South East Water

Annual Report 2025–26

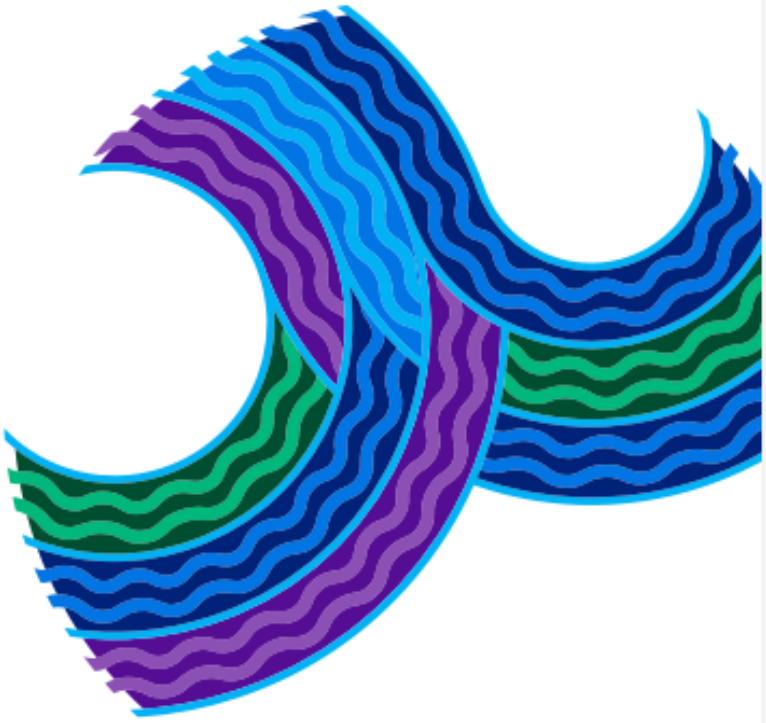


Acknowledgement

South East Water proudly acknowledges the Traditional Owners of the land on which we work and live and pay respect to their Elders past and present.

We acknowledge all Aboriginal and Torres Strait Islander people and their continuing connection to the land and waters throughout Australia.

We recognise and value the rich cultural heritage and the ongoing contributions of Aboriginal people and communities.



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Message from the Chair and Managing Director

In accordance with the *Financial Management Act 1994*, we're pleased to present South East Water's Annual Report for the year ending 30 June 2026.

This year was one of strong performance and disciplined delivery for South East Water. Despite continuing cost pressures, growing customer demand and increasing climate challenges, we remained focused on delivering safe and reliable services, supporting customers and investing in the long-term resilience and prosperity of our region. At the same time, we continued preparing for the future by strengthening our approach to safety, financial sustainability and water security in an increasingly complex operating environment.

Every day, more than **1.9 million people** rely on us, and our service area continues to be one of Australia's fastest-growing regions. Meeting the needs of existing and future customers requires careful planning, ongoing investment and a focus on long-term sustainability. We take that responsibility seriously. Our role supports public health, protects the environment and contributes to the liveability of Melbourne's south-east and the Mornington Peninsula.

Delivering safe and reliable services

Providing safe drinking water, sewerage and recycled water services remains our core focus and responsibility.

Throughout the year, we maintained high standards of water quality and service reliability while continuing to meet strict regulatory requirements. We supplied **146 billion litres of drinking water** while managing **141 billion litres of wastewater** across our service area. Our customers expect us to be there when they turn on the tap, flush the toilet or need support, and we delivered on these expectations consistently across our network.

In 2025–26, we continued investing in infrastructure to improve service reliability and announced a significant enhancement of our Network Operations Control Centre (NOCC). This investment will strengthen our ability to predict and detect issues before they occur, reducing customer impacts and improving the reliability of services across our network.

Customer-focused services and support

Many households and businesses continue to face affordability pressures.

Throughout the year, we supported around **19,400 customers** experiencing financial hardship to remain connected to essential water services through tailored assistance and early intervention programs, supporting both customer wellbeing and long-term

affordability. We introduced pre-bill reminders to help customers better manage household budgets and avoid unexpected costs, while continuing to provide personalised support for those needing additional assistance.

Despite ongoing affordability pressures and economic uncertainty, customer trust and satisfaction remained strong. Community trust averaged **90%** across 2025–26, exceeding our target by **21 percentage points**, while customer satisfaction reached **94%** in quarter 4.

We also continued supporting business customers through targeted water efficiency programs, smart monitoring technologies and proactive leak detection initiatives. Participating businesses saved an estimated **139 million litres** of drinking water and around **$527,000** in water costs through the WaterSmart program.

We enhanced the security of our digital services through the introduction of multi-factor authentication, helping customers manage their accounts with greater confidence. At the same time, we improved the customer experience by reducing call wait times and making it easier for customers to access the information and support they need.

Our commitment to customers and community extends beyond service delivery. We continued engaging with customers, community groups, Traditional Owners, local government and industry partners to better understand expectations and help shape future services and investment decisions. Together, these partnerships help ensure our services, investments and programs deliver value where it matters most.

Building a resilient future

Greater Melbourne's water security remains one of the most significant challenges facing our sector. Climate change, population growth and increasing water demand are placing greater pressure on our water resources and infrastructure. The establishment of the Minister for Water's Water Security Taskforce was an important step in shaping Melbourne's long-term water future and ensuring a coordinated response to these challenges.

We continued to play our part by progressing major recycled water projects that will help reduce reliance on precious drinking water supplies while supporting community open spaces, agriculture and local industry. The completion of the Monterey Recycled Water Scheme, together with continued progress on the Dingley and Western Port recycled water schemes and recycled water treatment plant upgrades, represents a significant investment in our region's future. By 2030, we'll operate more than **2,000 km of recycled water mains**, creating one of Australia's largest recycled water networks and strengthening the resilience of our water system.

We also continued expanding digital metering, with more than **300,000 devices** now in operation across our service area. These devices are helping customers detect leaks earlier, better understand their water use and make more informed decisions about water consumption. Collectively, the program has already saved more than **4.2 billion litres** of water and delivered customer savings of more than **$19.2 million**. The annual water savings have been achieved as digital metering has expanded across the region, with **34% of properties** in our service area now connected.

By investing in alternative water sources, digital technologies and integrated water management, we're helping create a more resilient and sustainable future for our customers and communities. These investments strengthen water security, support liveable and thriving communities, and help ensure future generations continue to have access to safe, reliable and sustainable water services.

Strengthening our foundations

Maintaining financial sustainability while keeping services affordable for customers remained one of our highest priorities this year. Through disciplined financial management, targeted efficiency initiatives and careful investment prioritisation, we maintained a strong financial position and organisational resilience while continuing to deliver value for customers and communities. We ended the year with a profit before tax of approximately **$40.2 million**, reflecting the organisation's financial discipline in a challenging operating environment.

We recognise the increasing financial pressures facing the water sector. Balancing growth, infrastructure investment and climate resilience will require ongoing discipline and careful stewardship in the years ahead. Maintaining financial resilience is essential to ensuring we can continue providing safe and reliable services today while investing in the infrastructure and capabilities required for future generations.

Operational excellence also remains central to our success. Through innovation, data-driven decision-making and continuous improvement, we're improving performance, enhancing customer outcomes and making the best use of our assets and resources. During the year, we achieved a **1.1% reduction** in non-revenue water through improved monitoring, leak detection and coordinated loss reduction activities, while also establishing our Transformation Management Office to strengthen enterprise-wide delivery, prioritisation and value realisation.

This year, we also accelerated our focus on identifying new commercial opportunities and unlocking additional value from our assets, capabilities and partnerships. This work is supporting our ambition to generate new revenue streams over the coming years, diversifying income sources and strengthening long-term financial sustainability while continuing to deliver value for our customers, communities and shareholders.

Our people

None of these achievements would be possible without our people. Across the organisation, our employees demonstrate expertise, care and a shared commitment to delivering for our customers and communities. During the year, we continued investing in safety, wellbeing, leadership, capability and inclusion, with more than **300 employees** participating in learning activities and approximately **115 completing cross-cultural training**. This commitment was recognised through 2 category wins at the Australian Water Association Awards (Victoria) and recognition at the Victorian Water Operator Awards.

Safety remains our highest priority. While we achieved a 25% improvement in our Total Recordable Injury Frequency Rate during the year, any injury is one too many. We know there's more work to do and remain focused on strengthening our safety

culture, critical risk controls, leadership capability and systems to ensure every person returns home safe every day.

Our people are at the heart of everything we do. Their dedication, innovation and willingness to embrace new ways of working help us respond to emerging challenges, improve performance and deliver better outcomes for our customers every day. Their efforts build trust, strengthen our organisation and position us to continue creating value for the communities we serve.

We also thank our Board, customers, community representatives, Traditional Owners, government partners, regulators and stakeholders for their ongoing support and collaboration throughout the year. Together, we're helping create a more sustainable, resilient and prosperous future for our service area.

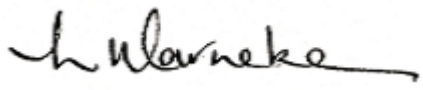
Looking ahead

As we look to the future, our priorities are clear.

Safety will remain at the centre of everything we do. We'll continue strengthening our culture, leadership capability and critical risk controls to support safe outcomes for our people, partners and communities.

We'll continue our focus on financial sustainability in challenging times while investing in water security and delivering the safe and reliable services our customers depend on every day. We'll also continue expanding alternative water sources, digital technologies and resilient infrastructure to support growing customer demand and respond to a changing climate.

Supported by our dedicated people, strong partnerships and a clear long-term vision, we're well positioned to meet the challenges ahead and seize the opportunities that will shape our future while continuing to deliver healthy water for life. Through responsible stewardship, innovation and investment, we'll create lasting value for customers, communities and the environment for generations to come.



Lynn Warneke
Chair
South East Water



Carla Purcell
Managing Director
South East Water

1. Year in review





About South East Water

We're a metropolitan water corporation serving **Melbourne's south-east** and the **Mornington Peninsula**, established by the **Victorian Government**.

We operate on **Bunurong, Wurundjeri Woi Wurrung** and **Gunaikurnai Country**.

Our service area covers **3,640 km²** from Port Melbourne to Portsea and extends about **30 km** east of Pakenham, spanning over **270 km** of coastline.

We deliver water, sewerage and recycled water services and operate 24 hours a day to support healthy, liveable communities.

We operate under the ***Water Act 1989*** and the **Statement of Obligations** issued by the Victorian Minister for Water under the ***Water Industry Act 1994***. During 2025–26, the Minister for Water was the Hon. Gayle Tierney MP from 1 July 2025 to 14 April 2026, and the Hon. Harriet Shing MP from 15 April 2026 to 30 June 2026.

We work with **Melbourne Water** to supply and treat water across Melbourne. **Victorian Government** departments and **independent regulators** oversee our performance, environmental impact, water quality and pricing.

Key facts

1.9 million
people serviced

793,688
residential customers

63,638
business customers

$6.1 billion
infrastructure asset base

146 billion litres
drinking water supplied

8.1 billion litres
recycled water supplied

141 billion litres
wastewater managed

8
water recycling plants

14,834 km*
drinking water pipes

1,675 km*
recycled water pipes

11,762 km*
sewer pipes

15,185
pressure sewer pumps

82
water pump stations

13
recycled water pump stations

277
sewage pump stations

*Figure includes service connections.

Our strategy

Vision

Innovate with purpose. Act with care.

Purpose

To deliver healthy water for life for our customers, community and environment.

Focus areas



Empower our people
We're one team that reflects the diversity of our customers. We welcome differences, and everyone's ideas and viewpoints are valued, building a safe space where people find inspiring opportunities in water.



Deliver for our customers
As part of the community, we know how important it is to get the basics right, and make our customers' experience better every time. In delivering our customer outcomes, our actions support a thriving, more liveable community.



Protect our environment
As we're learning from the Traditional Owners, water is essential for healthy Country. We're driving long-term water security, net-zero emissions and repurposing waste to protect our environment and support our community.



Optimise our operations
Committed to refining our processes, products, assets and service, we strive for continuous improvement. We warn and inform our customers at the right time, as we deliver seamless, fair and affordable services for all.



Drive innovation at scale
Our innovation stretches beyond basic prototypes and is proven to work at scale in real-life communities. We call it 'life-size' innovation. Through partnerships and commercialisation, we share our data, expertise and technology to create step-change impact.

Values

We put safety first	We're bold	We care	We discover	We're real	We deliver sustainably

Financial summary

Table 1. Financial results for year ended 30 June 2026 (extract).

	2022 ($ million)	2023 ($ million)	2024 ($ million)	2025 ($ million)	2026 ($ million)
Total revenue	1,054.5	1,060.1	1,143.4	1,221.0	1,252.3
EBIT	189.2	185.0	213.5	244.5	196.4
Finance costs	78.0	89.2	107.1	132.0	156.2
Net profit before tax	111.2	95.8	106.4	112.5	40.2
Tax expense	32.8	29.4	32.1	32.7	11.6
Net profit after tax	78.4	66.4	74.3	79.8	28.6

Table 2. Financial position as at 30 June 2026 (extract).

	2022 ($ million)	2023 ($ million)	2024 ($ million)	2025 ($ million)	2026 ($ million)
Total assets	4,855.9	5,192.5	5,507.5	5,948.7	6,424.3
Payables and provisions	629.9	697.7	736.2	786.7	813.1
Borrowings	2,302.8	2,476.2	2,852.9	3,112.5	3,466.6
Net assets	1,993.3	2,018.6	1,918.4	2,049.6	2,144.6

Table 3. Cash flows for year ended 30 June 2026 (extract).

	2022 ($ million)	2023 ($ million)	2024 ($ million)	2025 ($ million)	2026 ($ million)
Operating	102.3	158.5	86.8	85.0	78.3
Investing	(149.0)	(227.7)	(298.4)	(301.6)	(434.9)
Financing	46.3	157.9	126.1	219.2	353.7

Current year financial review

In 2025–26, we recorded a net profit after tax of $28.6 million, a decrease of $51.2 million compared with the previous year.

Revenue increased during the year, primarily driven by growth in water and sewerage charges resulting from higher customer growth, increased sewerage volumes treated, and price increases. Expenditure also increased, reflecting higher bulk water and sewage charges from Melbourne Water, increased desalination water order costs, and the continued expansion of service delivery to a growing customer base.

Depreciation expense increased as additional infrastructure assets were commissioned, while finance costs rose due to higher borrowings and interest rates. The result was also impacted by an asset revaluation decrement, where reductions in asset values exceeded the available asset revaluation surplus for certain asset classes.

Despite these factors, South East Water maintains a strong financial position. At 30 June 2026, gearing was 61.7 per cent and funds from operations net interest cover was 1.5 times. Total assets increased by $475.6 million during the year, largely reflecting investment in water and sewerage infrastructure to support population growth and service reliability.

Total liabilities increased by $380.5 million, primarily due to additional borrowings of $354.1 million. These borrowings support the delivery of South East Water's capital investment program and the continued provision of essential water and sewerage services to growing communities.

During the year, we paid dividends of $18.8 million to the Victorian Government.

Capital projects

Capital expenditure of $412.5 million was to support a growing population and for renewal to our water and sewerage infrastructure network.

For more information on our capital projects, and those of the broader Victorian public sector, please refer to the most recent Budget Paper No. 4 State Capital Program available on the Department of Treasury and Finance’s website (dtf.vic.gov.au).

Subsequent events

There were no events occurring after the balance date that may significantly affect South East Water’s operations in subsequent reporting periods.

2. Climate change and energy



The climate change, energy and environmental data included in this section covers all activities within our service area, including offices, depots, the water and sewer networks, and our Blind Bight, Koo Wee Rup, Lang Lang, Longwarry, Somers, Mount Martha, Pakenham and Boneo water recycling plants.

Emissions reductions

In our Emissions Reduction Pledge, we made a promise to reduce our greenhouse gas emissions by 45% from our 2016 baseline by 2024–25. We've delivered on this pledge, cutting emissions and sourcing 100% of our electricity from renewables through generation and offsets.

We're also offsetting all remaining Scope 2 emissions via large-scale generation certificates, marking a major step toward net-zero.

Reducing emissions from our operations

Actions we're taking to reduce Scope 1 emissions

Scope 1 emissions are direct emissions from sources we own or control – such as the energy used to heat water in our treatment facilities, or emissions from diesel used in our company-owned vehicles.

Procurement has started for high-quality and high-integrity Australian Carbon Credit Unit (ACCUs). We're aiming to start offsetting Scope 1 emissions by 2027–28 and to achieve net-zero Scope 1 and Scope 2 emissions by 2030.

We're exploring opportunities to self-generate ACCUs using existing assets and buffer land around our water recycling plants.

We're also implementing a direct emissions monitoring program. We've installed sensors and equipment for accurate measurement of methane and nitrous oxide at Mount Martha and Lang Lang water recycling plants. This will give us a more detailed understanding of the emissions at these water recycling plants.

Actions we're taking to reduce Scope 2 emissions

Scope 2 emissions are indirect emissions from the electricity we purchase and use to power pumps, treatment plants and office buildings.

We've secured additional investment in renewable energy and power purchase agreements, which enabled us to be using 100% renewable electricity from 1 July 2025.

A three-stage program is underway to upgrade the aeration system at Mount Martha Water Recycling Plant to improve energy efficiency and reduce overall energy consumption. We completed 2 stages, with the final stage scheduled for completion in 2026–27.

Emissions reductions indicators

Table 4. Total Scope 1 and 2 emissions reporting.

Service delivery category	Scope 1 and 2 Emissions (t CO_2-e)				Variance (%) between 2024–25 and 2025–26	Commentary
	2024–25 Total Scope 1 and 2 emissions	2025–26 Scope 1 and 2 Emissions				
		Scope 1 emissions	Scope 2 emissions	Total emissions		
Water treatment and supply	0	0	0	0	0	4,879 RECs will offset 3,952 t CO2-e Scope 2 emissions associated with water treatment and supply.
Sewage collection, treatment, and recycling	11,456.37	13,298.11	0	13,298.11	16.08	19,053 RECs will offset 15,433 t CO2-e Scope 2 emissions associated with sewage collection, treatment and recycling.
Transport	1,881.75	1,948.45	0	1,948.45	3.54	There are no Scope 2 emissions associated with transport and no associated RECs.
Other (e.g. offices, depots, etc.)	116.37	121.2	0	121.2	4.15	1,189 RECs will offset the 963 t CO2-e Scope 2 emissions classified under 'Other'.
Total emissions (after REC retirement) (a)	13,454.49	15,367.75	0	15,367.75	14.22	Using the market-based calculation methodology, 25,122 RECs will offset 20,348 t CO2-e from our Scope 2 emissions profile.
Carbon offsets (self-generated) retired	0	0		0	0	No self-generated carbon offsets have been retired.
Carbon offsets (non-self-generated) retired	0	0		0	0	No non-self-generated carbon offsets have been retired.
Total offsets retired (b)	0	0		0	0	No Scope 1 carbon offsets have been retired.
Net emissions (after offset retirement) (a–b)	13,454.49	15,367.75	0	15,367.75	14.22	Our net emissions, with 25,122 RECs offsetting 20,348 t CO2-e from our Scope 2 emissions profile.

Table 5. Reporting climate active eligible carbon offset units retired to reduce scope 1 emissions.

Name and type of project/s implemented to generate retired carbon offset units /supported by carbon offset retirement	Climate Active eligible offset unit	Offset quantity	Retirement date	Offset unit vintage year	Public registry
We've not yet retired any Climate Active eligible offset units (ACCUs) to reduce our Scope 1 emissions	0	0	0	0	0

Progress towards water corporations net-zero emissions target

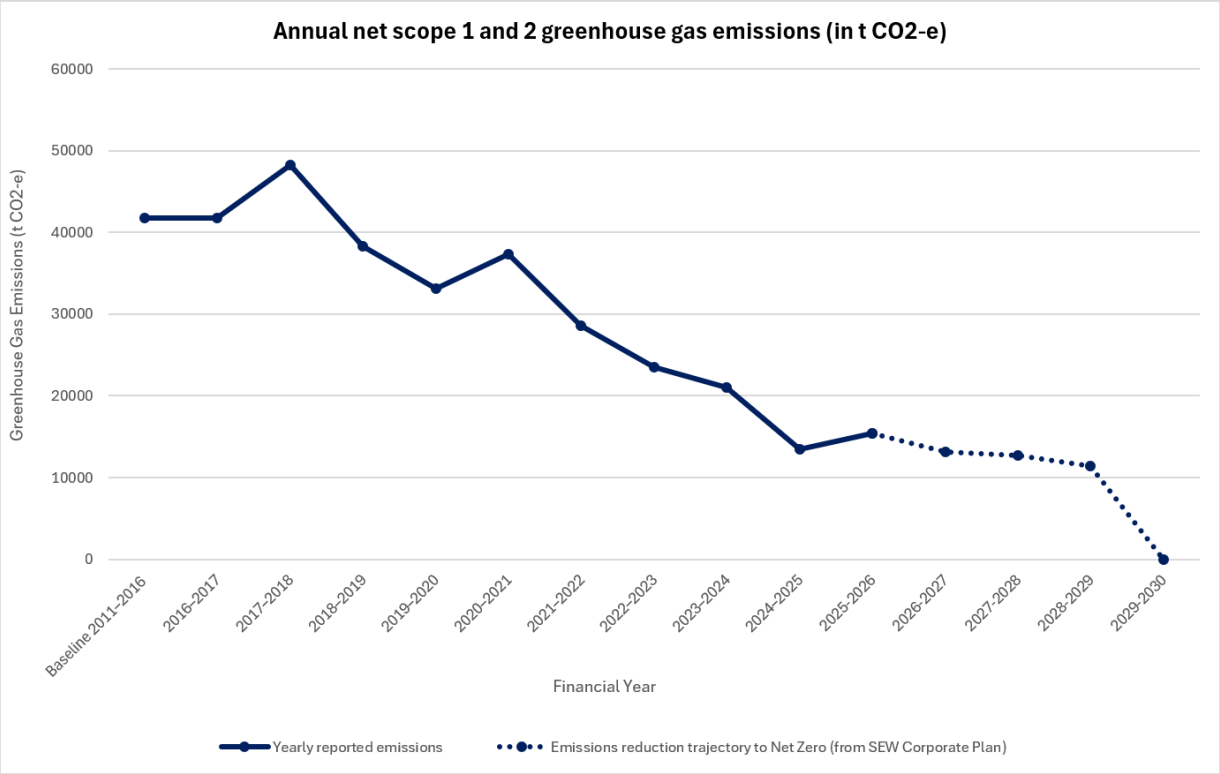


Table 6. Reporting a full breakdown of scope 1 emissions by greenhouse gas.

Service delivery category	Scope 1 Emissions by greenhouse gas (source greenhouse gas reported in t CO2-e)			
	Carbon dioxide (CO_2) in t CO_2	Methane (CH_4) in t CO_2-e	Nitrous oxide (N_2O) in t CO_2-e	Other in t CO_2-e
Water treatment and supply	0	0	0	0
Sewage collection, treatment, and recycling	0	10,304	1,953	1,040
Transport	0	0	0	2,070
Waterways (MW only)				
Other (e.g. offices, depots, etc.)	0	0	0	0
Total	0	10,304	1,953	3,110

Table 7. Reporting Scope 3 emissions.

Scope 3 emissions source	Scope 3 emissions (in t CO_2-e)	Commentary (including calculation methodology and inclusions)
Commercial air travel	19.91	Emissions from commercial air travel has been derived from South East Water's Corporate Travel Management Airline Carbon Emissions report.
Waste disposal (office)	12.42	Emissions were calculated through a waste audit process conducted in June 2026.
Waste disposal (operational)	349.99	Calculated using DEECA FRD 24 environmental data reporting tool.
Any other Scope 3 sources assessed (categorised as appropriate)	1,127	South East Water has transferred 1,127 RECs to SEC which offsets grid-based distribution losses and unaccounted-for energy.
Total reported Scope 3 emissions	1,509.32	Includes only the Scope 3 emissions sources shown above; excludes other Scope 3 emissions sources.

Electricity and renewable energy indicators

Table 8. Total electricity consumption (segmented by service delivery category).

Service delivery category	2024–25 Total electricity consumption (MWh)	2025–26 Total electricity consumption (MWh)	Commentary
Water treatment and supply	6,042.49	5,929.16	Electricity consumption in water treatment and supply has decreased since last year.
Sewage collection, treatment, and recycling	26,201.4	26,769.83	Electricity consumption in sewage collection, treatment and recycling has increased since last year.
Waterways (MW only)	–	–	Not applicable.
Other (e.g. offices, depots, etc.)	1,346.71	1,584.97	Electricity consumption at offices and depots has increased since last year.
Total (by service delivery category)	33,590.6	34,283.95	This figure includes our total electricity purchased from the grid and behind the meter use from solar, hydroelectricity and biogas.

Table 9. Total electricity consumption (segmented by source).

Electricity Source	2024–25 Total electricity consumption (MWh)	2025–26 Total electricity consumption (MWh)	Commentary
Purchased directly through an electricity retailer	29,419.32	30,372.17	Includes 26,860.55 MWh purchased from SEC and 3,511.62 MWh purchased from other retailers.
Not directly purchased but sourced from outside the organisation	0	0	South East Water has only purchased electricity directly from retailers.
Water corporation led/self-sourced activities and initiatives	4,171.27	3,911.78	South East Water has generated renewable energy from solar, biogas and hydroelectricity.
Total (all by source)	33,590.6	34,283.95	This total includes electricity generated and used behind the meter by South East Water, and electricity purchased from the SEC and other retailers.

Table 10. Total renewable electricity consumption reporting.

Renewable electricity consumption categories	2024–25 renewable electricity consumption (MWh)	2025–26 renewable electricity consumption (MWh)	2025–26 renewable electricity consumption (% of total consumption)	Variance (%) between current and previous years	Commentary
Total renewable electricity consumption from grid-sourced electricity South East Water reported because of the Commonwealth Government's LRET					
Total grid-sourced: Mandatory	5,352.85	5,251.35	15.32	-1.90	This figure represents the portion of renewable energy present in the electricity sourced from the grid.
Total renewable electricity consumption from Corporation led/self-sourced activities and initiatives					
Biogas	3,131.76	2,988.39	8.72	-4.58	This figure represents the consumption of biogas at South East Water's Mount Martha and Boneo water recycling plants. Combined Heat and Power (CHP) generator outages at Mount Martha have resulted in lower biogas consumption this financial year.
Hydroelectric	435.56	1,068.29	3.12	145.27	This figure includes South East Water's behind-the-meter hydroelectricity use and the 1,066 LGCs generated by South East Water through exporting hydroelectricity.
Solar	8,170.43	9,597.10	27.99	17.46	This figure includes South East Water's own solar consumption and 6,837 solar LGCs generated by the Zero Emissions Water PPA and transferred from South East Water to the SEC. An additional 1,839 LGCs will be surrendered to offset electricity purchased from other retailers.
Wind	16,500	16,507	48.15	0.04	This figure reflects the 16,507 LGCs purchased from Cherry Tree wind farm by South East Water and transferred to SEC.
Other renewable	0	0	0	0	South East Water has no other sources of renewable electricity.

Renewable electricity consumption categories	2024–25 renewable electricity consumption (MWh)	2025–26 renewable electricity consumption (MWh)	2025–26 renewable electricity consumption (% of total consumption)	Variance (%) between current and previous years	Commentary
Total renewable electricity consumption	33,590.60	35,412.13	103.29	5.42	South East Water will surrender 2,905 LGCs, calculated using the Clean Energy Regulator's Scope 2 market-based emissions calculation method and in alignment with the Statement of Obligations (Emission Reduction). This fully offsets all t CO2-e emitted from our non-SEC retail electricity consumption. South East Water transferred 23,344 LGCs to the SEC in alignment with electricity purchased from the SEC. This includes 1,127 LGCs to offset grid-based distribution losses and unaccounted-for energy, as well as electricity used. The SEC uses the Adjusted Consumed Energy (ACE) methodology aligned with the Australian Energy Market Operator's (AEMO) settlement framework to calculate offsets.

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Table 11. Total on-site renewable electricity generation capacity and generation reporting (as at end of reporting period).

Renewable electricity source	2025–26 Total on-site renewable electricity generation capacity (MW)	2025–26 Total on-site renewable electricity generated (MWh)			Total generated (By source)	Commentary
		Consumed on-site	Exported	Other purposes		
Biogas	0.91	2,988.39	288.95	0	3,277.34	These figures represent the portion of renewable energy in biogas generation and exclude any natural gas used to boost CHP generators.
Hydroelectric	0.25	2.29	1,163.90	0	1,166.19	South East Water uses some hydroelectricity on site and exports renewable energy to the grid.
Solar	0.942	921.10	27.19	0	948.30	South East Water generates solar from plant at office locations, treatment plants and booster stations.
Wind	0	0	0	0	0	South East Water doesn't have any wind generation on site.
Other renewable	0	0	0	0	0	South East Water doesn't have any additional other renewable sources of electricity.
Total (renewable)	2.102	3,911.78	1,480.05	0	5,391.83	This is the sum of all renewable electricity generated by South East Water, including on site use and export.

Table 12. Total other (non-renewable) on-site electricity generation capacity and generation reporting (as at end of reporting period.

Non-renewable electricity source	2025–26 Total on-site non-renewable electricity generation capacity (MW)	2025–26 Total on-site electricity generated (MWh)				Commentary
		Consumed on-site	Exported	Other purposes	Total generated (by source)	
Diesel	16.77	258.61	0.02	0	258.63	This figure represents diesel used at water recycling plants and the water and sewer network.
Natural Gas	0.91	1,534.81	11.88	0	1,546.69	This figure represents the portion of natural gas used in the biogas CHP at Mount Martha.
Total (non-renewable)	17.68	1,793.42	11.90	0	1,805.31	This is the total of all non-renewable on-site electricity generation.

Table 13. Total energy storage system reporting (power capacity and total storage capacity)

Energy storage system	2025–26 Year Total energy storage system power capacity (MW)	2025–26 Year Total energy storage system storage capacity (MWh)	Commentary
Total: energy storage systems	0	0	South East Water currently doesn't have any energy storage systems.

Table 14. Total Renewable Energy Certificate (REC) retirement reporting to reduce scope 2 emissions.

REC retirement method	2025–26 RECs retired: (1 REC = 1 MWh renewable electricity)	Commentary
Voluntarily retired by South East Water	1,066	Voluntary retirement of RECs from South East Water's Hallam hydroelectricity generation.
GreenPower	0	Not applicable.
Certified carbon neutral electricity purchased	0	Not applicable.
Voluntarily retired on South East Water's behalf	24,056	This includes RECs generated by Kiamal Solar Zero Emissions Water PPA and the Cherry Tree Wind LGC PPA, and is inclusive of RECs transferred to SEC for retirement on South East Water's behalf.
Mandatorily retired or conveyed to South East Water's electricity retailer for mandatory retirement (if applicable)	0	Not applicable.
Total RECs retired to reduce Scope 2 emissions	25,122	This includes RECs generated by Hallam hydroelectricity, Kiamal Solar Zero Emissions Water PPA and the Cherry Tree Wind LGC PPA, and is inclusive of RECs transferred to SEC for retirement on South East Water's behalf and RECs voluntarily surrendered by South East Water.
Total RECs retired to reduce Scope 3 emissions	1,127	South East Water has transferred 1,127 RECs to SEC which offsets grid-based distribution losses and unaccounted-for energy.

Table 15. Total energy usage from fuels and electricity segregated by energy source.

Total energy usage	Renewable (in GJ)	Non-renewable (in GJ)	TOTAL (in GJ)	Commentary
From fuels	10,758.19	48,347.33	59,105.52	South East Water's non-renewable and renewable fuel usage from buildings, machinery and transport.
From electricity	32,987.28	90,434.95	123,422.23	South East Water's non-renewable and renewable electricity from buildings and machinery.
Total	43,745.47	138,782.29	182,527.76	Total non-renewable and renewable fuel and electricity use associated

Total energy usage	Renewable (in GJ)	Non-renewable (in GJ)	TOTAL (in GJ)	Commentary
				with South East Water buildings, machinery and transport.

Table 16. Total energy usage per water corporation Full Time Equivalent (FTE) employee (or another entity or sector specific alternative).

Total energy usage (fuels and electricity) in GJ	Total FTE employees	Energy usage (GJ) per FTE employee	Commentary
182,527.76	994.5	183.54	This figure represents South East Water's total energy usage as a proportion of total FTE employees as at 30 June 2026.

Table 17. Total stationary fuel use in buildings and machinery.

