CGUs)

The Consolidated entity considers it has three CGUs (parent - two CGUs). This reflects the segmented asset bases, customers and regulatory pricing determinations (revenue streams) of the Consolidated entity - Greater Sydney, Rural (including WAMC customers) and Broken Hill business segments (parent entity - Greater Sydney and Rural (including WAMC customers) business segments).

The Consolidated entity uses the income approach to determine the fair value of infrastructure assets. The model uses a discounted cash flow methodology over a five year period with a terminal value of the regulated asset base (RAB) for year five. The following key methods and assumptions have been used to arrive at fair value:

- Application of three separate CGUs.
- Each CGU used the same income approach model with differing inputs based on their respective regulatory pricing determinations.
- Discount rate – nominal pre-tax discount rate based on parameters as most recently published by the economic regulator(s) and the current market cost of long-term debt.

Future cash flows

- Determined on a nominal basis (including indexation).
- Estimated over five years based on Statement of Corporate Intent (SCI) operating and capital expenditure forecasts.
- Based upon maintaining specialised assets in their current condition, consequently future capital expenditure increasing service potential is excluded.
- Regulatory returns beyond current pricing determination periods are based on parameters as most recently published by the economic regulator(s).
- Future revenue estimates were based on SCI operating expenditure forecasts and water supply volumes, with prices adjusted to reflect the adjusted capital expenditure program (per above), and the consequential forecast roll-forward RAB and new regulated revenue requirements.
- Terminal value - at the end of year five being the RAB (based on adjusted capital expenditure per above).
- Expectations about possible variations in the amount and timing of future cash flows which reflect the most likely outcome as determined by management.

The following net cash flows / (outflows) were used in the revaluation model of each CGU.

Consolidated Undiscounted cash flows – 2025	Year 1 $'000	Year 2 $'000	Year 3 $'000	Year 4 $'000	Year 5 $'000
Greater Sydney CGU	14,200	28,200	75,800	85,400	100,200
Rural CGU	(36,700)	(35,900)	(29,200)	(7,600)	(4,900)
Broken Hill CGU	19,100	21,000	22,700	22,800	22,500
	(3,400)	**13,300**	**69,300**	**100,600**	**117,800**

Consolidated Undiscounted cash flows - 2024	Year 1 $'000	Year 2 $'000	Year 3 $'000	Year 4 $'000	Year 5 $'000
Greater Sydney CGU	(48,900)	(16,400)	(50,800)	(114,900)	(136,100)
Rural CGU	(53,500)	(41,100)	(91,200)	(72,000)	(8,200)
Broken Hill CGU	19,500	18,900	19,800	20,600	21,000
	(82,900)	**(38,600)**	**(122,200)**	**(166,300)**	**(123,300)**

Parent Undiscounted cash flows - 2025	Year 1 $'000	Year 2 $'000	Year 3 $'000	Year 4 $'000	Year 5 $'000
Greater Sydney CGU	14,200	28,200	75,800	85,400	100,200
Rural CGU	(36,700)	(35,900)	(29,200)	(7,600)	(4,900)
	(22,500)	**(7,700)**	**46,600**	**77,800**	**95,300**

Parent Undiscounted cash flows - 2024	Year 1 $'000	Year 2 $'000	Year 3 $'000	Year 4 $'000	Year 5 $'000
Greater Sydney CGU	(48,900)	(16,400)	(50,800)	(114,900)	(136,100)
Rural CGU	(53,500)	(41,100)	(91,200)	(72,000)	(8,200)
	(102,400)	**(57,500)**	**(142,000)**	**(186,900)**	**(144,300)**

Changes to the cash flow estimates in the revaluation model will result in a higher or lower fair value measurement. Where the change is an increase/(decrease) in estimated cash flows, the fair value of assets will increase/(decrease). As the cash flow estimates are discounted by the discount rate, the significance of the change in cash flows is largest in Year 1 when the effect of the discounting is smallest. The significance of the change reduces each year and is smallest in Year 5 when the effect of discounting is largest.

A change in the discount rate will also change the measurement of fair value for a given set of estimated future cash flows. The following table presents the impact of a change to the discount rate on the cash flows disclosed above.

Consolidated 2025/2024	Actual revaluation $'000	Scenario A + 1% $'000	Scenario B – 1% $'000
Greater Sydney CGU			
Discount rate	7.07% / 6.81%	8.07% / 7.81%	6.07% / 5.81%
Fair value	2,336,500 / 2,154,000	2,243,700 / 2,061,900	2,434,100 / 2,251,200
Rural CGU			
Discount rate	7.07% / 6.81%	8.07% / 7.81%	6.07% / 5.81%
Fair value	1,204,300 / 1,180,300	1,152,300 / 1,127,000	1,259,100 / 1,236,400
Broken Hill CGU			
Discount rate	7.07% / 6.81%	8.07% / 7.81%	6.07% / 5.81%
Fair value	430,300 / 426,900	414,400 / 411,000	447,100 / 443,700

Parent 2025/2024	Actual revaluation $'000	Scenario A + 1% $'000	Scenario B – 1% $'000
Greater Sydney CGU			
Discount rate	7.07% / 6.81%	8.07% / 7.81%	6.07% / 5.81%
Fair value	2,336,500 / 2,154,000	2,243,700 / 2,061,900	2,434,100 / 2,251,200
Rural CGU			
Discount rate	7.07% / 6.81%	8.07% / 7.81%	6.07% / 5.81%
Fair value	1,204,300 / 1,180,300	1,152,300 / 1,127,000	1,259,100 / 1,236,400

A change in cash flow estimates will also change the measurement of fair value. The following table presents the impact of a change to the cash flow estimates above, assuming no change to the discount rate.

Consolidated 2025/2024	Actual revaluation $'000	Scenario C $'000	Scenario D $'000
Greater Sydney CGU			
Net cash flows change		+5%	-5%
Fair value	2,336,500 / 2,154,000	2,348,700 / 2,139,200	2,324,300 / 2,168,900
Rural CGU			
Net cash flows change		+5%	-5%
Fair value	1,204,300 / 1,180,300	1,199,200 / 1,168,800	1,209,400 / 1,191,800
Broken Hill CGU			
Net cash flows change		+5%	-5%
Fair value	430,300 / 426,900	434,900 / 431,200	425,800 / 422,700

Parent 2025/2024	Actual revaluation $'000	Scenario C $'000	Scenario D $'000
Greater Sydney CGU			
Net cash flows change		+5%	-5%
Fair value	2,336,500 / 2,154,000	2,348,700 / 2,139,200	2,324,300 / 2,168,900
Rural CGU			
Net cash flows change		+5%	-5%
Fair value	1,204,300 / 1,180,300	1,199,200 / 1,168,800	1,209,400 / 1,191,800

A change in terminal value estimates will also change the measurement of fair value. The following table presents the impact of a change to the terminal value, assuming no change to cash flow estimates or discount rate.

Consolidated 2025/2024	Actual revaluation $'000	Scenario E $'000	Scenario F $'000
Greater Sydney CGU			
Terminal value change		+5%	-5%
Fair value	2,336,500 / 2,154,000	2,441,100 / 2,276,600	2,231,800 / 2,031,500
Rural CGU			
Terminal value change		+5%	-5%
Fair value	1,204,300 / 1,180,300	1,269,600 / 1,250,800	1,139,000 / 1,109,800
Broken Hill CGU			
Terminal value change		+5%	-5%
Fair value	430,300 / 426,900	447,300 / 444,000	413,400 / 409,800

Parent 2025/2024	Actual revaluation $'000	Scenario E $'000	Scenario F $'000
Greater Sydney CGU			
Terminal value change		+5%	-5%
Fair value	2,336,500 / 2,154,000	2,441,100 / 2,276,600	2,231,800 / 2,031,500
Rural CGU			
Terminal value change		+5%	-5%
Fair value	1,204,300 / 1,180,300	1,269,600 / 1,250,800	1,139,000 / 1,109,800

A change in variable revenue from water delivery volumes will also change the measurement of fair value. The following table presents the impact of a change to the water volumes, assuming no change to cash flow estimates or discount rate.

