SDN Children's Services

Annual 20 Report 26

Your child,
supported by
our village.



sdn
children's services

ABN: 23 000 014 335

Welcome to our SDN village,
where everyone belongs.

sdn
children's services



SDN Acknowledges

the unique position of Aboriginal and Torres Strait Islander peoples in our culture and history, and expresses this by recognising the Traditional Custodians of the many lands our services are situated on, and paying respect to Elders, past and present.



SDN Children's Services

Annual Report 2026

ABN 23 000 014 335

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Level 3
19–37 Greek Street
Glebe NSW 2037

View our *Annual Report* at
www.sdn.org.au/corporate-publications

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Directors & Officers

Directors

The Directors as at publication at 30 September 2026 were:

Tom Taylor
President

Kirsty Albert
Director

Leanne Boyle
Director

Angela Donohoe
Director

Helen Hamilton-James
Director

Glenn Hughes
Director

Darren Mitchell
Director

Biljana (Billie) Sankovic
Director

Eamon Waterford
Director

For more information on our Directors, see www.sdn.org.au/about-sdn/governance

CEO
Kay Turner

Company Secretary
Dianne Speakman

Registered Office & Principal Place of Business

Level 3
19-37 Greek Street
Glebe NSW 2037

Auditor

BDO Audit Pty Ltd
Level 25
252 Pitt Street
Sydney NSW 2000

Senior Leadership Team

The Senior Leadership Team as at publication at 30 September 2026 was:

Kay Turner
Chief Executive Officer

Rod Nadwie-Smith
Head of Services

Adrienne Jerram
Head of Marketing and Communications

Tanuja Bissa
Chief Financial Officer

Michelle Evans
Chief People Officer

Glynis Chang
Director of Organisational Development

Sumit Chugani
Finance Director

Bryan Mattes
Director of Social Impact and Governance

For more information on our Senior Leadership Team, see www.sdn.org.au/about-sdn/our-team





Our Purpose

is to promote and enhance **the wellbeing, learning and development of children**, in inclusive environments.

Our Values

In carrying out our purpose we commit ourselves to being:



Trustworthy + Reliable

Inclusive + Respectful

Creative + Innovative

President's & CEO's *report*

This year was marked by both significant achievements and important strategic decision-making. As the needs of children, families, communities and governments continue to evolve, SDN remained focused on delivering quality, impact and sustainability while navigating an increasingly complex operating environment.

The year saw a softening in demand across the early childhood education and care sector, affecting utilisation levels in many services. Declining birth rates, ongoing cost-of-living pressures, market over supply and changing workforce participation patterns all contributed to a more challenging operating environment. At the same time, services increasingly supported children and young people with complex developmental, behavioural and support needs, placing additional demands on educators, practitioners and frontline staff.

Across all three sectors, the year was characterised by significant policy reform. Child safety reforms in early childhood education and care, preparations for NDIS changes and the introduction of Thriving Kids, and the redesign of family preservation services all contributed to a rapidly evolving environment that required SDN to adapt, advocate and innovate.

A dedicated Board strategy session challenged us to think deeply about how SDN can continue to help children thrive while championing inclusion in a changing world. It sharpened our focus on where SDN can have the greatest impact, how we manage and strengthen our portfolio of services, and how we build on the enduring strengths of the SDN Way while evolving to meet emerging needs and opportunities.

These conversations informed several significant decisions during the year, including progressing the relocation of SDN Bluebell to Nicholls in the ACT, the sale of SDN North Sydney, the closure of SDN Hurstville and the reshaping of our shared services functions. While challenging, each decision was guided by a commitment to SDN's long-term sustainability and our responsibility to direct resources to the services, communities and opportunities where we can make the greatest difference.

SDN recorded a small deficit for the year, reflecting purposeful investment in our future capability and service delivery. In addition to funding the SDN Bluebell relocation, key investments were the refurbishment of SDN Linthorpe Street in Newtown, and the implementation of a new Customer Relationship Management system designed to improve the experience of families and strengthen our position in an increasingly competitive environment.

We are proud to have been a strong voice for children, young people and families in important policy and sector reform discussions throughout the year. This included providing evidence to the NSW Legislative Council Inquiry into the Early Childhood Education and Care Sector, contributing to discussions on the Children (Education and Care Services National Law Application) Amendment Bill 2025 (NSW), and participating in consultations that informed both the House of Representatives Inquiry into the Thriving Kids Initiative and the Senate Inquiry into the Quality and Safety of Australia's Early Childhood Education and Care System. These opportunities enabled SDN to advocate for high-quality, inclusive services and to help shape policy reforms that improve outcomes for children, families and communities.

We also welcomed the Federal Minister for Education, the Hon Jason Clare MP; the Federal Minister for Early Childhood Education, Senator the Hon Jess Walsh; and the UK Secretary of State for Education,The Rt Hon Bridget Phillipson MP to SDN Riverwood, and hosted the Governor of NSW, Her Excellency the Honourable Margaret Beazley AC KC, and her husband Mr Dennis Wilson at SDN Lois Barker. These occasions reflected SDN's growing reputation as a respected voice in discussions about the future of education, inclusion and children's services.

In a year marked by increased public scrutiny of children's safety and wellbeing, maintaining excellence in quality, safety and compliance remained a priority across all SDN's services. While media reports highlighted serious failures in parts of the early childhood education and care sector, SDN remained steadfast in our commitment to child-safe, high-quality practice, supported by strong governance, capable leaders and a culture of continuous improvement.

Our performance continued to reflect this commitment, with SDN services assessed and rated as Meeting or Exceeding the National Quality Standard and a successful mid-term NDIS Quality and Safeguards audit. These outcomes provide important assurance to children, families, communities and government that SDN's services continue to operate to a high standard.

One of the most significant reforms during the year was

the NSW Government's redesign of the Family Preservation Program, replacing a longstanding model that had its origins in Brighter Futures. The new Families Together reform introduced a new service system and a larger number of providers, creating a highly competitive environment for organisations seeking to continue this important work.

SDN was pleased to be selected as a provider following a tender process and, while our funding allocation will support fewer families than under the previous model, the outcome recognises SDN's longstanding expertise in working alongside families to help children and young people remain safely at home. We are proud to continue contributing our experience, evidence-informed practice and strong community partnerships to this important reform.

At the same time, SDN actively contributed to discussions on the design of the Thriving Kids initiative, one of the most significant reforms to children's developmental and disability supports in recent years. Drawing on our experience across early learning, disability and family support, we advocated for integrated, evidence-informed and family-centred approaches that help children thrive in their everyday environments and communities.

With a focus on innovation and continuous improvement, we launched a new Customer Relationship Management (CRM) platform. This investment will help us provide more seamless and personalised support to families, while strengthening our ability to attract and retain families in an increasingly competitive market characterised by oversupply.

Our Children's Feedback Program advanced significantly during the year, with increasing numbers of children sharing their perspectives on wellbeing, belonging and their experiences within SDN services. The program continues to be a valuable opportunity for staff to deepen practices that champion inclusion and children's citizenship.

The refurbishment of SDN Linthorpe Street, Newtown, coinciding with the service's 95th anniversary, is providing enhanced spaces for learning, connection and play, supporting another generation of children and families to thrive.

Supporting and retaining a skilled workforce remained a priority for SDN, particularly in the face of strong competition for quality staff. During the year, we continued to invest in our people by supporting access to the Worker Retention Payment for our early learning workforce and introducing salary packaging for people in our Early Childhood Intervention and Family Support Programs.

At the end of 2025 we also commemorated our 120th year by, publishing two special works: *Breaking Down Barriers: A History of Integrated Service Delivery at SDN Children's Services*, documenting our long history of innovation and inclusion, and *Art from the Heart*, a collection of artworks from children, families and staff across SDN. Together, these projects showcase the creativity, diversity and enduring values that have shaped SDN for more than a century.

Following a period of strong leadership from Helen Hamilton-James, the Board welcomed Tom Taylor as President. We thank Helen for her commitment and stewardship of SDN and look forward to Tom's leadership as the organisation continues to focus on sustainability, innovation and impact.

With the experience brought by our long history, we know that the environment around us will continue to change, and SDN will need to keep adapting with it. We know that innovation, courage and careful choices will be required. But we look to the future with confidence. SDN's balance sheet remains strong, supported by robust governance and risk management. The SDN and CFS Boards, alongside leadership, are committed to using this position to reach more children and families.

"Guided by our purpose, informed by the voices of children and families and strengthened by 120 years of experience, SDN will continue to advocate, innovate and deliver high quality, inclusive services that support children to thrive."

Kay Turner, Chief Executive Officer and Tom Taylor, President.