Fuel type	Total stationary fuel use (buildings and machinery)		Commentary
	in GJ	in t CO_2-e	
Fossil gas	19,193.74	989.05	Natural gas used in South East Water offices and water recycling plants.
Biogas	10,758.19	0	This is the renewable stationary fuel used. Any natural gas use in the CHP is accounted for in the fossil gas above.
Diesel	1,134.08	79.61	Diesel used in office buildings, at sewer and water pump stations and at water recycling plants.
LPG	227.22	13.77	LPG used in office buildings and at water recycling plants.
Petrol	0	0	No petrol was used.
Other	0	0	No other types of stationary fuel were used.
Total	31,313.23	1,082.44	The total of all stationary fuel use in buildings and machinery across South East Water operations.

Transportation indicators

Table 18. Total number and proportion of transportation vehicles segmented by engine/fuel type and vehicle category (as at end of reporting period).

Transportation vehicle category	Transportation vehicle engine/fuel type							Commentary
	Petrol	Diesel	LPG	Petrol Hybrid	Diesel Hybrid	Battery Electric	Other	
Passenger vehicles	83	165	0	92	0	2	0	South East Water's passenger vehicle fleet comprises 342 vehicles.
Goods vehicles	0	0	0	0	0	0	0	South East Water's goods

Transportation vehicle category	Transportation vehicle engine/fuel type							Commentary
	Petrol	Diesel	LPG	Petrol Hybrid	Diesel Hybrid	Battery Electric	Other	
								vehicles are owned and managed by subcontractors.
Non-road vehicles	0	1	0	0	0	0	0	In previous years we had reported on 'Non-road vehicles'. We've continued this reporting for 2025–26.
Category Total (Number)[4]	83	166	0	92	0	2	0	South East Water's total fleet comprises 343 vehicles.

Table 19. Total energy use and greenhouse gas emissions of transportation vehicles segmented by engine/fuel type and vehicle category.

Transportation vehicle category	Transportation total energy use by fuel type (GJ)							Fuel type totals		Commentary
	Petrol	Diesel	Biodiesel	Renewable Diesel	LPG	Electricity	Other	Total energy use (GJ)	Total emissions (t CO2-e)	
Passenger vehicles	10,143.35	17,647.02	0	0	0	0	0	27,790.36	1,928.28	Fuel use has remained steady in comparison to previous reporting years.
Goods vehicles	0	0	0	0	0	0	0	0	0	South East Water's goods vehicles are owned and managed by subcontractors.
Non-road vehicles	0	1.93	0	0	0	0	0	1.93	0.14	In previous years we had reported on 'Non-road vehicles'. We have continued this reporting for 2025–26.
Total energy use (GJ)	10,143.35	17648.95	0	0	0	0	0			Total transport energy use was 27,790.36 GJ in 2025–26.
Total emissions (t CO2-e)	685.89	1,242.53	0	0	0	0	0			Total emissions associated with passenger vehicle transport use and non-road vehicles was 1,928.42 t CO2-e.

Table 20. Total distance travelled by commercial air travel.

Commercial air travel	Passenger Kilometres (kms)	Greenhouse gas emissions (t CO2-e)	Commentary
Commercial air travel	160,978	19.91	Fewer flights were taken in 2025–26 resulting in lower greenhouse gas emissions.

Sustainable buildings and infrastructure

We didn't own or occupy any new builds or newly-leased premises in 2025–26.

Table 21. Sustainable buildings and infrastructure.

Building name	Building type	Rating scheme	Rating
WatersEdge	Headquarters (General office building)	NABERS – Energy	4.5 stars
WatersEdge	Headquarters (General office building)	NABERS – Water	6 stars
WatersEdge	Headquarters (General office building)	GreenStar Office Design	5 stars

Table 22. Corporate water consumption (101 Wells Street, Frankston – WatersEdge).

Location	Average full-time equivalent employees and contractors	Office space (m2)	Potable water consumption (kL)	Rainwater consumption (kL)	Average water use per employee (kL)
101 Wells Street, Frankston	968.51	11,510	1,684	27.3	1.77

Note: Corporate water consumption is for our headquarters in Frankston only and excludes water consumption by employees based at water recycling plants and storage sites. The rainwater consumption figure is lower than past years due to a faulty meter, which has since been repaired.

Table 23. Waste and recycling.

Indicator	Location	2024–25 Landfill	Co-mingled recycling	Organic recycling	Printer and toner cartridge recycling	Secure document	2025–26 Landfill	Co-mingled recycling	Organic recycling	Printer and toner cartridge recycling	Secure document
WR1: Total units of waste disposed (kg and %)	Office	7745.8 (70.2%)	1412.5 (12.8%)	31.7 (0.3%)	10.9 (0.1%)	1274.5 (11.6%)	8052.5 (59.5%)	1727.5 (12.8%)	550.0 (4.1%)	8.6 (0.1%)	1328.5 (9.8%)
	Operational	207,122 (98.91%)	2285 (1.09%)	N/A	N/A	N/A	269,223 (99.06%)	2550 (0.94%)	N/A	N/A	N/A
WR3: Units of waste disposed per FTE (kg/FTE)	Office	8.53	1.56	0.03	0.01	1.4	8.14	1.75	0.56	0.01	1.34
WR4: Recycling rate (% of total waste)	Office	29.8%					40.5%				
Greenhouse gas emissions associated with waste disposal (t CO2-e)	Office	12.26					12.42				

WR2: All office locations have dedicated printer cartridge and e-waste collection services. In 2025–26 we didn't have battery or soft plastics collection services. Reporting figures: printer cartridge (100%); e-waste (100%); battery (0%); soft plastics (0%).

Adapting to climate change

Our 2022–27 Climate Adaptation Action Plan (CAAP) outlines our risk-based approach to addressing the challenges and obligations that a changing climate presents to delivering safe, reliable and affordable services to our customers.

Over the past 12 months, we've strengthened organisational governance for climate adaptation, providing greater oversight, accountability, coordination and reporting of adaptation activities across the business. This has included broadening our climate adaptation governance structure and reporting, as well as establishing a Climate Adaptation Community of Practice to support knowledge sharing, collaboration and strategic alignment across internal stakeholder groups.

In line with our CAAP goals, we ensured that all critical assets have continued to be assessed for climate risk, so they're planned and designed to remain resilient under future climate conditions and projected climate impacts. We also delivered awareness sessions to key employees to communicate the latest climate projections and the associated potential impacts on our operations and assets, and to ensure continuous uplift in climate risk identification and management.

Climate risk metrics and monitoring

We undertook enterprise-wide climate risk assessments across 3 asset classes using the latest climate projection data to understand the potential impacts of climate change on asset performance and service delivery. Assessments considered projected climate conditions for 2030, 2050 and 2090 under both moderate and high emissions scenarios. The assessment is currently being finalised, with next steps including the identification of any additional actions or control measures required to manage and mitigate high risks.

We also implemented Climate Hazard Exposure Assessment within capital planning workflows to identify asset specific climate-related vulnerabilities and exposures during functional design planning. This has enabled climate adaptation requirements and resilience measures to be incorporated into asset functional design specifications.

In the next financial year, we'll build on both the governance foundations established in 2025–26 and the progress made in embedding climate adaptation into asset planning processes. This will be achieved through development of a new Climate Risk Management Framework, which will integrate climate risk assessment into asset planning and decision-making across the whole asset lifecycle. The framework will enable climate risks and adaptation opportunities to be identified and addressed earlier in project development and will strengthen alignment between strategic planning, asset management and capital delivery to support more resilient and informed investment decisions.

3. Delivering for customers



Bills and customer support

During the year, we provided assistance to around **19,400 customers** through payment plans, grants, debt waivers and other support services.

In 2025–26, typical residential bills for owner occupiers increased by about **$30.03** in nominal terms compared with the previous year. In real terms when adjusted for inflation, this increase was approximately **$5.23**.



Table 24. Total urban bills for 2025–26 year ($ actual).

Indicator	2025–26
Residential bill – owner occupier The actual bill for an owner-occupier with typical (average) water use during the year.	$1,057
Residential bill – tenant The actual bill for a tenant with typical (average) water use during the year.	$568
Typical (average) water use (litres) assumed in owner-occupier and tenant bill calculations	150,000
Non-residential bill – business The annual bill for a business using 3 ML per annum in the year.	$17,321

Efforts to manage pricing impacts

We've been focused on cost efficiency, targeted investment and customer support, with price changes in 2025–26 being driven by inflation, higher bulk sewage treatment costs and the cost of desalinated water to support population growth and drier conditions.

We invested in critical water and sewer infrastructure to support growth, improve reliability and manage long-term costs. We also improved operational efficiency by reducing water loss, optimising asset performance and streamlining service delivery.

To support customers experiencing financial hardship, we offered flexible payment plans, tailored assistance and proactive outreach, while promoting available support programs to increase awareness and uptake.

Read more: Customer support section.

Customer support

Table 25. Community service obligations.

Community service obligations	2024–25 Total actual (or nominal) dollar amount of concessions provided in year ($)	2024–25 Total number of customers provided concessions in year (no. of customers)	2025–26 Total actual (or nominal) dollar amount of concessions provided in year ($)	2025–26 Total number of customers provided concessions in year
Provision of water and sewerage concessions[1]	$48,741,495	161,624	$50,786,089	163,904
Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme[2]	$1,046,120	4,400	$1,041,304	4,410
Utility relief grant scheme payments[3]	$3,866,277	13,103	$3,664,168	13,754
Water concessions for customers on life support machines[4]	$42,603	96	$60,299	96
Hardship Relief Grant Scheme (Water and Sewerage Connection Scheme)	$0	$0	$0	$0

Notes:

1. *Customers holding a Pension Concession Card, Gold Repatriation Health Care Card for All Conditions, or a Health Care Card are billed a concession amount. The difference is billed to and paid by Services Australia.*
2. *Not-for-profit entities are billed a concession amount with the difference billed to and paid by the State Revenue Office.*
3. *This grant scheme provides assistance to customers unable to pay their utility accounts due to a temporary financial crisis. Customers need to demonstrate that unexpected hardship has left them in a position that they cannot pay their utility account without assistance.*
4. *The Victorian Government provides a rebate for customers required to use a dialysis/life support machine at home to compensate for water use and sewage disposal charges relating to its use. The amount is determined by Services Australia, based on the estimated annual water usage of a dialysis machine (168kL).*

Customer bill support and responsiveness

Table 26. Customer responsiveness and bill support indicators.

Customer responsiveness and bill support indicators	ESC code	2024–25	2025–26	Variance to 2024–25	2025–26 target from Corporate Plan	Variance to target
Water bills – customers on flexible payment plans No. of customers with instalment plans	UPP 1	42,114	43,605	3.5%	NA	NA
Water bills – customers awarded hardship grants[1] No. of customers awarded hardship grants	UPP 6	3,190	3,207	0.5%	NA	NA
Customer responsiveness – water quality complaints[2] No. of complaints per 100 customers	CRS 4	0.39	0.42	7.7%	0.29	44.8%
Customer responsiveness – number of payment issue complaints[3] No. of complaints per 100 customers	CRS 7	0.24	0.25	4.2%	0.23	8.7%
Customer responsiveness – total complaints[4] No. of complaints per 100 customers	CRS 3	0.98	1.02	4.1%	0.96	6.3%

Supporting customers experiencing hardship

We supported customers experiencing payment difficulties consistent with the Essential Services Commission's (ESC) water industry standards.

Our approach focused on early intervention and tailored support, including payment arrangements, referrals to support services and proactive contact before bills became overdue.

We also promoted support services through direct communications, community outreach, social media and online channels.

*During the year, around **19,400 customers** received assistance through payment plans, extensions, debt waivers, utility relief grant applications, high-usage reviews and plumbing support.*

We supported customers experiencing vulnerability through employee training, customer service improvements and delivery of year one actions under our Family Violence Plan 2025–28. This included enhanced employee training, and a Safe Referrals program to support customers experiencing family violence.

Enhanced customer advocacy and referral pathways improved access to appropriate support services when needed. We also launched a Customer Care brochure outlining the assistance available to customers experiencing financial hardship or family violence.

Community outreach and engagement

As one of Australia's most culturally diverse regions, with more than **200 languages** spoken across our service area, we're committed to making sure customers can access support in ways that meet their language and communication needs.

We attended **13 Bring Your Bill events** and spoke directly with around **450 customers**, including people who speak English as an additional language.

In partnership with Casey North Community Information and Support Services and Southern Migrant and Refugee Centre, we delivered a community-led program for Dari-speaking customers.

*During the 6-month campaign, **479 customers** requested a Dari interpreter, compared with 133 during the same period the previous year. Concessions increased from **412 to 912**, while direct debit uptake increased from **1,379 to 2,630**.*

*Payment plan uptake remained stable, with **1,568 customers** on payment plans during the campaign period compared with 1,577 in the previous year. These outcomes helped more customers access support and sustainable payment options.*

Through our partnership with the One Voice shower truck, **9,253 showers** were provided to people experiencing vulnerability across our service area through Cornerstone Contact Centre, Gethsemane Church and St James' Anglican Church. This was **753 more showers** than in 2024–25.

We also supported community initiatives that help people experiencing vulnerability. These included employee-led donation programs like our toiletry donation stations and Christmas Giving Appeal, providing essential items and support to local community organisations.

Customer and community engagement

We engage with customers, communities and stakeholders to help shape our services and build local perspectives into our planning and decision-making. Ongoing engagement helps ensure we reflect customer and community priorities in the decisions we make today and in planning for the future.



A collaborative and consultative approach helps us understand and respond to customer needs, preferences and economic challenges. We gather insights through surveys, community events, focus groups, interviews, social media and our Customer and Community Advisory Council (CCAC).

Throughout the year, we attended events across Melbourne's south-east and the Mornington Peninsula to connect with customers and communities.

*Our hydration station program supported **32 events**, providing **22,824 litres** of free tap water to more than **1 million attendees** and helping prevent an estimated **45,648 single-use** plastic bottles from going to landfill.*

CCAC update

Our 12-member CCAC brings together customers, community members and stakeholders to help shape our decisions and priorities. The CCAC met **4 times** during the year, providing advice on customer support, service delivery, water security, future planning, innovation and environmental performance. Members also help ensure we consider diverse and underrepresented voices in our planning and decision-making. Their insights strengthen local perspectives and help shape future services, investments and customer outcomes.

During the year, we established a dedicated Sub-CCAC to support development of Price Submission 2028, providing independent advice on our engagement approach, including customer trust, willingness to pay and future price paths.

We thank our CCAC members for their valuable insights and ongoing support.

Price Submission 2028 (PS28)

In 2025–26, we progressed planning and engagement for our next 5-year plan for services, infrastructure and prices from **1 July 2028 to 30 June 2033**.

In early 2026, we launched a broad community engagement program to understand what customers, communities and stakeholders value most about their water, sewerage and recycled water services. Insights from this engagement will help shape the PS28 proposal we'll submit to the ESC in September 2027, ensuring customer and community priorities continue to inform future service levels, investment decisions and pricing outcomes.

*From February to April 2026, **2,245 people** shared their priorities and expectations through surveys, pop-up events, multicultural workshops and stakeholder roundtables.*

*Engagement included more than **70 customers** with lived experience of migration across **7 languages**, and **52 representatives** from local government, business, development and industry.*

Community insights

In June 2026, we promoted our online bill estimator tool to around **306,000 customers**. More than **3,000 participants** explored service and investment options, reviewed potential bill impacts and shared their willingness to pay for future services.

We also started engaging with customers whose perspectives are often underrepresented through dedicated customer voice groups. These insights will help shape our future Community Panel and support fairer, more inclusive decision-making.

Urban Water Strategy 2027

Melbourne faces increasing water challenges driven by growing customer demand, climate variability, and the need to protect environmental and Traditional Owner values. By 2030, Melbourne, Geelong and connected towns could need an additional **95 gigalitres** of water each year.

These challenges require timely investment in a mix of solutions, including water efficiency, recycled water and new water supplies.

During 2025–26, we started engaging with customers, communities and stakeholders to inform Urban Water Strategy 2027. Building on the Victorian Government's Water Security Plan, this engagement explored community values, priorities and expectations for future water services.

Insights from this work will help guide future investment decisions and balance reliability and sustainability as we plan for Melbourne's water future.

Housing statement

During 2025–26, the Victorian Government continued to deliver its Housing Statement through expansion of the Train and Tram Zone Activity Centres Program and release of Plan for Victoria.

Several Activity Centres identified for future housing growth are located within our service area. This reinforces the need for continued investment and long-term planning to ensure water and sewerage infrastructure can support both higher-density development in established suburbs and continued growth across Melbourne's south-eastern corridor.

We identified and planned for much of this growth through our Price Submission 2023 and are continuing this work through the development of our Price Submission 2028.

Developer and council engagement

We continue to work closely with councils, developers and government agencies to ensure we plan and deliver water, sewerage and recycled water infrastructure in step with customer demand and new housing development. Through ongoing engagement across the planning and development lifecycle, we identify servicing requirements, understand network constraints and support the timely delivery of essential infrastructure.

We also strengthen industry insight and collaboration through engagement with the Urban Development Institute of Australia (UDIA), Association of Land Development Engineers (ALDE) and other peak land development industry bodies. This is further enhanced with continued representation from UDIA's Greenfield Committee member on our CCAC.

With the development of several new Precinct Structure Plans (PSP) in our service area, proactive early engagement with active developers within the PSP has been invaluable in ensuring our future servicing strategies provide best outcomes for the community. Effective collaboration with Melbourne Water and Department of Transport and Planning is essential to achieve the required outcomes.

In 2025–26, we supported the development community in the early stages of development by responding to requests from developers for Preliminary Servicing Advice. This free service provides high level servicing information for the provision of drinking water, recycled water and sewerage to proposed development in greenfield and infill areas.

Table 27. Preliminary Servicing Advice issued in 2025–26[1].

Type of development	Advice issued 2025–26	
Residential	133	↑
Mixed Residential / Commercial	46	↑
Commercial	70	↓
Total	**249**	↓

Note: Arrows indicate comparisons to the previous year.

While overall volumes declined, advice for residential and mixed-use developments increased by approximately 3% compared to 2024–25. We issued 179[1] Preliminary Servicing Advice responses for residential and mixed-use developments, equating to around **23,000 lots**. In comparison, advice for commercial developments decreased by 26%.

In addition, the development community had free access to our 24/7 online (self-service) Infrastructure Master Plan tool[1]. Over 2025–26, the tool was accessed **570 times**, an increase of **15%** from last year.

Connection capacity

*We issued **6,258 Consents to Connect** and Notices of Agreement, corresponding to around **11,965 residential lots**.*

*This represents an increase of **1.5%** in total number of Consents and Notices issued and an **increase of 9.5%** in representative lots when compared to 2024–25, indicating continued demand for new residential connections.*

Table 28. Residential connections and lots created in 2025–26[2].

Connection type	Consents to Connect/Notices of Agreement[3] Issued 2025–26		Representative # Lots 2025–26	
Single residential[4]	4,459	↓	4,459	↓
Multi-unit residential[5]	1,799	↑	7,506	↑
Totals	**6,258**	↑	**11,965**	↑

Note: Arrows indicate comparisons to the previous year.

The number of Consents to Connect issued for single residences in 2025–26 and representative lots was essentially stable, declining marginally by **0.5%** over the previous year 2024–25 (**4,481**).

[1] South East Water's Infrastructure Master Plan tool was launched in May 2025 and contains the next 30 years of proposed sewer, water, and recycled water infrastructure in an interactive spatial map.

[2] Numbers are sourced from South East Water connections case management system, 1 July 2026.

[3] A Consent to Connect is issued upon approval of a Single Residential connection application, while a Notice of Agreement is issued for multi-unit development applications.

[4] Single residential connections refers to customer applications for a single home connecting to a Dry Tapping service that is within a Greenfield area.

[5] Multi-unit residential connections refers to customer applications for a home consisting of 2 lots or greater connecting to water or sewer services. It excludes applications for connection of mixed use residential and commercial properties.

The number of Notices for Agreement issued for multi-unit residences in 2025–26 increased by **6.9%** over the previous year 2024–25 (**1,683**) and representative number of lots increased by **16.5%** compared to 2024–25 (**6,445**), suggesting stronger growth in higher-density residences.

Average lots per multi-unit residential Consent to Connect

The average lots per multi-unit residential consent increased from **3.83 to 4.17**, an increase of approximately **8.9%**. This suggests that not only more multi-unit applications are being processed, but that the applications being processed relate to larger or denser residences and possibly creating more dwellings.

Table 29. Number of lots created per multi-unit residential consent.

Year	Multi-unit residential lots	Multi-unit residential consents issued	Lots per consent
2024–25	6,445	1,683	3.83
2025–26	7,506	1,799	4.17

Recognising recreational values

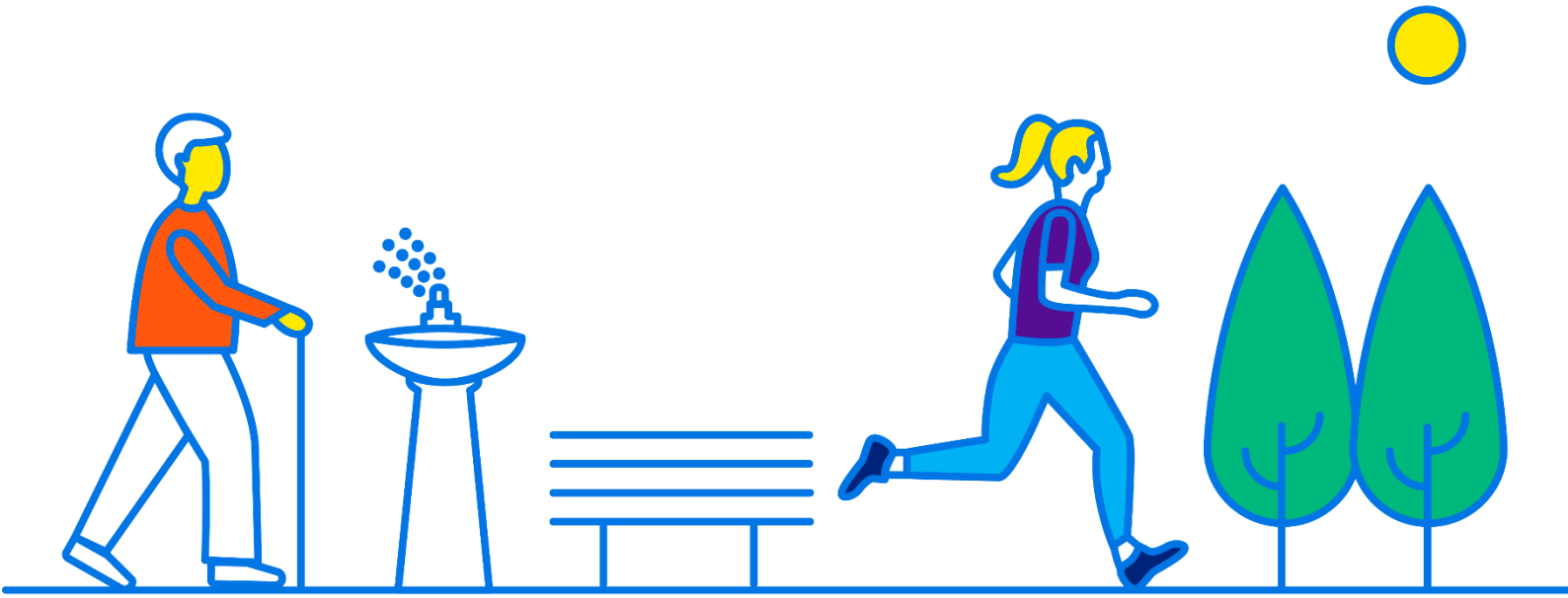
We support the use of recreational spaces and waterways across our service area. Through planning, service delivery and community engagement, we help maintain healthy, accessible and enjoyable places for our communities.

Engagement processes with community and stakeholders

Choose Tap

We partnered with Gumbuya World and the Lang Lang Community Recreation Precinct to install Choose Tap® water stations, providing free drinking water, encouraging reusable water bottles and helping reduce single-use plastic waste.

More than **380,000 annual visitors** to Gumbuya World can access free drinking water through the station, with digital counters tracking the number of plastic bottles avoided.



Recycled water to recreational spaces

We worked with local councils, sporting clubs, golf courses, recreation facility managers and other stakeholders to expand recycled water supplies to parks, gardens and recreational spaces across our service area.

Through engagement on the Dingley and Monterey recycled water schemes, stakeholders highlighted the importance of reliable, climate-resilient water supplies to help keep sports fields, parks and golf courses green, accessible and safe during dry conditions.

By supplying fit-for-purpose recycled water for irrigation, these schemes reduce demand on drinking water supplies, support long-term water security and contribute to broader liveability and environmental outcomes.

Read more: Integrated Water Management (IWM).

Collaboration and information sharing

Throughout the year, we worked closely with recreational groups, environmental organisations, local councils, regulators and community stakeholders to help protect waterways and recreational spaces during sewer spills and water quality incidents.

We maintained relationships with community groups that use, manage and care for local waterways, beaches and recreational areas. These partnerships helped us share timely information, understand local impacts and incorporate community knowledge into incident response and environmental management activities.

We provided information through direct stakeholder contact, signage, social media, fact sheets, media releases and website updates. This approach was used during sewer spill responses and the Frankston South Boil Water Advisory to help recreational users and community organisations understand potential impacts, public health advice and actions being taken to manage risks.

By maintaining trusted relationships and providing timely information, we helped support safe recreation, protect environmental values and minimise disruption to communities.

4. Recognising Aboriginal values



Partnerships with Traditional Owners

Registered Aboriginal Parties on whose Country we operate include:

- *Bunurong Land Council Aboriginal Corporation (BLCAC)*
- *Gunaikurnai Land and Waters Aboriginal Corporation (GLAWAC)*
- *Wurundjeri Woi Wurrung Aboriginal Heritage Corporation (WWAHC).*

We had regular discussions with Traditional Owner groups to develop formal partnerships that support self-determination and shared outcomes.

During 2025–26, we maintained a partnership with Biik Bundjil, a Traditional Owner business.

We're also in the final stages of establishing an additional multi-year partnership that will strengthen collaboration and deliver shared benefits over the long-term.

We provided tailored and accessible information about available opportunities, maintained ongoing communication channels for feedback and discussion, and used culturally appropriate engagement approaches aligned with self-determination principles. This ensured Traditional Owners could access relevant information and participate in discussions about water management decisions affecting their Country.

Supporting Aboriginal self-determination

We maintained **3 partnership agreements** with Aboriginal Community Controlled Organisations: Willum Warrain Aboriginal Association, Casey Aboriginal Gathering Place and Derrimut Weelam Gathering Place.

These partnerships support Aboriginal-led community programs and initiatives by providing resources and assistance where funding may not otherwise be available.

Through these partnerships, we've supported a range of activities, including Elders programs, community Christmas celebrations, family events, men's and women's groups, gardening programs and youth activities. This support helps strengthen community connections, cultural wellbeing and opportunities for participation across the communities we serve.

Innovate Reconciliation Action Plan (RAP)

We progressed development of our draft Innovate RAP 2026–28, with a launch planned for early 2026–27.

Traditional Owners, Aboriginal and Torres Strait Islander stakeholders, and our RAP Working Group, including First Peoples representatives, helped shape the RAP through their guidance and cultural insights.

Drawing on learnings from our first Innovate RAP, the new plan places greater emphasis on early engagement, cultural safety and meaningful organisational change.

The RAP will guide how we partner with the Bunurong, Boonwurrung, Wurundjeri Woi Wurrung and Gunaikurnai peoples, and support the integration of Traditional Owner knowledge into water management and decision-making.

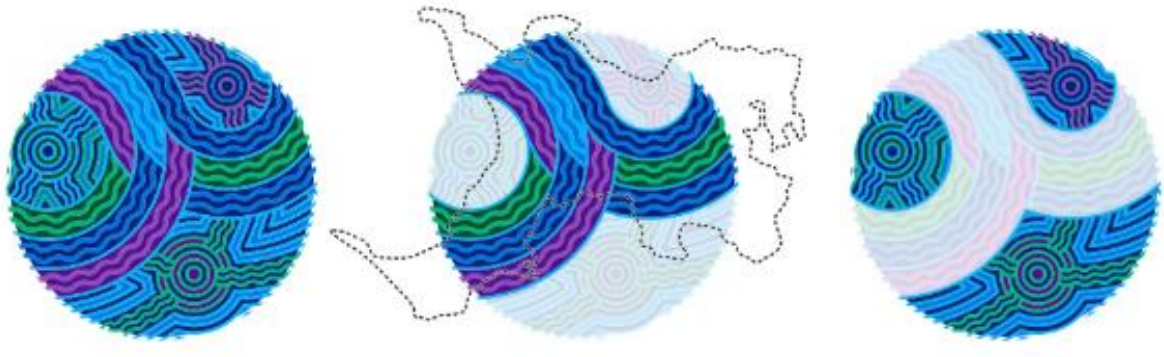
Priority areas include strengthening relationships, building cultural capability, expanding employment and procurement opportunities, and embedding strong governance and accountability. Through this work, we continue our commitment to reconciliation and caring for water, Country and community.

Aboriginal artwork

We unveiled a new Aboriginal artwork by proud Karajarri artist Marcus Lee that reflects water, Country and connection across our service area.

The artwork features meeting place symbols and connecting pathways that represent our relationships with Traditional Owners and our ongoing commitment to respect, learning and caring for Country.

We incorporated the artwork across our operations, including digital metering vehicles and community infrastructure, creating a visible expression of our commitment to reconciliation.



Procurement opportunities for Aboriginal businesses

*During 2025–26, we increased direct spending with Victorian Aboriginal businesses by **40%**, from **$224,000 to $313,756**, and engaged **10 Aboriginal businesses**.*

Through our Social Procurement Strategy 2025–28, enhanced governance, supplier engagement and capability-building activities, we strengthened opportunities for Aboriginal businesses, social enterprises and disability enterprises. These initiatives contributed to $412,000 in direct expenditure with social benefit suppliers.

In addition to our direct expenditure, industry partners engaged Aboriginal businesses through more than $2.3 million in procurement spending across project delivery and operational activities. These partnerships further strengthened opportunities for Victorian Aboriginal businesses and contributed to broader social procurement outcomes across our supply chain.

Read more: Social procurement.

5. Resilient and liveable cities and towns



Circular economy outcomes

We invested in alternative water and circular economy solutions that improve water security, recover valuable resources and reduce waste.

Cellulose recovery and reuse from wastewater

We partnered with leading research institutions through the SMaRT-Pack and SAGE-M programs to explore how cellulose recovered from wastewater can be transformed into products such as sustainable packaging, bioplastics and other renewable materials. This research supports the transition from waste management to resource recovery and the development of circular economy solutions.

Green hydrogen

We advanced our award-winning green hydrogen research project with RMIT University. The project is developing technology that uses solar energy and recycled water to produce green hydrogen while generating oxidants that can support water treatment processes.

During the year, we optimised the technology design and successfully demonstrated the production of high-purity hydrogen using solar energy. The project received the 2024 Water Minister's Climate Innovation Challenge award and funding to support further development and field trials.

We also embed circular economy principles in our broader water security and liveability programs. Through recycled water schemes including Monterey, Dingley and Western Port, integrated water management initiatives and water efficiency programs, we're increasing resource reuse, reducing waste and helping preserve drinking water supplies for future generations.

Read more: Integrated Water Management (IWM), Recycled water projects and Water use and efficiency sections.

Biosolids management

Our biosolids application program remained on hold while we continue to understand the implications and benefits of the Australian Government’s PFAS National Environmental Management Plan (NEMP) 3.0 and new national requirements.

PYROCO biosolids-to-biochar project

The PYROCO pilot plant at Greater Western Water's Melton Recycled Water Plant completed 6 years of operation in April 2026.

Developed in partnership with RMIT University, Intelligent Water Networks, Greater Western Water and industry partners, the project demonstrated how biosolids can be converted into valuable biochar while destroying contaminants such as PFAS.

Over its lifetime, the program progressed from research to real-world application and helped build a significant national evidence base for biosolids treatment, resource recovery and contaminant destruction.

Transforming Biosolids Training Centre recognition

The World's First Transforming Biosolids Training Centre, delivered in partnership with RMIT University, Melbourne Water, EPA Victoria and Intelligent Water Networks, won the Australian Water Association Victorian Water Award for Research and Development Excellence and was recognised as a national finalist. The centre supported research, training and innovation in biosolids management and resource recovery across the water sector.