Consolidated 2025/2024	Actual revaluation $'000	Scenario G $'000	Scenario H $'000
Greater Sydney CGU			
Water volume change		+10%	-10%
Fair value	2,336,500 / 2,154,000	2,356,500 / 2,181,300	2,311,900 / 2,126,800
Rural CGU			
Water volume change		+10%	-10%
Fair value	1,204,300 / 1,180,300	1,238,000 / 1,198,700	1,185,800 / 1,161,800
Broken Hill CGU			
Water volume change		+10%	-10%
Fair value	430,300 / 426,900	429,400 / 427,800	431,200 / 426,000

Parent 2025/2024	Actual revaluation $'000	Scenario G $'000	Scenario H $'000
Greater Sydney CGU			
Water volume change		+10%	-10%
Fair value	2,336,500 / 2,154,000	2,356,500 / 2,181,300	2,311,900 / 2,126,800
Rural CGU			
Water volume change		+10%	-10%
Fair value	1,204,300 / 1,180,300	1,238,000 / 1,198,700	1,185,800 / 1,161,800

The fair value of the Consolidated entity's assets may be impacted by variable revenues due to climate-related events, such as droughts and floods. Droughts could lead to a decrease in water availability, which could impact the Consolidated entity's ability to generate revenue and reduce the fair value of the assets. Floods could result in lower sales due to a reduction in water quality as well as less demand for water which could reduce the fair value of the assets.

The Consolidated entity will continue to monitor the impacts of climate-related events on the fair value of its assets.

In revaluing system assets, the asset's current use is considered its highest and best use.

Valuation techniques and inputs used to determine fair value of other property, plant and equipment

Other property, plant and equipment is valued at fair value in accordance with Australian Accounting Standards and guidance within TPP 21-09 *Valuation of Physical Non-Current Assets at Fair Value*. For non-specialised assets, TPP 21-09 allows for recognition at depreciated historical cost as an acceptable surrogate for fair value. Depreciated historical cost is considered an appropriate surrogate because any difference between fair value and depreciated historical cost is unlikely to be material. Further, the benefit of ascertaining a more accurate estimate of fair value does not justify the additional costs of obtaining it.

In revaluing other property, plant and equipment, the asset's current use is considered its highest and best use.

There were no changes to the valuation technique adopted for other property, plant and equipment during the year.

19 Current liabilities – trade and other payables

	Consolidated		Parent	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Trade payables	13,750	4,512	13,750	4,512
Other liabilities – pass through charges	6,542	8,792	6,542	8,792
Non-trade payables and accrued expenses	25,531	38,778	25,172	38,405
Accrued salaries, wages and on-costs	16,422	13,690	16,422	13,690
Fringe benefits tax	66	24	66	24
Accrued interest on loans	34,079	35,058	28,621	29,528
	96,390	**100,854**	**90,573**	**94,951**

Refer to note 39 for further information on financial instruments.

Recognition and measurement

Trade and other payables
Trade and other payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. Invoices are generally payable in 30 days.

Other liabilities – pass through charges

WaterNSW administers pass-through charges on behalf of the NSW Government to recover contributions to the Murray-Darling Basin Authority (MDBA) and the Border Rivers Commission (BRC). These charges are set by IPART and reflect the cost of interstate and basin-wide water management responsibilities. The amounts are collected from customers by WaterNSW and remitted to the relevant authorities. These charges are not recognised as revenue by WaterNSW but are recorded as a liability payable until remitted.

20 Current liabilities – borrowings

	Consolidated		Parent	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Current borrowings	283,964	773,684	236,627	731,721
Loan from the Controlled entity	-	-	47,131	37,052
Lease liabilities	1,984	2,467	1,984	2,467
	285,948	**776,151**	**285,742**	**771,240**

Refer to note 39 for further information on financial instruments.

Recognition and measurement

Interest-bearing borrowings obtained by the Consolidated entity from the NSW Treasury Corporation (TCorp) are recognised initially at the fair value of the consideration received, which incorporates any transaction costs associated with the borrowing. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any differences between the initial fair value and the final redemption value of borrowings, such as discounts and premiums. These differences are amortised to profit or loss as part of the finance costs over the period of the loan on an effective interest basis.

Gains or losses are recognised in profit or loss when liabilities are derecognised, such as through a debt restructuring or early repayment of debt, as well as through the amortisation process.

Under the Master Terms agreement, the Consolidated entity is able to rollover its maturing debt to any term offered by its lender (TCorp), provided the total capital value of the debt remains within limits approved under the *Government Sector Finance Act 2018* (Refer Note 25). The Consolidated entity also pays a Government Guarantee Fee to NSW Treasury to have its loans guaranteed by the State of NSW.

The loan provided is secured by a charge on income and revenue of the Corporation pursuant to section 6.28 of the GSF Act.

21 Current liabilities – provisions

	Consolidated		Parent	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Annual leave	15,633	15,207	15,633	15,207
Long service leave	30,078	27,202	30,078	27,202
Other benefits	2,202	1,948	2,202	1,948
Insurance works	30,476	29,662	30,476	29,662
Payroll tax	2,479	2,301	2,479	2,301
Other	1,932	2,240	1,932	2,240
Termination benefits	90	258	90	258
Remediation	618	736	618	736
Land tax	52,178	42,936	52,176	42,935
	135,686	**122,490**	**135,684**	**122,489**

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the Consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months.

	Consolidated			Parent
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Long service leave	24,974	23,215	24,974	23,215

Recognition and measurement

Annual leave

The liability for annual leave benefits is actuarially calculated to determine the present value of the future benefit that employees have earned in return for their service up to the reporting date. Annual leave, which is not expected to be settled wholly within 12 months of the end of the annual reporting period in which the employees render the related service is required to be measured at present value in accordance with AASB 119 *Employee Benefits*. The discount rate used is the yield at the reporting date on high quality corporate bond rates that have maturity dates approximating to the terms of the annual leave obligations.

If benefits are expected to be settled wholly within 12 months of the end of the reporting period, then they are measured at the undiscounted amount of the benefit.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 (although short-cut methods are permitted). Actuarial advice obtained by the Consolidated entity has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. The entity has assessed the actuarial advice based on the entity's circumstances and has determined that the effect of discounting is immaterial to annual leave. All annual leave is classified as a current liability even where the entity does not expect to settle the liability within 12 months as the entity does not have an unconditional right to defer settlement.

Long service leave

The present value of the future benefit related to long service leave is calculated using an actuarial valuation method called the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Consideration is given to expected wages and salary levels, experience of employee departures and periods of service. The discount rate of 5.25% (2024: 5.5%) used is the yield at the reporting date on high quality corporate bond rates that have maturity dates approximating the terms of the long service leave obligations.

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 as they do not fall due for settlement at the reporting date.

Other provisions

Unused non-vesting sick leave does not give rise to a liability as it is considered improbable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of payroll tax and workers compensation insurance premiums, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have also been recognised.

Insurance works

The insurance provision recognises the costs relating to the Consolidated entity's obligation to repair or replace assets resulting from damage due to various weather events.

We will continue to monitor the impacts of climate-related events on our insured asset values, insurance claims, premiums, and deductibles, and adjust our plans and forecasts accordingly.

Land tax

The land tax provision recognises the Consolidated entity's obligation to pay tax on the taxable value of land that is owned by Water NSW.

The Consolidated entity has recognised a provision for land tax in respect of properties subject to assessment by Revenue NSW. It is expected that formal assessments will be issued within the next 12 months.

22 Current liabilities – Dividend payable

Under the NTER, the Corporation is not required to maintain a dividend franking account.

	Consolidated			Parent
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Dividend payable	40,000	40,000	40,000	40,000

Reconciliation of the fair values at the beginning and end of the current and previous financial year

Opening balance	40,000	40,000	40,000	40,000
Dividend declared	40,000	40,000	40,000	40,000
Dividend paid	(40,000)	(40,000)	(40,000)	(40,000)
Closing balance	**40,000**	**40,000**	**40,000**	**40,000**

Recognition and measurement

Dividends payable are agreed by the Board of Water NSW, the Directors of WaterNSW Infrastructure and the relevant Ministers in May/June of each financial year. This process establishes a present obligation for the future payment of a dividend.

Dividends are calculated in accordance with the requirements of TPG 21-10 *Capital Structure and Financial Distribution Policy for Government Businesses*.

23 Current liabilities – other

	Consolidated 2025 $'000	Consolidated 2024 $'000	Parent 2025 $'000	Parent 2024 $'000
Subsidies and grants received in advance	34,659	19,987	34,659	19,987
Refund liabilities	9	9	9	9
Foreign exchange contracts – cash flow hedges	–	13	–	13
	34,668	**20,009**	**34,668**	**20,009**

Recognition and measurement

Subsidies and grants received in advance

The Consolidated entity received government grants related to the acquisition and construction of various assets. These grants are classified as capital grants in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*.

Refer to Note 3 for further information on recognition and measurement.

24 Current liabilities – contract liabilities

	Consolidated 2025 $'000	Consolidated 2024 $'000	Parent 2025 $'000	Parent 2024 $'000
Contract liabilities	9,018	7,696	9,018	7,696

Recognition and measurement

Contract liabilities are recognised when a customer pays consideration, or when the Consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier), before the Consolidated entity has transferred the goods or services to the customer. The liability is the Consolidated entity's obligation to transfer goods or services to a customer from which it has received consideration.