Kay Turner
Chief Executive Officer



Tom Taylor
President

Directors' Report

SDN Children's Services is a not for profit company limited by guarantee and is a charity registered with the Australian Charities and Not-for-profits Commission (ACNC).

Our strategic outcome is to grow our current reach and deliver coordinated children's services, including for children experiencing disadvantage. We will do this by having consistent, quality services that are desirable for families, are sustainable, and have impact.

SDN has a wholly owned subsidiary SDN Child and Family Services Pty Ltd which is endorsed as a Public Benevolent Institution and is responsible for managing government program contracts and services, and programs funded by donations.

This report is our consolidated report for the 2025-26 financial year and contains the information required as part of our regulatory reporting requirements.

Our activities are:

1

Early Learning

2

Early Childhood Intervention

3

Family Preservation & Support



Our Impact *in* 2025-26

4,643
children and families positively impacted.

This year, we positively impacted **4,643 children and families.**

Last year: **4,901**

We provided **2,762 children with high quality early learning** through our 27 centres.

2,762
children supported through our 27 centres.

Last year: **2,797**

220
additional children facing challenges supported.

We supported an additional **220 children facing challenges** to be enrolled in mainstream settings.

Last year: **321**

As at 30 June 2026, we were providing early intervention services for **425 children with disabilities or developmental delays.**

425
children with disabilities or developmental delays.

Last year: **502**



252

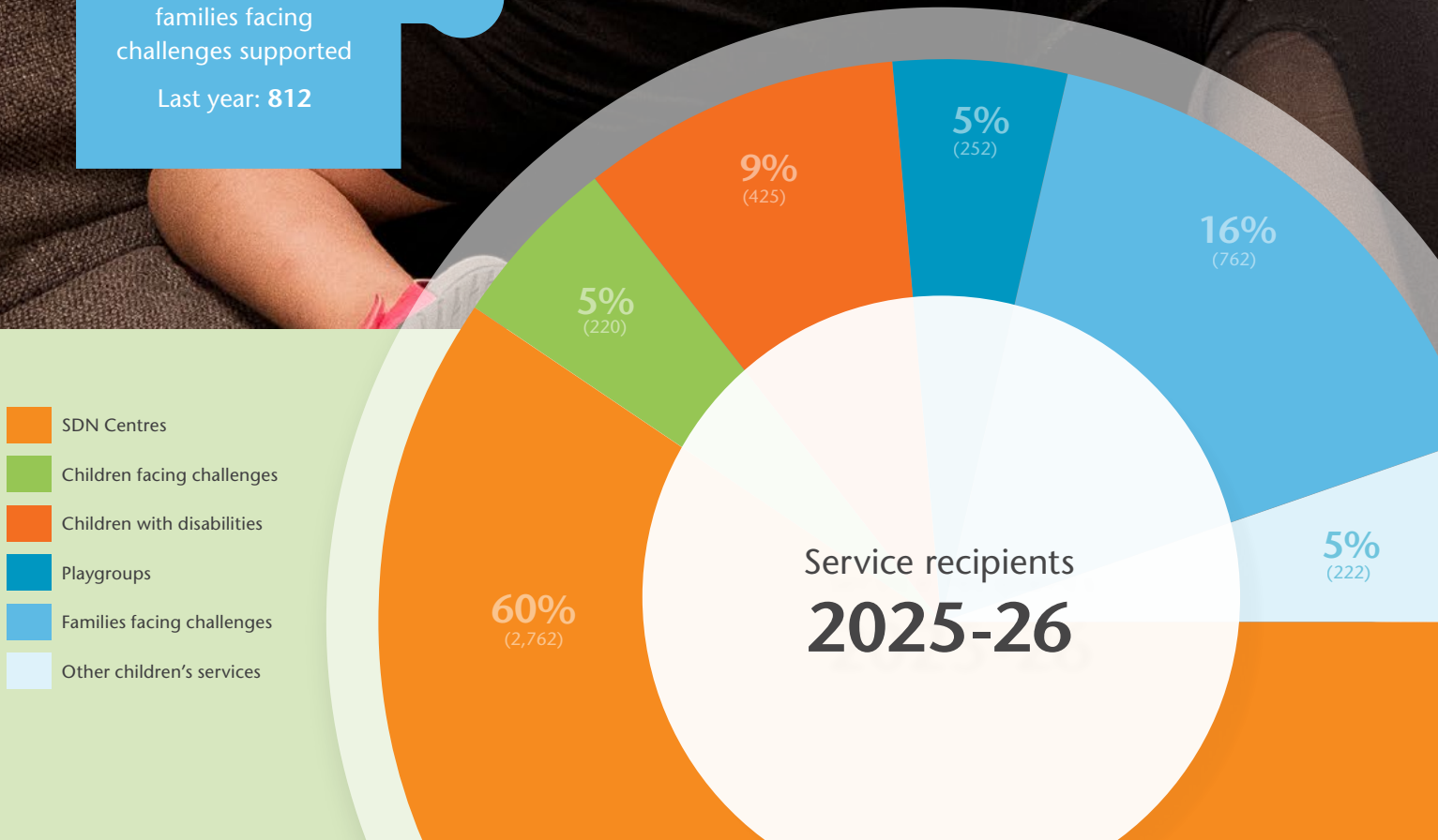
children in supported playgroups and activities.

Last year: **165**

762

families facing challenges supported

Last year: **812**



SDN actively supports the children's services sector to be

more inclusive of children.



In 2025-26, we **supported 212 other service providers** through the following programs:

(compared with **304** last year)

Family Preservation

89 services

Last year: **194**

Playlinks

15 agencies

Last year: **25**



Child & Family Interagency

80 agencies

decomissioned at December 2025

Start Strong Pathways

28 agencies

Last year: 5

Financial Position

The SDN group maintained a **strong financial position** over a challenging year.

Net Assets
2025-26

$57,583,489

2024-25: **$56,553,758**

Cash Equivalents
2025-26

$17,016,116

2024-25: **$17,370,285**



Operating Result for **2025-26**

Financial year 2026 was challenging across all sectors of SDN's operations, marked by workforce shortages, increasing compliance obligations, cost pressures, local competition and continued changes in family demand patterns. Revenue remained broadly consistent with the prior year's, reflecting the resilience of SDN's service portfolio. Continued investment in service quality, workforce capability and strategic property projects, together with broader economic and sector pressures, contributed to an operating deficit for the year. Despite these challenges, SDN's balance sheet remains strong and provides a sound platform to support our purpose and future growth.

2025-26: Deficit of

$(122,744)

2024-25: Deficit of **$(55,759)**

FY2026 includes operating surplus of $344,006 from SDN Child and Family Services

Revenue

Revenue growth from operations remained flat when compared to the prior year's performance with the majority of revenue continuing to be derived from the provision of Early Education and Care services.

The impact to ECEC demand from the effects of ongoing cost of living pressures and the sustained changes to family work patterns and expectations continues, with remote working practices having an impact on weekly utilisation patterns. Revenue from Early Childhood Intervention services dropped. This remains a challenging market in which to participate with uncertainty about future NDIS and Thriving Kids funding models for supporting children with disability or developmental delays contributing to significant staffing challenges and impacting on service delivery. Revenue from the delivery of our government-funded programs remained steady.