Integrated Water Management (IWM)

We take a holistic approach to water management to support liveability and save drinking water for where it's needed most.

Catchment-scale IWM action plans for Greater Melbourne

We worked with our IWM Forum partners, including DEECA, the Victorian Planning Authority, water corporations, councils and Traditional Owners, to help shape the strategic direction of the Dandenong, Western Port and Yarra catchments.

During 2025–26, we progressed actions under the Catchment Scale IWM Action Plans. We actively participated in forums from officer to executive level and supported the City of Greater Dandenong to progress the Tatterson Park recycled water supply project through our Greening Open Spaces Program.

Stakeholder collaboration through IWM Forums

We worked with IWM partners to develop projects and initiatives that support IWM across our service area and Greater Melbourne.

We contributed to the IWM Precincts and Activity Centres Working Group, helping deliver the first stage of a collaborative program focused on emerging activity centres and Suburban Rail Loop (SRL) precincts.

We also completed economic evaluations of recycled water supply options for the Cheltenham and Clayton SRL precincts. We're now working with partners to identify the most effective IWM solutions for these major developments.

Monitoring and evaluation

We contributed to the IWM monitoring and evaluation process by reporting against agreed indicators and measures.

Delivering IWM outcomes

We progressed several actions and projects under Catchment Scale IWM Plans and supported partners to identify and progress IWM opportunities.

Greywater recycling units (Hydraloop)

We partnered with Barwon Water, Intelligent Water Networks, DEECA and Greater Western Water to trial Hydraloop greywater recycling technology, which treats water from showers and laundries for reuse in homes and communities. Following the first

installation at a caravan park in Torquay, we're now working to install **2 additional units** across our service area.

Greening Open Spaces program

We worked with councils across our service area to identify and assess projects for delivery through the program. One project in the City of Casey has advanced with funding secured and physical works expected to start in April 2027.

South East Large Scale Alternative Water Grid Feasibility Study

With support from DEECA, we completed a feasibility study investigating options for a large-scale alternative water network across Melbourne's south-east and surrounding regions. The study assessed opportunities to use surface water, stormwater and recycled water to meet future urban, agricultural, industrial, environmental and cultural water needs.

Findings from the study will help inform future planning and investment decisions, and we'll continue working with government and sector partners to explore opportunities to increase the use of alternative water sources and strengthen long-term water security across the region.

Patterson River Recycled Water Scheme feasibility analysis

We completed a feasibility assessment with DEECA and the City of Kingston. While the current proposal didn't demonstrate a positive business case, we continue to explore alternative options to improve water security outcomes, increase the use of alternative water sources and support future community needs.

Fishermans Bend Smart Tank Program

In partnership with DEECA and other stakeholders, we established the Fishermans Bend Smart Tank Program to support smart rainwater management solutions. The program will help reduce flood risk, protect waterways and increase the use of alternative water sources.

Recycled water projects

We progressed the Monterey, Dingley and Western Port recycled water schemes, supporting water security, liveability and reduced demand on drinking water supplies.

Read more: Recycled water projects.

Water use and efficiency

We deliver programs and projects that help households, businesses and communities use water more efficiently, reduce demand for drinking water and increase use of alternative water sources.



Urban water efficiency

We supported actions under the Central and Gippsland Region Sustainable Water Strategy through the Greater Melbourne Urban Water and System Strategy (Water for Life). This included expanding digital metering, encouraging water-saving behaviours and increasing recycled water use to improve water security and reduce demand for drinking water.

Make Every Drop Count campaign

We relaunched our Make Every Drop Count campaign to encourage water-saving behaviours in response to declining storage levels and ongoing dry conditions.

*Delivered in partnership with Victorian water corporations and DEECA, the campaign exceeded expectations, generating more than **105 million impressions**, attracting **211,000 website users** and increasing campaign awareness from **23% to 31%**.*

*The multilingual campaign ran across digital, social and outdoor channels and contributed to an increase in reported water-saving behaviours from **41% to 47%**.*

Smart water and efficiency programs

We continued to expand programs and technologies that help households, businesses and schools use water more efficiently and identify leaks earlier.

We're approaching **300,000 digital meters** across our service area as we continue to modernise our water network. We also expanded digital meter deployment and started installation of larger meter sizes and digital meters on all new 20 to 40 mm service connections. We're on track to install **17,000 digital meters** per month during the 2026–27 financial year.

*Since the rollout started in 2018, digital meters have helped save an estimated **4.2 billion litres of drinking water** and around **$19.2 million in customer water bills**.*

*We've sent **71,462 Continuous Flow Notifications** since 2026, saving our customers an average of **$359** from their next bill.*

Digital meters form part of our broader smart network, which includes Sotto® leak detection technology. Integrated within more than **150,000 meters**, Sotto® helps identify leaks, reducing water loss and improving operational efficiency. During the 2025–26 financial year, we saved **1,044 megalitres** of water through Sotto® leak detection technology.



Together, these technologies improve service reliability, support better decision-making and strengthen climate resilience.

By 2029, we aim to replace all analogue meters with smart devices, supporting our goal of saving up to **5 billion litres** of water each year.

Local businesses also reduced water use through the WaterSmart program, which helps organisations monitor consumption and identify leaks earlier.

*Since January 2025, participating businesses have saved **139 million litres of drinking water** and reduced water bills by around **$527,000** through smart monitoring and early leak detection.*

*To date, **104 large water-using businesses** across **355 sites** have participated in the program, supported by technology delivered through our commercial arm, Iota.*

Schools continued to participate in the Schools Water Efficiency Program (SWEP), saving approximately **26 million litres** of water during the year. Since 2012, participating schools have saved almost **2.4 billion litres** of water and avoided an estimated $10 million in water costs.

Recycled water projects

Construction of the Monterey Recycled Water Scheme was complete in 2025–26 and will supply up to **98 megalitres** of Class A recycled water each year to Frankston City's sporting grounds and community facilities, helping keep local green spaces healthy while reducing demand on drinking water.

We continued construction of the Dingley Recycled Water Scheme, which will supply up to **1.8 billion litres** of recycled water each year to around **40 sites** across Melbourne's south-east.

Construction also started on the Western Port Recycled Water Scheme. Once complete, it will supply up to **4 billion litres** of Class A recycled water annually to local farms, supporting agriculture and reducing reliance on local waterways.

Water recycling plant upgrades

Works progressed on major upgrades at the Pakenham and Mount Martha water recycling plants to improve capacity, reliability and environmental performance.

At Pakenham, construction of the wet weather storage facility and pump station progressed towards completion. Once operational, the upgrade will reduce the risk of sewer spills, protect local waterways and support the growing community.

At Mount Martha, the upgrade reached its halfway milestone. Key works included construction of **2 new clarifier tanks**, which will improve treatment capacity, manage higher wet weather flows and help protect local waterways as the region continues to grow.

Maximising use of recycled water by residential customers in Victoria (Resilient communities project update)

In partnership with Barwon Water, Greater Western Water, Westernport Water, Yarra Valley Water and DEECA, we led a statewide program to increase residential use of Class A recycled water.

Research found recycled water accounts for around **23%** of household water use, well below its estimated **40 to 45%** potential for approved uses such as toilet flushing, laundry and outdoor watering. Increasing recycled water use could save up to 2.2 GL of drinking water each year, growing to 4 GL by 2030 and 7 GL by 2050.

Phase 1 identified barriers to greater use, including low awareness, limited customer communications and access constraints. During 2025–26, we progressed Phase 2, trialling initiatives to encourage uptake, including redesigned tap handles and opportunities to support recycled water use during residential construction.

Community programs

Table 30. Community Rebate Program.

Name of program	Number of customers
Community Rebate Program	408

Community Housing Retrofit Program

Although we no longer participate in this program we remain committed to supporting water conservation and will continue exploring opportunities to help communities save precious drinking water.



Urban water consumption

Table 31. Water consumption report for 2025–26.

Residential connections	(1) Total number of residential connections.		**793,688**
	(2) Total volume of potable water consumed by residential connections		**110,511.6**
	Per capita daily residential potable water consumption		**159**
	(3) Total volume of recycled water used by residential connections		**2,146.4**
	(4) Total volume of stormwater used by residential connections (supplied by water corporation)		**N/A**
Non-residential connections	(5) Total number of non-residential connections		**63,638**
	(6) Total volume of potable water consumed by non-residential connections*		**34,791.7**
	(7) Total volume of recycled water used by non-residential connections for	Commercial purposes	**1,296.7**
		Industrial purposes	**237**
		Agricultural purposes	**2,480.1**
		Municipal purposes	**211.5**
		Beneficial Allocation	**N/A**
		Within Process	**1,740.3**
		Total	**5,965.6**
	(8) Total volume of stormwater used by non-residential connections for	Commercial purposes	**N/A**
		Industrial purposes	**N/A**
		Agricultural purposes	**N/A**
		Municipal purposes	**N/A**
		Beneficial Allocation	**N/A**
		Within Process	**N/A**
		Total	**N/A**
	(9) Total number of connections (1)+(5)		**857,326**
	(10) Total volume of potable water consumed by connections (2)+(6)		**145,303.3**
	(11) Total volume of recycled water and stormwater used by connections (3)+(4) +(7)+(8)		**8,112**
	(12) Total volume of water used by connections (10)+(11)		**153,415.3**
	Average annual water consumption ((Sum of annual water consumption for the AR year and the previous 4 years) / 5)**		**149,709.8**
Non-revenue water	(13) Volume of non-revenue water attributed to leakages		**13,677.9**
	(14) Volume of non-revenue water attributed to firefighting		**N/A**
	(15) Volume of non-revenue water attributed to other reasons		**7,233**
	(16) Total volume of non-revenue water(13)+(14)+(15)		**20,910.8**
	Total volume of water from all sources (12)+(16)		**174,326.2**

** Includes potable water provided through the recycled water network and excludes volumes credited to customers through leakage adjustments.*
***Average annual consumption calculated using actual volumes from 2021–22 to 2024–25 and Annual Report volumes for 2025–26.*



Major non-residential water users

Table 32. Major non-residential water users volumetric range.

Volumetric range – Megalitres (ML) per year	Number of customers
Equal to or greater than 50ML and less than 100ML	43
Equal to or greater than 100ML and less than 200ML	11
Equal to or greater than 200ML and less than 300ML	6
Equal to or greater than 300ML and less than 400ML	1
Equal to or greater than 400ML and less than 500ML	2
Equal to or greater than 500ML and less than 750ML	2
Equal to or greater than 750ML and less than 1,000ML	0
Greater than 1,000ML	0
Total no. customers	**65**

*We supplied water to **22 business customers** that use more than **100 million litres** per year for uses other than farming, irrigation or domestic purposes.*

Names of non-residential major water users

We continued working non-residential major water users to improve water efficiency and identify opportunities to reduce demand on drinking water supplies. This included supporting water management plans, providing water use monitoring and efficiency advice, and exploring opportunities for suitable customers to transition to recycled water.

These initiatives help support long-term water security while helping customers to better understand and manage their water use.

Table 33 Major non-residential water users' participation in water efficiency programs including both South East Water and private water monitoring programs.

Name of customer	Participation in water efficiency program (Y/N)	Water Management Plan Developed (Y/N)
Australian Meat Group Pty Ltd	Y	Y
Coca-Cola Europacific Partners Australia	Y	Y
Crown Melbourne Limited	Y	Y
Parmalat Australia Ltd (Rowville)	Y	Y
G. & K. O'Connor Nominees Pty Ltd	Y	Y
Parmalat Australia Ltd (Longwarry)	N	Y
Corval Ingham Pty Ltd	Y	Y
Lesaffre Australia Pacific Pty Ltd	N	Y
Chobani Pty Ltd	Y	Y
Alfred Health	N	Y
Southern Health Care Network (Monash Medical Centre Clayton)	Y	Y
Made Manufacturing Pty Ltd	Y	Y
Defence Corp Support South Vic	N	Y
Bega Cheese Ltd (Chelsea Heights)	Y	Y
Esso Australia Ltd	N	Y
Harvest Choice Australia Pty Ltd	N	Y
Mondelez Australia Pty Ltd	Y	Y
Fountain Gate Trust	Y	Y
Bega Cheese Ltd (Port Melbourne)	Y	Y
Visy Packaging Pty Ltd	Y	Y
Orora Limited	N	Y
Knauf Gypsum Pty Ltd	N	Y

Non-revenue water

We implemented the first year of our three-year non-revenue water (NRW) program to reduce water losses and improve network efficiency. This included expanding digital metering and deploying Sotto® technology to strengthen leak detection capabilities.

Since establishing a consolidated NRW function in 2024, we've created a cross-functional NRW Working Group involving **13 business teams** and consolidated around 40 NRW initiatives into a coordinated program of work.

*We've achieved a NRW **decrease of 1.1%,** reflecting the impact of targeted leak detection, improved monitoring and coordinated loss reduction activities.*

During the year, we strengthened NRW reporting and analytics capabilities to improve performance monitoring, forecasting and decision-making. We also launched a NRW Transformation Project, which is driving initiatives across billing, metering, network efficiency and leak management to support long-term water savings and revenue recovery.

Rainwater use in applicable operational area

We oversee rainwater tanks at over **460 properties** in the Aquarevo estate in Lyndhurst, helping reduce demand on drinking water for showers and laundry. Combined with recycled water supplied for toilets and outdoor irrigation, these systems contribute to up to **40% reduction** in drinking water use across the estate.

We've also installed rainwater tanks in the Fishermans Bend precinct to support water conservation and help manage stormwater and flood risk.

More broadly, many customers choose to install rainwater tanks to make greater use of alternative water sources.

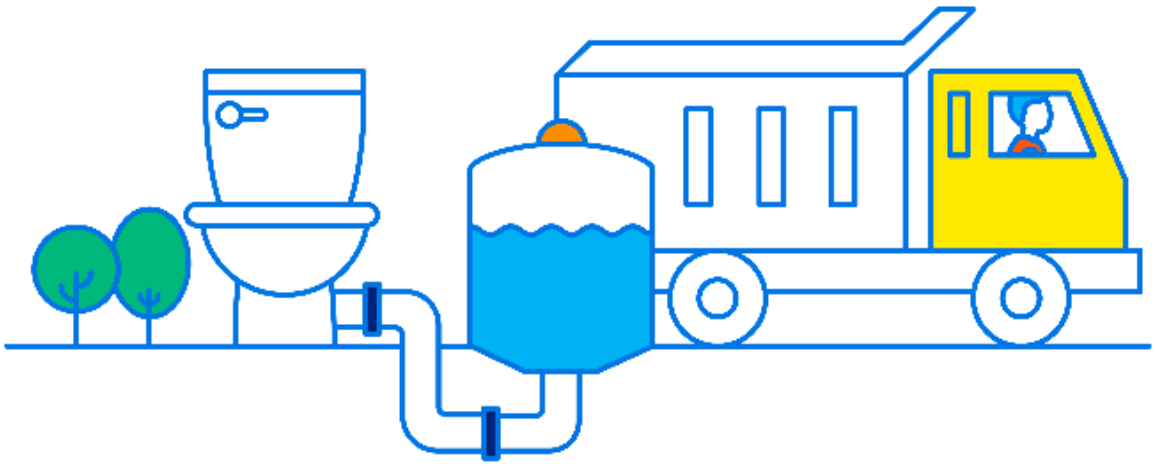
Drought preparedness

Melbourne's metropolitan water retailers maintain a shared drought preparedness framework, including drought response plans and up to 4 levels of water restrictions to help manage water shortages when required.

During 2025–26, we worked with Greater Western Water, Melbourne Water and Yarra Valley Water to update these plans as part of the Greater Melbourne Urban Water System Strategy, reflecting current demand forecasts and projected inflows.

Drought response measures, including water restrictions, weren't required during the year. Permanent Water Use Rules remained in place.

Environmental statutory obligations



Managing water quality and environmental risks

We manage water quality and environmental risks through treatment, monitoring and targeted infrastructure investment. These activities help protect public health and minimise environmental impacts.

In 2025–26, we achieved full compliance with the Safe Drinking Water Regulations and continued programs to reduce sewer spills and improve network reliability. We also used the Beach Impact Index to help prioritise spill responses and protect coastal environments.

During the year, we responded to a Frankston South drinking water incident, including implementation of a precautionary boil water advisory, customer communications and ongoing improvements to strengthen water quality management and network resilience.

Compliance with environmental and sewerage obligations

We operate in compliance with the *Environment Protection Act 2017* and the Statement of Obligations (General) under the *Water Industry Act 1994*.

Our environmental management systems, asset management programs and incident response processes support this compliance.

Annual recycled water checks

*We ran our annual recycled water connection campaign, encouraging more than **89,600 customers** and **32 schools** using recycled water to check their plumbing connections and support safe use of recycled water.*

Pressure sewer

We expanded pressure sewer systems powered by OneBox® across our service area, with **453 properties** connected to or serviced by pressure sewer systems during the year.

These systems improve public health and reduce risks to local waterways by replacing septic systems with low-impact sewer connections. Customer education activities also helped improve understanding of pressure sewer systems and reduce avoidable blockages.

At Aquarevo, pressure sewer connections and rain-to-hot-water systems supported sustainable growth while helping households reduce drinking water use.

Priority infrastructure upgrades

Priority infrastructure upgrades improved our environmental performance and service reliability.

Construction of the Pakenham Wet Weather Storage facility and pump station progressed towards completion. Once operational, the project will help manage wet weather sewage flows, reduce spill risks and protect local waterways.

In Frankston South, we installed a new floating cover and dewatering system at the Rosedale Grove basin to improve water quality, reliability and site safety. The cover helps reduce evaporation, limit algal growth and protect stored water supplies.

Sewer spills

We notified stakeholders of sewer spills and responded quickly to minimise environmental and community impacts.

To support environmental protection and service reliability, we improved contingency planning for critical sewer facilities and progressed initiatives to improve sewer network resilience and reduce the risk of spills.

Catchment and waterway outcomes

We worked with sector partners to deliver initiatives that support regional catchment and waterway strategies, improve water efficiency and protect biodiversity. This included continuing our involvement in the Monbulk Creek Smart Water Network project with Melbourne Water, the University of Melbourne, DEECA, Yarra Ranges Council and the Australian Research Council. The project uses real-time monitoring

and control of rainwater tanks and urban lakes to help protect creek health and support local wildlife, including platypus.

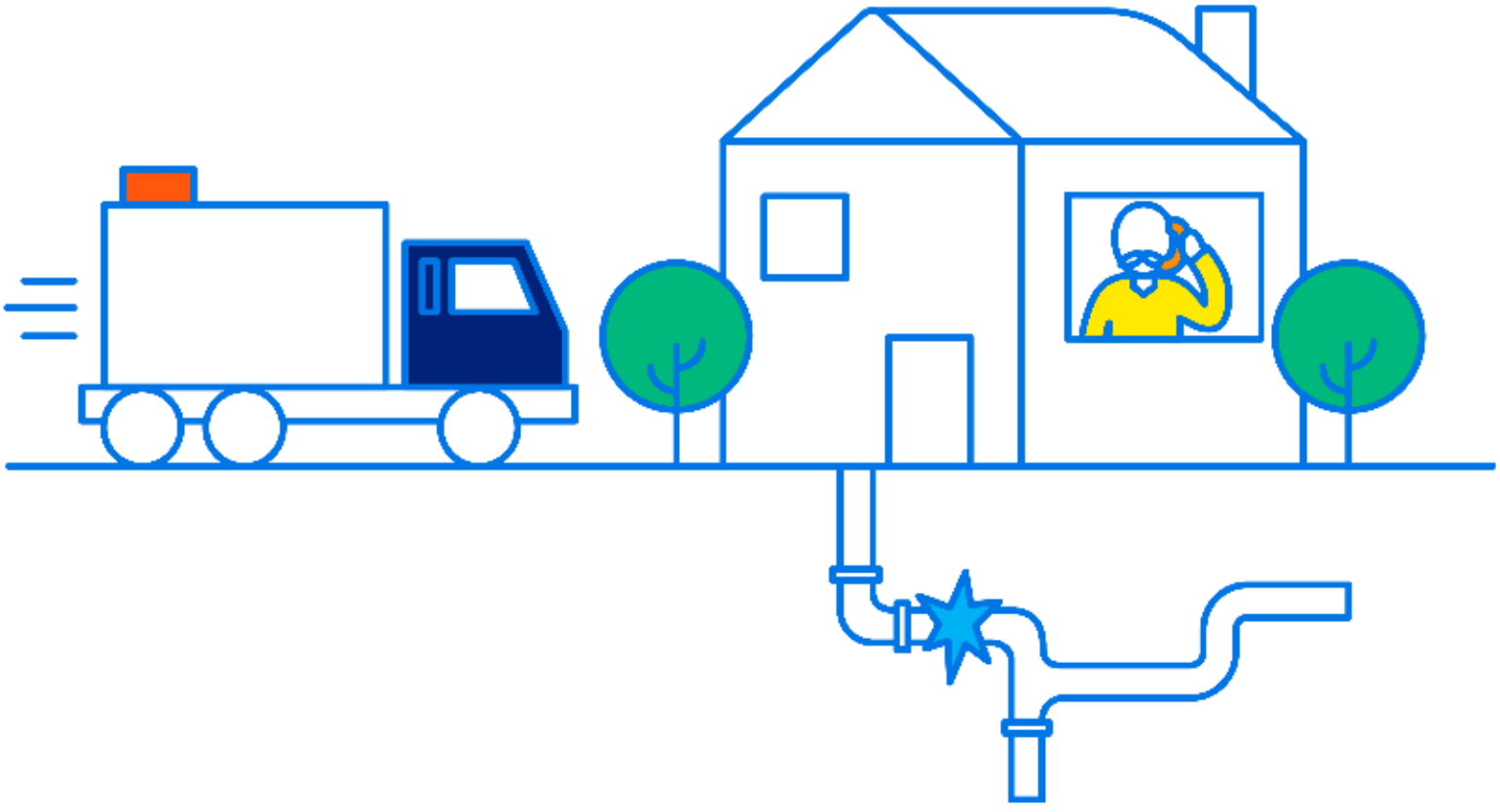
These activities support healthier waterways, improved water quality and stronger environmental outcomes across our region.

Sustainable water management

In collaboration with the Greater Melbourne water sector and the Victorian Government, we delivered actions under long-term regional strategies, including the CGRSWS and the GMUWSS (Water for Life).

We supported the implementation of these strategies through integrated water management, expanding recycled water use and climate resilience planning. These actions help diversify water sources, reduce reliance on conventional supplies and support water security.

We’re developing our next Urban Water Strategy to guide long-term water planning for our service area.

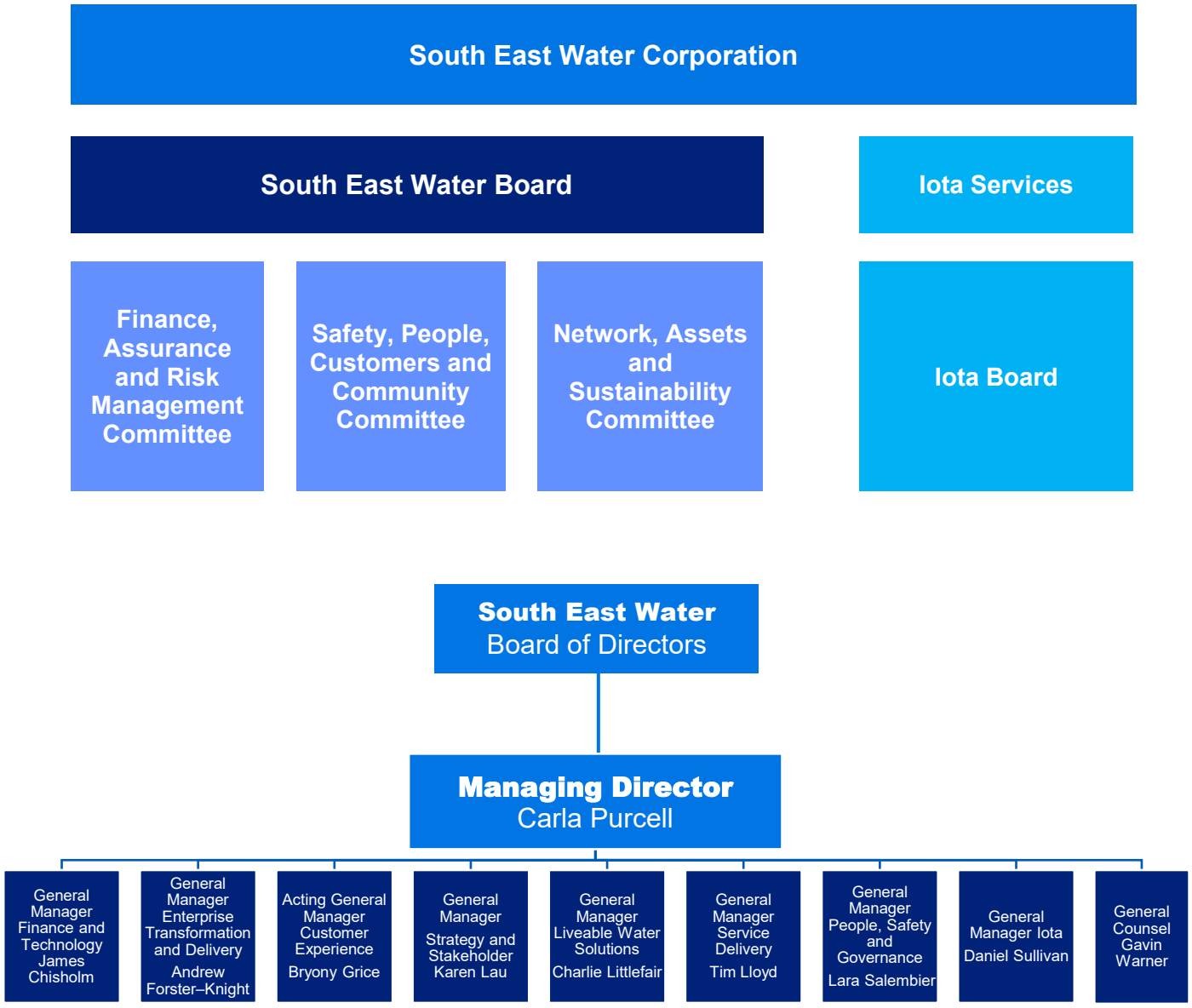


6. Empowering our people



Organisational and governance chart

As at June 2026.



Board of Directors

The South East Water Board comprises **9 non-executive directors**, including the Chair, and the Managing Director.

The Minister for Water, in consultation with the Treasurer, appoints the Chair and non-executive directors. The Board appoints the Managing Director.

The Board is supported by 3 committees and conducts annual assessments of its performance, as well as the performance of the Chair and individual directors, in accordance with the *Public Administration Act 2004* and *the Code of Conduct for Directors of Victorian Public Entities* and reports to the Minister for Water as required by the Statement of Obligations (General).

Lynn Warneke
Chair

- Member, Network, Assets and Sustainability Committee
- Member, Finance, Assurance and Risk Management Committee
- Attends Safety, People Customers and Community Committee ex officio

Dr Rohan Henry
Deputy Chair

- Member, Safety, People, Customers and Community Committee
- Member, Finance, Assurance and Risk Management Committee

Julie Stanley

- Chair, Finance, Assurance and Risk Management Committee
- Member, Network, Assets and Sustainability Committee

Bianca Goebel	• Member, Safety, People Customers and Community Committee • Member, Network, Assets and Sustainability Committee
Dr Nick Fleming	• Chair, Network, Assets and Sustainability Committee • Non-Executive Director, Iota Services Pty Ltd
Selina Lightfoot	• Member, Safety, People, Customers and Community Committee • Chair, Iota Services Pty Ltd
Chris Newton	• Member, Network, Assets and Sustainability Committee • Non-Executive Director, Iota Services Pty Ltd
Philippa Taylor	• Chair, Safety, People Customers and Community Committee • Member, Finance, Assurance and Risk Management Committee
Clare Amies	• Member, Finance, Assurance and Risk Management Committee • Member, Safety, People Customers and Community Committee
Carla Purcell	• South East Water Managing Director • Director, Iota Services Pty Ltd

Table 34. Director attendance in 2025–26.

	South East Water Board		Finance, Assurance and Risk Management		Network, Assets and Sustainability		Safety, People, Customers and Community	
	Eligible attendance	Attended	Eligible attendance	Attended	Eligible attendance	Attended	Eligible attendance	Attended
Lynn Warneke	9	9	4	3	4	4	0	3
Dr Rohan Henry	9	7	4	4	1	0	3	3
Lara Olsen	1	1	N/A	N/A	N/A	N/A	N/A	N/A
Carla Purcell	8	8	0	3	0	4	0	3
Timothy Lyons	3	3	1	1	N/A	N/A	1	1
Dr Kim McGrath	3	3	N/A	N/A	N/A	N/A	1	1
Arron Wood	3	3	N/A	N/A	1	1	1	0
Julie Stanley	9	8	4	4	4	4	N/A	N/A
Selina Lightfoot	9	7	1	1	N/A	N/A	3	3
Dr Nick Fleming	9	9	N/A	N/A	4	4	N/A	N/A
Bianca Goebel	9	9	N/A	N/A	3	3	4	4
Philippa Taylor	6	6	3	2	N/A	N/A	3	3
Clare Amies	6	6	3	3	N/A	N/A	3	3
Chris Newton	6	6	N/A	N/A	3	3	N/A	N/A

Notes:

- *Dr Kim McGrath, Timothy Lyons and Arron Wood ceased as Directors on 30 September 2025.*
- *Clare Amies, Chris Newton and Philippa Taylor commenced their appointments to the South East Water Board on 1 October 2025 and Dr Rohan Henry and Julie Stanley were reappointed to the Board for their second terms from the same date.*
- *Lara Olsen resigned as Managing Director with effect from 18 August 2025.*
- *Carla Purcell was appointed as the Managing Director with effect from 18 August 2025 and attends Committee meetings in her capacity as the Managing Director.*
- *The Board reviews Committee composition annually and the following notes reflect changes to Committee membership effective from the date of the Board meeting on 27 October 2025.*
- *Lynn Warneke was appointed to the Finance, Assurance and Risk Management Committee. As the Board Chair, she participates in meetings of the Safety, People, Customers and Community Committee ex officio and not as a Committee member.*
- *Dr Rohan Henry ceased as a member of the Network, Assets and Sustainability Committee and was appointed to the Safety, People, Customers and Community Committee*
- *Selina Lightfoot ceased as a member of the Finance, Assurance and Risk Management Committee and was appointed to the Safety, People, Customers and Community Committee.*
- *Bianca Goebel was appointed to the Network, Assets and Sustainability Committee.*
- *Phillippa Taylor was appointed as the Chair of the Safety, People, Customers and Community Committee and to the Finance, Assurance and Risk Management Committee.*
- *Clare Amies was appointed to the Finance, Assurance and Risk Management Committee and the Safety, People, Customers and Community Committee.*
- *Chris Newton was appointed to the Network, Assets and Sustainability Committee*

Our leadership team

Carla Purcell
Managing Director

James Chisholm
General Manager Finance and Technology

Andrew Forster–Knight
General Manager Enterprise Transformation and Delivery

Bryony Grice
Acting General Manager Customer Experience

Karen Lau
General Manager Strategy and Stakeholder

Charlie Littlefair
General Manager Liveable Water Solutions

Tim Lloyd
General Manager Service Delivery

Lara Salembier
General Manager People, Safety and Governance

Daniel Sullivan
General Manager Iota

Gavin Warner
General Counsel

Diversity and inclusion

Our Diversity, Equity and Inclusion (DEI) vision is to foster an inclusive and diverse culture that strengthens collaboration, innovation and outcomes for our customers, while building a workforce that reflects the community we serve.

During 2025–26, we continued implementing our Gender Equality Action Plan (GEAP) and embedded gender equality across the organisation. Key achievements included completing our 2025 Workplace Gender Audit and submitting our 2026–30 Gender Equality Action Plan to the Commission for Gender Equality in the Public Sector.

*Our gender composition remained within our **40:40:20 target** and we made progress in gender pay equity, parental leave uptake and the promotion of women.*

We were named a finalist in the 2026 WORK180 Equitable Workplace Awards in the Flexible Working category and ranked 19th in WORK180's Top 101 Workplaces for Women. This marks the third consecutive year we have been recognised for our commitment to flexible work, paid parental leave and inclusive workplace practices.

Using data to drive change

Our DEI Dashboard provided monthly insights into workforce representation, senior leadership diversity, turnover and pay equity, helping guide evidence-based decision-making and track progress against our goals.