25 Non-current liabilities – borrowings

	Consolidated 2025 $'000	Consolidated 2024 $'000	Parent 2025 $'000	Parent 2024 $'000
Borrowings	1,713,749	1,161,251	1,458,170	904,254
Lease liabilities	5,478	15,811	5,478	15,811
	1,719,227	**1,177,062**	**1,463,648**	**920,065**

Refer to Note 39 for further information on financial instruments.

Financing arrangements

The following facilities were available at the reporting date.

	Consolidated 2025 $'000	Consolidated 2024 $'000	Parent 2025 $'000	Parent 2024 $'000
Total facilities				
Long term borrowing facility	2,400,000	2,400,000	2,050,000	2,050,000
Come & Go facility	50,000	50,000	50,000	50,000
Credit card facility	2,000	2,000	2,000	2,000
Borrowing facility – WaterNSW Infrastructure	–	–	65,000	65,000
	2,452,000	**2,452,000**	**2,167,000**	**2,167,000**
Used at the reporting date				
Long term borrowing facility	1,997,713	1,934,935	1,694,797	1,635,975
Come & Go facility	–	–	–	–
Credit card facility	647	582	647	582
Borrowing facility – WaterNSW Infrastructure	–	–	47,131	37,349
	1,998,360	**1,935,517**	**1,742,575**	**1,673,906**
Unused at the reporting date				
Long term borrowing facility	402,287	465,065	355,203	414,025
Come & Go facility	50,000	50,000	50,000	50,000
Credit card facility	1,353	1,418	1,353	1,418
Borrowing facility – WaterNSW Infrastructure	–	–	17,869	27,651
	453,640	**516,483**	**424,426**	**493,094**

Come and Go short-term borrowing facility

The Consolidated entity has a $50 million (2024: $50 million) short term borrowing facility in place with TCorp. The 'Come and Go' facility is used extensively as part of the Consolidated entity's daily cash management function.

Long-term borrowing facility

The Consolidated entity has the NSW Treasurer's approval to obtain long-term borrowing facilities from the central borrowing authority, TCorp. TCorp 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. Additionally, TCorp provides CPI indexed bonds and resettable loans to the Consolidated entity.

Intercompany loan

On 21 December 2020, the Treasurer approved an intercompany loan for $65 million of which $47.1 million was used at 30 June 2025 (2024: $37.4 million). The intercompany loan is at-call, interest free and unsecured, and is measured at amortised cost.

Changes in liabilities arising from financing activities – Consolidated 30 June 2025	Dividends $'000	Short-term borrowings $'000	Long-term borrowings $'000	Leases $'000	Total $'000
Balance at 1 July 2024	40,000	773,684	1,161,251	18,278	1,993,213
Non-cash movements	40,000	(529,720)	552,498	(9,115)	53,663
Net cash movements	(40,000)	40,000	-	(1,701)	(1,701)
Balance at 30 June 2025	**40,000**	**283,964**	**1,713,749**	**7,462**	**2,045,175**

Changes in liabilities arising from financing activities – Consolidated 30 June 2024	Dividends $'000	Short-term borrowings $'000	Long-term borrowings $'000	Leases $'000	Total $'000
Balance at 1 July 2023	40,000	260,646	1,627,854	19,149	1,947,649
Non-cash movements	40,000	478,038	(466,603)	993	52,428
Net cash movements	(40,000)	35,000	-	(1,864)	(6,864)
Balance at 30 June 2024	**40,000**	**773,684**	**1,161,251**	**18,278**	**1,993,213**

Changes in liabilities arising from financing activities – Parent 30 June 2025	Dividends $'000	Short-term borrowings $'000	Long-term borrowings $'000	Leases $'000	Loans from Controlled entity $'000	Dividends from Controlled entity $'000	Total $'000
Balance at 1 July 2024	40,000	731,721	904,254	18,278	37,052	-	1,731,305
Non-cash movements	40,000	(535,094)	553,916	(9,115)	-	-	49,707
Net cash movements	(40,000)	40,000	-	(1,701)	10,079	-	8,378
Balance at 30 June 2025	**40,000**	**236,627**	**1,458,170**	**7,462**	**47,131**	**-**	**1,789,390**

Changes in liabilities arising from financing activities – Parent 30 June 2024	Dividends $'000	Short-term borrowings $'000	Long-term borrowings $'000	Leases $'000	Loans from Controlled entity $'000	Dividends from Controlled entity $'000	Total $'000
Balance at 1 July 2023	40,000	209,470	1,381,771	19,149	29,159	(2,400)	1,677,149
Non-cash movements	40,000	487,251	(477,517)	993	-	-	50,727
Net cash movements	(40,000)	35,000	-	(1,864)	7,893	2,400	3,429
Balance at 30 June 2024	**40,000**	**731,721**	**904,254**	**18,278**	**37,052**	**-**	**1,731,305**

26 Non-current liabilities – provisions

	Consolidated 2025 $'000	Consolidated 2024 $'000	Parent 2025 $'000	Parent 2024 $'000
Long service leave	5,308	4,428	5,308	4,428
Payroll tax	288	241	288	241
Restoration	-	384	-	384
Defined benefit superannuation scheme	47,744	48,726	47,744	48,726
	53,340	**53,779**	**53,340**	**53,779**

Recognition and measurement

Defined benefit superannuation schemes

The Consolidated entity contributes to three defined benefit superannuation schemes in the NSW Public Sector Pooled Fund. These are: State Superannuation Scheme (SSS), State Authorities Superannuation Scheme (SASS) and State Authorities Non-contributory Superannuation Scheme (SANCS).

The net obligation in respect of defined benefits plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The benefit is also adjusted for any asset ceiling (i.e. the present value of economic benefits available as refunds from the plan or reductions in future contributions to the plan).

The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability or asset are recognised in other comprehensive income (directly through retained earnings) in the reporting period 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).

AASB 119 *Employee Benefits* does not specify whether the current and non-current portions of the liability should be disclosed because at times the distinction can be arbitrary. Management has determined that the liability be disclosed as non-current as this best reflects when the liability will most likely be settled.

Assumptions underlying defined benefit superannuation expenses and liabilities are disclosed in Note 27.

Movements in provisions

Movements in each class of provision (current and non-current) during the current financial year, other than employee benefits, are set out below.

Consolidated - 2025	Other provisions $'000	Land tax $'000	Restoration $'000	Remediation $'000	Insurance works $'000
Carrying amount at the start of the year	2,240	42,936	384	736	29,662
Additional provisions recognised	-	9,242	-	-	18,548
Amounts used	(385)	-	(384)	(41)	(17,734)
Carrying amount at the end of the year	**1,855**	**52,178**	**-**	**695**	**30,476**

Consolidated - 2024	Other provisions $'000	Land tax $'000	Restoration $'000	Remediation $'000	Insurance works $'000
Carrying amount at the start of the year	2,589	35,050	374	1,121	30,846
Additional provisions recognised	-	7,886	10	-	13,752
Amounts used	(349)	-	-	(385)	(14,936)
Carrying amount at the end of the year	**2,240**	**42,936**	**384**	**736**	**29,662**

Parent - 2025	Other provisions $'000	Land tax $'000	Restoration $'000	Remediation $'000	Insurance works $'000
Carrying amount at the start of the year	2,240	42,935	384	736	29,662
Additional provisions recognised	-	9,241	-	-	18,548
Amounts used	(385)	-	(384)	(41)	(17,734)
Carrying amount at the end of the year	**1,855**	**52,176**	**-**	**695**	**30,476**

Parent - 2024	Other provisions $'000	Land tax $'000	Restoration $'000	Remediation $'000	Insurance works $'000
Carrying amount at the start of the year	2,589	35,050	374	1,121	30,846
Additional provisions recognised	-	7,885	10	-	13,752
Amounts used	(349)	-	-	(385)	(14,936)
Carrying amount at the end of the year	**2,240**	**42,935**	**384**	**736**	**29,662**

27 Non-current liabilities – defined benefit obligations

Defined benefit superannuation schemes

Nature of the benefits provided by the fund

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

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

These schemes are all 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. All the Schemes are closed to new members.

Description of the regulatory framework

The schemes in the Pooled Fund were established and are 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 New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee 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 Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth'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 will be performed as at 30 June 2027.

Description of other entities' responsibilities for the governance of the fund

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles:

- administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules
- management and investment of the fund assets
- compliance with other applicable regulations.

Description of risks

There are a number of risks to which the Pooled Fund exposes the employer. The more significant risks relating to the defined benefits are:

- **Investment risk** - The risk that investment returns will be lower than assumed and the employer 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 benefits for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- **Legislative risk** - The risk that legislative changes could be made which increase the cost of providing the defined benefits.

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

Description of significant events

There were no fund amendments, curtailments or settlements during the year.