Revenue
2025-26
(incl. interest income)
$69,785,305
2024-25: $67,263,801

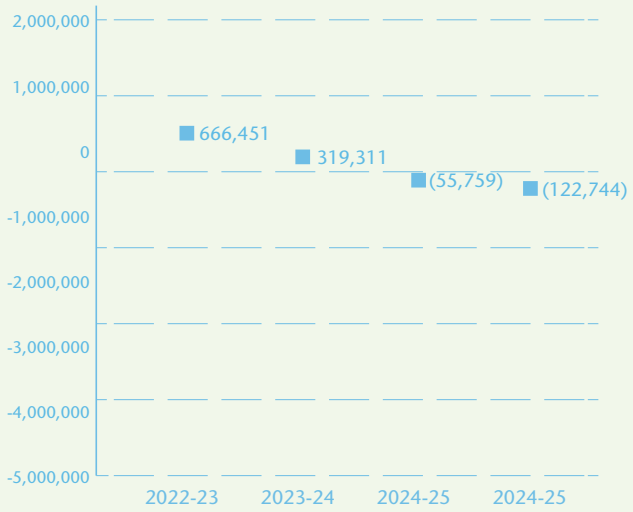


Expenditure
2025-26
$69,908,049
2024-25: $67,319,560

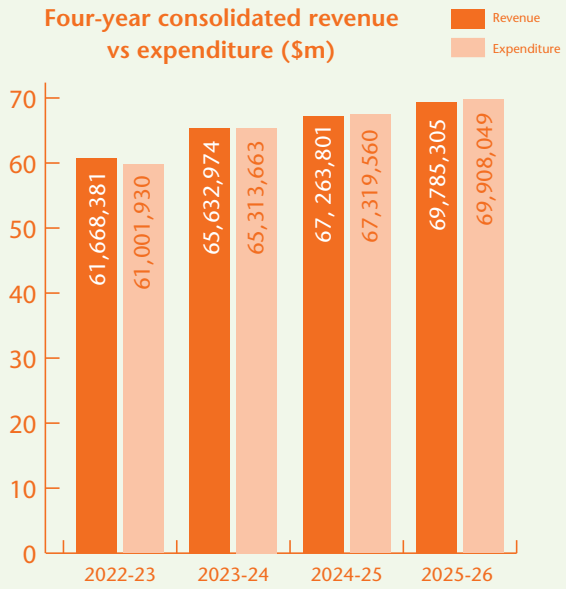
Expenditure

Expenditure was tightly controlled throughout the year. Staffing challenges continued to be experienced in all sectors of SDN operations as services competed in highly competitive job markets. SDN is operating in three sectors experiencing sustained workforce pressure with increasing practice complexity and heightened expectations of quality, safety and inclusion. This has an impact on staff turnover levels and an ongoing upward pressure on wages. Significant projects delivered during 2025-26 included the completion of a significant rejuvenation of SDN Linthorpe Street and the transition from SDN Bluebell's Belconnen site to a larger site in Nicholls, ACT. The ongoing sustained inflationary and cost of living pressures have been felt across SDN's cost base with upward pressure on both direct and indirect expenses experienced throughout the year.

Consolidated surplus / (deficit) over four years



Four-year consolidated revenue vs expenditure ($m)



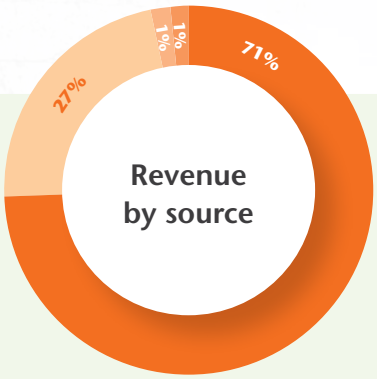
Revenue and expenditure

Fees from Early Childhood Education and Care centres continue to be our most significant source of revenue. The ongoing impacts of increased cost of living pressures, changes in community expectations, lifestyles and work patterns, all have had an adverse impact on utilisation patterns across our centres. Fee increases were also constrained by SDN Children's Services participation in the Federal Government's Worker Retention Payment grant program.

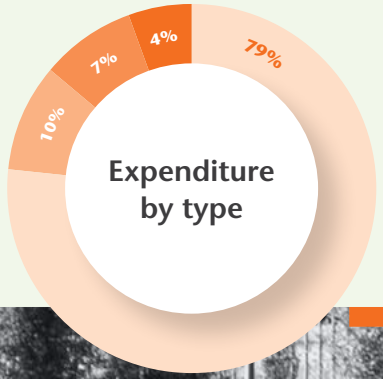
During 2025-26, revenue from our fee-for-service therapies for children with a disability or developmental delay decreased on prior year levels.

We have rebranded this part of our business previously known as Children's Therapies to SDN Early Childhood Intervention to provide immediate clarity to families, better reflect government and sector terminology and position SDN for future service delivery across developing federal and state disability funding approaches.

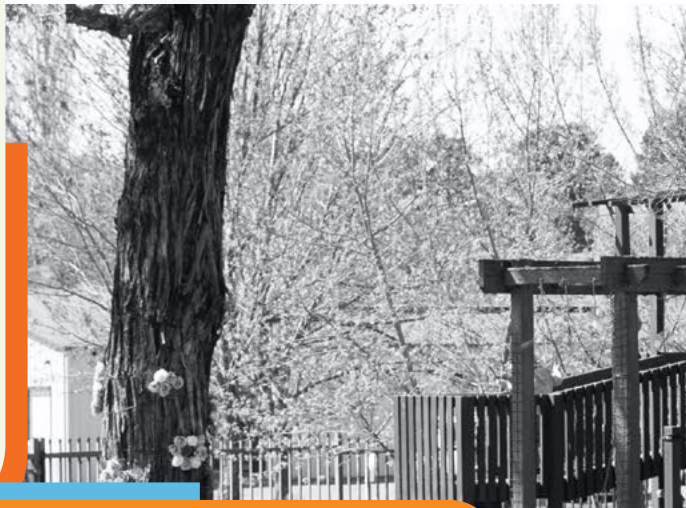
Federal and state government funding is for the delivery of specific programs and projects resulting from successful tenders and grant applications. The majority of this comes from our delivery of the Family Preservation program.



- Parent fees and child care benefit
- Government grants and subsidies
- SDN Early Childhood Intervention
- Other

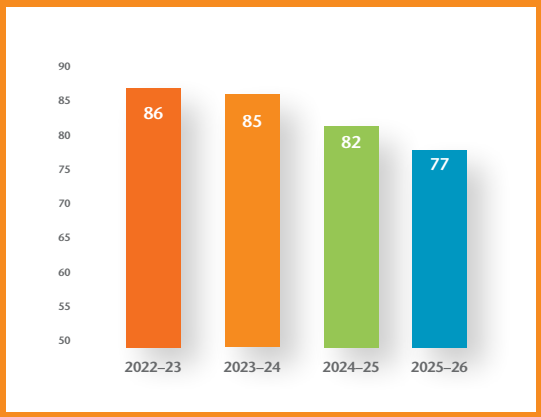


- Staff costs
- Occupancy expenses
- Administration
- Service delivery



Centre utilisation

as a percentage of approved places over 4 years (%)





SDN Early Learning

Revenue
2025-26

$49,455,043

2024-25: $49,148,679

Revenue remained steady over the year, with cost-driven fee increases offset by shifts in consumer behaviour — particularly the persistence of flexible work patterns, which have contributed to uneven demand for services. Despite these challenges, SDN continues to experience strong utilisation levels, albeit slightly lower than the previous year, in a competitive market. While increased public scrutiny across the sector has placed additional demands on service delivery, SDN has maintained its commitment to delivering early learning outcomes that go "beyond quality", guided by the SDN Way.

SDN Early Childhood Intervention





Fee-for-service revenue for SDN Early Childhood Intervention (previously Children's Therapies) declined during the year. In addition to ongoing significant challenges associated with operating under the NDIS and difficulties in recruiting qualified staff there has been increased uncertainty and speculation throughout the year around ongoing funding opportunities with changes to the NDIS and the development of the Thriving Kids framework. In response, SDN has maintained the approach initiated in the previous financial year of delivering an integrated centre-based model of service delivery. The new model works with streamlined back-end processes and enhances the experience for families, with services now delivered through several SDN centres rather than stand-alone locations. While activity levels decreased, this does not reflect the underlying demand for support among children, families, and carers. Recruitment and retention of experienced staff remains a critical challenge.

Revenue
2025-26

$528,628

2024-25: $887,583

Family Preservation and Support Programs

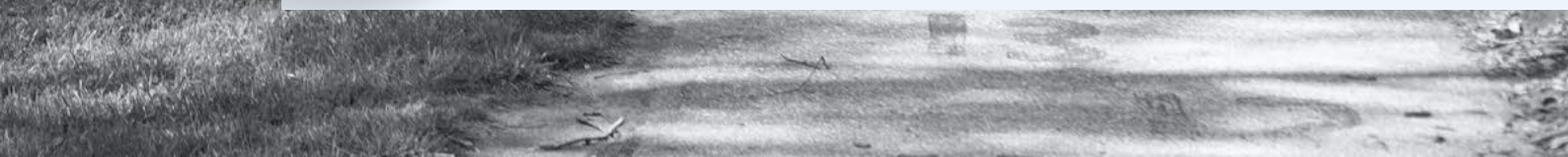


Revenue
2025-26

$10,337,807

2024-25: $9,994,839

We have sustained our level of support for families and continue to be trusted advisers. Our largest government-funded contract for the NSW Family Preservation program was extended from its 1 April 2026 close to come to its conclusion at the end of the 2026 financial year. We have contributed to the NSW Government's redesigning of this program and tendered for the resulting Families Together program coming into effect from July 2026. Significant time and resources have been devoted to the decommissioning of the Family Preservation program, activation of Families Together in the areas we were successful in securing service delivery and advocating for families and children throughout both processes. Funding for our other programs was maintained during the year.