Celebrating and learning together

We recognised key dates that promote awareness, connection and inclusion, and supported our DEI Employee Advisory Groups.

Throughout the year, employees participated in events including International Women's Day, International Men's Day, Walk for Water, Midsumma Pride March, National Reconciliation Week and Cultural Diversity Week. During National Reconciliation Week, employees and members of our Executive team attended the Aa-aa Baan Treaty Readiness event, organised by the MDs Accord.

Traditional Owner participation and cultural capability

We supported Aboriginal and Traditional Owner participation in governance and decision-making through an independent First Nations Delegate to our Board, Traditional Owner-specific cultural awareness training for Board members and the Executive Leadership Team, and oversight of our RAP through the Network, Assets and Sustainability Committee.

These initiatives help embed Aboriginal and Traditional Owner perspectives in governance and organisational decision-making while supporting a culturally safe and inclusive workplace.

*During 2025–26, approximately **115 employees** and **10 Board members** completed cross-cultural training.*

The training strengthened understanding of Aboriginal history and culture and supported culturally safe practices across the organisation.

Performance against Corporate Plan diversity and inclusion targets

We track performance against the diversity and inclusion targets in our Corporate Plan to help build a workforce that reflects the communities we serve and supports equitable outcomes across our organisation.

Table 35. Diversity and inclusion key performance indicators in Corporate Plan 2025–26.

	2025–26 target	2025–26 result
Employee diversity within 5% of community diversity (by number of demographic groups)	5/6 pillars	4/6 pillars
Percentage of executive officers who identify as women	50%	37.5% (3 of 8)
Percentage of Aboriginal staff employed	2%	1%

While not all diversity targets were achieved in 2025–26, our overall workforce gender composition remained within our **40:40:20 target** and we continued to make progress in gender pay equity, parental leave uptake and the promotion of women.

Strengthening diversity in leadership remains an ongoing focus area as we continue implementing our Gender Equality Action Plan and broader diversity, equity and inclusion initiatives

Leadership and capability

In 2025–26 we strengthened leadership and organisational capability through learning programs aligned to our values and business priorities.

Increased office attendance created more opportunities for cross-team collaboration, knowledge sharing, mentoring and innovation, helping strengthen connections across the organisation. Employees built skills in leadership, collaboration, inclusion, change management, data and digital capability through masterclasses, leadership programs, team-based learning and on-demand content. More than **300 employees** participated in learning activities focused on safety, trust and inclusion.

We continued to invest in leadership development through 'Leadership Essentials' training, which helps leaders build practical skills in performance management, change leadership and psychological safety. We also introduced automated, role-based regulatory training to strengthen compliance and ensure employees completed training relevant to their role.

This approach made learning more accessible and relevant, helping build capability, strengthen culture and support consistent ways of working across the organisation.

Program reach and participation

- ***30*** *learning sessions delivered across leadership and capability.*
- ***1,052*** *total attendances to all programs.*
- ***30%*** *of employees participated across all program streams.*
- ***70%*** *of leaders have participated in Leadership Essentials.*
- ***440*** *masterclass attendees.*
- ***99.4%*** *compliance training completion.*

Young Professionals Network

Our Young Professionals Network supported career development, learning and connection for employees aged 35 and under.

Activities included customer site tours, a leadership roundtable with our Managing Director Carla Purcell, a goal-setting masterclass and a knowledge-sharing session with our Sewer Maintenance team. These opportunities strengthened technical knowledge, customer understanding and professional development.

Workforce data

Table 36. Details of employment levels at 30 June 2026.

	All employees		Ongoing			Fixed term and casual	
Gender	**Number**	**FTE**	**Full time**	**Part time**	**FTE**	**Number**	**FTE**
Female	492	469.0	379	89	445.3	24	23.7
Male	523	519.5	487	13	497.1	23	22.4
Self-described	6	6.0	6	0	6.0	0	0.0
Age							
15-24	17	16.6	15	1	15.6	1	1.0
25-34	215	210.6	193	13	201.6	9	9.0
35-44	337	327.5	283	40	313.5	14	14.0
45-54	253	246.5	213	27	233.8	13	12.7
55-64	172	168.4	150	15	161.4	7	7.0
65+	27	24.9	18	6	22.5	3	2.4
Classification							
Executive	10	10.0	0	0	0.0	10	10.0
Senior Officers	317	310.2	278	29	301.0	10	9.2
Officers	694	674.3	594	73	647.4	27	26.9
TOTAL	1021	994.5	872	102	948.4	47	46.1

Table 37. Full-time equivalents (FTE), including ongoing, fixed term and casual employees 2021–26.

Year	2026	2025	2024
FTE	994.5	953.3	837.4

Table 38. Gender distribution in management positions June 2022–26.

Classification	Total	Female	Male	Self-described	Female %	Male %
June 2026						
Executive	10	4	6	–	40%	60%
Senior Officers	317	111	206	–	35%	65%
June 2025						
Executive	9	5	4	–	56%	44%
Senior Officers	326	119	207	–	37%	63%
June 2024						
Executive	8	5	3	0	62.5%	37.5%
Senior Officers	272	98	174	0	36.0%	64.0%
June 2023						
Executive	9	5	4	0	55.6%	44.4%
Senior Officers	250	86	164	0	34.4%	65.6%
June 2022						
Executive	7	3	4	0	42.9%	57.1%
Senior Officers	212	71	141	0	33.5%	66.5%

Note: *Executive is defined as employees on a standard public entity executive employment contract.*

Application of employment conduct principles

We have a comprehensive employment and conduct policy framework. It provides our employees with clear expectations about their conduct at work and operates in alignment with public sector values.

We make sure all employees are familiar with the policy framework and that their application is met by ensuring policies are read and understood during onboarding and providing refresher sessions periodically.

We review each employment policy periodically in collaboration and consultation with relevant employee groups and other key stakeholders, to ensure best practice.

Legislation including the *Public Administration Act 2004* guides our policy framework. This ensures compliance and alignment with the public sector.

The policy framework ensures equal employment opportunity for all employees.

Occupational health and safety

A focus on health, safety and wellbeing underpins the way we work. During 2025–26, we continued to strengthen our safety systems, leadership capability and risk management practices to foster a proactive and positive safety culture.

While our safety performance improved during the year, we recognise there's more work to do and remain focused on continuous improvement to ensure our people and partners return home safely every day.

We enhanced our management of psychosocial risks by aligning the Psychosocial Risk Register with the Occupational Health and Safety (Psychological Health) Regulations 2025 and progressing a psychosocial risk management roadmap focused on prevention and risk reduction.

*Our Total Recordable Injury Frequency Rate (TRIFR) reduced from **9.76 to 7.36** injuries per million hours worked, achieving a **25% improvement** and nearing the corporate target of 7.0. This measure includes South East Water and contractor injuries resulting in lost time, medical treatment and restricted work.*

We launched our Safety Maturity Roadmap to provide a structured pathway for embedding proactive safety practices, enhancing critical risk controls and driving continuous improvement in health and safety performance. In early 2026, we also started a multi-year Safety Uplift Program focused on enhancing operational safety capability, improving organisational safety maturity and strengthening the management of strategic and critical safety risks.

We maintained ISO 45001 certification following a successful recertification audit, demonstrating the ongoing effectiveness of our health and safety management system.

*Senior leaders and people leaders undertook **2,422 safety interactions** and conversations during the year, supporting the early identification of hazards, wellbeing concerns and opportunities for improvement.*

We also improved contractor and industry partner safety performance through safety forums, enhanced incident learning and a greater focus on critical risk controls.

To further strengthen accountability and governance, we enhanced safety action management processes and improved the timely closure of safety actions.

We continued to build emergency preparedness and response capability through the implementation of fit-for-purpose emergency response and evacuation processes across major sites. This was supported by **32 trained Emergency Wardens** and **35 First Aid Officers**, helping ensure effective emergency coverage, workforce resilience and support for our hybrid operating model.



Table 39. Performance against OHS management measures (based on employee data only).

Measure	KPI	2023–24	2024–25	2025–26
Incidents*	Number of reported incidents	4	3	8
	Rate for 100 FTE	0.48	0.34	0.80
Hazards**	Number of reported hazards	178	159	119
	Rate for 100 FTE	21.26	18.12	12.17
Claims (WorkCover)	Number of standard claims	0	2	8
	Number of lost time claims	0	0	6
	Rate per 100 FTE	0	0	0.60
Fatalities	Fatality claims	nil	nil	nil
Claim costs	Average cost per standard claim	$0	$561	$34,946
Management commitment	Management participation in planned safety observations	470	401	590
Consultation and participation	OHS committee meetings including employee elected and management representatives	12	12	7
Risk management	Safety management system audit actions closed	100%	100%	70%
Training***	Safety compliance training completed within 10 days of commencement	93%	91%	78%

Note:

** Incidents include the sum of lost time injury (LTI), medical treatment injury (MTI) and restricted work injury (RWI) for the year for our employee data only.*

***South East Water employee data only.*

**** As part of South East Water's Safety Strategy, an escalation process will be implemented to support the timely completion of mandatory safety compliance training.*

Commercial ventures and partnership activities

Iota Services

Iota Services Pty Ltd (Iota) is a wholly-owned subsidiary of South East Water. Iota commercialises a diverse portfolio of technologies and intellectual property developed by South East Water.

Supporting smarter water and sewer networks

Iota's Lentic® platform supported digital metering programs across Australia, including South East Water and Toowoomba Regional Council, where the rollout is approaching **70,000 meters**.

During the year, Barwon Water progressed plans for a deployment of up to 30,000 meters through Lentic. Existing deployments and contracts are expected to take the platform to almost **400,000 connected meters**.

OneBox® technology expanded across Australia and New Zealand, with a new scheme established in the Queenstown Lakes District Council area.

Reducing water loss and improving efficiency

Iota's Sotto® technology helps water utilities identify leaks earlier, reducing water loss and improving operational efficiency. During the year, Iota launched Sotto Analytics, enabling utilities to better interpret monitoring data and respond to leaks sooner.

Busselton Water progressed trials of more than 300 Sotto sensors, while Gippsland Water also trialled the technology. Internationally, Iota partnered with Sagemcom to establish a trial in Uppsala, Sweden.

Driving innovation in wastewater and water efficiency

During the year, Iota launched Level Lotic™, a sewer monitoring device designed to help utilities identify emerging issues earlier and reduce sewer spills and service disruptions.

Iota also launched Flow Lotic S2™, a data logger that supports water monitoring for large non-residential customers. Together with the Footprint® platform, it helps businesses better understand water use and identify leaks earlier.

At a manufacturing site in Scoresby, continuous monitoring identified a hidden leak within a heating, ventilation and air conditioning system, preventing approximately **516 kilolitres** of water loss. Organisations including Calvary Health, Westfield and the City of Casey expanded their use of these technologies.

Priority Plumbing

Iota also manages Priority Plumbing, which provides civil, commercial and residential plumbing services across Victoria while supporting South East Water's network and customers.

*Revenue increased by **28%** during the year, supported by growth in the commercial plumbing sector.*

Priority Plumbing also delivered South East Water's New Connections Program and supported water-saving initiatives, including leak detection and repair services, water efficiency audits and Hydraloop trials.

These activities identified and rectified water losses of around **25 kilolitres per hour** across multiple sites, delivering annual savings of more than $**1.2 million**.

For more information visit iotaservices.com.au or priorityplumbing.net.au

Iota Board

The Iota Board is comprised of members of the South East Water Board, the Managing Director of South East Water and the General Manager Enterprise, Transformation and Delivery.

- Selina Lightfoot, Chair
- Dr Nick Fleming, Non-Executive Director
- Chris Newton, Non-Executive Director
- Carla Purcell, Director
- Andrew Forster–Knight, Director

Table 40. Director attendance in 2025–26.

	Eligible attendance	Attended
Selina Lightfoot	5	5
Dr Nick Fleming	5	5
Chris Newton	3	3
Carla Purcell	4	4
Andrew Forster–Knight	5	4
Lynn Warneke	2	2
Dr Kim McGrath	2	2
Lara Olsen	0	0

Notes:

- *Lara Olsen resigned from the board effective from 18 August 2025.*
- *Carla Purcell was appointed to the board effective from 2 September 2025.*
- *Dr Kim McGrath resigned from the board effective from 1 October 2025.*
- *Lynn Warneke resigned from the board effective from 27 October 2025*
- *Chris Newton was appointed to the board effective from 27 October 2025.*

Cross-industry collaboration and partnerships

Many of the opportunities and challenges facing the water sector are shared across Victoria.

Working alongside other water corporations, industry bodies, research organisations and government agencies allows us to share knowledge, leverage collective resources and develop solutions that deliver broader benefits for customers, communities and the environment.

During 2025–26, we participated in a range of partnerships and collaborative programs focused on innovation, sustainability, operational excellence and sector capability.

Research and innovation partnerships

- **Australian Research Council's Research Hub** for Transformation of Reclaimed Waste Resources to Engineered Materials and Solutions for a Circular Economy (TREMS) to investigate opportunities to convert biosolids biochar into low-carbon concrete products and recover valuable resources through co-processing technologies.
- **Australian Research Council's Research Hub** for Intelligent Energy Efficiency in Future Protected Cropping to support the reuse of recycled water and biosolids in agriculture.
- **Australian Research Council's Training Centre** in Nutrients in the Circular Economy (NiCE) to advance nutrient recovery from wastewater and support circular economy outcomes.
- **Australian Research Council's Training Centre** in Optimisation Technologies, Integrated Methodologies and Applications (OPTIMA) to develop advanced prediction and optimisation tools that improve operational decision-making.
- **Australian Research Council's Training Centre** in Transforming Biosolids to improve the management and beneficial reuse of biosolids.
- **Cooperative Research Centre for High Performance Soils (Soil CRC)** to explore the use of biosolids and biochar to improve agricultural soil health
- **Water Research Australia** to undertake research that supports water quality, treatment innovation, asset management and catchment protection.
- **Australian Research Council's IoT for Water Research Hub** to improve water system monitoring and management through Internet of Things technologies
- **SmartCrete Cooperative Research Centre** to investigate innovative approaches to assessing the condition of sewer concrete infrastructure.

Sector-wide collaborations

- **Victorian Intelligent Water Network (IWN**), which supports collaborative innovation, technology trials and capability development across the sector.
- **Zero Emissions Water Carbon Offsets (ZEWCO**), a joint initiative to procure Australian Carbon Credit Units and support the sector's 2035 net zero emissions target.

- **VicWater** which drives sector advocacy, collaboration, knowledge sharing and coordinated action.
- **Institute of Water Administration (IWA)**, which supports professional development and industry capability building.
- **Integrated Water Management (IWM)** programs that promote collaborative planning and increased water reuse.
- **VicWater Climate Adaptation Working Group**, which develops shared climate risk tools and adaptation strategies.
- **WaterAble** and other sector diversity and inclusion initiatives that support workforce development, accessibility and representation.
- **Water Services Association of Australia (WSAA**), which advances collaboration on water security, customer value, resilient and regenerative futures, First Nations engagement, and workforce capability.

7. Performance and financial management



Financial sustainability and organisational effectiveness

We continued initiatives to improve productivity, streamline processes and optimise how we deliver services. These improvements support long-term financial sustainability and help ensure investment is directed to customer outcomes, service reliability and future infrastructure needs.

In an environment of increasing costs, growing infrastructure demands and climate adaptation challenges, financial resilience remains critical to delivering value for customers and communities.

Transformation Management Office (TMO)

This year, we established our TMO to improve our enterprise transformation capability. The TMO provides a coordinated approach to planning, prioritising and governing transformation initiatives, helping ensure resources are focused on the initiatives that deliver the greatest value to our customers.

Through the TMO, we've developed our first Integrated Delivery Framework. The framework establishes a consistent approach to delivering corporate projects, providing a common language, clear governance and minimum delivery standards across the organisation.

The TMO is also supporting delivery of a range of strategic initiatives designed to strengthen our financial resilience by diversifying revenue, reducing reliance on borrowing and identifying new revenue opportunities over the next 3 years.

We're exploring:

- Industry partnerships
- Property, land and asset utilisation
- Energy optimisation and partnerships.

These workstreams will progress opportunities to improve financial sustainability and support more commercial and collaborative ways of working.

In 2026–27, we'll continue to streamline our organisation and strengthen the capability needed to deliver essential services efficiently and sustainably.

Debt recovery and payment outcomes

To strengthen financial sustainability, we also implemented targeted initiatives to improve payment outcomes and reduce outstanding customer debt.

A campaign for customers with overdue balances under $100 reached **6,554 customers** and reduced debt in this group by **46%**. A separate campaign targeting

former customers with outstanding balances reached **11,458** customers and reduced closed-account debt by **6.1%.**

As part of our debt recovery uplift program, we introduced **3** automated customer notifications: a pre-due date reminder, a pre-mercantile notification and an enhanced post-mercantile notification.

The pre-due date reminder helped improve payment outcomes, with **47%** of customers paying on time after receiving the notification. The pre- and post-mercantile notifications generated a combined **$9.18 million** in debt recoveries.

Performance indicators

Table 41. Financial performance indicators.

Key performance indicator	2024–25 Result	2025–26 Result	Variance to prior year	2025–26 Target	Variance to target
Cash Interest Cover Net operating cash flows before net interest and tax / net interest payments	1.9 times	1.6 times	-15.8% (1)	1.7 times	-5.9%
Gearing Ratio Total Debt (including finance leases) / total assets	52.3%	54.0%	3.3%	55.8%	-3.2%
Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure	15.1%	13.7%	-9.3%	21.4%	-36.0% (2)
Current Ratio Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	123.1% #	111.4%	-9.5%	100.0%	11.4% (3)
Return on Assets Earnings before net interest and tax / average assets	4.3%	3.2%	-25.6% (4)	3.1%	3.2%
Return on Equity Net profit after tax / average total equity	4.0%	1.4%	-65.0% (5)	1.2%	16.7% (6)
EBITDA Margin Earnings before Interest, Tax, Depreciation and Amortisation / total revenue	31.5%	28.3%	-10.2% (7)	28.3%	0.0%

 # 2024–25 result has been restated from 110.6% to 123.1% representing the reclassification of customer accounts with a credit balance from accrued expenses to revenue received in advance.

Notes:

1. The **cash interest cover** was unfavourable to prior year as a result of higher interest payments driven by higher interest rates and an increase in the Group's debt portfolio. Net operating cash flows remained broadly in line with the prior year.
2. The **internal financing ratio** was unfavourable to target, driven by lower net operating cash flows as a result of higher payments to suppliers related to operating contracts and employees, and an increase to

dividends paid associated with the favourable profit result for 2024-25. The result was further impacted by higher net capital spend, including Stage 1A of the Westernport Irrigation Scheme.

3. The **current ratio** was favourable to target, driven by a tax asset where tax payments exceeded the associated tax liability and an increase in inventory balances due to remote meters being recognised as stock pending installation. This was partially offset by increased short-term borrowings maintained to take advantage of favourable interest rates, with lower financial accommodation rates for long term debt available in 2026–27.
4. The **return on assets** metric was unfavourable to prior year, reflecting a reduction in operating profit partly due to a $14.1 million land valuation decrement recognised in the profit and loss statement, where downward revaluations exceeded the available revaluation surplus for the related assets, predominantly associated with Fishermans Bend. While revenue from usage charges increased, this was largely offset by the increases to Melbourne Water bulk water and sewer charges, and the Group's share of the 50 gigalitre Desalination Water Order. Depreciation and amortisation expenses also increased as the Group continued to expand and renew its infrastructure network. In addition, higher borrowings resulted in increased finance costs, further impacting the result. The average asset base increased as a result of net valuation increments to land, building and infrastructure assets.
5. The **return on equity** metric was unfavourable to prior year, driven by lower net profit after tax due to increases in Melbourne Water charges, increases in depreciation and amortisation expenses, revaluation decrement and increases in finance costs as noted above in note 4. In addition, the average total equity has increased by $113.1 million as a result of net valuation increments to land, building and infrastructure assets.
6. The **return on equity** metric was favourable to target, due to an increase in revenue from developer contributions of $139.6 million against target of $103.4 million. This is driven by the completion of a number of large projects including the Melbourne Arts Centre upgrade and the Government Big Build projects. The average total equity was higher than budget as a result net valuation increments to land, building and infrastructure assets.
7. The **EBITDA** margin was unfavourable to prior year driven by an overall reduction in operating profit, refer Note 4 above.

Table 42. Operational performance indicators.

Key performance indicator	2024–25 Result	2025–26 Result	Variance to prior year	2025–26 Target	Variance to target
Water and Sewerage Network Reliability					
Water service – minutes off supply (planned and unplanned) How many minutes on average a customer was without water supply during a year	32.3 minutes	32.1 Minutes	-0.6%	23.0 minutes	39.6% (8)
Unplanned water supply interruptions Percentage of customers receiving 6 or more unplanned interruptions in the year	0.015%	0.054%	260.0% (9)	0.034%	58.8% (9)
Sewerage service – sewer blockages Number of sewer blockages reported per 100 kilometres of sewer main	13.4	16.9	26.1% (10)	17.0	-0.6%
Sewerage service – sewer spills Number of sewer spills reported per 100 kilometres of sewer main	7.1	7.0	-1.4%	8.0	-12.5% (11)

Key performance indicator	2024–25 Result	2025–26 Result	Variance to prior year	2025–26 Target	Variance to target
Sewerage service – containment of sewer spills Percentage of sewer spills from reticulation and branch sewers contained within 5 hours	99.3%	99.0%	-0.3%	100.0%	-1.0%
Water Re-use					
Recycled water – effluent treatment and reuse Proportion of water recycled as a percentage of the volume of effluent produced	34.9%	28.0%	-19.8% (12)	24.0%	16.7% (13)

Notes:

Water and Sewerage Network Reliability

8. The **number of minutes a customer was without water supply** marginally improved on the prior year, but was unfavourable to target. This was driven by a number of unplanned water main failures exceeding the 5 year average by more than 10 per cent and planned maintenance activities including 427 kilometres of water mains cleaning activities, which required sections of the network to be temporarily isolated to facilitate works. In addition, a boil water event in Frankston South in August 2025 contributed more than 21 per cent to the total minutes off supply outcome.
9. The **percentage of customers receiving 6 or more unplanned water supply interruptions** was unfavourable to both the prior year and target. In 2025-26, 0.05 per cent (465 customers) experienced an unplanned water supply interruption. This can be attributed to a range of factors including:
    - higher than average number of bursts.
    - increased leak detection due to the digital meter sensor technology (Sotto).
    - lower quantities of asset renewal works during the year.
10. The **number of sewer blockages** was unfavourable compared to the prior year, primarily driven by elevated blockage volumes during the first seven months of the year. From July 2025 to January 2026, blockage rates were 20 per cent above the 10 year average and 49 per cent higher than the same period in 2024-25, reflecting the impact of drier weather conditions. This trend was observed across the sector with other water authorities reporting increases of 30 per cent to 50 per cent over the same period. Performance improved in the second half of the year, with blockage rates from February to June 2026 just 1 per cent above the corresponding period in 2024-25 and 22 per cent below the 10 year average.
11. The **number of sewer spills** was favourable compared to target, being 12.5 per cent below the 2025-26 target and 14 per cent below the 10 year average. The improvement builds on and reflects both an increased organisational focus on spill prevention during the year and the ongoing effectiveness of targeted operational initiatives. Continued investment in sewer monitoring will be required to minimise the frequency and consequence of sewer spills.

Water Re-use

12. The percentage of **effluent treatment and reuse** was unfavourable compared to prior year due to reduced reliability of Class A recycled water production at Pakenham and Lang Lang Water Recycling Plants (WRP) during 2025-26. This was driven by ongoing ultrafiltration (UF) membrane performance issues, which are critical to the production of effluent for re-use. The discontinuation of South East Water's preferred UF membrane has required the procurement of alternate membrane technology which has proven less reliable and reduced production capacity, resulting in lower overall reuse volumes compared with 2024-25. Despite these operational challenges, customer supply requirements continued to be met and customers were not impacted.
13. The percentage of **effluent treatment and reuse** met target, achieving a favourable variance of 16.7 per cent. Recycled water usage is inherently variable year to year (typically +/- 30 per cent), primarily influenced by climatic conditions and, to a lesser extent, water recycling plant reliability. Drier and warmer conditions during late summer and autumn increased demand for recycled water, resulting in higher utilisation and above target performance.

Certification of performance report for 2025–26

We certify that the accompanying Performance Report for South East Water Corporation and its controlled entity (the Group) in respect of the 2025-26 financial year is presented fairly in accordance with the *Financial Management Act 1994.*

The Performance Report outlines the relevant performance indicators for the financial year as determined by the responsible Minister and as set out in the 2025-26 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and/or between the actual results in the current year and the previous year.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the Performance Report to be misleading or inaccurate.

Dated this 11th day of September 2026.



Dr Rohan Henry

Deputy Chair



Carla Purcell

Managing Director



James Chisholm

Chief Financial Officer

Independent Auditor's Report

VAGO
Victorian Auditor-General's Office

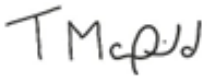
Independent Auditor's Report

To the Board of South East Water Corporation

Opinion	I have audited the performance report of South East Water Corporation (the corporation) for the year ended 30 June 2026, which comprises the: • financial performance indicators • operational performance indicators • notes to the performance report • certification of the performance report. In my opinion the performance report of the corporation for the year ended 30 June 2026 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the *Financial Management Act 1994*.
Basis for opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the *Auditor's responsibilities for the audit of the performance report* section of my report. My independence is established by the *Constitution Act 1975*. My staff and I are independent of the corporation in accordance with 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 my audit of the performance report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Board's responsibilities for the performance report	The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.
Auditor's responsibilities for the audit of the performance report	As required by the *Audit Act 1994*, my responsibility is to express an opinion on the performance report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the performance report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Standards on Assurance Engagements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this performance report.

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Auditor's responsibilities for the audit of the performance report **(continued)**	As part of an audit in accordance with the Australian Standards on Assurance Engagements, I exercise professional judgement and maintain professional scepticism throughout the audit. I also: • identify and assess the risks of material misstatement of the performance report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control. • evaluate the overall presentation, structure and content of the performance report, including the disclosures, and whether the performance report represents the underlying events and results in a manner that achieves fair presentation. I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



MELBOURNE
18 September 2026

Timothy Maxfield
as delegate for the Auditor-General of Victoria

Expenditure

Government advertising expenditure

During 2025–26, we participated in the Victorian water sector's Make Every Drop Count campaign, which promoted water-saving behaviours in response to dry conditions and declining water storages.

Our advertising expenditure for the campaign totalled **$750,000** (exclusive of GST).

Consultancy expenditure

Details of consultancies (valued at $10,000 or greater)

In 2025–26 we engaged consultants for **16 projects** where the total fees payable was $10,000 or greater (GST exclusive). Total Expenditure incurred during the reporting period in relation to these consultants was **$0.9 million** (GST exclusive).

For information on individual consultancies visit our website.

Details of consultancies (valued at less than $10,000)

We had **10 consultancies** where total fees payable was less than $10,000 (GST exclusive). Total expenditure incurred for this consultancy during 2025–26 was **$0.05 million** (GST exclusive).

Information Communication Technology (ICT) expenditure

ICT refers to our costs in providing business-enabling ICT services. It comprises business as usual (BAU) ICT expenditure and non-business as usual (non-BAU) ICT expenditure. Non-BAU ICT expenditure relates to extending and enhancing South East Water's current ICT capabilities BAU ICT expenditure is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability.

Table 43. ICT Expenditure 2025–26.

($'000s)			
BAU ICT expenditure (Total)	Non-BAU ICT expenditure (Total = Operational expenditure and Capital expenditure)	Non-BAU ICT expenditure	
		Operational expenditure	Capital expenditure
$21,420	$31,254	$6,789	$24,465

Reviews and studies expenditure

We've included significant reviews and studies that we solely funded, for which the activity was conducted primarily during 2025–26 and that were above $10,000. The table doesn't include reviews or studies that may be commercial-in-confidence or commercially sensitive, or where the release may be detrimental to our operations (e.g. by pre-empting the finalisation of policy decisions prior to their announcement).

Table 44. Reviews and studies expenditure.

Name of the review (portfolio(s) and output(s)/agency responsible)	Reasons for review/study	Terms of reference/ scope	Timeline	Anticipated outcomes	Final /estimated cost if completed (excl. GST)	Publicly available (Y/N[b]) and URL
Regulatory audit (conducted by independent auditor)	Annual audit by the ESC	Verification of key performance information and compliance with the Water Industry Standard	–	Assessment on the accuracy and reliability of performance data Assessment of compliance with specific regulatory obligations.	30,000	N

Procurement

Local Jobs First

Projects started – Local Jobs First Standard

During 2025–26, we started **5 Local Jobs First Standard projects** totalling $**77.5 million**. These projects are located in metropolitan Melbourne, with an average commitment of **95.3% local content**. The Major Project Skills Guarantee (MPSG) applied to **one project**.

Table 45. Commitments made under the Local Jobs First policy.

Project	Contract value ($M)	Local content commitment	SMEs engaged	Employment commitment
Pressure Sewer Connections	18.0	97.5%	93	45.8 AEE, including 8.0 created jobs and 32.5 retained jobs
Road Reinstatement Services	38.5	98.0%	19	28.1 AEE across two plans, including apprenticeship, traineeship and cadet opportunities
Supply of Pressure Sewer Pumps and Tanks	7.5	69%	14	7.8 retained AEE
Bill Generation and Dispatching Services	9.5	100%	9	Employment and training opportunities, including apprentice, trainee and cadet participation
Salesforce Support Services	7.0	97.0%	Not applicable	68,000 employment hours

Projects completed – Local Jobs First Standard

During 2025–26, we completed **one** Local Jobs First Standard project totalling **$13.9 million**. The project, located in metropolitan Melbourne, delivered **32.1% local content**. The MSPG didn't apply for this project.

Outcomes achieved under the Local Jobs First policy included **8,284 retained employment hours.**

Projects started – Local Jobs First Strategic

During 2025–26, we started **3 Local Jobs First Projects** linked to a Strategic Project (Integrated Planning & Design), valued at **$138.1 million**. The projects are based in metropolitan Melbourne representing an average of **96.5%** of estimated local content. The MPSG applied to all **3 projects**.

Table 46. Commitments made under the Local Jobs First policy.

Project	Contract value ($M)	Local content commitment	SMEs engaged	Employment commitment
Dingley Recycled Water Scheme – Reticulation Network West Package	20.1	95.2%	8	28,500 employment hours, including trainee and cadet opportunities
Hanna Street Stage 2	91.1	98.3%	16	28.5 Annual Employee Equivalents (AEE), including apprentice, trainee and cadet opportunities
Mt Martha Clarifier	26.9	91.4%	46	40,000 employment hours

Projects completed – Local Jobs First Strategic

During 2025–26, we completed **zero Local Jobs Strategic Projects**.

Social procurement activities

The Victorian Government's Social Procurement Framework guides how we use procurement to create social, economic and environmental value for Victorian communities, beyond the direct benefit of the goods, services and works we procure.

During 2025–26, we strengthened our social procurement approach by embedding social value considerations into procurement governance, capability development and supplier engagement. These activities increased opportunities for Aboriginal businesses, social enterprises, disability enterprises and other social benefit suppliers.

*These initiatives contributed to **$412,000** in direct spend with social benefit suppliers during 2025–26, supporting social and economic outcomes for Victorian communities.*

During the year, we implemented our Social Procurement Strategy 2025–28 and introduced a Procurement 101 induction program to strengthen employee understanding of social procurement and supplier engagement requirements.

We also improved access to social benefit suppliers by launching dedicated procurement resources for employees and integrating Social Traders supplier data into our Procurement AI Agent.

A new partnership with Wallara, a Victorian disability enterprise, supported employment opportunities for people with disability. During 2025–26, we directed approximately **$6,200** in spend to Wallara.

To strengthen governance and accountability, we introduced monthly social procurement performance reporting and promoted a streamlined one-quote procurement pathway for eligible social benefit suppliers. This reduced barriers to participation for social enterprises, disability enterprises and Aboriginal businesses.

Disclosure of major contracts

We've disclosed, in accordance with the requirements of government policy and accompanying guidelines, all contracts greater than $10 million in value entered during the financial year ended 30 June 2026.

- Permanent Road Reinstatement Services ($38.5 million)
- Supply of Digital Meters ($67.2 million)
- Pressure Sewer System Installations ($18.0 million)

We've disclosed details of contracts on the Victorian Government Contracts Publishing System on Buying for Victoria (**tenders.vic.gov.au)**

Disclosure of emergency procurement

We didn't undertake any emergency procurement of goods or services within the scope of Victorian Government's Purchasing Board (VGPB) procurement framework.