	Consolidated/Parent			
Reconciliation of the net defined benefit liability As at 30 June 2025	**SASS $'000**	**SANCS $'000**	**SSS $'000**	**Total $'000**
Net defined benefit liability at beginning of the year	6,795	2,465	39,469	48,729
Current service cost	109	105	19	233
Net interest on net defined benefit liability	355	126	2,111	2,592
Actual return on fund assets less interest income	(1,188)	(28)	(4,474)	(5,690)
Actuarial (gains)/losses arising from changes in demographic assumptions	237	-	3,105	3,344
Actuarial (gains)/losses arising from changes in financial assumptions	444	1	3,822	4,267
Actuarial (gains)/losses arising from liability experience	226	(477)	(1,130)	(1,381)
Employer contributions	(828)	(391)	(3,129)	(4,348)
Net defined benefit liability at end of the year	**6,150**	**1,801**	**39,793**	**47,744**

	Consolidated/Parent			
Reconciliation of the net defined benefit liability As at 30 June 2024	**SASS $'000**	**SANCS $'000**	**SSS $'000**	**Total $'000**
Net defined benefit liability at beginning of the year	7,512	2,178	40,144	49,834
Current service cost	112	122	70	304
Net interest on net defined benefit liability	400	112	2,213	2,725
Actual return on fund assets less interest income	(508)	(15)	(1,759)	(2,282)
Actuarial (gains)/losses arising from changes in financial assumptions	907	144	3,272	4,323
Actuarial (gains)/losses arising from liability experience	(772)	329	(2,528)	(2,971)
Employer contributions	(856)	(405)	(1,943)	(3,204)
Net defined benefit liability at end of the year	**6,795**	**2,465**	**39,469**	**48,729**

	Consolidated/Parent			
Reconciliation of the fair value of fund assets As at 30 June 2025	**SASS $'000**	**SANCS $'000**	**SSS $'000**	**Total $'000**
Fair value of fund assets at beginning of the year	30,422	1,487	108,386	140,295
Interest income	1,596	67	5,872	7,535
Actual return on fund assets less interest income	1,188	28	4,474	5,690
Employer contributions	828	391	3,129	4,348
Contributions by participants	208	-	133	341
Benefits paid	(5,113)	(860)	(10,063)	(16,036)
Taxes, premiums and expenses paid	(142)	(16)	137	(21)
Fair value of fund assets at end of the year	**28,987**	**1,097**	**112,068**	**142,152**

	Consolidated/Parent			
Reconciliation of the fair value of fund assets As at 30 June 2024	**SASS $'000**	**SANCS $'000**	**SSS $'000**	**Total $'000**
Fair value of fund assets at beginning of the year	31,695	2,107	105,535	139,337
Interest income	1,681	103	5,777	7,561
Actual return on fund assets less interest income	508	15	1,759	2,282
Employer contributions	856	405	1,943	3,204
Contributions by participants	243	-	114	357
Benefits paid	(4,555)	(1,124)	(7,160)	(12,839)
Taxes, premiums and expenses paid	(6)	(19)	418	393
Fair value of fund assets at end of the year	**30,422**	**1,487**	**108,386**	**140,295**

	Consolidated/Parent			
Reconciliation of the Defined Benefit Obligation As at 30 June 2025	**SASS $'000**	**SANCS $'000**	**SSS $'000**	**Total $'000**
Present value of obligation at beginning of the year	37,218	3,950	147,857	189,025
Current service cost	109	105	19	233
Interest cost	1,952	193	7,983	10,128
Contributions by participants	208	-	133	341
Actuarial (gains)/losses arising from changes in demographic assumptions	237	-	3,107	3,344
Actuarial (gains)/losses arising from changes in financial assumptions	444	1	3,822	4,267
Actuarial (gains)/losses arising from liability experience	226	(477)	(1,130)	(1,381)
Benefits paid	(5,113)	(860)	(10,063)	(16,036)
Taxes, premiums and expenses paid	(142)	(16)	137	(21)
Present value of obligation at end of the year	**35,139**	**2,896**	**151,865**	**189,900**

Reconciliation of the Defined Benefit Obligation As at 30 June 2024	SASS $'000	SANCS $'000	SSS $'000	Total $'000
			Consolidated/Parent	
Present value of obligation at beginning of the year	39,207	4,284	145,681	189,173
Current service cost	112	122	70	304
Interest cost	2,082	214	7,990	10,286
Contributions by participants	243	-	114	357
Actuarial (gains)/losses arising from changes in financial assumptions	907	144	3,272	4,323
Actuarial (gains)/losses arising from liability experience	(772)	329	(2,528)	(2,971)
Benefits paid	(4,555)	(1,124)	(7,160)	(12,839)
Taxes, premiums and expenses paid	(6)	(19)	418	393
Present value of obligation at end of the year	**37,218**	**3,950**	**147,857**	**189,026**

Fair value of Fund assets

All Pooled Fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers and assets are not separately invested for each entity. As such, the disclosures below relate to total assets of the Pooled Fund.

	2025				2024			
Assets category as at 30 June	Quoted prices in market for identical assets $'000	Significant observable inputs $'000	Unobserv-able Inputs $'000	Totals $'000	Quoted prices in market for identical assets $'000	Significant observable inputs $'000	Unobserv-able Inputs $'000	Totals $'000
Short term securities	2,550,082	-	-	2,550,082	2,284,654	207,875	-	2,492,529
Australian fixed interest	1	891,142	-	891,143	-	91,776	-	91,776
International fixed interest	5,390	246,983	6,743	259,116	-	1,015,170	11,726	1,026,897
Australian equities	4,328,683	86,629	-	4,415,312	4,491,341	1,545,025	-	6,036,366
International equities	14,702,437	-	7,477	14,709,914	14,704,964	140,680	3,896	14,849,540
Property	450,960	-	2,442,042	2,893,002	-	-	2,100,819	2,100,819
Alternatives	134,404	4,332,150	7,601,970	12,068,524	2,865	2,864,176	7,592,814	10,459,855
Totals	**22,171,957**	**5,556,904**	**10,058,232**	**37,787,093**	**21,483,824**	**5,864,702**	**9,709,255**	**37,057,782**

Percentage invested in each asset class at the reporting date	2025 %	2024 %
Short term securities	6.70%	6.70%
Australian fixed interest	2.40%	0.20%
International fixed interest	0.70%	2.80%
Australian equities	11.70%	16.30%
International equities	38.90%	40.10%
Property	7.70%	5.70%
Alternatives	31.90%	28.20%
Total	**100.00%**	**100.00%**

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares; 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; 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 cashflow 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.

Fair value of entity's own financial instruments

The disclosures below relate to total assets of the Pooled Fund.

Of 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 $280 million (2024: $285 million).

Significant actuarial assumptions at the reporting date	30 June 2025	30 June 2024
Discount rate	5.39% p.a.	5.57% p.a.
Salary increase rate (excluding promotional increases)	3.47% 25/26; 3.56% 26/27; 3.58% 27/28; 3.50% p.a. thereafter	4.56% 24/25; 3.80% 25/26; 3.78% 26/27; 3.80% 27/28; 3.70% p.a. thereafter
Rate of CPI increase	2.50% 24/25; 3.00% 25/26; 2.60% 26/27; 2.50% p.a. thereafter	4.25% 23/24; 3.00% 24/25; 2.75% 25/26; 2.50% p.a. thereafter

The pensioner mortality assumptions are as per the 2021 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report on the Trustee's website. The report shows the pension mortality rates for each age.

Sensitivity analysis

The Consolidated entity's total defined benefit obligation as at 30 June 2025 under several scenarios is presented below. The total benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2025. Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

Consolidated/Parent	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Discount rate	as above	as above - 0.5% p.a.	as above +0.5% p.a.
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	189,902	200,248	180,373

Consolidated/Parent	Base case	Scenario C +0.5% CPI rate change	Scenario D -0.5% CPI rate change
Discount rate	as above	as above	as above
Rate of CPI increase	as above	plus 0.5% p.a.	less 0.5% p.a.
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	189,902	200,390	180,186

Consolidated/Parent	Base case	Scenario E +0.5% Salary rate increase	Scenario F -0.5% Salary rate increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	plus 0.5% p.a.	less 0.5% p.a.
Defined benefit obligation ($'000)	189,902	190,209	189,605

Consolidated/Parent	Base case	Scenario G Lower mortality*	Scenario H Higher mortality**
Defined benefit obligation ($'000)	189,902	195,550	184,161

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

The Trustee 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 the Trustee.

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. 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.

Surplus/deficit

The following is a summary of the 30 June 2025 financial position of the Fund calculated in accordance with AASB 1056 *Superannuation Entities*.