Other resources

Philanthropy

We received much appreciated philanthropic grants and donations from various foundations, our members, families and staff throughout the year. These are used to fund ***Aboriginal and Torres Strait Islander Scholarships***, and ***SDN Access and Inclusion Scholarships*** along with other projects supporting SDN's impact.

2025-26

$179,295

2024-25: $217,177



Fundraising

A number of our early learning centres benefit from additional equipment purchased from local fundraising initiatives.

2025-26

$1,741

2024-25: **$2,974**



Scholarships for Children

During **2025-26** we supported:

18 children

with Aboriginal and Torres Strait Islander Scholarships totalling **$108,000.**

Last year: 22

+

9 children

with Access and Inclusion Scholarships children totalling **$54,000.**

Last year: 8

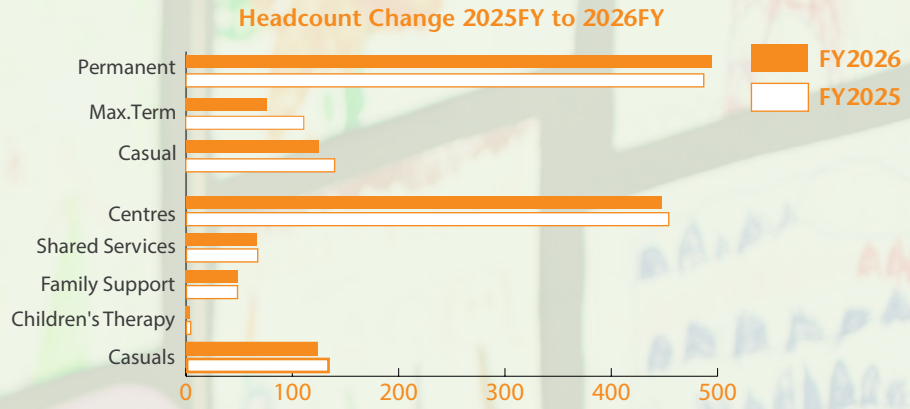
Our staff

As at 30 June 2026, we employed a total of **696 staff**. Of these, **71%** are permanent employees, **11%** are employed on maximum term contracts aligned with our funded programs and **17%** are casual staff.

Staff by service stream 2025-26

- Centres
- Children's Therapies
- Family Preservations and Family Support
- Shared Services
- Casuals





Students and trainees

In 2025-26, SDN **supported 99 student placements across its centres**, with the majority in Early Childhood Teaching (ECT) degrees. Of these, **48** placements (**48%**) were filled by SDN staff reflecting our ongoing commitment to (and investment) in internal workforce development.

SDN also continues to address sector-wide teacher shortages by supporting four educators through the University of Wollongong's Accelerated Pathways Program, in addition to two who graduated at the end of 2025 calendar year.

Information *on* Directors during 2025-26



Tom Taylor

President from November 2025 to current

Member of Risk and Audit Committee
Member of Governance and Remuneration Committee
Member of the Property Committee
Director since July 2019

Bachelor of Business (CSU); Certified Practising Accountant (CPA); Graduate of Australian Institute of Company Directors

Kirsty Albert

Chair of Governance and Remuneration Committee
Director since February 2010

Bachelor of Arts (Hons) (Syd); Bachelor of Laws (Syd); Graduate of the Australian Institute of Company Directors; Director and Fellow, Governance Institute of Australia

Leanne Boyle

Member of Property Committee
Director since February 2025

Bachelor of Land Economics (Hons) (UTS); Masters Business Management Administration (UTS); Graduate of the Australian Institute Company Directors

Linda Cassidy (resigned December 2025)

Chair of SDN Child and Family Services Board from November 2024
Director since February 2018

Bachelor of Arts (Social Science) (Curtin); GradCertMktg (UTS); Member of the Australian Institute of Company Directors

Angela Donohoe

Chair of the Property Committee
Member of Risk and Audit Committee
Director since June 2014

Bachelor of Commerce (Accounting, Finance and Systems) (UNSW); Fellow Certified Practicing Accountant (FCPA); Graduate of the Australian Institute of Company Directors (GAICD); Senior Fellow of Financial Services Institute of Australasia (SF FIN)

Helen Hamilton-James

Chair of Risk and Audit Committee
Member of Governance and Remuneration Committee
Director since July 2019

Bachelor of Law (Hons) (Aberd); Member of Chartered Accountants Australia and New Zealand; Graduate of the Australian Institute of Company Directors



Glenn Hughes

Member of Governance and Remuneration Committee
Member of the Property Committee
Director since August 2014

Bachelor of Commerce (Accounting/Finance) (UNSW); Bachelor of Law (UNSW); Masters of Law and Management (AGSM)

Darren Mitchell

Chair of Research Ethics Committee
Chair of SDN Child and Family Services Board
Director since November 1996

Bachelor of Economics; Master of Economics (Syd); PhD (Syd)

Biljana (Billie) Sankovic

Director of SDN Child and Family Services Board
Director since February 2025

Bachelor of Social Work (Hons) (CSU); Master of Human Services Management and Policy, with distinction (CSU)



Directors' attendance at SDN Board Meetings

for the 2025-26 financial year

Name	No° of Meetings Attended	No° of Meetings Eligible to Attend
Tom Taylor *(President)*	15	15
Kirsty Albert	13	15
Leanne Boyle	13	15
Linda Cassidy *(resigned December 2025)*	3	5
Angela Donohoe	14	15
Helen Hamilton-James	15	15
Glenn Hughes	14	15
Darren Mitchell	11	15
Biljana Sankovic	11	15

Work of Board Committees

The SDN Board appoints committees to assist it in carrying out its work and currently has **four standing committees in place.**

Risk and Audit Committee

This committee assists the Boards in the effective discharge of their responsibilities in the areas of statutory reporting, internal control systems, risk management systems, insurance and legal proceedings, and the external audit functions.

Governance and Remuneration Committee

This committee assists and advises the Boards in fulfilling its responsibilities in governing both organisations and the SDN group collectively, including consideration of board composition, Board renewal and development, CEO appointment, succession planning and review. This committee also works with the CEO to determine the overarching remuneration policy.

Research Ethics Committee

This committee makes decisions regarding the approval or otherwise of Applications for Research and Evaluation at SDN in accordance with ethical principles identified in the Guidelines for Research and Evaluation at SDN, monitors compliance by those granted approval, and provides advice on policies and procedures relating to research and evaluation at SDN. This committee includes external committee members as well as at least one SDN board director.

Property Committee

This committee assists and advises the SDN Board in fulfilling its responsibilities in decision making regarding the proposed major development and/or divestment of specific properties owned by SDN.







Other items *to* report

Membership

SDN is a company limited by guarantee. Contributions payable per member in the event of winding up is limited to twenty dollars.

Review of Operations

Information on the operations and financial position of the SDN group and its business strategies and prospects are set out in the President's and CEO's Report on page 8 of this Report.

Likely developments and expected results of operations

The group will continue to pursue its objectives of improving the performance and quality of its children's services during the next financial year.

Significant changes in state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the group.

Events subsequent to the balance date

In the opinion of the Directors there were no significant changes in the state of affairs of the company.

Environmental issues

The company's operations are not regulated by any significant environmental regulation under law of the Commonwealth or of a State or Territory. The Directors are aware of general environmental considerations and believe the company complies with community standards.

Indemnity and insurance of officers

The company has indemnified the Directors and executives of the group for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the Directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor. During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the group or any related entity.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2026 has been received and is on page 32.

Signed in accordance with a Resolution of the Board of Directors:

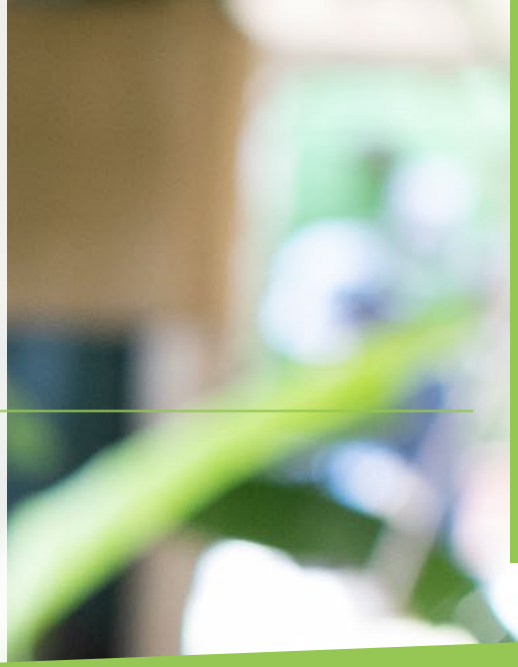
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Tom Taylor

President Dated: 23 October 2026



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Auditor's Independence Declaration
for the year ended 30 June 2026

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Level 25, 252 Pitt Street
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Australia

DECLARATION OF INDEPENDENCE BY LEAH RUSSELL TO THE DIRECTORS OF SDN CHILDREN'S SERVICES

I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit of SDN Children's Services for the year ended 30 June 2026.