Procurement complaints

We received one procurement-related complaint during 2025–26 regarding the engagement of a traffic management subcontractor on capital works projects delivered by our industry partner, Abergeldie, BMD & KBR (ABK).

The complainant was advised to lodge the matter through our independent disclosure reporting service to enable formal assessment and investigation and was invited to provide additional information.

No substantiated procurement non-compliance or breach was identified. The complaint was managed in accordance with our governance, probity and complaints handling processes.

Disclosure of grants and transfer payments

We didn't provide any grants or transfer payments during 2025–26.

The Community Grants Program was paused during the year due to assigning community engagement resources to the development of our next Price Submission 2028. This approach supported meaningful engagement with customers, communities and stakeholders on future service priorities, investments and outcomes. Existing grant recipients and funded projects weren't affected by the pause.

McCrae landslide response and resilience

The McCrae landslide in January 2025 was the subject of a Victorian Government Board of Inquiry.

During 2025–26, we continued to support the McCrae community while progressing actions in response to the Board of Inquiry's recommendations. We accepted all recommendations relating to South East Water and started implementing measures to reduce future risks, strengthen safety and improve network resilience.

To support implementation, our South East Water Board committed to independent oversight of the recommendations and regular public progress reporting. We also strengthened our approach to community engagement to ensure local perspectives continue to inform future decision-making and support more resilient, community-informed outcomes.

We continued to invest in infrastructure and monitoring across McCrae and other landslide-susceptible areas. This included water network upgrades, enhanced leak detection and monitoring, expanded digital metering, additional sewer monitoring devices and improved alarm and monitoring systems within our NOCC.

Across the Mornington Peninsula, we’re investing more than $180 million in water and sewer infrastructure between 2023 and 2028 to improve reliability, resilience and long-term service outcomes for customers and communities.

This work reflects our commitment to learning from significant events, strengthening our infrastructure and working collaboratively with communities to improve safety and resilience.

8. Compliance and enforcement



Bulk entitlements

We hold bulk entitlements to the water resources of the Greater Yarra System – Thomson River pool, Victorian Desalination Project and in the River Murray and Goulburn System.

Table 47. Bulk entitlements.

Our reporting requirements	Greater Yarra System – Thomson River Pool[1,2,17]	Desalinated Water[6,7,18]	Goulburn River[11, 12]	Murray River[15,16]
The annual volume of water taken	Clause 16.1 (a) 166,214 ML	Clause 13.1 (a) 0 ML	N/A	N/A
The water allocation volume made available	Clause 16.1 (b) 104,148.225 ML[3]	Clause 13.1 (a) 21,877.297 ML[8]	Clause 13.1 (c) 5,384.3 ML	Clause 10.1 (a) 12,653.3 ML
The volume of carry over	139,639.401 ML	Clause 13.1 (a) 21,877.297 ML	4,943.6 ML[13]	5,198.0 ML[17]
Compliance with the entitlement volume	Clause 16.1 (c) Yes[4]	Clause 13.1 (e) Yes[9]	N/A	N/A
Any temporary assignment or permanent transfer of all or part of entitlement	Clause 16.1 (d) 0 ML	Clause 13.1 (b) 1,735.301 ML[10]	Clause 13.1 (d) 4,268.2 ML[18] Clause 13.1 (e) 0 ML	Clause 10.1 (b) 16,558.2 ML[18] Clause 10.1 (c) 0 ML
The approval, amendment and implementation of the metering program	Clause 16.1 (e) Continuing[5]	N/A	N/A	N/A
Any amendment to this entitlement	Clause 16.1 (f) No	Clause 13.1 (c) No	Clause 13.1 (f) Yes[12]	Clause 10.1 (d) Yes[16]
Any new entitlement of water granted	Clause 16.1 (g) Nil	Clause 13.1 (b) Nil	N/A	N/A
Any failure to comply with any provision of this entitlement and any remedial action take or proposed	Clause 16.1 (h) None	Clause 13.1 (f) None	Clause 13.1 (g) None	Clause 10.1 (e) None
Any difficulties experienced or anticipated in complying with this entitlement and any remedial action take or proposed	Clause 16.1 (i) None	Clause 13.1 (g) None	Clause 13.1 (h) None	Clause 10.1 (f) None
Annual amount of water taken from the waterway	N/A	N/A	Clause 13.1 (b) N/A[14]	N/A

Notes for compliance with bulk entitlements

Greater Yarra System –Thomson River Pool

1. South East Water holds Bulk Entitlement (Greater Yarra System–Thomson River Pool – South East Water) Order 2014 – WSE000077.

2. South East Water is a primary entitlement holder with a delivery bulk entitlement to 206,281.0 ML.
3. The Storage Manager – Melbourne Water makes seasonal allocations monthly.
4. Compliance with the entitlement volume is measured by compliance with the overall Cap within the source entitlements for the Thomson and Yarra systems (held by Melbourne Water). The caps were complied with. Further, South East Water understands that Melbourne Water has met all minimum environmental flow obligations contained in its source entitlements.
5. Metering programs for this bulk entitlement are continually maintained and reviewed via the Bulk Water Supply Agreement between South East Water and Melbourne Water and System Management Rules established by Melbourne Water.

Victorian Desalination Project

6. South East Water holds Bulk Entitlement (Desalinated Water – South East Water) Order 2014 – WSE000053.
7. South East Water may take an average annual volume of up to 53,454 ML of desalinated water over any period of 5 consecutive years that is delivered to a delivery point to the Melbourne headworks system.
8. On 4 April 2025 the Hon Gayle Tierney MP, Minister for Water announced a 50 GL desalinated water order for the 2025–26 year. On 7 April 2026 the Hon. Gayle Tierney MP, Minister for Water announced a 150 GL desalinated water order for the 2026–27 year. A total of 61,626 ML of desalinated water was delivered during 2025–26, including early delivery of part of the 2026/27 order, of which South East Water's share was 21,877.297 ML.
9. Compliance with the entitlement volumes is measured with respect to whether the annual volume taken exceeds the entitlement. This didn't occur this year.
10. In 2025–26, South East Water undertook reciprocal trades with South Gippsland Water and Westernport Water of 799.366 ML and 935.935 ML of water allocation respectively. This is part of an ongoing administrative process to enable South Gippsland Water and Westernport Water to continue to access, by substitution, its entitlement in the Greater Yarra System – Thomson River Pool via their offtakes on the desalination transfer pipeline while the transfer pipeline is pumping desalinated water from the Victorian Desalination Project to Cardinia Reservoir. South East Water trades the required volume of desalinated water allocation to South Gippsland Water / Westernport Water and South Gippsland Water / Westernport Water trades the same volume from its Greater Yarra System – Thomson River pool bulk entitlement back to South East Water resulting in a net 0 ML trade. This is required because South Gippsland Water and Westernport Water don't hold an entitlement to desalinated water. This ongoing administrative process was agreed between South East Water, South Gippsland Water, Melbourne Water, Westernport Water and DEECA.

Goulburn System

11. South East Water holds Bulk Entitlement (Goulburn System – South East Water) Order 2022 – WSE020020.
12. The Minister approved an amendment to this bulk entitlement to reflect a change in the cost arrangements payable to Goulburn–Murray Water for storage and supply of water, which came into effect on 16 October 2025.

13. South East Water's commencement volume on 1 July 2025 was 4,087.7 ML. At 30 June 2026, South East Water held 4,943.6 ML (4,121.4 ML in Zone 1a and 822.3 ML in Zone 1b).
14. Compliance with the combined annual diversion limit of 75,000ML for the holders of Bulk Entitlement (Goulburn System – Greater Western Water) Order 2022, Bulk Entitlement (Goulburn System – South East Water) Order 2022 and Bulk Entitlement (Goulburn System – Yarra Valley Water) Order 2022 is assessed using the actual measured annual diversion. Diversions are subject to clause 6.1 of South East Water's Statement of Obligations (System Management).

Murray River

15. South East Water holds Bulk Entitlement (Murray River – South East Water) Order 2022 – WSE020021.
16. The Minister approved an amendment to this bulk entitlement to reflect a change in the cost arrangements payable to Goulburn-Murray Water for storage and supply of water, which came into effect on 16 October 2025.
17. South East Water's commencement volume on 1 July 2025 was 9,376.5 ML. At 30 June 2026, South East Water held 5,198.0 ML (285.1 ML in Zone 6 and 4,912.9 ML in Zone 7).

General

18. South East Water has in place water management strategies to manage water allocations holdings in the Murray River and Goulburn System to maximise the value of the resources held to our customers and minimise risk of spilling water allocation. These strategies include the transfer of allocations between bulk entitlement allocation accounts and trading water allocations. Net total trade out was 20,826.4 (2,568.8 ML in Zone 1A, 1699.4 ML in Zone 1B, 8,487.7 ML in Zone 6 and 8,070.5 ML in Zone 7).
19. On 1 July 2026, the Greater Yarra System – Thomson River Pool – South East Water bulk entitlement was revoked and replaced with a new South–Central Pool bulk entitlement providing access to both surface and desalinated water. The new South–Central Pool arrangements provide South East Water with more flexibility to meet changing water needs.
20. On 1 July 2026, the Desalinated Water – South East Water bulk entitlement was revoked and replaced with a new South–Central Pool bulk entitlement which provides access to not only surface water but also desalinated water. From 1 July 2026, Melbourne Water holds the desalinated water bulk entitlement which will be used to supply the South-Central Pool bulk entitlement holders. The new South-Central Pool arrangements provide South East Water with more flexibility to meet changing water needs.

Legislative and reporting requirements

Freedom of Information Act 1982

The public has a right to access documents held by South East Water under the *Freedom of Information Act 1982*.

FOI requests can be submitted to **foi@southeastwater.com.au**. An application fee of **$33.60** applies.

When making an FOI request, applicants should ensure requests are in writing, clearly identify what types of material/documents are being sought and be accompanied by the application fee to be a valid request.

If you're unable to make a request online, you can request documents in the possession of South East Water by writing to:

Freedom of Information Officer
South East Water
PO Box 2268, Seaford, 3198

Enquiries about FOI requests can be directed to **foi@southeastwater.com.au.**

FOI statistics/timeliness

During 2025–26, South East Water received 114 requests for access to documents under the *Freedom of Information (FOI) Act*.

We finalised 63 requests, granting access to documents in 61 cases. Eighteen requests were managed outside the FOI Act and 4 requests didn't identify any relevant documents.

Twenty-two requests weren't completed by the applicant, and 7 requests remained outstanding at 30 June 2026. We finalised 88% of requests within the statutory timeframe.

No requests were subject to an application for review by the Victorian Civil and Administrative Tribunal (VCAT).

More information

More information regarding the operation and scope of FOI can be obtained from the Act, regulations made under the Act and **ovic.vic.gov.au**.

Building Act 1993

We own our 'WatersEdge' headquarters in Frankston. We also lease and operate warehousing facilities at Braeside and Lynbrook and own property and facilities at Port Melbourne and Rye, and others associated with water recycling plants at Blind Bight, Boneo, Koo Wee Rup, Lang Lang, Longwarry, Mount Martha, Somers and Pakenham.

We comply with the *Building Act 1993*, the Building Regulations 2006 and associated statutory requirements and amendments. We maintain internal control systems to ensure compliance with our Certificate of Occupancy and engage the expertise of qualified service providers to conduct regular and annual building inspection routines to make sure we efficiently maintain buildings' assets and a safe workplace.

We also closely monitor service providers for compliance, inspections and maintenance reports and regular service provider meetings.

During 2025–26, we completed one major project valued at more than $50,000 across our headquarters and water recycling plants. This project involved an office uplift at the Blind Bight Water Recycling Plant. We also obtained one permit during 2025–26 for a dwelling demolition.

Competitive neutrality policy

The objective of the competitive neutrality policy in Victoria is to ensure significant Victorian Government business activities compete fairly in markets with private businesses. We therefore continue to observe and apply the principles of the competitive neutrality policy in our business undertakings.

Public Interest Disclosures Act 2012

The *Public Interest Disclosures Act 2012* enables people to report improper conduct and protects them from reprisal for doing so.

Improper conduct includes taking or offering bribes, dishonestly performing public functions, or engaging in conduct that constitutes a substantial risk to the health or safety of a person or to the environment.

We take reasonable steps to protect people who make public interest disclosures from detrimental action in reprisal for making a disclosure about South East Water or our employees.

Our Public Interest Disclosure Policy is available at **southeastwater.com.au.**

Contact
Independent Broad-based Anti-corruption Commission (IBAC) Victoria
IBAC, GPO Box 24234, Melbourne, Victoria 3001
Ibac.vic.gov.au
1300 735 135

Additional information available on request

In line with the Standing Directions of the Minister for Finance, we retain the following information. It is available on request, subject to the *Freedom of Information Act 1982*:

- A statement of completion of declarations of pecuniary interests by relevant officers.
- Details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary.
- Details of publications produced by South East Water about itself, and how these can be obtained.
- Details of changes in prices, fees, charges, rates and levies charged by South East Water.
- Details of any major external reviews carried out on South East Water.
- Details of major research and development activities undertaken by South East Water.
- Details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit.
- Details of major promotional, public relations and marketing activities undertaken by South East Water to develop community awareness of the entity and its services.
- Details of assessments and measures undertaken to improve the occupational health and safety of employees.
- A general statement on industrial relations and time lost through industrial accidents within South East Water.
- A list of South East Water's major committees; the purposes of each committee; and the extent to which the purposes have been achieved.
- Details of all consultancies and contractors, including:
    - consultants/contractors engaged;
    - services provided; and
    - expenditure committed for each engagement.

You can request this information by email at **foi@southeastwater.com.au** or by writing to the Freedom of Information Officer, PO Box 2268, Seaford VIC 3198.

Risk, assurance and compliance

During the year, we strengthened organisational capability across risk, cyber security, emergency management and asset management to support reliable services and respond to future challenges including increased customer demand, climate change and changing customer expectations.

Our risk framework supports informed decision-making, responsible stewardship and delivery of reliable services for customers and communities. Aligned with Victorian Government guidelines and the AS/NZS ISO 31000:2018 standard, the framework helps us identify opportunities, manage emerging challenges and support our long-term strategic objectives.

We're committed to fostering a positive risk and compliance culture, underpinned by high standards of integrity, accountability and regulatory compliance in delivering essential water and sewerage services. We integrate compliance within our governance, risk and assurance framework, supporting both our strategic objectives and legislative obligations.

Organisational strategic risks

In the past year, we've sought to continue to improve risk management with the Board approving revised Risk Appetite Statements and Organisational strategic risks.

Internal Audit Program

Our internal audit program provides independent assurance over key business processes and supports continuous improvement across the organisation. The rolling 3-year internal audit plan aligns with strategic priorities and emerging challenges while helping strengthens governance, operational performance and accountability.

Over the last year, our Board appointed internal auditor has undertaken **9 internal audits**.

Integrated Management System (IMS)

At the core of our operations is a robust IMS that underpins our commitment to delivering safe, reliable, and sustainable water services to our customers and communities. Our IMS brings together key disciplines to ensure consistent performance, regulatory compliance, and continual improvement across all areas of our business.

Throughout the past year, our management systems have been subject to independent audit and certification, including:

- ISO 9001 (Quality Management System)

- ISO 14001 (Environment Management System)
- ISO 45001 (Occupational Health and Safety)
- ISO 22000 (Food Safety Management) for sewage quality management
- ISO 55001 (Asset Management)
- Hazard Analysis and Critical Control Point (HACCP) for drinking water and recycled water management.

Cyber security and resilience

We manage cyber security risks through our enterprise Risk Management Framework, supported by alignment with the National Institute of Standards and Technology (NIST) Cyber Security Framework and compliance with the Victorian Protective Data Security Standards. These measures help support reliable service delivery, protect critical infrastructure and strengthen organisational resilience.

During 2025–26, we strengthened our cyber security capability through ongoing security monitoring, vulnerability management, employee awareness training and improved access controls.

Key initiatives included implementation of multi-factor authentication to verify customers that call or use live chat to contact us. We also implemented Microsoft E5 security capabilities, enhancements to our Cyber Risk Management Framework, deployment of Cyber Asset Attack Surface Management capabilities and physical security improvements aligned with the Security of *Critical Infrastructure Act*.

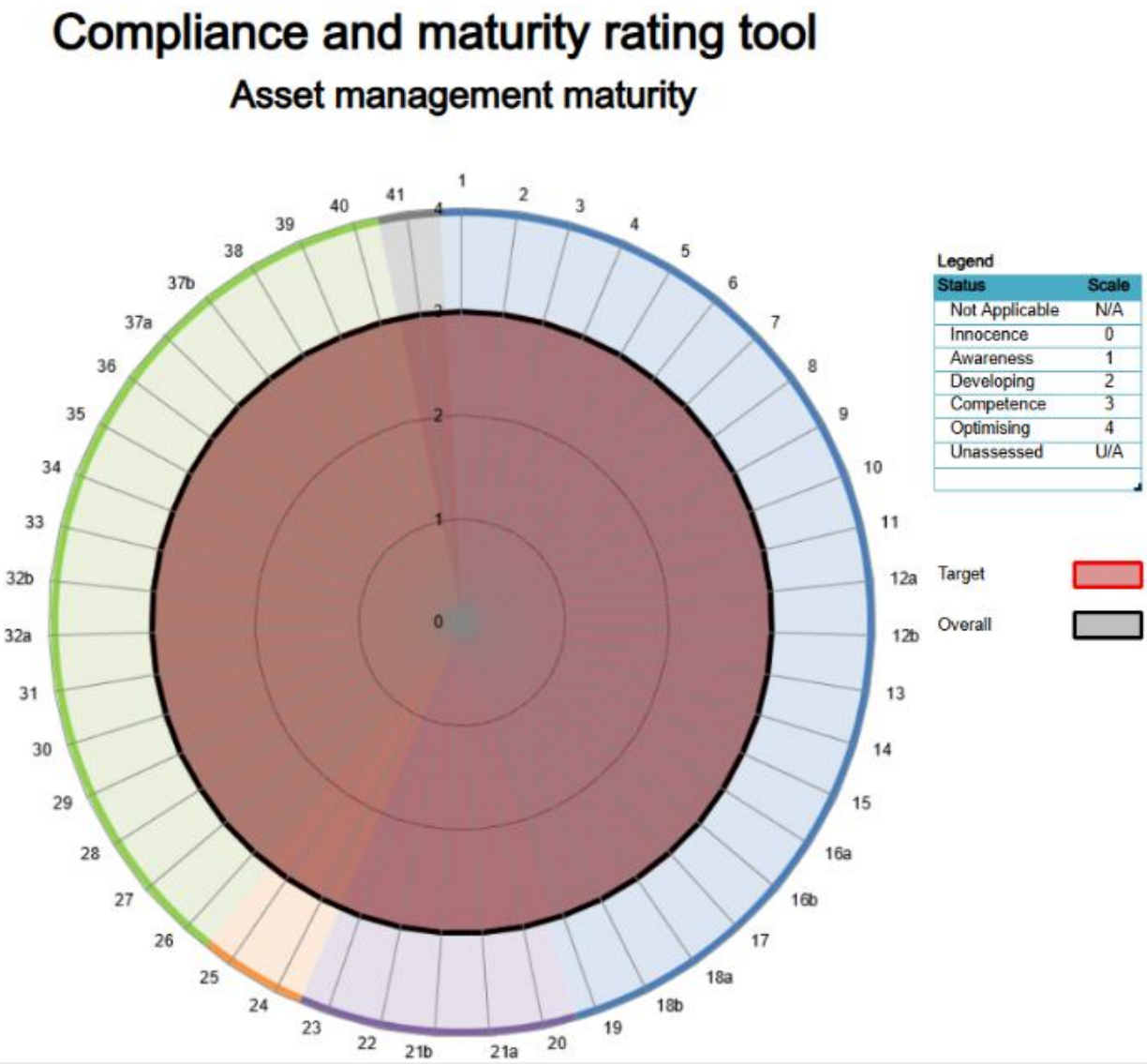
Emergency management improvements

We implemented priority actions from our Emergency Management Strategic Improvement Plan, strengthening organisational preparedness and response capability. This included establishing a Service Delivery Incident Management standby team and reviewed emergency management resourcing and climate resilience risks.

We established the NOCC Evolve Program to improve end-to-end network visibility and decision-making. An integrated NOCC provides a single point of accountability, 24/7 situational awareness and integrated tools and data, enabling proactive network management and improved operational performance.

Asset Management Accountability Framework (AMAF) maturity assessment

Our target maturity rating is ‘competence’, meaning systems and processes fully in place, consistently applied and systematically meeting the AMAF requirement. This includes a continuous improvement process to expand system performance above AMAF minimum requirements.



Our performance against target

Leadership and accountability (requirements 1 to 19)

Met our target maturity level in this category. As part of the Board of Inquiry outcomes, the Strategic Asset Management Committee (SAMC) Terms of Reference has been updated and approved in August 2025, and its subcommittee, the Asset Criticality and Vulnerability Committee (ACVC), was established in September 2025.

Planning (requirements 20 to 23)

Met our target maturity level in this category.

Acquisition (requirements 24 and 25)

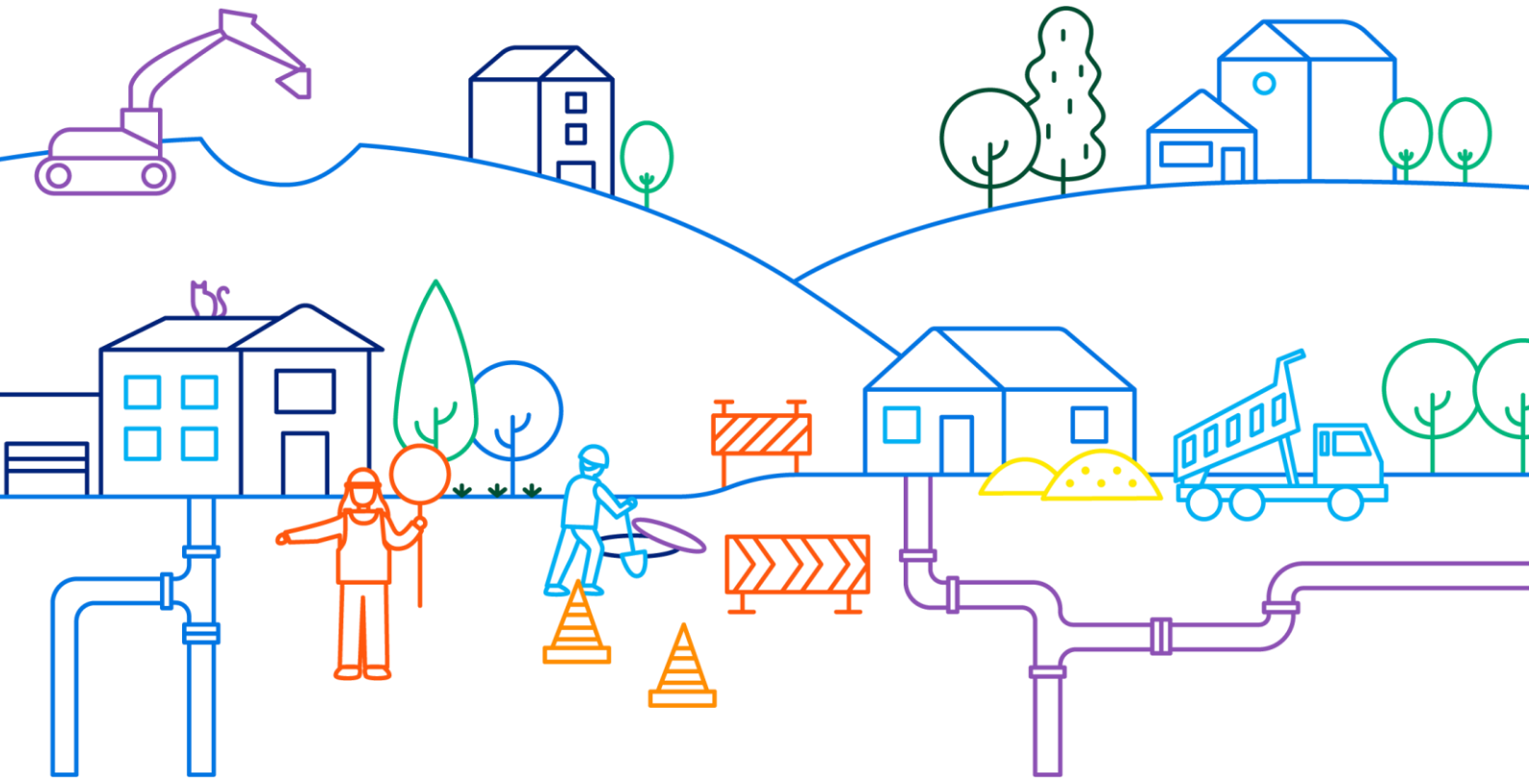
Met our target maturity level in this category.

Operation (requirements 26-40)

Met our target maturity level in this category.

Disposal (requirement 41)

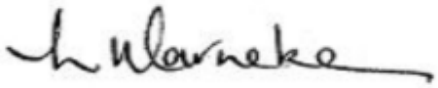
Met our target maturity level in this category.



Financial Management Compliance Attestation Statement

South East Water Corporation Financial Management Compliance Attestation Statement

I, Lynn Warneke, on behalf of the South East Water board, certify that South East Water Corporation has no material compliance deficiencies with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



Lynn Warneke
Chair, South East Water Corporation
25 August 2026

9. Financial Report



Statutory certification

We certify that, in our opinion, the attached consolidated financial statements for South East Water Corporation and its controlled entity (the Group) have been prepared in accordance with Direction 5.2 of the Standing Directions issued under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2026 and the financial position of the Group as at 30 June 2026.

At the time of signing, we are not aware of any circumstances which would render any particulars included in the consolidated financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on this 11th day of September 2026.



Dr Rohan Henry
Deputy Chair



Carla Purcell
Managing Director



James Chisholm
Chief Financial Officer

Independent auditor's report

VAGO
Victorian Auditor-General's Office

Independent Auditor's Report

To the Board of South East Water Corporation

Opinion	I have audited the consolidated financial report of South East Water Corporation (the corporation) and its controlled entity (together the consolidated entity), which comprises the: • consolidated balance sheet as at 30 June 2026 • consolidated statement of comprehensive income for the year then ended • consolidated statement of changes in equity for the year then ended • consolidated cash flow statement for the year then ended • notes to the financial statements, including material accounting policy information • statutory certification. In my opinion, the consolidated financial report presents fairly, in all material respects, the financial position of the consolidated entity and the corporation as at 30 June 2026 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.
Basis for opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's responsibilities for the audit of the consolidated financial report* section of my report. My independence is established by the *Constitution Act 1975*. My staff and I are independent of the corporation in accordance with 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 my audit of the consolidated financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Key audit matters	Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the consolidated financial report of the current period. These matters were addressed in the context of my audit of the consolidated financial report as a whole and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

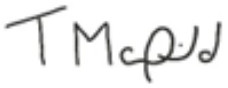
Level 31 / 35 Collins Street, Melbourne Vic 3000
T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

Key audit matter	How I addressed the matter
Revenue from service and usage charges *Note 2.1 – Revenue from contracts with customers*	
Revenue from service and usage charges: $1.036 billion I considered this to be a key audit matter because: • revenue is financially significant • the corporation's IT billing system and business rules are complex, and inputs to the system are derived from multiple sources • external service providers conduct meter readings of customer water consumption data • there is a high degree of estimation uncertainty in the revenue accrual (contract asset) for unbilled water and sewerage services at year end • the applicable accounting standard AASB 15 *Revenue from Contracts with Customers* requires extensive financial report disclosures.	My key procedures included: • testing the operating effectiveness of key controls in the billing system and billing process • assessing management's model, key assumptions, and inputs for estimating accrued revenue at 30 June 2026 • performing substantive analytical procedures by developing an expectation of usage and service charges revenue for the period based on water volumes, number of serviced properties and approved prices, and comparing it against the revenue recorded by the corporation • assessing the adequacy of revenue recognition and measurement policies • assessing the adequacy of financial statement disclosures against AASB 15.
Fair value estimate of infrastructure assets *Note 4.1 – Infrastructure, property, plant and equipment*	

Fair value of infrastructure assets: $5.031 billion
I considered this to be a key audit matter because:
• infrastructure assets are financially significant
• the fair value estimate is derived from an income-based valuation approach that uses a discounted cashflow (DCF) model
• management engage an external valuation expert to prepare the fair value estimate
• the DCF model is highly complex and involves significant judgements and assumptions
• small changes in key assumptions used in the DCF model can materially affect the fair value
• the DCF model's forecast period is long, and includes a terminal value, which increases the difficulty in accurately estimating the fair value
• the applicable accounting standard AASB 13 *Fair Value Measurement* requires extensive financial report disclosures.
	My key procedures included:
	• obtaining an understanding of the approach to estimating the fair value of infrastructure assets
	• assessing the competence, objectivity and capability of management's expert engaged to assist with the valuation process
	• engaging a subject matter expert to assist me in obtaining sufficient appropriate audit evidence, including:
	  ○ the appropriateness of using an income-based valuation approach
	  ○ the identification and assessment of the reasonableness of any changes to the DCF model and/or assumptions
	  ○ the reasonableness and consistency of assumptions used in the DCF model
	  ○ the reasonableness of all inputs used in the DCF model, with specific reference to underlying data and supporting documentation
	  ○ the DCF model's computational accuracy
	• assessing the completeness and adequacy of the financial report disclosures against the requirements of AASB 13, including the significant observable and unobservable inputs utilised in the model and the sensitivity analysis.