	Consolidated/Parent			
As at 30 June 2025	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Accrued benefits*	31,069	2,515	123,255	156,839
Net market value of fund assets	(28,990)	(1,099)	(112,068)	(142,157)
Net (surplus)/deficit	**2,079**	**1,416**	**11,187**	**14,682**

	Consolidated/Parent			
As at 30 June 2024	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Accrued benefits*	33,488	3,414	124,284	161,186
Net market value of fund assets	(30,424)	(1,488)	(108,387)	(140,299)
Net (surplus)/deficit	**3,064**	**1,926**	**15,897**	**20,887**

* There is no allowance for a contribution tax provision within the accrued benefit figure for AASB 1056. Allowance for contribution tax is made when setting the contribution rates.

Economic assumptions

The economic assumptions adopted for 30 June 2025 in accordance with AASB 1056 *Superannuation Entities*.

Weighted average assumptions	Per annum
Expected rate of return on Fund assets backing current pension liabilities	7.0% p.a.
Expected rate of return on Fund assets backing other liabilities	6.2% p.a.
Expected salary increase rate (excluding promotional salary increases)	3.47% 25/26; 3.56% 26/27; 3.58% 27/28; 3.50% pa thereafter
Expected rate of CPI increase	1.90% 24/25; 2.50% pa thereafter

Sensitivity analysis – AASB 1056

Scenarios A and B relate to the sensitivity of the Accrued Benefits under AASB 1056 to changes in the expected return on Fund assets.

$'000	Base case	Scenario A -0.5% return	Scenario B +0.5% return
Expected rates of return on Fund assets	7.0%/6.2%	6.5%/5.7%	7.5%/6.7%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Accrued benefits ($'000)	156,839	163,603	150,575

Financial year to 30 June 2026	SASS $'000	SANCS $'000	Consolidated/Parent SSS $'000	Total $'000
Expected employer contributions	760	357	2,947	4,064

30 June 2025 Profit or loss impact	SASS $'000	SANCS $'000	Consolidated/Parent SSS $'000	Total $'000
Current service cost	109	106	19	234
Net interest	355	126	2,111	2,592
Profit or loss component of the defined benefit cost	**464**	**232**	**2,130**	**2,825**

30 June 2024 Profit or loss impact	SASS $'000	SANCS $'000	Consolidated/Parent SSS $'000	Total $'000
Current service cost	112	122	70	304
Net interest	400	112	2,213	2,725
Profit or loss component of the defined benefit cost	**512**	**234**	**2,283**	**3,029**

30 June 2025 Other comprehensive income	SASS $'000	SANCS $'000	Consolidated/Parent SSS $'000	Total $'000
Actuarial (gains)/losses on liabilities	907	(476)	5,799	6,230
Actual return on Fund assets less interest income	(1,188)	(28)	(4,474)	(5,690)
Total remeasurement in other comprehensive income	**(281)**	**(504)**	**1,325**	**540**

30 June 2024 Other comprehensive income	SASS $'000	SANCS $'000	Consolidated/Parent SSS $'000	Total $'000
Actuarial (gains)/losses on liabilities	135	473	744	1,352
Actual return on Fund assets less interest income	(508)	(15)	(1,759)	(2,282)
Total remeasurement in other comprehensive income	**(373)**	**458**	**(1,015)**	**(930)**

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 10.6 years.

28 Non-current liabilities – other liabilities

	Consolidated 2025 $'000	Consolidated 2024 $'000	Parent 2025 $'000	Parent 2024 $'000
Subsidies and grants received in advance	89,780	99,880	89,780	99,880
Other liabilities	34	34	34	34
	89,814	**99,914**	**89,814**	**99,914**

Recognition and measurement

Subsidies and grants received in advance

Government grants are recognised where there is reasonable assurance that the grant will be received, and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

Refer to Note 3 for further information on recognition and measurement.

29 Non-current liabilities – contract liabilities

	Consolidated 2025 $'000	Consolidated 2024 $'000	Parent 2025 $'000	Parent 2024 $'000
Contract liabilities	281	910	281	910

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period is expected to be recognised as revenue in future periods as follows.

	Consolidated 2025 $'000	Consolidated 2024 $'000	Parent 2025 $'000	Parent 2024 $'000
12 to 18 months	281	910	281	910

30 Equity – contributed equity

The contributed equity of the Consolidated entity is divided into two equal shares. The Consolidated entity's shareholders are: The Treasurer and Minister for Finance. All shares are issued and fully paid. The contributed equity balance represents transfers on formation of Water NSW, repayment of capital to NSW Government and various transfers of assets and liabilities to and from NSW Government owned entities.

Capital risk management

The Consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Consolidated entity, with approvals of the shareholders, may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the previous Annual Report.

Recognition and measurement

The contributed equity includes the net assets balance transferred between agencies as a result of administrative restructures, and transfers of programs / functions and parts thereof between NSW public sector agencies that are designated or required by Accounting Standards to be treated as contributions by owners. This treatment is consistent with AASB 1004 C*ontributions* and Australian Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*. Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. In most instances this will approximate fair value.

WaterNSW Infrastructure Pty Ltd is incorporated under the *Corporations Act 2001* with issued capital of one hundred (100) fully paid $1 ordinary shares. The current shareholder is Water NSW. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Consolidated entity.

31 Equity transfer

On 26 June 2025, pursuant to the *Assets, Rights and Liabilities (Dungowan Pipeline) Transfer Orders 2025* signed by the Minister for Water, certain assets were transferred to Water NSW from the Department of Climate Change, Energy, the Environment and Water at fair value. This transaction was treated as an equity transfer in accordance with TPP 21-08 *Accounting Policy: Contribution by owners made to wholly-owned Public Sector Entities*.

The values of assets transferred to Water NSW are as follows:

	Fair value $'000
Infrastructure systems	669
Fair value of the assets transferred	**669**

32 Related party transactions

Parent entity

The entity has related party relationships with key management personnel (refer (a) below) and with entities that belong to the NSW Total State Sector Consolidated group controlled by the NSW government (refer (b) below).

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 33.

(b) Government-related entities

Government-related entities are those that are controlled or jointly controlled or significantly influenced by the NSW Government. The aggregate value of the transactions and outstanding balances are as follows:

Related Party	Nature of transaction	Note reference
Sydney Water Corporation	Water supply and delivery	Note 2
NSW Department of Climate Change, Energy, the Environment and Water	Rebates Government grants Various services engagements Asset / equity transfer	Note 2 Note 3 Note 4 Note 31
NSW Treasury Corporation	Finance costs Borrowings	Note 8 Note 20, Note 25
NSW Treasury	Government Guarantee Fee Dividends	Note 8 Note 22
Revenue NSW	Income Tax Land Tax Payroll Tax	Note 10 Note 21 Note 21, Note 26
Essential Energy	Broken Hill Pipeline transportation services	Note 2

33 Key management personnel

The Consolidated entity has related party relationships with key management personnel (refer (a) below) and their related entities (refer (b) below).

(a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Consolidated entity, directly or indirectly. This comprises all directors, whether executive or non-executive, and senior executives who lead the various business units of the Consolidated entity, the Consolidated entity's two shareholder Ministers and Portfolio Minister. Compensation is shown below for the directors and the senior executives only. The NSW Legislature pays the Ministers their compensation and this is not reimbursable from the Consolidated entity.

The aggregate compensation made to directors and other members of key management personnel of the Consolidated entity is set out below.

	Consolidated		Parent	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Short-term employee benefits	4,390	3,938	4,390	3,938
Post-employment benefits	290	252	290	252
Long-term benefits	72	35	72	35
	4,752	**4,225**	**4,752**	**4,225**

	Consolidated		Parent	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Directors excluding Chief Executive Officer	488	490	488	490
Senior executives including Chief Executive Officer	4,264	3,735	4,264	3,735
	4,752	**4,225**	**4,752**	**4,225**

The above disclosures for senior executives are based on accruals of employee benefits during the reporting period in accordance with the requirements of AASB 124 *Related Parties* and AASB 119 *Employee Benefits*.

(b) Other transactions with key management personnel

Any transactions undertaken with key management personnel or entities related to them are conducted on an arm's length basis on commercial terms and conditions. In accordance with the requirements of TPG 23-16 *Related Party Disclosures*, the Consolidated entity collects arm's length transactions only in excess of $100,000. Such transactions are disclosed if it is concluded that they are either quantitatively or qualitatively material to the Consolidated entity's financial statements.

There were no other related party transactions to disclose.

34 Auditor's remuneration

	Consolidated		Parent	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Financial audit of Water NSW	368	357	368	357
Financial audit of WaterNSW Infrastructure Pty Ltd	34	33	-	-
	402	**390**	**368**	**357**

35 Commitments

	Consolidated		Parent	
Capital commitments	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Committed at the reporting date but not recognised as liabilities, payable:				
Property, plant and equipment and intangible assets	91,525	88,422	91,525	88,422
Committed at the reporting date but not recognised as liabilities, payable:				
Within one year	85,874	84,596	85,874	84,596
One to five years	5,651	3,826	5,651	3,826
	91,525	**88,422**	**91,525**	**88,422**

Amounts disclosed as capital commitments includes GST of $8.3 million (2024: $8.0 million) recoverable from the Australian Taxation Office.