This declaration is in respect of SDN Children's Services and the entities it controlled during the period.

Leah Russell
Director



BDO Audit Pty Ltd

Sydney

23 October 2026

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Consolidated Statement of Profit or Loss and other comprehensive income for the year ended 30 June 2026

	Notes	2026	2025
		$	$
Revenue	A1	69,176,200	66,480,532
Interest income		609,105	783,269
Employee benefits expenses	A2	(55,389,420)	(52,075,715)
Occupancy expenses	A2	(3,275,203)	(2,904,973)
Administration expenses	A2	(4,915,541)	(5,386,406)
Service delivery expenses	A2	(2,868,749)	(3,656,725)
Depreciation expenses	A2	(3,459,136)	(3,295,741)
Deficit		(122,744)	(55,759)
Income tax expense	E5 (v)	—	—
Deficit		(122,744)	(55,759)
Other comprehensive income, net of tax			
Will not be reclassified to profit or loss			
Revaluation gain on land and buildings	B1	1,152,475	7,033,267
Total comprehensive income for the year		**1,029,731**	**6,977,508**

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
as at 30 June 2026

	Notes	2026 $	2025 $
Current assets			
Cash and cash equivalents	C1 (ii)	17,016,116	17,370,285
Trade and other receivables		920,823	792,971
Financial assets		54,620	404,194
Other current assets		1,442,573	1,244,366
Assets held for sale		7,303,200	—
Total current assets		26,737,332	19,811,816
Non-current assets			
Property, plant and equipment	B1	51,751,225	58,431,965
Right-of-use-assets	B1	7,818,649	3,881,045
Other non-current assets		465,454	223,212
Total non-current assets		60,035,328	62,536,222
Total assets		**86,772,660**	**82,348,038**
Current liabilities			
Trade and other payables	C1 (iii)	10,747,365	9,453,589
Provisions	C1 (iv)	6,845,784	8,501,849
Lease liabilities - current	C1 (v)	1,801,427	1,279,065
Borrowings - current	C1 (vii)	650,674	607,578
Total current liabilities		**20,045,250**	**19,842,081**
Non-current liabilities			
Other payables	C1 (iii)	914,952	678,504
Provisions	C1 (iv)	482,813	399,541
Lease liabilities - non-current	C1 (vi)	6,560,414	3,037,737
Borrowings - non-current	C1 (vii)	1,185,742	1,836,417
Total non-current liabilities		**9,143,921**	**5,952,199**
Total liabilities		**29,189,171**	**25,794,280**
Net assets		**57,583,489**	**56,553,758**
Equity			
Reserves	D1 (i) (ii)	47,976,757	46,823,464
Retained earnings		9,606,732	9,730,294
Total equity		**57,583,489**	**56,553,758**

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

Consolidated Statement of Changes in Equity
for the year ended 30 June 2026

	Notes	Retained earnings $	Asset revaluation reserve $	Fundraising reserve $	Total $
Balance at 30 June 2024		**9,785,863**	**39,763,501**	**26,886**	**49,576,250**
Other comprehensive income		—	—	—	—
Revaluation gain		—	7,033,267	—	7,033,267
Deficit for the year		(55,759)	—	—	(55,759)
Total comprehensive income for the year		(55,759)	7,033,267	—	6,977,508
Transfers to and from reserves — fundraising reserve	D1	190	—	(190)	—
Balance at 30 June 2025		**9,730,294**	**46,796,768**	**26,696**	**56,553,758**
Other comprehensive income		—	—	—	—
Revaluation gain		—	1,152,475	—	1,152,475
Deficit for the year		(122,744)	—	—	(122,744)
Total comprehensive income for the year		(122,744)	1,152,475	—	1,029,731
Transfers to and from reserves — fundraising reserve	D1	(818)	—	818	—
Balance at 30 June 2026	D1	**9,606,732**	**47,949,243**	**27,514**	**57,583,489**

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

Consolidated Statement of Cash Flows
for the year ended 30 June 2026

	Notes	2026	2025
		$	$
Cash flows from operating activities			
Receipts from customers and government (inclusive of GST)		72,526,250	74,238,102
Payments to suppliers and employees (inclusive of GST)		(69,248,143)	(68,843,949)
Interest paid		(460,864)	(360,489)
Net cash from operating activities		**2,817,243**	**5,033,664**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,242,305)	(1,813,029)
Receipts for financial assets		349,574	(389)
Net cash used in investing activities		**(892,731)**	**(1,813,418)**
Cash flows from financing activities			
Repayments of lease liabilities		(1,671,103)	(1,574,491)
Proceeds/(repayment) of borrowings		(607,578)	1,007,376
Net cash used in financing activities		**(2,278,681)**	**(567,115)**
Net increase in cash held		**(354,169)**	**2,653,131**
Cash and cash equivalents at beginning of financial year		17,370,285	14,717,154
Cash and cash equivalents at end of financial year	**C1 (ii)**	**17,016,116**	**17,370,285**

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

A. Where do our funds come from and how are they spent?

A1. What are our sources of revenue?

Our primary sources of revenue are from child care fees, children's therapies fees and State and Federal Government grants. We also receive donations for children scholarships and other revenue for student placement.

	2026	2025
	$	$
Revenue from services – parent fees and child care subsidy	49,455,043	49,148,679
Revenue from services – children's therapies	528,628	887,583
Grants and subsidies – Commonwealth government	4,227,210	1,660,474
Grants and subsidies – NSW state government	14,637,496	14,297,843
Grants and subsidies – ACT government	83,222	85,683
Donations for scholarships and centre operations	179,295	217,177
Other revenue	65,306	183,093
Total revenue	**69,176,200**	**66,480,532**

(i) The Australian Government's Workers Retention Payment (WRP) Program (originally due to expire on 30 November 2026) has been extended for another 2 years, now expiring 30 June 2028.

(ii) Total funding received for FY26 is $3.8m, WRP has been recognised on a gross basis. SDN continues to submit applications for additional funding (top up of back pay) on a quarterly basis;

(iii) The prior year comparatives for WRP had been recognised on a net basis, and for this year the comparative has been updated to reflect a gross basis, thus increasing revenue by $1,290,651.

As part of its activities, SDN Children's Services and its controlled entities receive donations from philanthropic foundations, businesses and individuals for our work with our four priority areas:

- Aboriginal and Torres Strait Islander Early Childhood Scholarships
- Working with children with disability, including our Access and Inclusion Scholarships and our work at SDN Beranga
- Working with children and families facing challenges
- SDN Building Fund

Donations received

Donations recognised in Statement of Profit or Loss and Other Comprehensive Income[1]

	2026	2025
	$	$
SDN Child and Family Services Pty Limited — early learning fees[1]	179,295	217,177
SDN Children's Services Incorporated Building Fund — general donations[2]	—	—
Total donations	**179,295**	**217,177**

[1] *Revenue from donations that are directed for use in payment of early learning fees.*

[2] *Donations disclosed as donations and bequests under revenue, which are general donations not directed towards a specific purpose.*

What is the relevant accounting policy?

Revenue recognition

Revenue from the rendering of childcare and children's therapies' services is recognised over time as performance obligations are satisfied, which is upon delivery of the service, primarily on a daily or monthly basis. Revenue from childcare subsidy is recognised in the period to which the benefit relates.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument.

Grant revenue is recognised at a point in time in the statement of profit or loss and other comprehensive income when the company obtains control of the grant. If conditions are attached to the grant which must be satisfied, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

When grant revenue is received whereby the company incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the performance obligation has been delivered to the contributor, otherwise the grant is recognised as revenue at a point in time on receipt.

Donations are recognised as revenue when received unless relating to a specific purpose, and interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument. General donations are recognised as revenue when received. Donations of child care fees are recognised as revenue when the care is delivered.

A2. Where has the funding been spent?

We have spent the income we received over the course of this financial year on programs that support the following goals.