Board's responsibilities for the consolidated financial report	The Board is responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the consolidated financial report that is free from material misstatement, whether due to fraud or error. In preparing the consolidated financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.
Auditor's responsibilities for the audit of the consolidated financial report	As required by the *Audit Act 1994*, my responsibility is to express an opinion on the consolidated financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the consolidated 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 my 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this consolidated financial report. As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also: • identify and assess the risks of material misstatement of the consolidated financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control. • evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board. • conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern. • evaluate the overall presentation, structure and content of the consolidated financial report, including the disclosures, and whether the consolidated financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Auditor's responsibilities for the audit of the consolidated financial report (continued)	I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit. From the matters communicated with the Board, I determine those matters that were of most significance in the audit of the consolidated financial report of the current period and are therefore key audit matters. I describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



MELBOURNE
18 September 2026

Timothy Maxfield
as delegate for the Auditor-General of Victoria

Consolidated statement of comprehensive income

For the year ended 30 June 2026

Consolidated entity	Note	2026 $'000	2025 $'000
Revenue from contracts with customers	2.1	1,249,751	1,218,573
Other income		2,543	2,446
Total revenue and income		**1,252,294**	**1,221,019**
Operating expenses	3.1	(746,084)	(709,427)
Employee benefits	3.2.1	(93,199)	(82,979)
Depreciation and amortisation	4.2, 4.3	(158,216)	(139,830)
Finance costs	6.2	(156,178)	(132,024)
Environmental contribution	7.3	(44,276)	(44,275)
Total expenses		**(1,197,953)**	**(1,108,535)**
Gain/(Loss) on Non-Financial Asset from valuations	4.2	(14,122)	-
Net profit before income tax		**40,219**	**112,484**
Income tax expense	7.1	(11,593)	(32,676)
Net profit after income tax		**28,626**	**79,808**
Other comprehensive income			
Items that will not be reclassified to net profit			
Change in asset revaluation surplus - infrastructure assets	4.2	22,687	128,985
Change in asset revaluation surplus - land & buildings assets	4.2	68,799	-
Actuarial gains/(losses) on defined benefit fund	9.3	3,815	744
Deferred income tax relating to other comprehensive income	7.1	(28,683)	(38,919)
Other comprehensive income		**66,618**	**90,810**
Total comprehensive income		**95,244**	**170,618**

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

Consolidated balance sheet

As at 30 June 2026

Consolidated entity	Note	2026 $'000	2025 $'000
CURRENT ASSETS			
Cash		5,217	8,180
Receivables	5.1	130,621	121,153
Income tax receivable	7.1	7,377	-
Contract assets	5.3	78,845	76,412
Other assets	5.5	33,274	22,390
Total current assets		**255,334**	**228,135**
NON-CURRENT ASSETS			
Infrastructure, property, plant and equipment	4.1	5,966,693	5,532,528
Intangible assets	4.3	173,803	163,963
Right-of-use assets		7,268	8,401
Other financial assets	5.6	1,780	15
Defined benefit superannuation asset	9.3	19,399	15,618
Total non-current assets		**6,168,943**	**5,720,525**
TOTAL ASSETS		**6,424,277**	**5,948,660**
CURRENT LIABILITIES			
Payables	5.2	145,162	129,655
Interest bearing liabilities	6.1	71,674	45,262
Employee benefits provision	3.2.2	26,645	24,614
Income tax payable	7.1	-	737
Contract liabilities	5.3	53,371	54,501
Deposits and income in advance	5.4	14,207	30,402
Other provisions		3,189	138
Total current liabilities		**314,248**	**285,309**
NON-CURRENT LIABILITIES			
Interest bearing liabilities	6.1	3,394,913	3,067,191
Deferred tax liabilities	7.1	568,757	543,777
Employee benefits provision	3.2.2	1,727	1,991
Other financial liabilities	5.6	-	838
Total non-current liabilities		**3,965,397**	**3,613,797**
TOTAL LIABILITIES		**4,279,645**	**3,899,106**
NET ASSETS		**2,144,632**	**2,049,554**
EQUITY			
Contributed equity		113,207	94,607
Reserves		1,110,300	1,046,352
Retained profits		921,125	908,595
TOTAL EQUITY		**2,144,632**	**2,049,554**

Contingent assets and contingent liabilities – Note 8.3
Commitments – Notes 3.3, 4.4, 7.3

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 30 June 2026

Consolidated entity	Note	Contributed equity $'000	Asset revaluation surplus: Land and buildings $'000	Asset revaluation surplus: Infrastructure assets $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2024		**94,607**	**350,554**	**605,508**	**867,722**	**1,918,391**
Total comprehensive income for the year						
Net profit after income tax		-	-	-	79,808	**79,808**
Other comprehensive income		-	-	90,290	520	**90,810**
Total comprehensive income		**-**	**-**	**90,290**	**80,328**	**170,618**
Total transactions with the State in its capacity as owner						
Dividends paid	7.2	-	-	-	(39,455)	**(39,455)**
Total transactions with the State in its capacity as owner		**-**	**-**	**-**	**(39,455)**	**(39,455)**
Balance at 30 June 2025		**94,607**	**350,554**	**695,798**	**908,595**	**2,049,554**
Balance as at 1 July 2025		**94,607**	**350,554**	**695,798**	**908,595**	**2,049,554**
Total comprehensive income for the year						
Net profit after income tax		-	-	-	28,626	28,626
Other comprehensive income		-	48,067	15,881	2,670	66,618
Total comprehensive income		**-**	**48,067**	**15,881**	**31,296**	**95,244**
Total transactions with the State in its capacity as owner						
Dividends paid/payable	7.2	-	-	-	(18,766)	**(18,766)**
Contributions by owner	9.2.3	18,600	-	-	-	**18,600**
Total transactions with the State in its capacity as owner		**18,600**	**-**	**-**	**(18,766)**	**(166)**
Balance at 30 June 2026		**113,207**	**398,621**	**711,679**	**921,125**	**2,144,632**

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

Consolidated cash flow statement

For the year ended 30 June 2026

Consolidated entity	Note	2026 $'000	2025 $'000
Cash flows from operating activities			
Receipts from customers		1,140,572	1,109,083
Interest received		378	307
GST refunded from the ATO [a]		50,092	36,174
Payments to suppliers and employees		(943,415)	(897,898)
Interest and other costs of finance paid		(151,659)	(130,049)
Income tax paid		(17,705)	(32,592)
Net cash inflow from operating activities	6.3.1	**78,263**	**85,025**
Cash flows from investing activities			
Proceeds from sale of infrastructure, property, plant and equipment		2,385	2,536
Payments for infrastructure, property, plant and equipment, and intangibles		(437,278)	(304,128)
Net cash (outflow) from investing activities		**(434,893)**	**(301,592)**
Cash flows from financing activities			
Proceeds from borrowings [b]		657,700	500,600
Repayment of borrowings [c]		(302,500)	(240,850)
Payment of principal element of lease liabilities		(1,367)	(1,094)
Dividends paid		(18,766)	(39,455)
Proceeds from contributions by State in its capacity as owner		18,600	-
Net cash inflow from financing activities		**353,667**	**219,201**
Net increase/(decrease) in cash held		**(2,963)**	**2,634**
Cash at the beginning of the financial year		8,180	5,546
Cash at the end of the financial year		**5,217**	**8,180**

[a] GST refunded from the Australian Taxation Office (ATO) is presented on a net basis.
[b] Proceeds from borrowings includes the borrowings that are new and refinanced during the year.
[c] Repayment of borrowings represents borrowings that were paid down and refinanced during the financial year.

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

Notes to the financial statements

1. About this report

The consolidated financial report is a general-purpose financial report that consists of a consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, statutory certification and notes accompanying these statements for the year ending 30 June 2026. These are the consolidated financial statements for South East Water Corporation and its controlled entity, Iota Services Pty Ltd, collectively referred to as the Group. South East Water Corporation is a state government owned corporation which has been classified as a for-profit entity for the purposes of financial reporting.

This general purpose financial report has been prepared in accordance with the requirements of Australian Accounting Standards (including Australian Interpretations) and the *Financial Management Act 1994* and other mandatory professional reporting requirements.

The consolidated financial report has been prepared on an accrual and going concern basis and under the historical cost convention, except for infrastructure, property, plant and equipment, derivative financial instruments and the defined benefit obligation, which have been measured at fair value. The consolidated financial report is presented in Australian dollars and all amounts have been rounded to the nearest $1,000 unless otherwise stated.

The consolidated financial report of South East Water Corporation (the Group) for the year ended 30 June 2026 was authorised for issue in accordance with a resolution of the directors on 11th September 2026.

Principles of consolidation

The Group consists of South East Water Corporation (Parent entity) and its controlled entity, Iota Services Pty Ltd. Information relating to the parent entity is disclosed in Note 9.6. In preparing the consolidated financial statements, all intercompany balances and profit and losses resulting from intra-group transactions have been eliminated. Refer to Note 9.6 for information relating to the parent entity and details of the controlled entity.

Material accounting judgements, estimates and assumptions

In the application of Australian Accounting Standards, management is required to make judgements, estimates and assumptions about the financial information presented. Estimates and associated assumptions are based on professional judgements derived from historical knowledge and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Areas involving judgements, estimates and assumptions that can impact the financial statements include:

- Note 2.1 – revenue from contracts with customers
- Note 3.2.2 – employee benefits provision
- Notes 4.1 and 8.2.2 – fair value of infrastructure, property, plant and equipment
- Note 4.1 – estimated useful lives of assets and impairment of non-financial assets
- Note 5.1.1 – impairment of contractual receivables
- Note 5.3 – accrued revenue
- Note 7.1 – income tax and deferred tax recognition
- Note 8.2 – estimated fair value of derivative financial instrument
- Note 8.3 – contingent assets and liabilities
- Note 9.3 – actuarial assumptions on defined benefit superannuation

Changes in Accounting policies

All accounting policies applied are consistent with those of the prior year, unless otherwise stated.

2. Funding delivery of our services

Introduction:

This section provides information on revenue and income generated by the Group and accounting policies, key estimates and judgements relevant to the understanding of the items recognised in the financial statements.

Structure:

2.1 Revenue from contracts with customers
2.1.1 Revenue from service and usage charges
2.1.2 Revenue from developer contributions
2.1.3 Other revenue

2.1 Revenue from contracts with customers

The Group derives revenue from the transfer of goods and/or services from the following revenue streams.

In accordance with AASB 15 *Revenue from contracts with customers*, revenue is recognised when, or as, the performance obligations to the customer are satisfied. Consideration received in advance of recognising the associated revenue from the customer is recorded as a contract liability (refer Note 5.3). Where the performance obligations are satisfied but not yet billed, a contract asset is recorded (refer Note 5.3).

Summary of revenue from contracts with customers

Consolidated entity	Note	2026	2025
		$'000	$'000
Revenue from service and usage charges	2.1.1	1,036,354	1,001,757
Revenue from developer contributions	2.1.2	139,649	151,500
Other revenue	2.1.3	73,748	65,316
Total revenue from contracts with customers		**1,249,751**	**1,218,573**

2.1.1 Revenue from service and usage charges

Consolidated entity	Service charges		Usage charges[(a)]		Total	
	2026	2025	2026	2025	2026	2025
	$'000	$'000	$'000	$'000	$'000	$'000
Major services						
Water	71,511	72,629	572,636	549,969	**644,147**	**622,598**
Sewerage	321,749	310,634	27,826	27,801	**349,575**	**338,435**
Trade waste	7,296	7,059	26,299	24,472	**33,595**	**31,531**
Recycled water	1,155	1,134	7,882	8,059	**9,037**	**9,193**
Total	**401,711**	**391,456**	**634,643**	**610,301**	**1,036,354**	**1,001,757**

The Group has an ongoing obligation to provide a continuous supply of the major services to our customers in our service region, and so customers simultaneously receive and consume the benefit in line with the group performing its obligations. Service and usage charges are recognised over time.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Service charges	Service charges are billed quarterly based on a fixed fee and revenue is recognised evenly throughout the financial year to reflect continuous services being provided to customers. Where payments are made in advance by customers to unbilled accounts at reporting date, these payments are classified as contract liabilities as the Group has yet to provide the service (refer Note 5.3). The charges are payable within 14 days.	Revenue is recognised evenly throughout the financial year to reflect continuous service provided to customers.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Water usage and sewerage disposal charges	Water usage and sewerage disposal charges are billed quarterly in arrears and revenue is recognised when water is consumed by customers and sewage waste is disposed by customers. Meter reading is undertaken progressively during the year. An estimation of usage and disposal charges is made at the end of each reporting period for connection where meters were not read at balance date. This is calculated by determining the level of billable service provided multiplied by the cost of each service. The charges are payable within 14 days. At balance date, the charges for fully satisfied performance obligations that are not yet billed are estimated and classified as contract assets (refer Note 5.3). Where payments are made in advance by customers to unbilled accounts at reporting date, these payments are classified as contract liabilities as the Group has yet to provide the service (refer Note 5.3).	Revenue is recognised over time as service is provided based on metered usage or estimates at reporting date, with unbilled amounts recognised as contract assets and advance payments recognised as contract liabilities.
Trade waste disposal charges	Revenue from trade waste disposal charges are recognised at a point in time as the service is provided based on the volume of waste disposed by customers.	Revenue is recognised at a point in time.
Recycled water charges	Revenue from recycled water charges are recognised over time as the performance obligation is satisfied. The Group measures these charges based on the regulated prices and the volume of water consumed by customers.	Revenue is recognised over time as service is provided.

2.1.2 Revenue from developer contributions

Consolidated entity	2026	2025
	$'000	$'000
Developer contributed assets	95,543	107,328
New customer contributions	44,106	44,172
Total developer contributions	**139,649**	**151,500**

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Developer contributed assets	Developer contributed assets arise when developers pay for the cost of construction of new infrastructure assets and subsequently donate these assets to the Group to maintain in perpetuity, in exchange for services provided by the Group. Revenue from developer contributed assets is recognised at a point in time when the Group has satisfied its performance obligation. Depending on the type of developer application, this can result in the performance obligation being satisfied: • when the Statement of Compliance is issued to the customer, or • when the customer is connected to the Group's infrastructure network for the provision of water and sewerage services when no Statement of Compliance is required to be issued.	Revenue is recognised at a point in time.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
	Revenue from developer contributed assets is measured at the fair value of the donated assets by assessing the value of the works using schedule of rates.	
New customer contributions	New customer contributions represents non-refundable upfront charges applicable when customers request to build or develop a property and connect to the Group's water supply and sewerage infrastructure network. The charges contribute towards the cost of augmenting the Group's water supply distribution systems and sewerage disposal systems. Revenue from new customer contributions is recognised at a point in time when the Group has satisfied its performance obligation. The point in time when the Group satisfies its performance obligation will vary depending on the type of application submitted by the customer. As a result, a performance obligation could be satisfied when: • the Statement of Compliance is issued to the customer, or • the customer is connected to the Group's infrastructure network for the provision of water and sewerage services when no Statement of Compliance is required to be issued, or • the customer receives consent from the Group to proceed with their application, or • two years from the date of receipt of revenue. The rates applied to calculate the new customer contributions are regulated by the Essential Services Commission.	Revenue is recognised at a point in time.

2.1.3 Other revenue

Consolidated entity	2026	2025
	$'000	$'000
Sale of goods and services - Iota	7,731	12,805
Other services rendered	48,811	37,100
Net gain on sale of non-current physical assets	406	945
Net gain arising from derivatives for ZEW transactions	1,796	644
Miscellaneous revenue	15,004	13,822
Total other revenue	**73,748**	**65,316**

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Sale of goods and services (Iota)	Sale of goods and services (Iota) relate to the sale of Iota's products, such as OneBox® products, digital meters (Cura), Aquarevo products and the provision of services, such as plumbing solutions, field services and subscription services. Revenue from sale of goods is recognised at a point in time, where the performance obligation is satisfied when the customer receives the goods purchased and has the ability to direct use of the goods. Revenue from the provision of services (excluding subscription services) is recognised at a point in time, where the performance obligation is satisfied when the services are completed. These services are billed	Revenue from the sale of goods and non-subscription services is recognised at a point in time, while revenue from subscription services is recognised over time as the services are provided.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
	at the completion of the service. Revenue from subscription services are recognised over time, using the output method. The output method is based on the number of products subscribed. Revenue is measured as the amount which the Group has a right to invoice a customer, which corresponds directly to the number of products subscribed to by the customer.	
Other services rendered	Revenue from other services rendered is recognised following completion of services being performed and certified, relating to various plumbing services, application, recycled water inspection and meter installation fees. Revenue associated with other services rendered is recognised at a point in time when the Group satisfies its performance obligation for the specified service requested by the customer.	Revenue is recognised at a point in time.
Net gain on sale of non-current physical assets	A net gain on sale of non-current physical assets is recognised at a point in time when the asset is disposed and transferred to the customer, therefore the performance obligation is satisfied. It is measured as revenue from the sale of an asset less the asset's book value and costs of disposal.	Revenue is recognised at the point in time when the asset is disposed of and control transfers to the customer.
Net gain arising from derivatives for ZEW transactions	The Group pays or receives the difference between the floating electricity price and the fixed price set under the agreement for the units of energy supplied into the National Electricity Market by the solar farm. The future settlements of Contract for Difference (CFD) are classified as derivative financial instruments. Upon expiration or exercise of the cash flow derivative, the Group will receive income depending on the position of the cash flow derivative. The net gain represents the movement in the fair value of the financial instrument compared to the carrying value of the derivative. Any gain is recognised in net result. Refer to Note 8.2 for more information about the judgements and assumptions used in measuring fair value determination of derivative financial instruments.	Income from the CFD is recognised over time as the derivative's fair value changes, and on settlement or expiry
Miscellaneous revenue	Miscellaneous income mainly consists of charges for services to third parties such as administration fees for the collection of drainage and parks rates on behalf of Melbourne Water and the Department of Energy, Environment and Climate Action (DEECA). The Group acts as an agent to the third parties. Revenue is recognised over time as and when the collection of drainage and parks rates occurs.	Revenue is recognised over time as services are performed.

Revenue from contracts with customers

Consolidated entity	**2026**	**2025**
	$'000	**$'000**
Total revenue recognised over-time [a]	1,045,242	1,011,624
Total revenue recognised at a point in time	204,509	206,949
Total revenue from contracts with customers	**1,249,751**	**1,218,573**

[a] Revenue is recognised over a period of time (over-time) when an entity transfers control of a good or service and therefore satisfies the performance obligation, otherwise revenue will be recognised at a point in time.

3. Cost of delivering our services

Introduction:

This section provides information on the expenses incurred by the Group in delivering its services and generating income. It also includes accounting policies, key estimates and judgements that are relevant for an understanding of how these items are recognised in the financial statements.

Structure:

3.1 Operating expenses
3.2 Our people
3.2.1 Employee benefits cost
3.2.2 Employee benefits provision
3.3 Commitments for operating expenditure

3.1 Operating expenses

Consolidated entity	2026	2025
	$'000	$'000
Bulk water and sewerage charges	581,879	556,381
Operating contracts	114,534	102,944
Taxes, fees and charges	6,642	6,374
Bad debts and expected credit losses	14,577	8,927
Asset write-offs	727	1,403
Other expenses	27,725	33,398
Total operating expenses	**746,084**	**709,427**

Type of service	Nature and timing of recognition, including significant payment terms
Bulk water and sewerage charges	Bulk water and sewerage charges, comprising of fixed and variable charges, are levied by Melbourne Water for the cost of water the Group purchases, and for sewage treated at Melbourne Water's eastern and western treatment plants. Fixed charges are levied once a month and are recognised on receipt of an invoice from Melbourne Water. Variable charges are levied in arrears and recognised as an expense upon receipt of an invoice. Any variable charges that remain outstanding at period end are accrued.
Operating contracts	Operating contracts mainly relate to costs incurred for maintenance services, chemicals, electricity costs are expensed in the reporting period in which they are incurred.
Taxes, fees and charges	Taxes, fees and charges are made up of land tax, fringe benefits tax, council valuation charges and commercial expenses. They are expensed in the period in which they are incurred.
Other expenses	Other expenses comprise of materials, insurance and IT costs, which are all recognised as an expense in the reporting period in which they are incurred.

3.2 Our people

3.2.1 Employee benefits cost

Consolidated entity	2026	2025
	$'000	$'000
Salaries and wages, annual leave and long service leave	77,217	68,606
Termination benefits	1,284	867
Defined benefit superannuation expense	34	154
Defined contribution superannuation expense	14,664	13,352
Total employee benefits cost	**93,199**	**82,979**

Salaries and wages, annual leave and long service leave
Employee expenses include all costs related to employment including salaries and wages, fringe benefits tax, leave entitlements, termination payments and WorkCover premiums.

Directly attributable costs for bringing an asset to the location and condition necessary for operation, such as costs of employee benefits arising directly from the construction or acquisition of the item of infrastructure, property, plant and equipment are capitalised.

Termination benefits
Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the Group is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Superannuation expenses
The amount charged to the consolidated statement of comprehensive income in respect of superannuation represents the contributions made by the Group to superannuation funds for the current service of current staff. Contributions to superannuation plans are charged to the consolidated statement of comprehensive income as the contributions are paid or become payable. The Group's defined benefit superannuation is further disclosed in Note 9.3.

3.2.2 Employee benefits provision

Provision is made for benefits accruing to employees in respect of salaries and wages, annual leave and long service leave for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

Consolidated entity	2026 $'000	2025 $'000
Current		
Annual leave:		
Unconditional and expected to settle within 12 months	7,107	6,209
Unconditional and expected to settle after 12 months	645	882
Long service leave:		
Unconditional and expected to settle within 12 months	1,921	1,741
Unconditional and expected to settle after 12 months	12,186	11,368
Provisions for on-costs:		
Unconditional and expected to settle within 12 months	1,929	1,700
Unconditional and expected to settle after 12 months	2,857	2,714
Total current employee benefits provision	**26,645**	**24,614**
Non-current		
Long service leave - conditional	1,412	1,629
On-costs	315	362
Total non-current employee benefits provision	**1,727**	**1,991**
Total employee benefits provision	**28,372**	**26,605**

Salaries and wages, annual leave and sick leave

Liabilities for salaries and wages (including non-monetary benefits, annual leave and on-costs) are recognised as part of the employee benefits provision as current liabilities because the Group does not have an unconditional right to defer settlements of these liabilities. The liabilities are measured using remuneration rates which are current at the reporting date.

Depending on the expectation of the timing of settlement, liabilities for salaries and annual leave are measured at:

- undiscounted value – if the Group expects to wholly settle within 12 months; or
- present value – if the Group does not expect to wholly settle within 12 months

No provision has been made for sick leave as all sick leave is a non-vesting benefit and is not expected to exceed current and future sick leave entitlements. As sick leave is non-vesting, an expense is recognised in the consolidated statement of comprehensive income as it is taken.

On-costs including payroll tax, workers' compensation premiums and superannuation are disclosed separately as a component of provision for employee benefits, when the employment to which they relate has occurred.

Long service leave (LSL)

Unconditional long service leave is disclosed as a current liability even where the Group does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- undiscounted value – if the Group expects to wholly settle within 12 months; or
- present value – if the Group does not expect to wholly settle within 12 months

Conditional long service leave is disclosed as a non-current liability and measured at present value. In this case there is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service.

Any gain or loss following revaluation of the present value of the non-current liability is recognised as an income or expense. Discount rates, probability factors and wage/salary growth assumptions are provided by Victoria's Department of Treasury and Finance as part of its long service leave financial model.

3.3 Commitments for operating expenditure

Commitments for operating expenditure arise from contracts entered into prior to balance date. These commitments disclosed below are at their nominal value and inclusive of GST.

These future expenditures cease to be disclosed as commitments once the related liabilities are recognised on the consolidated balance sheet.

Consolidated entity	**2026**	**2025**
	$'000	**$'000**
Not later than one year	35,900	32,085
Later than 1 year and not later than 5 years	34,852	62,119
Later than 5 years	3,703	3,714
Total expenditure (inclusive of GST)	**74,455**	**97,918**
Less GST recoverable from Australian Taxation Office	(6,769)	(8,902)
Total expenditure (exclusive of GST)	**67,686**	**89,016**

Refer Note 4.4 and Note 7.3 for details on capital and environmental commitments, respectively.

4. Key assets available to support delivery of our services

Introduction:

This section provides information on infrastructure, property, plant and equipment, and intangible assets that are controlled by the Group and used to deliver its services. It includes relevant accounting policies, key estimates and judgements.

Where the assets included in this section are carried at fair value, additional information is disclosed in Note 8.2 in connection with how those fair values were determined.

Structure:

4.1 Infrastructure, property, plant and equipment
4.2 Reconciliation of movements in carrying values of infrastructure, property, plant and equipment
4.3 Intangible assets
4.4 Capital commitments

4.1 Infrastructure, property, plant and equipment

Consolidated entity	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2026 $'000	2025 $'000	2026 $'000	2025 $'000	2026 $'000	2025 $'000
Infrastructure assets at fair value	5,031,200	4,691,400	-	-	**5,031,200**	**4,691,400**
Land at fair value	451,688	383,571	-	-	**451,688**	**383,571**
Buildings at fair value	78,500	107,565	-	(12,513)	**78,500**	**95,052**
Plant and equipment at fair value	97,017	94,710	(61,840)	(57,386)	**35,177**	**37,324**
Leasehold improvements at fair value	2,188	2,188	(2,177)	(2,174)	**11**	**14**
Capital works in progress at cost	370,117	325,167	-	-	**370,117**	**325,167**
Total	**6,030,710**	**5,604,601**	**(64,017)**	**(72,073)**	**5,966,693**	**5,532,528**

Initial recognition

Items of infrastructure, property, plant and equipment are recognised initially at cost. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition, being the actual or estimated cost of construction. The Group has a capitalisation threshold of greater than $100 exclusive of GST and the asset must be used for more than twelve months.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

The cost of leasehold improvements is capitalised and depreciated over the shorter of the remaining term of the lease or their estimated useful lives.

In accordance with the Group's land development policy, the Group will reimburse developers, subject to the nature of additional works involved, for all or part of their costs incurred in constructing water, sewerage and/or recycling assets. Reimbursements are generally paid on completion of the works, however, in cases where reimbursements are to be paid at an agreed date in the future, a contingent liability is recognised (refer Note 8.3). Developer reimbursements are capitalised with the asset recognised as infrastructure, property, plant and equipment in the consolidated balance sheet.

Subsequent measurement

Infrastructure, property, plant and equipment are subsequently revalued at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset).

Revaluations
Revaluations are performed annually for infrastructure assets and for all other assets on a cyclical basis in accordance with Financial Reporting Direction 103 *Non-financial physical assets* such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period. A full revaluation normally occurs every five years, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations.

Revaluation increases or decreases arise from differences between an asset's carrying value and fair value. Revaluation increments are credited directly to equity in the revaluation surplus, except to the extent that an increment reverses a revaluation decrement in respect of the same asset previously recognised as an expense in the net result, the increment is then recognised as revenue in determining the net result. Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the revaluation surplus in respect of the same asset then they are debited to the asset revaluation surplus.

The Group's assets relating to land and buildings were independently valued by the Valuer-General Victoria (VGV) as at 30 June 2026.

If land and buildings were measured at historical cost, the carrying amount would be $145 million. The carrying amount for infrastructure assets would be $4,213 million if measured using the cost model.

Refer Note 8.2.2 for additional information on fair value determination of infrastructure, property, plant and equipment.

Derecognition and disposal
The carrying amount of an item of infrastructure, property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use.

Gains or losses on the sale of infrastructure, property, plant and equipment are calculated in accordance with AASB 116 *Property, Plant and Equipment*. This is the gross sale proceeds less the book value of the asset less selling expenses (refer Note 2.1.3). Losses are written off as an expense and gains are recognised as revenue in the consolidated statement of comprehensive income. When material revalued assets are sold, amounts included in the asset revaluation surplus relating to that asset are transferred to retained earnings.

Depreciation
The depreciable amount of all non-current physical assets, excluding land, is depreciated over their useful lives, commencing from the time the asset is held ready for use.

Depreciation rates are reviewed annually and adjustments made where appropriate.

Items of infrastructure, property, plant and equipment are depreciated over their expected useful lives to the Group on the following basis:

Asset Class	Depreciation Method	Useful life
Buildings	Straight line	20 – 50 years
Leasehold improvements	Straight line	2 – 10 years
Infrastructure assets	Straight line	2 – 99 years
Plant and equipment	Reducing balance	4 – 25 years
Plant and equipment (lota)	Straight line	3 – 20 years

Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount does not exceed its recoverable amount. For the purposes of assessing for impairment, assets are grouped at a whole of business level which is considered to be the lowest level for which there are separately identifiable cash flows (cash generating unit).

The assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as an 'other economic flow', except to the extent that it can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal shall not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

The recoverable amount for infrastructure assets held primarily to generate net cash inflows is measured at the higher of the value in use and fair value less costs to sell. The recoverable amount for the remaining assets is measured at the higher of current replacement cost and fair value less costs to sell.

Exposure to climate-related matters could be an indicator that an asset (or a group of assets) is impaired. The potential risks and related opportunities from climate related change are considered as part of the Group's asset impairment review methodology and processes. As at 30 June 2026, there are no climate-related matters that have materially impacted the current carrying value of the Group's assets.

4.2 Reconciliation of movements in carrying values of infrastructure, property, plant and equipment

2026 Consolidated entity	Infrastructure assets	Land	Buildings	Plant and equipment	Leasehold improvements	Capital works in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July	**4,691,400**	**383,571**	**95,052**	**37,324**	**14**	**325,167**	**5,532,528**
Additions	-	-	-	9,757	-	481,710	**491,467**
Fair value of assets received from developers	95,294	-	-	-	-	(95,294)	**-**
Transfers between asset classes	341,466	-	-	-	-	(341,466)	**-**
Disposals	(94)	-	-	(1,932)	-	-	**(2,026)**
Gain / (loss) on revaluation	22,687	68,117	(13,440)	-	-	-	**77,364**
Depreciation expense	(119,553)	-	(3,112)	(9,972)	(3)	-	**(132,640)**
Balance at 30 June	**5,031,200**	**451,688**	**78,500**	**35,177**	**11**	**370,117**	**5,966,693**

2025 Consolidated entity	Infrastructure assets	Land	Buildings	Plant and equipment	Leasehold improvements	Capital works in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July	4,408,700	383,503	98,067	34,939	34	188,688	**5,113,931**
Additions	-	68	133	13,499	-	395,738	**409,438**
Fair value of assets received from developers	102,322	-	-	-	-	(102,322)	**-**
Transfers between asset classes	156,937	-	-	-	-	(156,937)	**-**
Disposals	(685)	-	-	(1,580)	-	-	**(2,265)**
Gain / (loss) on revaluation	128,985	-	-	-	-	-	**128,985**
Depreciation expense	(104,859)	-	(3,148)	(9,534)	(20)	-	**(117,561)**
Balance at 30 June	**4,691,400**	**383,571**	**95,052**	**37,324**	**14**	**325,167**	**5,532,528**

4.3 Intangible assets

2026 Consolidated entity	IT software	Works in progress	Water entitlements	Large-scale generation certificates	Patents and trademarks	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount						
Balance at 1 July	160,810	21,443	96,916	449	1,271	**280,889**
Additions	1,451	32,926	-	580	-	**34,957**
Transfers between asset classes	23,928	(23,928)	-	-	-	**-**
Disposals	(7,040)	-	-	(510)	(27)	**(7,577)**
Balance at 30 June	**179,149**	**30,441**	**96,916**	**519**	**1,244**	**308,269**
Accumulated amortisation						
Balance at 1 July	(116,632)	-	-	-	(294)	**(116,926)**
Amortisation	(24,402)	-	-	-	(93)	**(24,495)**
Amortisation write back against disposal	6,955	-	-	-	-	**6,955**
Balance at 30 June	**(134,079)**	**-**	**-**	**-**	**(387)**	**(134,466)**
Net book value at 30 June	**45,070**	**30,441**	**96,916**	**519**	**857**	**173,803**

2025 Consolidated entity	IT software	Works in progress	Water entitlements	Large-scale generation certificates	Patents and trademarks	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount						
Balance at 1 July	194,403	14,578	96,916	326	1,072	**307,295**
Additions	725	26,407	-	324	-	**27,456**
Transfers between asset classes	19,338	(19,542)	-	-	204	**-**
Disposals	(53,656)	-	-	(201)	(5)	**(53,862)**
Balance at 30 June	**160,810**	**21,443**	**96,916**	**449**	**1,271**	**280,889**
Accumulated amortisation						
Balance at 1 July	(148,953)	-	-	-	(195)	**(149,148)**
Amortisation	(20,849)	-	-	-	(99)	**(20,948)**
Amortisation write back against disposal	53,170	-	-	-	-	**53,170**
Balance at 30 June	**(116,632)**	**-**	**-**	**-**	**(294)**	**(116,926)**
Net book value at 30 June	**44,178**	**21,443**	**96,916**	**449**	**977**	**163,963**

Intangible assets represent identifiable non-monetary assets without physical substance, comprising of IT software, works in progress, patents and trademarks, Large-scale Generation Certificates (LGCs) and water entitlements.

Internally generated intangible assets primarily include the development costs of information management systems. These costs are capitalised only if they satisfy the criteria as defined by AASB 138 *Intangible assets*.

Intangible assets acquired separately are initially recognised at cost.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Group.

Intangible assets with finite useful lives are amortised as an expense, commencing from the time the asset is available for use, on the following basis:

Description	Amortisation Method	Useful life
IT software	Reducing balance	2 – 5 years
Patents and trademarks	Straight line	8 – 20 years

The amortisation periods are reviewed and adjusted if appropriate at each balance date.

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses. Water entitlements and LGCs have an indefinite useful life as they are held in perpetuity. As such they are not amortised.

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

Software-as-a-Service (SaaS) arrangements
SaaS arrangements are service contracts where the Group has a right to access a cloud provider's application software over a contract period. However, the Group does not control the underlying software used in the arrangement.

Implementation costs, including costs to configure or customise the cloud provider's application software, are recognised as operating expenses when the services are received.

Where the SaaS arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether these services are distinct from the underlying use of the application software. Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised, whilst non-distinct configuration and customisation costs are recognised as prepayments then expensed over the SaaS contract term.

Where the Group has developed software code that either enhances, modifies or creates additional capability to the existing owned software to connect with the SaaS arrangement cloud-based application, judgement has been applied in determining whether the changes to the owned software meets the definition of and recognition criteria for an intangible asset in accordance with AASB 138.

Large-scale Generation Certificates
LGCs are recognised as intangible assets on the consolidated balance sheet at cost (in accordance with AASB 138 and Financial Reporting Direction 109 *Intangible Assets*), and are not subject to amortisation as the LGCs have an indefinite life.

Water Entitlements
As at 30 June 2022, the Group held water entitlements arising from its investment in Stage 1 of the Goulburn-Murray Water Connections Project, under the *Bulk Entitlement (Goulburn System – South East Water) Order 2012.* Following completion of the Connections Project in October 2020, the Minister for Water granted new bulk water entitlements under the new *Bulk Entitlement (Goulburn System – South East Water) Order 2022*, as all water committed through the Connections Project for irrigators, the environment and Melbourne retail water corporations can now be delivered, with Traditional Owners also to benefit.