36 Contingent assets

The Consolidated entity is currently progressing various insurance claims with its insurer, icare, to recover unrecognised insurance proceeds in relation to remediation costs and capital works required to replace assets written-off pursuant to extreme weather events in recent years (2020 bushfires, 2020 and subsequent floods).

Proceeds from these ongoing insurance claims will be recognised when received. The expected value of the settlement has not been disclosed to avoid prejudicing the claims process.

37 Contingent liabilities

The Consolidated entity is a party to various legal actions and claims which have arisen in the ordinary course of business. Possible 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 Consolidated entity.

The Consolidated entity has a potential exposure to risk from contaminated land and infrastructure that may contain hazardous materials and environmental incidents. There is an ongoing program for the management of contamination and remediation where required. It is not possible to estimate possible liabilities reliably, as the need for and the type of management and remediation is dependent on future events that cannot be determined at this time.

38 Cash flow information

Reconciliation of profit after tax to net cash from operating activities in the statement of cash flows.

	Consolidated 2025 $'000	Consolidated 2024 $'000	Parent 2025 $'000	Parent 2024 $'000
Profit/(loss) after tax	16,650	44,938	17,280	44,670
Depreciation	102,712	99,815	96,982	94,309
Amortisation	4,818	5,602	4,818	5,602
Fair value adjustment through profit or loss	12	(188)	12	(188)
Other (gains) / losses	(1,607)	(384)	(1,703)	(384)
Dec/(inc) trade and other receivables	1,827	(856)	1,177	(1,716)
Dec/(inc) other operating assets	568	(3)	568	(3)
Inc/(dec) trade and other payables	11,665	6,554	11,753	5,967
Dec/(inc) income tax	(19,113)	19,282	(19,693)	19,166
Inc/(dec) other costs of finance	22,390	10,800	18,434	7,647
Inc/(dec) other provisions	12,945	8,131	12,945	8,131
Inc/(dec) other operating liabilities	(2,366)	(747)	(2,366)	(747)
Net cash from operating activities	**150,501**	**192,948**	**140,207**	**182,457**

39 Financial instruments

(a) Risk management framework

The Consolidated entity's principal financial instruments are outlined below. These financial instruments arise directly from operations of the entity or are required by the entity to finance its operations. The Consolidated entity does not enter into or trade financial instruments including derivative financial instruments for speculative purposes.

The Consolidated entity's main risks arising from financial instruments are outlined below, together with the entity's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Board has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing identified risks. Risk management policies are established to identify and analyse the risks faced by the entity, as well as to set limits and controls and monitor identified risks. Compliance with policies is reviewed by the Audit and Risk Committee on a continuous basis.

The totals for each category of financial instruments, measured in accordance with AASB 9 *Financial Instruments* as detailed in the accounting policies to these financials statements, are as follows.

	Consolidated 2025 $'000	Consolidated 2024 $'000	Parent 2025 $'000	Parent 2024 $'000
Financial assets				
Cash and cash equivalents (category: amortised cost)	45,213	63,974	45,206	63,964
Trade and other receivables* (category: amortised cost)	81,555	81,498	77,573	76,875
	126,768	**145,472**	**122,779**	**140,839**
Financial liabilities				
Trade and other payables* (category: amortised cost)	96,388	100,854	90,574	94,951
Borrowings (category: amortised cost)	1,997,713	1,934,935	1,694,797	1,635,975
Lease liabilities	7,462	18,278	7,462	18,278
Dividend Payable	40,000	40,000	40,000	40,000
	2,141,563	**2,094,067**	**1,832,833**	**1,789,204**

* Excludes statutory receivables / payables as well as prepayments and deferred income which fall outside the scope of AASB 7 *Financial Instruments: Disclosures*.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Foreign Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Consolidated entity's exposure to foreign currency risk is immaterial. Water NSW limits currency risk by fully hedging foreign currency transactions in excess of $500,000 within five days of the exposure arising. At the reporting date, there are no material foreign currency exposures attached to any financial assets or financial liabilities.

Interest rate risk

Exposure to interest rate risk arises primarily through the Consolidated entity's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings through TCorp. The Consolidated entity does not account for any fixed rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity.

TCorp manages interest rate risk exposures applicable to specific borrowings of the Consolidated entity in accordance with a debt portfolio mandate agreed between the two parties. TCorp receives a fee for this service. At reporting date, the carrying value of borrowings managed by TCorp for the Consolidated entity stood at $1,998 million (2024: $1,935 million).

Fixed rate instruments	Consolidated 2025 $'000	Consolidated 2024 $'000	Parent 2025 $'000	Parent 2024 $'000
Loans State guaranteed	1,982,470	1,920,166	1,679,554	1,621,207
Loans to Authorities	15,243	14,768	15,243	14,768
	1,997,713	**1,934,934**	**1,694,797**	**1,635,975**

Variable rate instruments	Consolidated 2025 $'000	Consolidated 2024 $'000	Parent 2025 $'000	Parent 2024 $'000
Cash and cash equivalents	45,213	63,974	45,206	63,964

The Consolidated entity's exposure to interest rate risk is set out below.

Intercompany loan of $47.1 million (2024: $37.3 million) is at-call, unsecured and interest free. The interest rate risk exposure is considered to be very low.

	Basis points increase			Basis points decrease		
Consolidated - 2025	Basis points change	Effect on profit before tax $'000	Effect on equity $'000	Basis points change	Effect on profit before tax $'000	Effect on equity $'000
Cash and cash equivalents	100	452	452	(100)	(452)	(452)

	Basis points increase			Basis points decrease		
Consolidated - 2024	Basis points change	Effect on profit before tax $'000	Effect on equity $'000	Basis points change	Effect on profit before tax $'000	Effect on equity $'000
Cash and cash equivalents	100	640	640	(100)	(640)	(640)

	Basis points increase			Basis points decrease		
Parent - 2025	Basis points change	Effect on profit before tax $'000	Effect on equity $'000	Basis points change	Effect on profit before tax $'000	Effect on equity $'000
Cash and cash equivalents	100	452	452	(100)	(452)	(452)

	Basis points increase			Basis points decrease		
Parent - 2024	Basis points change	Effect on profit before tax $'000	Effect on equity $'000	Basis points change	Effect on profit before tax $'000	Effect on equity $'000
Cash and cash equivalents	100	640	640	(100)	(640)	(640)

(c) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Consolidated entity. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment) in the statement of financial position. Credit risk arises from the financial assets of the Consolidated entity, including cash, receivables, and deposits. Credit risk associated with financial assets, other than receivables, is managed through the selection of counterparties, the establishment of minimum credit rating standards, and obtaining sufficient collateral or bank guarantees where appropriate as a means of mitigating the risk of loss.

The Consolidated entity held bank guarantees from various suppliers for the amount of $20.1 million as at 30 June 2025 (2024: $23.0 million).

The Consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all non-government customers of the Consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

No collateral is held by the Consolidated entity and no material financial guarantees have been granted.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than one year.

Credit risk associated with financial assets, other than receivables, is managed through the selection of counterparties and the establishment of minimum credit rating standards. The Consolidated entity's deposits held with NSW Treasury Corporation are guaranteed by the State.

Cash and cash equivalents

Credit risk related to business with banks and other financial institutions is managed by the Audit and Risk Committee in accordance with approved Board policy. Investment with individual counterparties is limited to TCorp and the NSW Government's state financial services provider bank.

Trade and other receivables

All trade receivables are recognised at amounts receivable at reporting date. The Consolidated entity monitors collectability of trade debtors on an ongoing basis and has policies in place to recover or write-off amounts outstanding. Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality.

The entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. The expected loss rates are based on historical observed loss rates and forward-looking information. This analysis includes past experience, and current and expected changes in economic conditions and debtor credit ratings. Debts which are known to be uncollectible are written off. All credit and recovery risks associated with trade debtors have been provided for in the statement of financial position.

Under the *Water Act 1912* and the *Water Management Act 2000* if the NSW Department of Climate Change, Energy, the Environment and Water issues a new licence or transfers an existing licence then that licensee automatically becomes a customer of the Consolidated entity under the conditions of that licence. The Consolidated entity does not undertake any credit quality assessment or define any credit limits before accepting new water customers issued such licences. *The Water Act 1912* allows outstanding monies to be charged on the land supplied with water, and if this charge is registered against the land title, the debt will pass with the land to any future owner. Given these facts, fees charged on a water access licence are largely perpetual and not standard commercial debt where only court action is available to collect a debt when a debt is considered doubtful, unless security is held against the debt. Generally prospective acquirers of a water access licence undertake searches on the licence they are seeking to acquire to determine whether there is any debt outstanding. If there is, the acquirer discounts the market value of the licence by the debt owing or arranges to settle the debt at the time of acquisition. The Consolidated entity also has trade receivables for non-water related charges. The majority of such debt relates to government related bodies and are considered low risk.