	2026 $	2025 $
Provide high quality early childhood education and care services	53,389,092	50,483,088
Support children who face challenges	7,315,625	7,883,452
Strengthen families and communities	9,203,332	8,953,020
Total expenditure	**69,908,049**	**67,319,560**

The main categories of expenditure were as follows:

	2026 $	2025 $
Superannuation expense	5,565,890	4,878,496
Other employee benefits expense	49,823,530	47,197,219
Employee benefits expense	**55,389,420**	**52,075,715**
Rent expenses	50,685	41,509
Repairs and maintenance expenses	3,185,395	2,831,514
Furniture and appliance expenses	39,123	31,950
Occupancy expenses	**3,275,203**	**2,904,973**
Operating expenditure	1,724,232	1,861,036
IT and equipment expense	1,009,846	1,070,785
Other expenses	471,567	594,656
Marketing expenses	449,638	507,010
Professional fees	718,180	931,156
Finance costs	542,078	421,763
Administration expenses	**4,915,541**	**5,386,406**
Childcare expenses	1,952,407	2,031,340
Consulting expenses	636,265	1,375,127
Training and Program expenses	280,077	250,258
Service delivery expenses	**2,868,749**	**3,656,725**
Depreciation – property, plant and equipment	1,680,598	1,733,176
Depreciation – leases	1,778,538	1,562,565
Depreciation expenses	**3,459,136**	**3,295,741**
Total expenditure	**69,908,049**	**67,319,560**

B. What assets do we have and how do we manage them?

B1. Non-current assets

	2026	2025
Property, Plant and Equipment	**$**	**$**
Land and buildings		
Freehold land — at fair value	35,743,975	40,891,500
Total land	**35,743,975**	**40,891,500**
Buildings — at fair value	18,255,316	18,360,389
Less: accumulated depreciation	(3,969,817)	(2,975,407)
Capital works in progress — at cost	86,598	108,732
Total freehold and leasehold buildings	**14,372,097**	**15,493,714**
Plant and equipment — at cost	8,951,538	8,676,949
Less: accumulated depreciation	(7,447,552)	(6,811,183)
Total plant and equipment	**1,503,986**	**1,865,766**
Motor vehicle - at cost	249,095	249,095
Less: accumulated depreciation	(117,928)	(68,110)
Total motor vehicle	**131,167**	**180,985**
Total property, plant and equipment	**51,751,225**	**58,431,965**

	2026	2025
	$	**$**
Right-of-use Assets		
Right-of-use Assets – Land – at cost	441,804	441,804
Less: accumulated depreciation	(236,715)	(202,720)
	205,089	239,084
Right-of-use Assets – Property – at cost	8,145,430	7,291,377
Less: accumulated depreciation	(923,183)	(3,936,670)
	7,222,247	3,354,707
Right-of-use Assets – Office – at cost	481,942	222,008
Less: accumulated depreciation	(278,914)	(197,825)
	203,028	24,183
Right-of-use Assets – Car Park – at cost	124,867	124,867
Less: accumulated depreciation	(67,963)	(58,211)
	56,904	66,656

	2026	2025
Right-of-use Assets	**$**	**$**
Right-of-use Assets – Vehicle - at cost	230,566	230,566
Less: accumulated depreciation	(215,497)	(196,309)
	15,069	34,257
Right-of-use Assets – Equipment - at cost	426,418	426,418
Less: accumulated depreciation	(310,106)	(264,260)
	116,312	162,158
Total right-of-use Assets	**7,818,649**	**3,881,045**
Other Non-current assets	465,454	223,212
Total non-current assets	**60,035,328**	**62,536,222**

Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Property, plant and equipment					
	Land	**Buildings**	**Plant and Equipment**	**Motor Vehicle**	**Work in progress**	**Total**
2026	**$**	**$**	**$**	**$**	**$**	**$**
Balance at the beginning of year	40,891,500	15,384,981	1,865,766	180,986	108,732	**58,431,965**
Additions	—	892,878	260,229	—	89,198	**1,242,305**
Revaluation	1,152,475	—	—	—	—	**1,152,475**
Reclassification	(6,300,000)	(1,003,200)	—	—	—	**(7,303,200)**
Disposal	—	—	—	—-	(91,722)	**(91,722)**
Transfers in/(out)	—	5,250	14,360	—	(19,610)	—
Depreciation expense	—	(994,410)	(636,369)	(49,819)	—	**(1,680,598)**
Carrying amount at the end of year	35,743,975	14,285,499	1,503,986	131,167	86,598	**51,751,225**

	Property, plant and equipment					
	Land	**Buildings**	**Plant and Equipment**	**Motor Vehicle**	**Work in progress**	**Total**
2025	**$**	**$**	**$**	**$**	**$**	**$**
Balance at the beginning of year	34,930,500	12,919,342	2,289,150	81,480	1,098,373	**51,318,845**
Additions	—	—	—	—	1,813,029	**1,813,029**
Revaluation	5,961,000	1,072,267	—	—	—	**7,033,267**
Transfers in/(out)	—	2,291,572	361,773	149,325	(2,802,670)	**—**
Depreciation expense	—	(898,200)	(785,157)	(49,819)	—	**(1,733,176)**
Carrying amount at the end of year	40,891,500	15,384,981	1,865,766	180,986	108,732	**58,431,965**

What is the relevant accounting policy?

Non-current assets

Each class of non-current assets is carried at cost or fair value less, where applicable, any accumulated depreciation / amortisation and impairment losses.

Plant and equipment

Plant and equipment are measured on a cost basis less depreciation and impairment losses.

Land and buildings

Freehold land and buildings are initially recorded at cost on acquisition and subsequently shown at fair value through other comprehensive income based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. An independent valuation of all freehold land and associated buildings is generally performed every three years.

The land was revalued by directors on 30 June 2026. The valuation was based on obtaining a 30 June 2026 desktop valuation from Marsh Pty Ltd who performed the full independent valuation for 30 June 2025. The Directors have considered the external valuers updated report concluding that there was an increase in land value of $1,152,475.

The current desktop valuation took into account the valuers current experience of the market, influenced by the full valuation completed at 30 June 2025 which was based on the following assumptions:

- The group intends to retain the land and buildings for continuous use in the foreseeable future;
- The operating license for each property is current and transferable;
- The information provided by the group for the revaluation is accurate and verifiable;
- The building complies with all relevant statutory requirements in respect of matters such as but not limited to health, building and fire safety regulations (including asbestos and legionnaires disease), rules, regulations, orders and codes of all authorities, and that there are no outstanding requisitions;
- That there are no onerous encumbrances or interests reported on title, which adversely affect the values, marketability and continued utility of the property or business;

The primary method utilised by the independent valuer at 30 June 2025 was the Direct Comparison method based on a rate per licensed place. They analysed sales evidence of similar transacted childcare centres in the vicinity of the properties and determined an appropriate rate per licensed place. The secondary method used by the independent valuer was the Capitalisation of Income approach, which estimates the net market rental income of each property analysed on an income basis per licensed place, then capitalised this figure at an appropriate capitalisation rate (net yield) to arrive at market value.

Increases in the carrying amount arising on revaluation of freehold land and buildings are credited to a revaluation reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss. In accordance with AASB 116 *Property, Plant and Equipment*, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

All other impairments are charged to the statement of profit or loss and other comprehensive income. Leasehold improvements are measured at cost less depreciation and impairment losses.

Depreciation

The depreciable amount of all fixed assets including buildings, but excluding freehold land, is depreciated over their useful lives to the group commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Buildings	4% - 10% straight line
Motor vehicle	20%-25% straight line
Plant and equipment	20% - 33% straight line

Purchases of plant and equipment using grant funds that are not the property of the group are expensed to profit or loss in line with the terms and conditions of the funding agreement.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Held for sale

The property in North Sydney was held for sale at year end. The property has an accounting value at year end of $7,303,200. It has been classified as a separate current asset in the balance sheet.

A contract of sale has been signed on 14 August 2026 for $9.40m excl. GST. Settlement expected to occur on 11 December 2026 (conditional upon successful transfer of license, which is now lodged).

Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

C. How do we manage our risk and working capital?

C1. Capital Management

Management controls the capital of the group to ensure that adequate cash flows are generated to fund its operations and that returns from investments are maximised. The Risk and Audit Committee monitors the financial position in line with this objective. The Risk and Audit Committee operates under policies approved by the Board of Directors.

The group's capital consists of accumulated surpluses.

Management effectively manages the group's capital by assessing the group's financial risks and responding to changes in these risks. These responses may include the consideration of cash investments and debt levels.

There have been no changes to the strategy adopted by management to control the capital of the group since the previous year. The strategy of the group is to maintain a low gearing ratio. The external debt held by the group 30 June 2026 is $1,836,416 (2025: $2,443,995).

(i) Working Capital

	2026	2025
	$	$
Current assets	26,737,332	19,811,816
Current liabilities	(20,045,250)	(19,842,081)
Net current liabilities	6,692,082	(30,265)

Refer to going concern considerations in note E5(i).