These entitlements came into effect on 1 July 2022 and are based on a fixed entitlement and seasonal allocation. The previous water entitlements held were calculated based on anticipated savings from the Group's investment towards the Stage 1 of the Connections Project. On average, each year the Group expects the new entitlements to represent the same allocation of water from the Murray-Darling Basin as the existing water entitlements.

The new bulk entitlements were issued as a result of the agreement for participating in the Connections Project and as such, the value of the previous entitlements as at 30 June 2022 (cost paid to participate in Connections Project less any disposals) were transferred to the new bulk entitlements as at 1 July 2022.

The bulk entitlements that came into effect on 1 July 2022 entitles the Group to average long-term availability of 25 GL, which is the same volume purchased in 2012. Average long-term availability is determined by complex and approved water resources modelling undertaken by DEECA which determines the volume of high and low reliability entitlements assigned to the Group to receive this volume on average each year.

These entitlements are recognised as an intangible asset and recorded at cost (in accordance with AASB 138 and Financial Reporting Direction 109 *Intangible Assets)* with an indefinite useful life. These entitlements are tested for impairment annually.

Impairment of intangible assets
Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified.

Summary of the policies applied to the Corporation's intangible assets is as follows:

	IT Software	Patents & Trademarks	Water Entitlements	Large-scale Generation Certificates (LGCs)	SaaS Costs
Useful life	2 to 5 years	8 to 20 years	Indefinite	Indefinite	Contract term
Amortisation method used	Reducing balance	Straight-line	Not amortised	Not amortised	Not amortised
Internally generated / acquired	Acquired or internally generated	Acquired	Acquired	Acquired	Not applicable (service contract)
Impairment test/Recoverable amount testing	When indicator exists	When indicator exists	Annually and when indicator exists	Annually and when indicator exists	Not applicable

4.4 Capital commitments

Capital commitments arise from contracts for costs associated with growth and renewal works for water and sewer assets. These commitments are recorded at their nominal value and inclusive of GST.

Total capital expenditure, contracted for at balance date but not provided in the financial statements, payable:

Consolidated Entity	**2026**	**2025**
	$'000	**$'000**
Not later than one year	250,195	222,928
Later than 1 year and not later than 5 years	167,342	125,581
Later than 5 years	-	-
Total capital expenditure (inclusive of GST)	**417,537**	**348,509**
Less GST recoverable from the Australian Taxation Office	(37,958)	(31,683)
Total capital expenditure (exclusive of GST)	**379,579**	**316,826**

5. Other assets and liabilities

Introduction:

This section provides information on other assets and liabilities utilised and controlled by the Group in its operations.

Structure:

5.1 Receivables
5.1.1 Impairment of contractual receivables
5.2 Payables
5.3 Contract assets and contract liabilities
5.4 Deposits and advances
5.5 Other assets
5.6 Other financial assets and liabilities

5.1 Receivables

Consolidated entity	2026 $'000	2025 $'000
Contractual		
Trade debtors (service and usage charges)	141,196	125,537
Allowance for expected credit losses	(22,032)	(16,874)
Total contractual receivables	**119,164**	**108,663**
Statutory		
GST input tax credits receivable	11,457	12,490
Total statutory receivables	**11,457**	**12,490**
Total receivables	**130,621**	**121,153**

Receivable	Initial measurement	Subsequent measurement
Trade debtors (service and usage charges)	Contractual receivables, such as trade debtors arising from goods and services, are classified as financial assets at amortised cost and are initially recognised at fair value plus any directly attributable transaction costs. Trade debtors are normally required to be settled within 14 days.	The Group holds the receivables with the objective of collecting contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any expected credit losses. Overdue balances are assessed for impairment (refer Note 5.1.1).
Statutory receivables	Statutory receivables, such as Goods and Services Tax (GST) input tax credits recoverable, do not arise from contracts and are therefore not classified as financial instruments.	Measured on a similar basis to contractual receivables, except impairment requirements do not apply.

5.1.1 Impairment of contractual receivables

The Group applies the simplified approach to calculate expected credit losses which uses a lifetime expected loss allowance for contractual receivables based on historical credit loss experiences adjusted for forward looking forecast assumptions about risk of default and expected loss rates. The assessment is completed at the end of each reporting period.

To measure the expected credit losses, trade receivables have been grouped on shared customer profile characteristics and the days past due. The expected loss rates are based on the bad debts profiles over a period of three years and adjusted to reflected current and forward-looking information affecting the ability of customers to pay their receivables.

Management considerations include macroeconomic market conditions, consumer and business confidence metrics, customer growth rates within South East Water's service region, as well as hardship arrangements, payment plans and the resumption of debt collection activities in 2025–26. We have also considered impacts from specific management actions and our engagement with our customer base. This is evident in the continued growth of customers with debt more than 90 days past due, and an increase in customers utilising hardship provision arrangements and payment plans to gradually reduce their debt.

Consolidated entity	**Current**	**More than 30 days past due**	**More than 90 days past due**	**Total**
1 July 2026	**$'000**	**$'000**	**$'000**	**$'000**
Expected loss rate	0.14%	5.35%	28.54%	
Gross carrying amount - trade debtors	48,725	19,103	73,368	**141,196**
Loss allowance	**69**	**1,021**	**20,942**	**22,032**

Consolidated entity	**Current**	**More than 30 days past due**	**More than 90 days past due**	**Total**
1 July 2025	**$'000**	**$'000**	**$'000**	**$'000**
Expected loss rate	0.14%	3.02%	24.67%	
Gross carrying amount – trade debtors	39,812	19,999	65,726	**125,537**
Loss allowance	**56**	**604**	**16,214**	**16,874**

Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified under other operating expenses. Indicators of non-recovery include, but are not limited to, the failure of a debtor to engage in a repayment plan and failure to make contractual payments for a period of greater than 90 days past due. Subsequent recoveries of amounts previously written off are credited against the same line item.

There are no material financial assets that are individually determined to be impaired.

The closing allowance for expected credit losses for trade receivables reconciles to the opening loss allowances as follows:

Consolidated entity	**2026**	**2025**
	$'000	**$'000**
Balance at 1 July	**(16,874)**	**(13,384)**
(Increase)/decrease in provision recognised in the net result	(14,556)	(8,898)
Receivables written off during the year as uncollectible	9,398	5,408
Balance at 30 June	**(22,032)**	**(16,874)**

No loss allowance is recognised for statutory receivables because there is minimal risk of default.

5.2 Payables

Consolidated entity	2026 $'000	2025 $'000
Contractual		
Trade creditors	20,691	14,512
Accrued expenses [a]	115,052	106,545
Total contractual payables	**135,743**	**121,057**
Statutory		
Taxes payable	9,419	8,597
Total statutory payables	**9,419**	**8,597**
Total payables	**145,162**	**129,654**

[a] Effective 1 July 2025 customer accounts with a credit balance *have been reclassified to contract liabilities in Note 5.3. Prior year comparatives have been restated accordingly.*

Payables consists of:

- **contractual payables**, classified as financial instruments and measured at amortised cost. Trade creditors and accrued expenses represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid.
- **statutory payables**, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments, because they do not arise from a contract.

Payables for supplies and services normally have an average credit period of 10 business days, with all payables due and payable within 12 months.

5.3 Contract assets and contract liabilities

Consolidated entity	2026 $'000	2025 $'000
Accrued revenue – water and sewerage services	76,599	73,647
Developer contributed assets	1,640	1,883
Other revenue	606	882
Total contract assets	**78,845**	**76,412**
Developer contributed assets	2,787	5,468
New customer contributions	21,069	22,937
Other revenue [a]	29,515	26,097
Total contract liabilities	**53,371**	**54,501**

[a] Effective 1 July 2025 customer accounts with a credit balance *have been reclassified from accrued expenses in Note 5.2. Prior year comparatives have been restated accordingly.*

Acc*rued revenue* is recognised to account for water and sewage services that have been provided to customers at balance date but not yet billed.

Accrued revenue takes into account the total volume of water purchased from Melbourne Water less the estimated non-revenue water to determine the volume of water available for consumption. Non-revenue water relates to water that is unmetered for, leak adjustments in the water distribution network before reaching customers or authorised unmetered consumption (such as usage for firefighting and other fire service activities). The accrued revenue is then calculated by taking the difference between what has been billed during the year and the volume of water available for consumption multiplied by the price approved by the Essential Services Commission (ESC).

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on developer contributions and other income. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

Contract liabilities represents consideration received in advance of the Group performing its contract obligations and will be recognised as revenue when the services are performed (refer Note 2.1 for further details of the performance obligation).

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

2026 Consolidated entity	**Developer contributed assets**	**New customer contributions**	**Other income**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 July	**5,468**	**22,937**	**5,169**	**33,574**
Less: Revenue recognised in the reporting period for the completion of a performance obligation	(4,739)	(16,522)	(4,310)	**(25,571)**
Add: Receipts or consideration for performance obligations yet to be completed during the period	2,058	14,654	28,656	**45,368**
Balance at 30 June	**2,787**	**21,069**	**29,515**	**53,371**

2025 Consolidated entity	**Developer contributed assets**	**New customer contributions**	**Other income**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 July	**6,536**	**31,606**	**6,619**	**44,761**
Less: Revenue recognised in the reporting period for the completion of a performance obligation	(6,163)	(26,012)	(4,939)	**(37,114)**
Add: Receipts or consideration for performance obligations yet to be completed during the period	5,095	17,343	3,489	**25,927**
Balance at 30 June	**5,468**	**22,937**	**5,169**	**33,574**

5.4 Deposits and income in advance

Consolidated entity	**2026**	**2025**
	$'000	**$'000**
Deposits	12,852	16,014
Unearned income	692	487
Deferred government grant income	663	13,901
Total deposits and advances	**14,207**	**30,402**

Deposits consists mainly of monies held by the Group as security deposits from developers for capital works.

Unearned income represents rental income received in advance.

Deferred government grant income represents consideration received from Government agencies in advance, where conditions attached to the grant remain unfulfilled at balance date.

5.5 Other assets

Consolidated entity	2026	2025
	$'000	$'000
Inventories	26,268	14,809
Prepayments	7,006	7,581
Total other assets	**33,274**	**22,390**

Inventories consists of a variety of items on hand including stock, stores and materials for operational and maintenance purposes. These items are measured at the lower of weighted average cost and net realisable value.

Prepayments represents payments in advance of receipt of goods and services or that part of expenditure made in one accounting period covering beyond that period.

5.6 Other financial assets and liabilities

Consolidated entity	2026	2025
	$'000	$'000
Other financial assets		
Derivative financial instrument	1,136	--
Investment in ZEW	15	15
Other non-current loan receivables	629	-
Total other financial assets	**1,780**	**15**
Other financial liabilities		
Derivative financial instrument	-	838
Total other financial liabilities	**-**	**838**

ZEW transactions and balances

South East Water Corporation is one of 12 water corporation Members of Zero Emissions Water Limited (ZEW), a public company limited by guarantee. ZEW's substantial objective is to acquire electricity, contracts for difference and other derivative products in relation to electricity, and/or green products from an energy and emissions reduction facility in Victoria and in turn supply these products to its members. This vehicle provides the opportunity for water corporation members to collaboratively promote energy and emissions reduction initiatives in Victoria and to reduce emissions.

Refer to Note 8.2 for more information about the judgements and assumptions used in measuring fair value determination of derivative financial instruments.

South East Water Corporation now has an obligation to purchase its percentage of energy allocation under the Members' Agreement via the CFD derivative. South East Water Corporation's allocation is based on approximately 40% of ZEW's electricity consumption. The financial impact of the Members' Agreement with ZEW has resulted in increased revenue and expenses, and the recognition of a derivative financial instruments and LGCs as intangible assets.

6. Financing our operations

Introduction:

This section provides information on the sources of finance utilised by the Group during its operations, along with interest expenses (the cost of interest bearing liabilities) and other information related to financing activities of the Group.

Structure:

6.1 Interest bearing liabilities
6.1.1 Maturity analysis of interest bearing liabilities
6.2 Finance costs
6.3 Cash flow information
6.3.1 Reconciliation of net result to cash flow from operating activities

6.1 Interest bearing liabilities

Consolidated entity	2026	2025
	$'000	$'000
Current		
Borrowings	70,900	44,200
Lease liabilities	774	1,062
Total current interest bearing liabilities	**71,674**	**45,262**
Non-current		
Borrowings	3,386,475	3,057,975
Lease liabilities	8,438	9,216
Total non-current interest bearing liabilities	**3,394,913**	**3,067,191**
Total interest bearing liabilities	**3,466,587**	**3,112,453**

Borrowings are sourced from the Treasury Corporation of Victoria and secured by the Treasurer in the form of a government guarantee.

Borrowings are classified as financial instruments. All interest bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The measurement basis subsequent to initial recognition is based on the classification of interest bearing liabilities as financial liabilities at 'amortised cost'. This classification is determined at initial recognition.

The Group has classified borrowings which mature within 12 months as non-current liabilities on the basis that the entity will, and has the discretion to, refinance or rollover these loans with the Treasury Corporation of Victoria, pursuant to section 8 of the *Borrowings and Investment Powers Act 1987*. Borrowings known as 11am debt are classified as current borrowings at floating interest rate.

During the current and prior year, there were no defaults and breaches of any of the borrowings.

Lease liabilities are determined in accordance with AASB 16.

6.1.1 Maturity analysis of interest bearing liabilities

Consolidated entity	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
30 June 2026				
Borrowings – floating interest rate	70,900			**70,900**
Borrowings – fixed interest rate	344,050	1,404,725	1,637,700	**3,386,475**
Lease liabilities	774	4,714	3,724	**9,212**
Total interest bearing liabilities	**415,724**	**1,409,439**	**1,641,424**	**3,466,587**
30 June 2025				
Borrowings – floating interest rate	44,200	-	-	**44,200**
Borrowings – fixed interest rate	302,500	1,266,275	1,489,200	**3,057,975**
Lease liabilities	1,062	4,206	5,010	**10,278**
Total interest bearing liabilities	**346,762**	**1,270,481**	**1,494,210**	**3,112,453**

6.2 Finance costs

Consolidated entity	2026 $'000	2025 $'000
Interest expense from financial liabilities at amortised cost	121,465	100,364
Financial accommodation levy	33,995	31,349
Interest expense from lease liabilities	278	287
Bank charges	440	24
Total finance costs	**156,178**	**132,024**

Finance costs consists of interest and other costs incurred in connection with the borrowing of funds and are recognised as expenses in the period in which they are incurred. All qualifying assets (being assets that necessarily take a substantial period of time to get ready for their intended use or sale) are measured at fair value. Therefore, any finance costs directly attributable to the acquisition, construction or production of these qualifying assets are not required to be capitalised and will continue to be expensed in the period in which they are incurred.

Financial accommodation levy is a levy applied to the Group to remove the market advantage that government entities may experience in borrowings as a result of being guaranteed by the State of Victoria. The financial accommodation levy is a commercial rate charged for new borrowings based on the Groups underlying credit rating and is paid into the State's Consolidated Fund in accordance with section 40N of the *Financial Management Act 1994* in respect of financial accommodation provided to the Group by the State Government of Victoria.

6.3 Cash flow information

For the purposes of the consolidated cash flow statement, cash includes cash at bank and on hand.

6.3.1 Reconciliation of net result to cash flow from operating activities

Consolidated entity	2026 $'000	2025 $'000
Net result after income tax	**28,626**	**79,808**
Depreciation and amortisation	158,216	139,830
Write-off of non-current assets	727	1,403
Net (profit) / loss on sales of assets	(406)	(945)
Developer contributed assets (received free of charge)	(95,543)	(107,328)
Defined benefit (income) / expenses	34	(317)
Net (gain) / loss on financial instruments	7,623	4,793
(Gain) / loss on revaluation of non-current asset	14,122	-
Other non-cash movements	304	856
Changes in operating assets and liabilities		
(Increase) / decrease in receivables	(19,516)	(14,706)
(Increase) / decrease in contract assets	(2,433)	4,301
(Increase) / decrease in other assets	(10,884)	(8,796)
Increase / (decrease) in payables	(8,974)	3,058
Increase / (decrease) in contract liabilities	19,797	(11,187)
Increase / (decrease) in income tax payable	(8,463)	(4,277)
Increase / (decrease) in net deferred tax liabilities	2,350	4,361
Increase / (decrease) in provisions	4,816	(1,220)
Increase / (decrease) in deposits and advances	(16,195)	(6,237)
Increase / (decrease) in derivative financial instrument	(178)	(60)
Increase / (decrease) in accrued interest payable	4,240	1,688
Net cash inflow from operating activities	**78,263**	**85,025**

7. Statutory obligations

Introduction:

This section provides information on the statutory financial obligations of the Group.

Structure:

7.1 Income tax
7.2 Dividends
7.3 Environmental contribution levy

7.1 Income tax

Consolidated entity	2026 $'000	2025 $'000
(a) Income tax expense		
The major components of income tax expense are:		
Current tax	15,645	29,381
Over provision of prior year income tax	539	(407)
Deferred tax expense / (income) relating to timing differences	(4,591)	3,702
	11,593	**32,676**
(b) Deferred income tax recognised in other comprehensive income		
Gain / (loss) on revaluation of infrastructure assets	6,806	38,696
Gain / (loss) on revaluation of land and buildings	20,732	-
Gain / (loss) on defined benefit superannuation plan actuarial	1,145	223
	28,683	**38,919**
(c) Reconciliation of income tax expense to prima facie tax payable		
Accounting profit before tax	**40,219**	**112,484**
Income tax calculated @ 30%	12,066	33,745
Add		
Non-deductible expenses	18	56
Other adjustments	(491)	(1,125)
	11,593	**32,676**
(d) Income tax position		
Current tax (refundable)/ payable	**(7,377)**	**737**
(e) Deferred tax items		
Deferred tax liabilities		
Defined benefit superannuation asset	5,820	4,685
Contract assets	674	830
Land and buildings	37,403	20,762
Infrastructure assets [(a)]	550,337	543,531
Total deferred tax liabilities	**594,234**	**569,808**
Recognised directly in equity	414,837	386,154
Recognised directly in net profit	179,397	183,654
Total deferred tax liabilities	**594,234**	**569,808**

[(a)] The majority of South East Water's deferred tax liability relates to infrastructure assets and the deferred tax payment will only be required if and when the Group is sold.

Consolidated entity	2026 $'000	2025 $'000
Deferred tax assets		
Provisions	(7,576)	(5,104)
Contract liability	(7,751)	(9,062)
Employee benefits	(8,501)	(7,982)
Property, plant and equipment	(369)	(2,549)
Leasehold improvements future deductible amounts	(278)	(292)
Other	(1,002)	(1,042)
Total deferred tax assets	**(25,477)**	**(26,031)**
Recognised directly in net profit	(25,477)	(26,031)
Total deferred tax assets	**(25,477)**	**(26,031)**
Net deferred tax liabilities	**568,757**	**543,777**

The Group is subject to the National Tax Equivalent Regime (NTER), pursuant to section 88(1) of the *State Owned Enterprises Act 1992,* which is administered by the Australian Taxation Office (ATO). The difference between the NTER and the Commonwealth legislation is that the tax liability is paid to the Victorian State Government rather than the Commonwealth Government.

Income tax on the consolidated statement of comprehensive income for the year comprises current and deferred tax. Income tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, based on the national corporate income tax rate of 30%, adjusted by changes in deferred tax assets and liabilities and any adjustment to tax payable in respect of previous years.

Deferred tax is providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes at balance date.

Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered or liabilities are settled based on those tax rates which are enacted or substantially enacted at balance date.

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 reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are reported net of any deferred tax assets.

The Group has formed an income tax consolidated group consisting of South East Water Corporation and Iota Services Pty Ltd. South East Water Corporation is the head entity of the tax consolidated group.

7.2 Dividends

Consolidated entity	2026	2025
	$'000	$'000
Final dividend paid during 2024–25 in respect of 2023–24	-	10,707
Interim dividend paid/payable during 2024–25 in respect of 2024–25	-	28,748
Final dividend paid during 2025-26 in respect of 2024–25	14,986	-
Efficiency dividend	3,780	-
Total dividends	**18,766**	**39,455**

Under the *Water Act 1989,* the Group is required to pay a dividend to the State of Victoria in accordance with a determination by the Treasurer of Victoria. An obligation to pay a dividend only arises after a formal determination is made by the Treasurer following consultation between the Board, the relevant portfolio Minister and the Treasurer. In addition to the interim and final dividends, the Treasurer determined that South East Water pay a dividend for efficiency savings as part of the government's COVID Debt Repayment Plan.

7.3 Environmental contribution levy

Consolidated entity	2026	2025
	$'000	$'000
Environmental contribution levy	44,276	44,275
Total environmental contribution levy	**44,276**	**44,275**

The *Water Industry (Environmental Contributions) Act 2004* (the Act) amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by water authorities. The Act establishes an obligation for authorities to pay annual contributions into a consolidated fund in accordance with the pre-established schedule of levy payments, which sets out the amounts payable by water authority. The levy payments commenced on 1 October 2004 and has since been extended until 30 June 2028.

The purpose of the environmental contribution levy is set out in the Act and the funding may be used for financing initiatives that seek to promote the sustainable management of water or address water-related initiatives. The Group has a statutory obligation to pay the environmental contribution levy to the Department of Energy, Environment and Climate Action. This contribution is recognised as an expense during the reporting period incurred.

Environmental contribution levy commitment

The environmental contribution levy at balance date, committed to in the future:

Consolidated entity	2026	2025
	$'000	$'000
Not later than one year	44,276	44,276
Later than 1 year and not later than 5 years	44,276	88,552
Total environmental contribution levy commitment	**88,552**	**132,828**

8. Risk, valuation judgements and contingencies

Introduction:

The Group is exposed to financial risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements.

This section sets out financial instrument specific information (including exposures to financial risks), as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the Group related mainly to fair value determination.

Structure:

8.1 Financial instruments specific disclosures
8.2 Fair value determination
8.2.1 Fair value determination of financial assets and liabilities
8.2.2 Fair value determination of non-financial physical assets
8.3 Contingent assets and contingent liabilities

8.1 Financial instruments specific disclosures

Financial instruments arise out of contractual arrangements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Group's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes, fines and penalties) – these assets and liabilities are not considered financial instruments.

Categories of financial instruments

Financial Instrument	Initial measurement	Subsequent measurement
Financial assets at amortised cost		
Financial assets include: • **Cash** • **Receivables (excluding statutory receivables)** • **Investment in ZEW**	Recognised initially at fair value plus any directly attributable transaction costs	Measured at amortised cost using the effective interest method, less impairment, where both of the following criteria are met: • the asset is held within a business model whose objective is to collect contractual cash flows; and • the contractual terms give rise to cash flows that are solely payments of principal and interest. Gains or losses are recognised in the Comprehensive Operating Statement as: • interest income calculated using the effective interest method; • impairment losses recognised under the expected credit loss model; or • gains or losses recognised on derecognition.

Financial liabilities at amortised cost		
Financial liabilities include: • Payables (excluding statutory payables) • Deposits and advances • Interest bearing liabilities	Financial liabilities at amortised cost are initially recognised on the date the Group becomes party to the relevant contractual provision. They are initially recognised at fair value plus any directly attributable transaction costs.	Measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the liability, using the effective interest rate method where applicable. Gains or losses are recognised in the comprehensive operating statement as either: • interest expense calculated using the effective interest rate; • impairment losses under the expected credit loss model; or • gains or losses recognised on derecognition.
Financial assets and liabilities at fair value through profit or loss		
Derivative financial instruments	Financial assets and liabilities at fair value through profit or loss are categorised at fair value through profit or loss at trade date, or if they are classified as held for trading or designated as such upon initial recognition. Derivative financial instruments are initially recognised at fair value on the date on which all contractual obligations under Conditions Precedent are met. The initial amount recognised represents the fair value of the expected future settlements (refer Note 3.1).	Derivatives are carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative. Any gains or losses arising from changes in fair value of derivatives after initial recognition are recognised in the consolidated statement of comprehensive income (refer Note 2.1.3). Gains or losses include: • fair value changes, whether realised or unrealised; • interest or • dividends

Derecognition of financial assets: A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired, or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement, or
- the Group has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Impairment of financial assets: At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Climate-related matters may be relevant in the calculation of expected credit losses if, for example, they impact the range of potential future economic scenarios or assessment of material increases in credit risk. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

The Group has been recognising an allowance for expected credit losses for the relevant financial instruments (refer Note 5.1.1).

Derecognition of financial liabilities: A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.
When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The board reviews and endorses policies for managing these risks. The Group uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Group's Finance, Assurance and Risk Management committee.

As a whole, the Group's financial risk management program seeks to manage these risks and the associated volatility of its financial performance. Details of the material accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, are disclosed in the financial asset and financial liability categories above.

The main purpose in holding financial instruments is to prudentially manage the Group's financial risks within the policy parameters adopted by the board.

Financial instruments: Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk is influenced by the individual characteristics of each customer.

Financial asset impairment under AASB 9
The Group has a broad customer base dispersed across the Group's service area. Receivable balances are monitored on an ongoing basis and as such the Group is not exposed to material bad debts. The Group applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all receivables. The Group is continuously monitoring and assessing its credit risk profile due to the current economic impacts affecting customers. (refer Note 5.1.1).

Derivative
The Group's other credit risk arises from in-the-money receipts due from the Contracts for Difference derivative under the ZEW PPA. The Group determines its maximum exposure to credit risk relating to the derivative financial instrument at reporting date as the sum of the nominal values of all forecasted net cash receipts where the floating price due by the proponent exceeds the fixed price payable by the Group over the remaining PPA term.

At 30 June 2026, the Group has no other material credit risk. There has been no material change to the Group's credit risk profile in 2025–26.

Financial instruments: Liquidity risk

Liquidity risk refers to the risk of not being able to meet short-term working capital needs and the financing of new and maturing debt as they fall due.

The Group is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the consolidated balance sheet and the amounts related to financial guarantees. The Group manages liquidity risk by maintaining and conducting efficient banking practices and account structures, sound cash management practices and regular monitoring of the maturity profile of assets and liabilities, together with anticipated cash flows.

The Group obtains annual approval from the Treasurer of Victoria for new borrowings, borrowings to refinance maturing and non-maturing loans and temporary purpose borrowing facilities.

The Group has adopted a long-term capital structure that targets a gearing ratio of less than 62 per cent and funds from operations (FFO) net interest coverage greater than 1.5 times. These targets are used to ensure the Group is financially sustainable in the medium to long term. The gearing and interest coverage ratios for the years ended 30 June 2026 and 30 June 2025 are:

	2026	**2025**
Gearing - Net Debt/(Net Debt + Equity)	61.7%	60.2%
FFO net interest cover (times)	1.5	1.7

The Group’s exposure to liquidity risk is deemed material based on prior periods’ data and current assessment of risk. The carrying amounts of contractual financial liabilities recorded in the financial statements represents the Group’s maximum exposure to liquidity risk.

Financial instruments: Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of adverse movements in interest rates relates primarily to its debt obligations with terms to maturity or next interest rate reset of less than one year.

The Group minimises its exposure to interest rate changes by holding a mix of fixed and floating rate debt. Debt is sourced from Treasury Corporation Victoria and is managed within a range of Board approved limits with debt levels and interest rates being monitored regularly.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out in the following table.

2026	Weighted average interest rate	Carrying amount $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000
Financial assets					
Cash	3.61%	5,217	-	5,217	-
Receivables		119,164	-	-	119,164
Derivative financial instrument		1,136	-	-	1,136
Investment in ZEW		15	-	-	15
Other loan receivables		629	-	-	629
Total financial assets		**126,161**	**-**	**5,217**	**120,944**
Financial Liabilities					
Payables		(135,743)	-	-	(135,743)
Deposits and advances		(14,207)	-	-	(14,207)
Borrowings – floating interest rate	4.53%	(70,900)	-	(70,900)	-
Borrowings - fixed interest rate	3.46%	(3,386,475)	(3,386,475)	-	-
Lease liabilities	2.98%	(9,212)	(9,212)	-	-
Total financial liabilities		**(3,616,537)**	**(3,395,687)**	**(70,900)**	**(149,950)**

2025	Weighted average interest rate	Carrying amount $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000
Financial assets					
Cash	4.32%	8,180	-	8,180	-
Receivables		108,663	-	-	108,663
Investment in ZEW		15	-	-	15
Total financial assets		**116,858**	**-**	**8,180**	**108,678**
Financial Liabilities					
Payables		(141,985)	-	-	(141,985)
Deposits and advances		(30,402)	-	-	(30,402)
Derivative financial instrument		(838)	-	-	(838)
Borrowings – floating interest rate	4.88%	(44,200)	-	(44,200)	-
Borrowings - fixed interest rate	3.14%	(3,057,975)	(3,057,975)	-	-
Lease liabilities	2.85%	(10,278)	(10,278)	-	-
Total financial liabilities		**(3,285,678)**	**(3,068,253)**	**(44,200)**	**(173,225)**

Interest rate risk sensitivity

As at 30 June 2026, if interest rates changed by +/- 100 basis points from the year end rates with all other variables held constant, post-tax profit would have been $3.371 million lower (2024–25: $2.561 million at +/- 100 basis points) as a result of higher / lower interest expense from variable interest rate borrowings.

Financial instruments: price risk

The Group uses the Contract for Difference derivative financial instrument to manage energy related commodities purchased in the normal course of business, and therefore entered into this PPA to minimise a portion of the price risk to the Group. The Group's sensitivity to price risk is set out in Note 8.2.1.

Other risks – Climate related risk

Climate change is a risk to the Group and includes the physical risk which can cause direct damage to operations, assets, or property as a result of rising global temperatures, as well as transition risks which arise from the transition to low-carbon economy. At present, the Group is primarily exposed to climate change risk through extreme weather events such fires, storms, high winds, floods and drought. These extreme weather events may affect our capability to supply water to our customers and may increase the cost of operations. Changes in global climate conditions may intensify one or more of these events.

This risk is managed and monitored through the Climate Adaptation Action Plan, which outlines our climate risks and governance framework for managing these risks, as well as outlining key stakeholders, goals, and metrics across the Group. The Climate Adaptation Action Plan embeds climate resilience in the way we design and operate assets, deliver our services, and continue adapting and mitigating to climate change by implementing controls to manage key risks. In addition, the Group's risk management framework provides for emissions reduction targets, and plans to address climate change.

Physical risks arising from fires, storms, high winds, floods and drought are subject to risk transfer and thereby within the cover of the Group's property and business interruption insurance programs. However, should the frequency and severity of these events increase because of climate change, the cost of coverage may increase.

8.2 Fair value determination

Fair value determination requires judgement and the use of assumptions. This section discloses the most material assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of the Group.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group determines the policies and procedures for determining fair values for both financial and non-financial physical assets and liabilities as required.

8.2.1 Fair value determination of financial assets and liabilities

The fair values and net fair values of financial instrument assets and liabilities are determined as follows:

Level 1: the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices

Level 2: the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly

Level 3: the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The Group considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

The Group's principal financial instruments are loans sourced from the Treasury Corporation of Victoria. The loans include overnight borrowings and fixed rate loans which are used to meet working capital requirements and fund capital expenditure programs.

Where the fair value of the financial instruments is different from the carrying amounts, the following table shows the carrying amounts and fair values of financial assets and financial liabilities.

	30 June 2026		30 June 2025	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial liabilities				
Borrowings	3,457,375	3,372,626	3,102,175	3,065,142

There have been no transfers between levels during the period.

Borrowings
In the absence of an active market, the fair value of the Group's borrowings are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves. Adjustments are made to the valuations when necessary to recognise differences in the instrument's terms. To the extent that the material inputs are observable, the Group categorises these borrowings as Level 2 within the fair value hierarchy.

Reconciliation of Level 3 fair value

Consolidated entity	Financial asset / (liability) at fair value through profit or loss	
	2026 $'000	2025 $'000
Balance at 1 July	**(838)**	**(1,542)**
Gains/(losses) recognised in profit or loss	1,796	644
Net cash settlements paid/(received)	178	60
Balance at 30 June	**1,136**	**(838)**

Description of material unobservable inputs to Level 3 valuations for 2026 and 2025

Consolidated entity	Valuation technique	Material unobservable inputs	2026 range (weighted average)	2025 range (weighted average)	Sensitivity of fair value measurement to changes in material unobservable inputs
Derivative financial instruments	Income approach (discounted cash flow)	Wholesale electricity price forecasts	$46.17/MWh to $115.29/MWh ($72.36/MWh)	$46.17/MWh to $115.29/MWh ($72.36/MWh)	An increase/ (decrease) in the wholesale electricity price forecasts of 10% would result in an increase/ (decrease) fair value by $0.3 million.
		Discount rate – risk free rates of zero coupon government bonds	3.2040% to 3.6395% (3.3582%)	3.2040% to 3.6395% (3.3582%)	An increase/ (decrease) in the discount rate of 1% would res ult in an increase/ (decrease) fair value by $0.03 million.
		Credit value adjustment – Australian Corporate Bond Spreads and Yields FNFSBBB10M	114.95	114.95	An increase/ (decrease) in the credit value adjustment of 1% would result in an increase/ (decrease) fair value by $0.03 million.