(d) Liquidity risk

Liquidity risk is the risk that the Consolidated entity will be unable to meet its payment obligations when they fall due. The Consolidated entity continuously manages risk by monitoring its future cash flows and maturities and holding adequate amounts of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of readily accessible standby facilities.

The Consolidated entity has obtained approval under the *Government Sector Finance Act 2018* (Note 25) for limits on its borrowing facilities.

The Consolidated entity's Financial Capital and Risk Management Policy establishes prudential limits on the percentage of debt which can mature in any one financial year. Planned future capital expenditure will be funded in part through TCorp borrowings. Future committed expenditure is disclosed in Note 35.

The Consolidated entity's current ratio is 0.22 (Parent: 0.21). There is $284.0 million (Parent: $236.6 million) in borrowings that mature in the next twelve months. However, management has the capacity to rollover the debt as and when it falls due. Under the Master Terms agreement with TCorp, the Consolidated entity is able to rollover maturing debt into new debt so long as the total capital value of loan portfolio remains within the approved limit.

In addition, the Consolidated Entity has obtained a letter of shareholder support dated 30 June 2025 from the shareholder Ministers that ensures sufficient financial resources will be made available to meet the Consolidated entity's financial obligations for a period of 12 months from the date that the Financial Statements will be signed by the Directors (the 12 month period from 17 September 2025).

During the current and prior reporting year there were no defaults on loans payable. No assets have been pledged as collateral. The Consolidated entity's exposure to liquidity risk is deemed insignificant based on prior periods data and the current assessment of risk.

Remaining contractual maturities

The following tables detail the Consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated – 2025 Non-derivatives	Weighted average interest rate* %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturity $'000
Non-interest bearing						
Trade payables	-	96,388	-	-	-	96,388
Interest bearing – fixed rate						
Borrowings	3.83%	326,400	365,916	1,043,792	604,741	2,340,849
Lease liability	3.94%	2,028	1,184	3,346	2,258	8,816
Total non-derivatives		**424,816**	**367,100**	**1,047,138**	**606,999**	**2,446,053**

Consolidated – 2024 Non-derivatives	Weighted average interest rate* %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturity $'000
Non-interest bearing						
Trade payables	-	100,854	-	-	-	100,854
Interest bearing – fixed rate						
Borrowings	3.00%	803,012	200,850	662,729	484,499	2,151,090
Lease liability	3.64%	2,524	2,596	8,719	7,720	21,559
Total non-derivatives		**906,390**	**203,446**	**671,448**	**492,219**	**2,273,503**

Parent – 2025 Non-derivatives	Weighted average interest rate* %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturity $'000
Non-interest bearing						
Trade payables	-	90,574	-	-	-	90,574
Interest bearing – fixed rate						
Borrowings	3.83%	272,877	310,147	906,573	500,249	1,989,846
Lease liability	3.94%	2,028	1,184	3,346	2,258	8,816
Total non-derivatives		**365,479**	**311,331**	**909,919**	**502,507**	**2,089,236**

Parent – 2024 Non-derivatives	Weighted average interest rate* %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturity $'000
Non-interest bearing						
Trade payables	-	94,954	-	-	-	94,954
Interest bearing – fixed rate						
Borrowings	2.32%	755,637	148,241	527,056	376,353	1,807,287
Lease liability	3.64%	2,524	2,596	8,719	7,720	21,559
Total non-derivatives		**853,115**	**150,837**	**535,775**	**384,073**	**1,923,800**

(e) Fair value of financial instruments

Cash and cash equivalents, trade and other receivables, trade and other payables and other financial liabilities are short term instruments in nature whose carrying amounts are considered to be a reasonable approximation of their fair values. Borrowings are stated at amortised cost.

The following table details the financial instruments, by class, where the fair value differs from the carrying amount.

	2025		2024	
Consolidated Liabilities	**Carrying amount $'000**	**Fair value $'000**	**Carrying amount $'000**	**Fair value $'000**
Borrowings	1,997,713	2,001,562	1,934,935	1,875,045

	2025		2024	
Parent Liabilities	**Carrying amount $'000**	**Fair value $'000**	**Carrying amount $'000**	**Fair value $'000**
Borrowings	1,694,797	1,702,096	1,635,975	1,589,354

Management has assessed that cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their fair values, largely due to the short-term maturities of these instruments.

The fair value of borrowings is determined by discounting expected future cash flows (principal and interest) to present value using current yields for similar debt securities issued by TCorp (Level 2).

(f) Capital management

The Consolidated entity's agreed capital structure is reviewed every year as part of the Statement of Corporate Intent process. The purpose of such a review is to confirm whether or not the current capital structure continues to be appropriate and, if not, to negotiate revised arrangements between the Board and NSW Treasury.

Dividend policy

The declared dividend of $40.0 million (2024: $40.0 million) is in line with TPG 21-10 *Capital Structure and Financial Distribution Policy for Government Businesses*.

40 Events after the reporting date

On 7 August 2025, pursuant to the Assets, Rights and Liabilities (Sydney Water Corporation) Transfer Order 2025 signed by the Minister for Water, certain Greater Sydney drought planning desalination project costs reported as property, plant and equipment were transferred from Water NSW to Sydney Water at a fair value of $21.379 million. This transaction has been designated as an equity transfer in accordance with TPP 21-08 Accounting Policy: Contribution by owners made to wholly-owned Public Sector Entities.

In August 2025, WaterNSW announced its intention to implement a cost transformation programme and to take further measures to reduce costs. Additionally, to enable WaterNSW to adapt to lower regulated revenues following recent regulatory decisions, it intends to reduce the workforce by 300 positions by the end of calendar 2025 through a voluntary redundancy programme and non-replacement whenever possible. WaterNSW expects the restructuring associated with the reduction in positions to cost approximately $25-29 million in FY26.

Other than as disclosed above, no matter or circumstance has arisen since 30 June 2025 that has significantly affected, or may significantly affect the Consolidated entity's operations, the results of those operations, or the Consolidated entity's state of affairs in future financial years.

Statement by the Accountable Authority

Water NSW

Statement by the Accountable Authority

30 June 2025

Pursuant to section 7.6(4) of the Government Sector Finance Act 2018 ('the Act'), I state that these financial statements:

a) Present fairly Water NSW financial position, financial performance and cash flows as at 30 June 2025.

b) have been prepared in accordance with;
- applicable Australian Accounting Standards (including Australian Accounting Interpretations);
- the applicable requirements of the Act;
- the Government Sector Finance Regulation 2024;
- the Treasurer's directions, and
- the State Owned Corporations Act 1989.

I am not aware of any circumstances at the date of this statement that would render any particulars included in the financial statements to be misleading or inaccurate.

At the date of this statement, there are reasonable grounds to believe that Water NSW will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.

Peter Duncan AM
Chair of the Board of Directors
Water NSW
17 September 2025

AUDITOR-GENERAL NEW SOUTH WALES

INDEPENDENT AUDITOR'S REPORT

Water NSW

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Water NSW, which comprise the Statement by the Accountable Authority, the Statements of comprehensive income for the year ended 30 June 2025, the Statements of financial position as at 30 June 2025, the Statements of changes in equity and the Statements of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information of Water NSW and the consolidated entity. The consolidated entity comprises Water NSW and the entities it controlled at the year's end or from time to time during the financial year.

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 financial position, financial performance and cash flows of Water NSW and the consolidated entity.

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 Water NSW and the consolidated entity 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.

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Key Audit Matters

Australian Auditing Standard ASA 701 'Communicating Key Audit Matters in the Independent Auditor's Report' applies to the audit of the general purpose financial statements of listed entities or when an auditor is required by legislation to communicate key audit matters in the auditor's report. There is no legislative requirement to communicate key audit matters in my independent audit report on Water NSW and the consolidated entity. I have voluntarily included a narrative on Key Audit Matters to enhance the readability of my audit opinion.