(ii) Cash and cash equivalents

	2026	2025
	$	$
Cash at bank and on hand	6,516,116	6,429,231
Short-term bank deposits	10,500,000	10,941,054
	17,016,116	17,370,285

What is the relevant accounting policy?

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term deposits with original maturities of three months or less.

(iii) Trade and other payables

	2026	2025
	$	$
Current		
Trade payables	763,724	642,247
Sundry payables and accrued expenses	7,326,501	6,072,315
Unearned income – grant revenue	2,275,203	2,220,135
Unearned income – child care fees in advance	381,937	518,892
	10,747,365	**9,453,589**

	2026	2025
	$	$
Non-current		
Sundry payables and accrued expenses	**914,952**	**678,504**

Financial liabilities at amortised cost classified as trade and other payables

	2026	2025
	$	$
Trade and other payables:		
Total trade and other payables	11,662,317	10,132,093
Less: unearned income	(2,657,140)	(2,739,027)
Financial liabilities as trade and other payables	**9,005,177**	**7,393,066**

Funds held on behalf of funding bodies

As part of its activities, the group received funding from government departments in its capacity as project manager which are then distributed to external child care centres around New South Wales. Projects which SDN managed include the Supporting Children with Additional Needs Program (SCAN) program. This program was funded by the NSW Department of Education to provide advice, support and resources to preschools which enrolled children with additional needs. This program ended on November 2014. As at June 2026 $735,940 (2025: $735,940) in administration funding was held on behalf of the Department of Education which will be refunded upon request.

What is the relevant accounting policy?

Trade Payables and Funds held on behalf of funding bodies

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Funds for operational projects undertaken by the company on behalf of funding bodies are recognised on the statement of financial position as unearned income. As the project commences and costs are incurred, the unearned income recognised is reduced and revenue is recognised in the statement of profit or loss and other comprehensive income. Where the funds received relate to capital projects, funds are only recognised as revenue when the entity obtains control of the contribution and has no obligation to repay the funds. Until control is obtained the amounts are held as unearned revenue.

(iv) Provisions

	2026	2025
	$	$
Current:		
Annual leave	3,417,624	3,507,941
Long service leave	2,639,367	2,500,652
Rostered days off	190,998	214,636
Contract termination	443,794	682,904
Make-good	154,001	154,001
Employee benefits provision (i)	—	1,441,715
	6,845,784	8,501,849
Non-current:		
Long service leave	205,976	193,865
Make-good	276,837	205,676
	482,813	399,541

Movement in provisions

	2026	2025
	$	$
Make-good		
Balance brought forward	359,677	203,354
Additions	71,161	156,323
Balance carried forward	430,838	359,677
Contract termination		
Balance brought forward	682,904	650,234
Additions/(Reversals)	(239,110)	32,670
Balance carried forward	443,794	682,904

(i) Last year it was the first year for the Australian Government's Workers Retention Payment (WRP) program, and the balance of $1,441,715 related to expected employee payables to be made under the program for the period December 2024 to June 2025. The payments were disbursed in 2026. In the current year the WRP program is now received monthly in arrears.

Provision for employee entitlements

A provision has been recognised for employee entitlements relating to rostered days off, annual and long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken are based upon historical data.

A provision has also been recognised for employee entitlements relating to contract terminations for employees on fixed

term contracts and staff employed in SDN managed centres based on the amount expected to be settled in the event that funding programs and centre leases are not renewed. The liability represents the termination payments to be paid at the anticipated completion of their employment.

The measurement and recognition criteria for employee benefits have been included in critical accounting estimates and judgements below.

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 group does not have an unconditional right to defer settlement. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The amount of $484,089 reflects leave that is not expected to be taken within the next 12 months.

Provision for make-good

A provision has been recognised in relation to the make-good of a number of premises currently leased by the group. This amount represents the expected amount to be paid out upon termination of the lease to make-good the premises.

What is the relevant accounting policy?

Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at balance date, taking into account the risks and uncertainties surrounding the obligation.

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The liability for contract termination is recognised as a current or non-current liability as there is a legal and constructive obligation at the reporting date. The liability is measured at the amount expected to be paid when the liability is settled and is based on employees' services up to the reporting date.

The group contributes to a number of superannuation funds which exist to provide benefits to employees and their dependants on retirement, disability or death. The group's commitment in respect of the superannuation funds (which are all accumulation funds) is limited to making the specified contributions. The group's contributions to the superannuation funds are expensed in the statement of profit or loss and other comprehensive income as incurred.

Critical accounting estimates and judgments

Provision for long service leave

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Provision for termination liabilities

The group recognises termination benefits for employees employed to work for specific grant funded programs where on-going employment is contractually dependent on renewal of the funding program. The provision is measured at the present value of the amounts expected to be paid on termination of the program and assumes program funding is not renewed in perpetuity.

(v) Lease liabilities – Current

	2026	2025
	$	$
Lease Liabilities – Land	43,487	41,817
Lease Liabilities – Property	1,594,480	580,191
Lease Liabilities – Office	88,878	574,060
Lease Liabilities – Car Park	12,578	12,095
Lease Liabilities – Equipment	50,891	50,891
Lease Liabilities – Vehicle	11,113	20,011
	1,801,427	**1,279,065**

(vi) Lease liabilities – Non - Current

	2026	2025
	$	$
Lease Liabilities – Land	213,154	247,914
Lease Liabilities – Property	6,095,001	1,618,291
Lease Liabilities – Office	116,129	971,047
Lease Liabilities – Car Park	60,493	70,586
Lease Liabilities – Equipment	71,226	115,400
Lease Liabilities – Vehicle	4,411	14,499
	6,560,414	**3,037,737**

Future lease payments

Future lease payments are due as follows.

	2026	2025
	$	$
Within one year	1,801,427	1,279,065
One to five years	3,806,703	2,117,067
More than five years	2,753,711	920,670
	8,361,841	**4,316,802**

What is the relevant accounting policy?

Lease liabilities

Leases have been recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the consolidated entity.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the consolidated entity under residual value guarantees;
- the exercise price of a purchase option if the consolidated entity is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the consolidated entity exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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 leases in the consolidated entity, the lessee's incremental borrowing rate is used, being the rate that the individual lessee 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.

The consolidated entity determines its incremental borrowing rate based on rate that the individual lessee 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.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(vii) Borrowings

	2026	2025
	$	$
Bank loans (current)	650,674	607,578
Bank loans (non-current)	1,185,742	1,836,417
Total borrowings	**1,836,416**	**2,443,995**

On 28 June 2022, the Group entered into a loan to finance the purchase of furniture and fit outs for the Greek Street office. The term of the loan is 72 months and the interest rate is 6.95%. In addition, on 4 December 2025, the Group entered into a loan agreement with a bank to finance fit outs for SDN Macquarie Park Centre (new centre). The term of the loan is 60 months and the interest is 6.78%. There are no covenants related to the loans.

What is the relevant accounting policy?

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

D. Appendices

D1. Reserves and retained earnings

(i) Reserves and retained earnings

Fundraising reserve	**2026**	**2025**
	$	**$**
Opening balance	26,696	26,886
Transfers to fundraising reserve	818	(190)
Closing balance	27,514	26,696

The fundraising reserve reflects accumulated fundraising revenue due to be expended on costs of fundraising, entertainment, functions and children's equipment.

(ii) Asset revaluation reserve

	2026	**2025**
	$	**$**
Asset revaluation reserve	47,949,243	46,796,768

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets as described in Note B1.

D2. Unrecognised items

Contingent Assets

There were no contingent assets as at 30 June 2026 (2025: $nil).

Contingent liabilities

SDN Child and Family Services Pty Limited holds the land title of 128 Hartington Street, Rooty Hill. The land is part of the Beranga project. A caveat exists over the property which dictates that SDN Child and Family Services Pty Limited is not able to dispose of the land without the prior consent of the NSW Department of Communities and Justice. On disposal of the asset, the group is required to remit to the Department, an amount of the proceeds equal to the proportion of total funds that they contributed to the project. Only the SDN portion of the property at the valuation date is taken up.

Bank guarantees

SDN Children's Services has provided performance and rental guarantees amounting to $750,359 (2025: $564,660). SDN Child and Family Services Pty Limited has provided performance and rental guarantees amounting to $nil (2025: $69,575).