8.2.2 Fair value determination of non-financial physical assets

In accordance with AASB 13 *Fair Value Measurement*, the Group determines the policies and procedures for both recurring fair value measurements such as infrastructure, property, plant and equipment and for non-recurring fair value measurements such as assets held for sale.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is material to the fair value measurement as a whole:

Level 1: quoted prices (unadjusted) in active markets for identical assets.

Level 2: valuation techniques for which the lowest level input that is material to the fair value measurement is directly or indirectly observable.

Level 3: valuation techniques for which the lowest level input that is material to the fair value measurement is unobservable.

The Group's non-financial assets have been categorised into the three levels of the fair value hierarchy:

For the purpose of fair value determination, South East Water's Infrastructure, property, plant and equipment are classified as level 3 $5,518.0 million (2024-2025: $5,124.0 million), other than non-specialised land which is classified as level 2 $78.8 million (2024-2025: $83.3 million) (Refer to Note 4.2 excluding capital works in progress).

Infrastructure assets are measured using the income approach (i.e. discounted cash flows). The 'income approach' can be used to determine the fair value of property, plant and equipment in circumstances where there is no market-based evidence of 'fair value' because of the specialised nature of the asset(s). As the Group is classified as a for-profit entity for financial reporting purposes, the future economic benefits of the business's infrastructure assets are primarily dependent on their ability to generate net cash inflows. Accordingly, valuing infrastructure assets based on 'discounted cash flows' reflects their economic value.

The valuation model includes:

- calculating the forecast cash flows to debt and equity investors over a 10-year forecast period. Cash flows to debt and equity investors are those cash flows available after all operating expenses (including taxes) have been paid and necessary investments in working and fixed capital have been made.
- calculating the free cash flows to the corporation by utilising management's forecast cash flow statements. Cash flows from operations have been used, with interest payments added back, less the tax shield on those payments to arrive at an adjusted unlevered cash flows from operations. Cash flows from investing have also been used to include capital expenditure. The adjusted cash flow from operations less the cash flow from investing represents the forecast yearly free cash flows to the corporation.
- calculating a terminal value at the end of the 10-year forecast period. The terminal value is calculated by applying an exit multiple to the terminal year regulated asset base (RAB).
- any taxation amortisation benefit (TAB) available to subsequent market participants has been implicitly included through the selection of the terminal value exit multiple.
- discounting the cash flows and terminal value to the valuation date using selected high and low weighted average cost of capital (WACC) estimates.
- deducting non-infrastructure related assets and liabilities to derive the implied water infrastructure assets valuation.

The valuation resulted in an increment of $23 million (2024–25: $129 million increment). The effective date of the valuation is 30 June 2026.

The Group engaged KPMG to independently perform both the 30 June 2026 and 2025 infrastructure asset valuations. As the assumptions used to determine the value of infrastructure assets are considered material unobservable inputs, infrastructure assets are classified as Level 3 fair value measurements.

Land and buildings were independently valued by the Valuer-General Victoria's Office at 30 June 2026, in accordance with FRD 103 resulting in a valuation increment of $54.7 million. For 30 June 2025 an assessment against indices provided by the Valuer-General Victoria showed that there was no material movement in the fair value of land and buildings.

Specialised land is also valued using the market approach, adjusted for community service obligation (CSO) to reflect the specialised nature of the land being valued. The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement, and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible. As adjustments for CSOs are considered as material unobservable inputs, specialised land is classified as Level 3 assets.

Non-specialised land is valued using the market approach, being market value based on highest and best use permitted by relevant land planning provisions. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value. The valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From the sales analysed, an appropriate rate per square metre has been applied to the subject asset.

To the extent that non-specialised land do not contain material, unobservable adjustments, these assets are classified as Level 2 assets.

Specialised buildings are measured using the current replacement cost method using the best available evidence from recognised building cost indicators, adjusting for the associated depreciations. As depreciation adjustments are considered as material unobservable inputs, these assets are classified as Level 3 assets.

Plant and equipment are held at fair value. As there is little evidence of a reliable market-based fair value for plant and equipment (or any such evidence does not indicate a fair value materially different from depreciated cost), current replacement cost is used to calculate the fair value for these types of assets. To the extent that the fair value estimate of plant and equipment is based on material unobservable inputs, these assets are classified as Level 3 assets.

Leasehold improvements are held at fair value. As there is no evidence of a reliable market-based fair value (or other relevant fair value indicators) for leasehold improvements (or any such evidence does not indicate a fair value materially different from depreciated cost), current replacement cost is the fair value for these types of assets. To the extent that leasehold improvements is based on material unobservable inputs, these assets are classified as Level 3 assets.

Climate change factors are market participants' views of potential climate-related matters, including legislation, which may affect the fair value measurement of assets and liabilities in the financial statements. Where relevant, climate-related matters may also affect the disclosure of fair value measurements, particularly those categorised within Level 3 of the fair value hierarchy. AASB 13 requires disclosure of unobservable inputs used in fair value measurements. Those inputs should reflect the assumptions that market participants would use, including assumptions about climate related risk.

There were no changes in valuation techniques throughout the period to 30 June 2026.

For all assets measured at fair value, their current use is considered to be their highest and best use.

Description of material unobservable inputs to Level 3 valuations for 2026 and 2025

Consolidated entity	Valuation technique	Material unobservable inputs	2026 range (weighted average)	2025 range (weighted average)	Sensitivity of fair value measurement to changes in material unobservable inputs
Infrastructure assets	Income approach (discounted cash flow)	Discount rates (WACC)	5.7% to 6.1% (5.9%)	5.2% to 5.6% (5.4%)	An increase / (decrease) of 25 bps in the discount rate would result in a decrease of ($128.8) million or an increase of $198.2 million to the fair value.
		Terminal value exit RAB multiple	1.15 x to 1.25 x (1.20 x)	1.15 x to 1.25 x (1.20 x)	An increase / (decrease) of 0.05 x in the terminal value exit RAB would result in an increase of $324.5 million increase / (decrease) to the fair value.
Specialised land	Market approach	Community service obligation adjustment	0% - 30% (27%)	0% – 30% (20%)	A material increase/ (decrease) in the community service obligation adjustment would result in a materially lower (higher) fair value.
Non-specialised buildings	Current replacement cost (deemed fair value)	Cost per unit	$2,826 – $44,487,290 ($2,918,855)	$3,015 – $53,067,228 ($3,520,416)	A material increase/ (decrease) in cost per unit would result in a materially higher or lower fair value.
		Useful life of plant and equipment	5 - 50 years (40 years)	5 - 50 years (40 years)	A material increase/ (decrease) in the estimated useful life would result in a materially higher or lower valuation.
Leasehold improvements	Current replacement cost (deemed fair value)	Cost per unit	$808 – $6,155 ($2,590)	$1,456 – $8,264 ($3,495)	A material increase/ (decrease) in cost per unit would result in a materially higher or lower fair value.
		Useful life of leasehold improvements (lease term)	9 – 10 years (9 years)	9 – 10 years (9 years)	A material increase/ (decrease) in the lease term would result in a materially higher or lower valuation.
Plant and equipment	Current replacement cost (deemed fair value)	Cost per unit	$1 - $2,722,022 ($11,564)	$1 - $3,402,528 ($11,400)	A material increase/ (decrease) in cost per unit would result in a materially higher or lower fair value.
		Useful life of plant and equipment	3 – 27 years (16 years)	2 – 27 years (15 years)	A material increase/ (decrease) in the estimated useful life would result in a materially higher or lower valuation.

8.3 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised on the consolidated balance sheet but are disclosed and, if quantifiable are measured at nominal value. Contingent assets and contingent liabilities are disclosed inclusive of GST receivable or payable, respectively.

Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

In the ordinary course of business, developers often provide a commitment to the Group to construct water and sewerage assets. The assets are constructed within an agreed timeframe, generally 12 months, and upon completion are transferred to the Group at no cost.

As at 30 June 2026, various developers have agreed to construct water and sewerage infrastructure assets to the value of $105.8 million (2024–25 $104.3 million). This value relates to $71.3 million of assets which are under construction (2024–25 $81.7 million) and $34.5 million of assets which have not commenced construction (2024–25 $22.6 million). The contingency is based on the assumptions that the subdivisions or developments will proceed, requiring the construction of assets that South East Water will recognise as donated and/or shared once an Acceptance of Works Certificate is issued.

Contingent liabilities

Contingent liabilities are possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or present obligations that arise from past events but are not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations, or the amount of the obligations cannot be measured with sufficient reliability.

Contingent on the construction of assets, the Group is liable to reimburse developers a total amount of $22.7 million (2024–25 $33.9 million) for additional works constructed at the Group's request. This reimbursement together with future investment for urban growth by the Group or developers will be recovered through a combination of new customer contributions, plus service and usage charges from all customers. This is consistent with the Essential Services Commission's final determination for water and sewerage prices in June 2025 (for the 2025–26 year).

The Group also has contingent assets and liabilities arising from disputes in the ordinary course of business and considered immaterial.

9. Other disclosures

Introduction:

This section provides information on other disclosures as required by Australian Accounting Standards or Victorian Government Financial Reporting Directions.

Structure:

9.1 Responsible persons and executive officer disclosures
- 9.1.1 Responsible persons
- 9.1.2 Executive officers

9.2 Related parties
- 9.2.1 Key management personnel
- 9.2.2 Material transactions and balances with key management personnel and other related parties
- 9.2.3 Material transactions and balances with government related parties

9.3 Defined benefits superannuation
9.4 Ex-gratia expenses
9.5 Auditor remuneration
9.6 Controlled entities
- 9.6.1 Parent entity information – South East Water Corporation

9.7 Changes in accounting policies
9.8 Events occurring after balance date
9.9 Australian Accounting Standards issued not yet effective

9.1 Responsible persons and executive officer disclosures

9.1.1 Responsible persons

The relevant Minister and directors of the Group are deemed to be the responsible persons by ministerial direction pursuant to the provisions of the *Financial Management Act 1994*.

The responsible Minister during the 2025–26 reporting period was The Hon Harriet Shing, Minister for Water since 15/04/2026 and the Hon Gayle Tierney, Minister for Water 1/07/2025-14/04/2026. Remuneration paid to the responsible Minister is shown in the State's Annual Financial Report.

The responsible Managing Director and Accountable Officer during the 2024-25 reporting period was Ms Lara Olsen. Ms Lara Olsen remained the Managing Director until 8am on 18/08/2025, Ms Carla Purcell commenced as Managing Director at 8am on 18/08/2025 and is the responsible Managing Director and Accountable Officer at the date of signing the Annual Consolidated Financial Statements for the Group.

The names of persons who were directors of South East Water at any time during the financial year are as follows:

Ms L Warneke	1/07/2025 – 30/06/2026	Chair
Mr T Lyons	1/07/2025 – 30/09/2025	Director
Dr K McGrath	1/07/2025 – 30/09/2025	Director
Mr A Wood	1/07/2025 – 30/09/2025	Director
Ms C Amies	1/10/2025 – 30/06/2026	Director
Dr N Fleming	1/07/2025 – 30/06/2026	Director
Ms B Goebel	1/07/2025 – 30/06/2026	Director
Dr R Henry	1/07/2025 – 30/06/2026	Director
Ms S Lightfoot	1/07/2025 – 30/06/2026	Director
Mr C Newton	1/10/2025 – 30/06/2026	Director

Ms J Stanley	1/07/2025 – 30/06/2026	Director
Ms P Taylor	1/10/2025 – 30/06/2026	Director
Ms L Olsen	1/07/2025 – 17/08/2025	Managing Director and Accountable Officer
Ms C Purcell	18/08/2025 – 30/06/2026	Managing Director and Accountable Officer

The number of directors who received remuneration from the Group within the specified bands as follows:

			2026 No	2025 No
$10,000	–	$19,999	3	-
$40,000	–	$49,999	3	-
$50,000	–	$59,999	4	7
$60,000	–	$69,999	1	1
$80,000	–	$89,999	1	-
$110,000	–	$119,999	1	1
$480,000	–	$489,999	1	-
$520,000	–	$529,999	-	1
Total			**14**	**10**

9.1.2 Executive officers

The number of executive officers, other than directors and accountable officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provide a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the Group, or on behalf of the Group, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long service benefits or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

	2026 $'000	2025 $'000
Short-term employee benefits	2,831	2,734
Post-employment benefits	256	262
Other long-term benefits	63	55
Termination benefits	56	-
Total remuneration	**3,206**	**3,051**
Total number of executives	**11**	**12**
Total annualised employee equivalents [(a)]	**8.5**	**8.4**

[(a)] Annualised employee equivalent is based on the time fraction worked over the reporting period.

9.2 Related parties

The Group is a wholly owned and controlled entity of the State of Victoria.

Related parties of the Group include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over)
- all cabinet ministers and their close family members
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All of the Group's related party transactions have been entered into on an arm's length basis.

9.2.1 Key management personnel

Key management personnel (as defined in AASB 124 *Related Party Disclosures*) includes the responsible Minister, the Managing Director and all other directors listed under responsible persons in Note 9.1.1 who have the authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly, during the financial year.

The compensation detailed below excludes the salaries and benefits the responsible Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the State of Victoria's Annual financial report.

	2026	2025
	$'000	$'000
Short-term employee benefits	1,054	1,013
Post-employment benefits	95	90
Other long-term benefits	9	12
Total remuneration [(a)]	**1,158**	**1,115**

[(a)] There are two executive officers who are deemed KMPs of Iota Services Pty Ltd, subsidiary of South East Water Corporation. Their remuneration is disclosed under Note 9.1.2 in discharging their responsibility as executive officers of the Group.

9.2.2 Material transactions and balances with key management personnel and other related parties

Outside of normal citizen type transactions (such as water bills), there were no material related party transactions that involved key management personnel, their close family members and their personal business interests during the reporting period other than remuneration for employment. In this context, transactions are only disclosed when they are considered necessary to draw attention to the possibility that our Consolidated Statement of Comprehensive Income and Consolidated Balance Sheet may have been affected by the existence of related parties, and by transactions and outstanding balances. Further, no provision has been required, nor any expense recognised, for impairment of receivables from related parties.

9.2.3 Material transactions and balances with government-related parties

Department of Energy, Environment and Climate Action
The Department of Energy, Environment and Climate Action (DEECA) leads and directs the Group for implementing the framework for achieving the Victorian Government's responsibilities for sustainability of the natural and built environment.

The Group, under a normal commercial agency agreement, bills and collects charges relating to Parks Victoria services on behalf of DEECA. Due to the nature of the agency/principal relationship the Group does not recognise these amounts in its accounts. The Group recognises administration fees for the collection of Parks Victoria charges as revenue. In addition, the environment contribution levy is paid to DEECA on a quarterly basis.

The Group also receives and makes various other payments to and from DEECA which are recognised as revenue and expenses.

The Group may receive equity contributions in the form of grants to deliver water infrastructure projects.

Consolidated entity	**2026**	**2025**
	$'000	**$'000**
Payments		
Parks charge collected on behalf of DEECA	81,278	77,368
Environmental contribution levy	44,276	44,276
Receipts		
Equity Contribution – grant	18,600	-
Administration fees for collection of Parks Victoria charges	2,547	2,144
Payable at 30 June		
Parks charge collected on behalf of DEECA	1,476	1,208
Receivable at 30 June		
Administration fees for collection of Parks Victoria charges	121	138

Department of Treasury and Finance

The Department of Treasury and Finance (DTF) administers the *Water Act 1989* and the *Financial Management Act 1994* with which the Group is required to comply. The Group is required to pay income taxes, the financial accommodation levy, dividends and capital repatriations to DTF.

Consolidated entity	**2026**	**2025**
	$'000	**$'000**
Payments		
Dividend payments	18,766	39,455
Taxes and levies	57,975	63,967
Payables at 30 June		
Taxes and Levies	8,652	8,865
Receivable at 30 June		
Taxes	7,377	-

Melbourne Water Corporation

Melbourne Water Corporation has the same controlling entities as the Group, and is therefore considered to be a related party. The Group transacts solely with Melbourne Water Corporation for the purchase of potable water and disposal of sewage.

The Group, under a normal commercial agency agreement, bills and collects drainage rates on behalf of Melbourne Water Corporation. Due to the nature of the agency/principal relationship the Group does not recognise these amounts in its accounts. The Group recognises administration fees for the collection of Melbourne Water Corporation's charges as revenue.

Consolidated entity	**2026**	**2025**
	$'000	**$'000**
Payments		
Bulk water and sewage charges	580,884	553,320
Drainage charges collected on behalf of Melbourne Water	119,107	114,698

Receipts		
Administration fees for collection of drainage and other charges	6,271	5,931
Payable at 30 June		
Bulk water and sewage charges and drainage charges	3,914	4,057

Treasury Corporation of Victoria

The Group borrows from, and invests with, the Treasury Corporation of Victoria (TCV) with transactions based on market interest rates. TCV also provides advisory and administrative services under normal commercial terms (these services are included in the interest rate).

Consolidated entity	**2026**	**2025**
	$'000	**$'000**
Payments		
Finance and interest costs	121,540	100,207
Receipts		
Proceeds from borrowings	328,500	259,150
Payable at 30 June		
Total borrowings and accrued interest expense	3,125,124	2,862,265

Department of Families, Fairness and Housing

The Department of Families, Fairness and Housing (DFFH) provides a number of services to the community including the provision of rebates and grants to concession holders. The Group receives various payments from and makes various payments to DFFH which are recognised as revenue and expenses.

Consolidated entity	**2026**	**2025**
	$'000	**$'000**
Receipts		
Customer rebate reimbursements	50,603	48,472
Receivable at 30 June		
Customer rebate reimbursements	2,565	2,155

Iota Services Pty Ltd

Iota Services Pty Ltd (Iota) is a wholly-owned subsidiary of South East Water Corporation. During the financial year ended 30 June 2026, South East Water Corporation purchased goods and services and provided accounting and administrative assistance to Iota. Since its formation in January 2015, Iota provides indemnity for its directors as specified under its constitution.

Iota has a financial accommodation facility to borrow up to a maximum of $7.0 million from South East Water. During 2025–26, Iota borrowed $2.0 million from South East Water Corporation in 2025-26 (2024-25 $1.0 million) increasing total borrowings to $5.0 million.

Where loans are entered into, they are unsecured. The interest rate on the loan is based on the prevailing TCV's floating interest rate and the DTF's annual Financial Accommodation Levy applied to South East Water Corporation, which is directly on passed to Iota. All financial transactions between South East Water Corporation and Iota are eliminated upon consolidation.

In 2022-23, South East Water engaged Iota to perform maintenance, enhancement and future development works to a copy of its Lentic Internet of Things (IoT) platform. A copy of the IoT platform was provided to Iota for nil consideration. In return, Iota charges a fee for services provided to South East Water. All transactions related to the Lentic Platform between South East Water and Iota are eliminated upon consolidation. South East Water retains all ownership of the intellectual property.

Zero Emissions Water – Power Purchase Agreement
ZEW is a related party of The Group. Below is a summary of transactions and holdings with ZEW:

Consolidated entity	2026	2025
	$'000	$'000
Payments	48	100
Receipts	533	407
Investment in ZEW	15	15

Water and sewerage services
Water and sewerage services were provided to related parties for properties within the Group's boundary on the same terms and conditions that apply to all other customers.

Other transactions
All other transactions with Victorian Government related party entities were made on normal commercial terms and conditions.

No provision for doubtful debts has been raised in relation to any of the above outstanding balances, and no expense has been recognised in respect of bad and doubtful debts due from related parties.

Guarantees given/received
The State Government of Victoria has provided a guarantee on loans sourced from the Treasury Corporation of Victoria (*Borrowing and Investment Powers Act 1987*). There were no other guarantees given to or received from any related parties.

9.3 Defined benefit superannuation

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. Some defined benefit members have the option of a pension benefits in certain circumstances. The defined benefit section of the Equipsuper Plan is closed to new members. All new members receive accumulation only benefits.

A liability or asset in respect of defined benefits superannuation is recognised and measured as the difference between the present value of employees' accrued benefits at reporting date and the net market value of the superannuation plan's assets at that date.

Actuarial gains and losses arising from the Group's defined benefit superannuation scheme are recognised immediately in Other Comprehensive Income in the Consolidated Statement of Comprehensive Income in the year in which they occur.

The Superannuation Industry (Supervision) (SIS) legislation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS Regulations require an actuarial valuation to be performed for each defined benefit superannuation plan every three years, or every year if the plan pays defined benefit pensions unless an exemption has been obtained.

The Plan's Trustee is responsible for the governance of the Plan. The Trustee has a legal obligation to act solely in the best interests of Plan beneficiaries. The Trustee has the following roles:

- administration of the Plan and payment to beneficiaries from Plan assets when required in accordance with the Plan rules;
- management and investment of the Plan assets; and
- compliance with superannuation law and other applicable regulations.

The prudential regulator, the Australian Prudential Regulation Authority (APRA), licenses and supervises regulated superannuation plans.

There are a number of risks to which the Plan exposes the Group. The more material risks relating to the defined benefits are:

- **investment risk** – The risk that investment returns will be lower than assumed and the Group will need to increase contributions to offset this shortfall.
- **salary growth risk** – The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- **legislative risk** – The risk is that legislative changes could be made which increase the cost of providing the defined benefits.
- **pension risks** – The risk is firstly that pensioner mortality will be lighter than expected, resulting in pensions being paid for a longer period. Secondly, that a greater proportion of eligible members will elect to take a pension benefit, which is generally more valuable than the corresponding lump sum benefit.
- **inflation risk** – The risk that inflation is higher than anticipated, increasing pension payments, and thereby requiring additional employer contributions.

The defined benefit assets are invested in the Equipsuper Defined Benefit and Cash investment options. The assets are diversified within these investment options and therefore the Plan has no material concentration of investment risk.

Description of significant events
There were no plan amendments affecting the defined benefits payable, curtailments or settlements during the year.

Movement reconciliation

2026	Fair value of plan assets $'000	Defined benefit obligation $'000	Net defined benefit asset/ (liability) $'000
Balance at 1 July	**60,666**	**45,048**	**15,618**
Current service cost	-	724	(724)
Interest income	2,864		2,864
Interest expense	-	2,174	(2,174)
Actual return on plan assets less interest income	2,067	.	2,067
Employer contributions	-	.	-
Contributions by plan participants	267	267	-
Actuarial gains/(losses) arising from changes in demographic assumptions	-	441	(441)
Actuarial gains/(losses) arising from changes in financial assumptions	-	(2,053)	2,053
Actuarial gains/(losses) arising from liability experience	-	(136)	136
Benefits paid	(5,621)	(5,621)	-
Taxes, premiums and expenses paid	(227)	(227)	-
Balance at 30 June	**60,016**	**40,617**	**19,399**

2025	Fair value of plan assets $'000	Defined benefit obligation $'000	Net defined benefit asset/ (liability) $'000
Balance at 1 July	**61,384**	**46,827**	**14,557**
Current service cost	-	848	(848)
Interest income	3,109	-	3,109
Interest expense	-	2,415	(2,415)
Actual return on plan assets less interest income	1,888	-	1,888
Employer contributions	471	-	471
Contributions by plan participants	278	278	-
Actuarial gains/(losses) arising from changes in demographic assumptions	-	(257)	257
Actuarial gains/(losses) arising from changes in financial assumptions	-	1,558	(1,558)
Actuarial gains/(losses) arising from liability experience	-	(157)	157
Benefits paid	(6,182)	(6,182)	-
Taxes, premiums and expenses paid	(282)	(282)	-
Balance at 30 June	**60,666**	**45,048**	**15,618**

Fair value of plan assets	Total	Quoted prices in active markets for identical assets - Level 1	Material observable inputs - Level 2	Unobservable inputs - Level 3
30 June 2026	**$'000**	**$'000**	**$'000**	**$'000**
Asset category				
Investment funds	60,016	-	60,016	-
Total	**60,016**	**-**	**60,016**	**-**

The percentage invested in each asset class at the reporting date is:

As at	30 June 2026	30 June 2025
Australian equity	16%	17%
International equity	23%	21%
Fixed income	14%	15%
Property	6%	6%
Growth alternatives	17%	19%
Defensive alternatives	14%	12%
Cash	10%	10%

The fair value of Plan assets includes no amounts relating to:
- any of the Group's own financial instruments
- any property occupied by, or other assets used by, the Group.

Material actuarial assumptions at reporting date

	Assumptions to determine defined benefit cost for the year ending:		Assumptions to determine defined benefit obligation as at:	
	30 June 2026	30 June 2025	30 June 2026	30 June 2025
Discount rate	5.1%	5.5%	5.8%	5.1%
Expected salary increase rate	3.0%	3.0%	3.0%	3.0%
Expected pension increase rate	2.5%	2.5%	2.5%	2.5%

Use of corporate bond rates to discount defined benefit superannuation

AASB 119 *Employee Benefits* requires the Group to use high quality corporate bonds to discount its post-employment benefit obligations, where there is a deep market in such bonds. Otherwise, the government bond is applied.

Since 30 June 2022, the Department of Treasury and Finance is satisfied that there is a deep market in corporate bonds and therefore the Group has applied the corporate bond rates to discount its defined benefits obligation for the year ended 30 June 2026. This reduces the defined benefit obligation as at 30 June 2026.

Sensitivity analysis

The defined benefit obligation as at 30 June 2026 under several scenarios is presented below.
Scenario A: 0.5% p.a. lower discount rate assumption
Scenario B: 0.5% p.a. higher discount rate assumption
Scenario C: 0.5% p.a. lower salary increase rate assumption
Scenario D: 0.5% p.a. higher salary increase rate assumption
Scenario E: 0.5% p.a. lower pension increase rate assumption
Scenario F: 0.5% p.a. higher pension increase rate assumption

	Base case	Scenario A -0.5%p.a. discount rate	Scenario B +0.5%p.a. discount rate	Scenario C -0.5%p.a. salary increase rate	Scenario D +0.5%p.a. salary increase rate	Scenario E -0.5%p.a. pension increase rate	Scenario F +0.5%p.a. pension increase rate
Discount rate	5.8%	5.3%	6.3%	5.8%	5.8%	5.8%	5.8%
Salary increase rate	3.0%	3.0%	3.0%	2.5%	3.5%	3.0%	3.0%
Pension increase rate*	2.5%	2.5%	2.5%	2.5%	2.5%	2.0%	3.0%
Defined benefit obligation[(a)] ($'000)	40,617	42,458	38,915	40,038	41,216	39,495	41,830

[(a)] includes contributions tax provision

* pension increase sensitivity also applies to rate applying in the first and second years

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

No asset and liability matching strategies have been adopted by the Plan.

Funding arrangements

The Equipsuper Contribution and Funding Policy provides for a review of the financial position of the Plan each six months, as at 30 June and 31 December, with the Group's contribution rate comprising a long-term contribution rate and an adjustment to meet the financing objective of a target funding ratio of 105 per cent.

The target funding ratio reflects the proportion of salary and pension related benefits and the allocation to "growth" assets for the Plan. The funding ratio is the ratio of assets to accrued liabilities, being the greater of vested benefits and the present value of past membership benefits.

Where the funding ratio is greater than 100 per cent the financing objective is to achieve the target funding ratio over five years. Where the funding ratio is less than 100 per cent the primary financing objective is to achieve 100 per cent over three years and the target funding ratio over five years.

The corporation makes employer contributions to the fund at rates determined by the trustee on the advice of the Fund Actuary. During the year ended 30 June 2026, the actuary recommended a Group contribution rate of nil which the corporation adopted. The next review of the financial position and Group contribution rate is due as at 30 June 2026.

The Group continue to contribute salary sacrifice contributions and at the required rates for accumulation members.

The expected employer contributions for the financial year ending 30 June 2027 is nil.

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation as at 30 June 2026 is eight years (2025: eight years).

Expected benefit payments for the financial year ending on:	**$'000**
30 June 2027	4,230
30 June 2028	4,321
30 June 2029	4,492
30 June 2030	5,013
30 June 2031	4,793
Following 5 years	18,005

9.4 Ex-gratia expenses

Consolidated entity	**2026**	**2025**
	$'000	**$'000**
Forgiveness or waiver of debt [(a)]	1,793	835
Termination payments [(b)]	125	168
Closing balance	**1,918**	**1,003**

[(a)] Forgiveness or waiver of customer debt due to financial hardship or not economical to pursue. These ex-gratia expenses are recognised as part of bad and doubtful debts in the consolidated statement of comprehensive income, refer to Note 3.1 and Note 5.1.1.

[(b)] Termination payments relate to additional amounts provided in excess of the employees' entitlements. These ex-gratia expenses are recognised as part of employee benefit costs in Note 3.2.1.

Ex-gratia expenses greater than or equal to $5,000 or those considered material in nature are disclosed above.

9.5 Auditor remuneration

Consolidated entity	2026 $'000	2025 $'000
Victorian Auditor-General's Office - audit of the Group's financial statements	401	379

9.6 Controlled entities

The consolidated financial statements at 30 June 2026 includes Iota Services Pty Ltd (Iota), as a wholly owned controlled entity, carried at a book value of $1. The financial year of the controlled entity is the same as that of the parent entity. Prior to 1 January 2015 Iota operated as an unregulated business division of South East Water Corporation. The relevant activities of Iota include plumbing services, digital meters, low pressure sewer solutions and the sale of OneBox® products.

There are no restrictions (statutory, contractual or regulatory) that can affect South East Water Corporation's ability to access or use the assets and settle the liabilities of the group.

South East Water Corporation is not contractually required to provide any other financial support to Iota. Iota has a financial accommodation facility to borrow up to a maximum of $7.0 million from South East Water. During 2025–26, Iota borrowed an additional $2.0 million from South East Water Corporation (2024-25 $1.0 million) increasing total borrowings to $5.0 million. South East Water does not expect Iota to repay the loan prior to 30 June 2028.

9.6.1 Parent entity information – South East Water Corporation

Information relating to South East Water Corporation	2026 $'000	2025 $'000
Current assets	243,629	224,709
Non-current assets	6,176,870	5,727,588
Total assets	**6,420,499**	**5,952,297**
Current liabilities	306,621	286,222
Non-current liabilities	3,965,398	3,613,797
Total liabilities	**4,272,019**	**3,900,019**
Contributed equity	113,207	94,607
Reserves	1,110,609	1,046,352
Retained earnings	925,008	918,019
Total equity	**2,148,824**	**2,058,978**
Net profit after tax of parent entity	29,785	87,596
Total comprehensive income	96,403	178,406

9.7 Changes in accounting policies

No change in accounting policies impacting the group for the year ending 30 June 2026.

9.8 Events occurring after balance date

There are no other matters or circumstances that have occurred after reporting date that may materially impact the Group's operations.

9.9 Australian Accounting Standards issued that are not yet effective

The following Australian Accounting Standards and interpretations have been issued but are not yet effective and therefore have not been adopted for the annual reporting period ending 30 June 2026.

Standard / Interpretation	Summary	Effective date	Estimated impact
AASB 18	The AASB has issued **AASB 18 Presentation and Disclosure in Financial Statements** to improve how entities communicate in their financial statements, with a particular focus on information about financial performance in the statement of profit or loss. The key presentation and disclosure requirements established by AASB 18 are: • the presentation of two newly defined subtotals – operating profit and profit before financing and income taxes in the statement of profit or loss; • the disclosure of management-defined performance measures; and • enhanced requirements for grouping information (i.e. aggregation and disaggregation). These new requirements will enable investors and other financial statement users to make more informed decisions, including better allocations of capital, that will contribute to long-term financial stability. AASB 18 will replace AASB 101 *Presentation of Financial Statements*. For for-profit entities (other than superannuation entities applying AASB 1056 *Superannuation Entities*) preparing Tier 1 general purpose financial statements, AASB 18 applies to annual reporting periods beginning on or after 1 January 2027, with earlier application permitted.	1 January 2027	The standard will change the presentation of the consolidated statement of profit or loss with income and expenses to be classified into operating, financing, investing income tax and discontinued operations categories. A new note will be introduced which will disclose all management-defined performance measures

End of audited financial report.

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