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 2025. 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 infrastructure assets, water meters and buildings	
At 30 June 2025, the consolidated entity's statement of financial position reported $3.2 billion of infrastructure assets, water meters and buildings measured at fair value. These assets are highly specialised and account for 80 per cent of the total property, plant and equipment balance. I consider this to be a key audit matter because: • these assets are financially significant to the statement of financial position • the discounted cash flow (DCF) model is complex and involves significant judgements and assumptions • changes in assumptions, such as the discount rate, demand growth expectations, price and cost assumptions, can significantly affect the fair value. Further information on the valuation techniques, inputs and sensitivity for these assets is disclosed in Notes 14 and 18.	Key audit procedures included: • obtaining an understanding of the consolidated entity's approach to estimating the fair value of infrastructure assets, water meters and buildings • assessing whether the DCF model: – incorporated all key assumptions and inputs relevant to valuing these assets of a water entity – met the requirements of Australian Accounting Standards • assessing the competence, capability and objectivity of management's independent experts • reviewing the reasonableness of key assumptions and sensitivity of the conclusions to changes in the assumptions • reviewing the DCF model's mathematical accuracy • assessing the adequacy of the financial statement disclosures against the requirements of the Australian Accounting Standards.
Valuing defined benefit superannuation liabilities	
At 30 June 2025, the consolidated entity's statement of financial position reported defined benefit superannuation liabilities totalling $47.7 million. This liability balance is provided to the consolidated entity by the Administrator of the SAS Trustee, based on an independent actuarial assessment. I consider this to be a key audit matter because: • the defined benefit superannuation liability is financially significant to the statement of financial position • 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 • the 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 27.	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 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 Australian Accounting Standards and Treasurer's Directions.

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, Treasurer's Directions and the *State Owned Corporations Act 1989*. 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 ability of Water NSW and the consolidated entity 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/media/5fkcysek/ar5_2024.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that Water NSW and the consolidated entity carried out their 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.

Nicky Rajani
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

19 September 2025
SYDNEY

Compliance index

Heading	Compliance Requirement	Basis for, or source, of requirement	Completed (Yes, No, N/A)	Page reference
2.1 Acknowledgement of Country	Acknowledgement of Country	TPG25-10a	Yes	Currently page 4
2.1 Letter of submission	Letter to responsible Minister signed by the accountable authority	TPG25-10a	No (placeholder now)	Will be page 6
2.1 Overview	If the agency is established under legislation, name of the Act or Regulation	TPG25-10a	Yes	Currently on pages 18-19
2.1 Overview	Aims and objectives	TPG25-10a	Yes	Currently on page 17
2.1 Overview	Management and structure (including names, offices and responsibilities of principal officers)	TPG25-10a	Yes	Currently pages 22-27
2.1 Overview	High-level description of functions and services	TPG25-10a	Yes	Currently on page 17
2.1 Strategy	Strategic objectives and outcomes	TPG25-10a	Yes	Currently on pages 28-33
2.1 Operations and performance	Key services Service delivery models Significant programs and operations Use of technology How the agency approaches innovation and continuous improvement	TPG25-10a	Yes	Currently on pages 17-24
2.1 Management and accountability	Details of Board structure, members (name, position and term of appointment) and meetings	TPG25-10a	Yes	Currently on pages 53-57
2.1 Sustainability	Outline key sustainability risks and opportunities as well as overall sustainability performance	TPG25-10a	Yes	Currently on pages 66-109
2.1 Financial performance	Summary narrative and analysis of the agency's financial performance during the period. Concise overview that is accessible to the agency's stakeholders (non-financial readers). • Annual GSF financial statements • Controlled entities' financial statements (if applicable) • Audit report concerning the annual GSF financial statements • Clearly identify where the audited information starts and finishes	TPG25-10a	Yes	Currently on pages 110-194
2.2 Infrastructure Program	• description of the major works in progress • cost to date • dates of completion • summary of any significant delays or amendments.	TPG25-10a	Yes	Currently on page 40

Heading	Compliance Requirement	Basis for, or source, of requirement	Completed (Yes, No, N/A)	Page reference
2.3 IPART Act requirements	• particulars of how any such determination has been implemented. • a statement of whether any such recommendation has been implemented and, if not, the reasons why it has not been implemented.	TPG25-10a	Yes	Currently on pages 44-46
2.4 Senior executives	• number of senior executives employed at the end of the reporting year, with a breakdown by band and then gender within each band, compared with the numbers at the end of the previous reporting year. • average total remuneration package of senior executives in each band at the end of the reporting year, compared with the average at the end of the previous reporting year. • the percentage of total employee-related expenditure in the reporting year that relates to senior executives, compared with the percentage at the end of the previous reporting year.	TPG25-10a Public Service Commission Circular 2014-09	Yes	Currently on page 57
2.5 People	• number of employees and officers in full-time equivalent (FTE), with a breakdown by classification of employment, compared to the previous year. • number of employees and officers in headcount with a breakdown by classification of employment, compared to the previous year.	TPG25-10a	Yes	Currently on page 58
2.6 Consultants	For each engagement costing equal to or greater than $50,000: — name of consultant — title of project (shown in a way that identifies the nature of the work) — actual costs. • For engagements costing less than $50,000: — total number of engagements — total cost. • Or a statement that consultants were not used during the reporting period	TPG25-10a	Yes	Currently page 59
2.7 International travel	• total number of employees/officers on the trip/visit • name of conference/program or purpose of trip/visit (only if there is no named conference/program) • either the role title(s) or name of operational area(s)/team(s) participating in the trip/visit • country name(s) of destination(s).	TPG25-10a	Yes	Currently on page 58

Heading	Compliance Requirement	Basis for, or source, of requirement	Completed (Yes, No, N/A)	Page reference
2.8 Requirements arising from employment arrangements	A group 1 agency that provides to, or receives personnel services from another GSF agency must include the following information in its annual reporting information	TPG25-10a	N/A	The only other agency we provide personnel services to is WaterNSW Infrastructure, but they are a subsidiary of WaterNSW and we present a consolidated annual report so no need to make this disclosure.
2.9 PPIP Act requirements	• a statement of the action taken by the agency in complying with the requirements of the PPIP Act • statistical details of any review conducted by or on behalf of the agency under Part 5 of the PPIP Act.	TPG25-10a	Yes	Currently on page 65
2.10 GIPA Act requirements	• details of the agency's review under section 7(3) of the GIPA Act during the reporting year and details of any information made publicly available by the agency as a result of the review • total number of access applications received by the agency during the reporting year (including withdrawn applications but not including invalid applications) • total number of access applications received by the agency during the reporting year that the agency refused, either wholly or in part, because the application was for disclosure of information for which there is conclusive presumption of overriding public interest against disclosure • statistical information as described in Schedule 2 of the Government Information (Public Access) Regulation 2018 (GIPA Regulation).	Section 125(4), (6) of the GIPA Act; clause 8, Schedule 2 and clause 13, Schedule 3 of the GIPA Regulation	Yes	Currently on pages 62-65
2.11 Internal audit and risk management policy attestation	• attest to compliance with TPP20-08's 'core requirements' in an attestation statement based on the relevant template at Annexure C of TPP20-08, and • ensure that this statement is published in the annual report, adjacent to the requirement to disclose 'risk management and insurance activities'	TPP20-08	N/A	This requirement does not apply to State Owned Corporations
2.12 Climate-related financial disclosures	Relevant climate-related financial disclosure	TPG25-10a TPG24-33	Yes	Placeholder on page 82-109

Heading	Compliance Requirement	Basis for, or source, of requirement	Completed (Yes, No, N/A)	Page reference
2.13 Disability inclusion action plans	If a group 1 agency is required to have a disability inclusion action plan under the Disability Inclusion Act 2014, it must include in its annual reporting information, a statement setting out the progress during the reporting year in implementing that plan	Disability Inclusion Act 2014	Yes	Currently on page 76
2.14 Modern Slavery Act requirements	• Significant operational issues: a statement of the action taken by the agency in relation to any issues raised by the Anti-slavery Commissioner during the financial year then ended concerning the operations of the agency and identified by the Commissioner as being a significant issue. • Reasonable steps: a statement of steps taken to ensure that goods and services procured by and for the agency during the financial year then ended were not the product of modern slavery within the meaning of the Modern Slavery Act 2018.	Modern Slavery Act 2018	Yes	Currently on page 80-81
2.15 Work health and safety (WHS)	• overview of the agency's WHS policies, procedures and supports • total number of prosecutions under the Work Health and Safety Act 2011 (WHS Act), compared to previous year • total number of notifiable incidents to SafeWork NSW under the WHS Act, compared to previous year • number of reportable workers compensation claims by category/mechanism of injury, compared to the previous year.	TPG25-10a	Yes	Currently on pages 75-77
2.16 Workforce diversity	• Agencies must report statistics for both the representation and distribution of employees in diversity groups, in the same format as the report provided to each agency by the Public Service Commission. • Agencies must report on the workforce diversity achievements during the reporting year and the key workforce diversity strategies proposed for the following year.	PSC Circular 2014-09	Yes	Currently on pages 76-77
2.17 Costs and benefits associated with machinery of government charges	• overview of the relevant machinery of government changes	TPG25-10a	N/A	N/A

For more information

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