D3. Impairment

Impairment of financial assets

The group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

E. Other Information

E1. Key management personnel compensation

Key management personnel (as at 30 June 2025)

Directors

Thomas Taylor (*President)*

Kirsty Albert
Leanne Boyle
Linda Cassidy (resigned December 2025)
Angela Donohoe
Helen Hamilton-James
Glenn Hughes
Darren Mitchell
Biljana Sankovic
Barbara Wise (CFS Board only)

Directors Remuneration

Board members serve on a voluntary basis and do not receive remuneration. They can be reimbursed for a reasonable amount of expenses directly related to Board activities.

Other key management personnel

Kay Turner, Chief Executive Officer
Tanuja Bissa, Chief Financial Officer
Dianne Speakman, Head of Communication & Corporate Affairs, Company Secretary (to December 2025), Company Secretary
Michelle Phipps, Chief People Officer
Rodney Nadwie-Smith, Head of Services
Glynis Chang, Director of Organisational Development
Adrienne Jerram, Director of Marketing and Customer Experience (to December 2025), Head of Marketing and Communications
Sumit Chugani, Finance Director
Bryan Mattes, Director of Environmental Social and Governance

The increase in 2026 is due to two positions not filled in 2025.

	Short-term benefits	Post-employment benefits	Other long term benefits	Termination Benefits	Total
	$	$	$	$	$
2026					
Total compensation	1,982,395	203,015	164,486	—	2,349,896
2025					
Total compensation	1,878,910	192,169	(3,058)	—	2,068,021

E2. Controlled entities

Controlled entities

SDN Children's Services is the sole beneficiary of SDN Children's Services Building Fund. This fund is intended to subsidise capital projects for the construction and maintenance of pre-school buildings. The balance of the fund including cash at bank and investments was $135,474 (2025: $130,134).

SDN Children's Services also owns 100% of SDN Child and Family Services Pty Limited, a company limited by shares, incorporated and domiciled in Australia. The principal activities of SDN Child and Family Services Pty Limited are the provision of support services for children and families, largely funded through government grants.

E3. Related party transactions

Related party transactions

Disclosures relating to key management personnel are set out in Note E1.

Transactions between related parties are on a cost basis.

All staff are eligible for a discount on childcare fees in SDN Children's Education and Care Centres for their children.

As at 30 June 2026, trade payables in SDN Children's Services included an amount of $102,659 (2025: $147,295) payable to its subsidiary, SDN Child and Family Services Pty Limited. The trade receivables balance included an amount receivable of $712,542 (2025: $290,796) from SDN Child and Family Services Pty Limited. These balances have been eliminated on consolidation.

In 2026, SDN Children's Services, the parent entity, provided an unsecured at-call loan of $500,000 to SDN Child and Family Services Pty Limited to assist in the development of the NDIS program. Interest is charged on a monthly basis at a variable interest rate of 8.37% (2025: 8.77%) per annum based on the ATO benchmark interest rate as of financial year 2026. No repayments of capital have been made.

The intercompany loans payables and receivables were eliminated at consolidation.

E4. Parent entity disclosures

Parent entity disclosure

	2026	2025
	$	$
Current assets	22,357,514	16,151,461
Total assets	82,003,196	78,222,044
Current liabilities	16,846,055	16,929,051
Total liabilities	25,939,974	22,805,847
Equity	56,063,445	55,513,016
Deficit	(467,569)	(96,819)
Other comprehensive income		
Revaluation gain on land and buildings	1,114,000	6,484,438
Total comprehensive income for the year	646,208	6,387,618

Parent entity contingencies

The details of all contingencies in respect of SDN Children's Services are disclosed in Note D2.

E5. Summary of significant accounting policies

(i) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards - Simplified Disclosures issued by the Australian Accounting Standards Board ('AASB') and the Australian Charities and Not-for-profits Commission Act 2012, as appropriate for not-for-profit oriented entities.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets. The group is a not-for-profit organisation. As such the term "profit" and "loss" is not applicable and the term "surplus" and "deficit" is used where required. The financial statements are presented in Australian Dollars.

Going Concern Basis

As disclosed in the consolidated financial statements, the group incurred a deficit after tax of $122,744 for the year ended 30 June 2026. As at 30 June 2026, the Group also had net current assets of $6,692,082 (2025: ($30,265)) and incurred net cash inflows for operating activities of $2,817,243 (2025: $5,033,664). The Directors remain confident that the group will be able to continue as a going concern with debts able to be paid as and when they fall due, and that it is appropriate to adopt the going concern basis in the preparation of the consolidated financial report for the following reasons:

- Cashflow projections demonstrate that there is sufficient working capital to maintain a positive cash balance;
- The group holds cash reserves at 30 June 2026 of $17,016,116; and
- The group holds unencumbered property assets of $52,030,585 which can be used as security on an operating overdraft facility if required.

(ii) New, revised or amending Accounting Standards and Interpretations adopted

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the entity for the annual reporting period ended 30 June 2026.

(iii) Intercompany loans

Where the loan is between a parent and subsidiary, the interest is recognised as income by the lending entity and an expense by the borrowing entity. Interest on the loan is charged as per the Benchmark Indicator Lending rate interest rate per ATO Division 7A and settled on a monthly basis. Loans between the parent and the subsidiary are excluded on consolidation.

(iv) Income tax

No provision for income tax has been raised as the entity is exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997.*

E6. Other required disclosures

(i) Auditor's remuneration

	2026	2025
	$	$
Remuneration of the auditor of the consolidated group for:		
- audit services	102,000	97,000
- assistance with the preparation of financial statements	18,000	17,000
	120,000	114,000

(ii) Events occurring after reporting date

The SDN Board has approved the closure of Hurstville Child Care centre permanently on 24 December 2026 due to sustained under-utilisation, structural demand decline, and financial non-viability. This decision follows extensive consideration of the long-term sustainability of the service, changing patterns of demand. This will ensure SDN continues to direct its resources where they can have the greatest impact for children and families.

A contract of sale for North Sydney has been signed on 14 August 2026 for $9.40m excl. GST. Settlement is expected to occur on 11 December 2026 (conditional upon successful transfer of license, which is now lodged).

No other matter or circumstance has arisen since 30 June 2026 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Forms of Fundraising Appeals conducted for the year ended 30 June 2026

For the purpose of reporting under the requirements of the Charitable Fundraising Act 1991, the group has detailed the forms of fundraising activities conducted for the year ended 30 June 2026. The fundraising activities and appeals include hosting of functions, raffles, sale of items and donations.

(iii) Company details

The registered office and the principal place of business is:

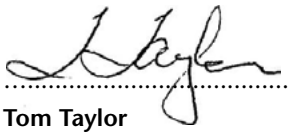
SDN Children's Services
Level 3
19-37 Greek Street
Glebe NSW 2037

Declaration by Directors in respect of fundraising appeals

In the opinion of the Board of Directors of SDN Children's Services and its controlled entities:

1. The consolidated statement of profit and loss and other comprehensive income gives a true and fair view of all income and expenditure of SDN Children's Services with respect to fundraising appeals; and
2. The consolidated statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeals; and
3. The provisions of the Charitable Fundraising Act 1991 (NSW), the regulations under the Act and the conditions attached to the authority have been complied with; and
4. The internal controls exercised by SDN Children's Services are appropriate and effective in accounting for all income received and applied by SDN Children's Services from any of its fundraising appeals.

Signed in accordance with a Resolution of the Board of Directors.



.....

Tom Taylor
Director

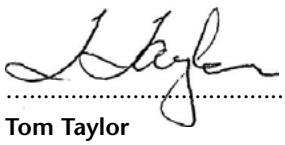
23 October 2026

Director's Declaration
for the year ended 30 June 2026

In the directors' opinion:

1. the attached financial statements and notes comply with the Australian Accounting Standards - Simplified Disclosures, the Australian Charities and Not-for-profits Commission Act and other mandatory professional reporting requirements;
2. the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2026 and of its performance for the financial year ended on that date; and
3. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



.....

Tom Taylor
Director

23 October 2026

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the members of SDN Children's Services

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of SDN Children's Services (the registered entity) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2026, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including material accounting policy information, and the responsible entities' declaration.

In our opinion the accompanying financial report of SDN Children's Services, is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2026 and of its financial performance for the year then ended; and

(ii) Complying with Australian Accounting Standards – Simplified Disclosures and Division 60 of the *Australian Charities and Not-for-profits Commission Regulations 2022*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The responsible entities of the registered entity are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the registered entity's annual report, but does not include the financial report and our auditor's report thereon.

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Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of responsible entities for the Financial Report

The responsible entities of the registered entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Simplified Disclosures and the ACNC Act, and for such internal control as the responsible entities determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, responsible entities are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible entities either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The responsible entities of the registered entity are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/media/apzlwn0y/ar3_2024.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd



Leah Russell

Director

Sydney
23 October 2026

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October 2026