

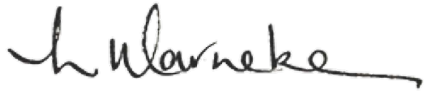
Annual Report

2024–25



Responsible body declaration

In accordance with the *Financial Management Act 1994*, I'm pleased to present South East Water's Annual Report for the year ending 30 June 2025.



Lynn Warneke

Chair

South East Water

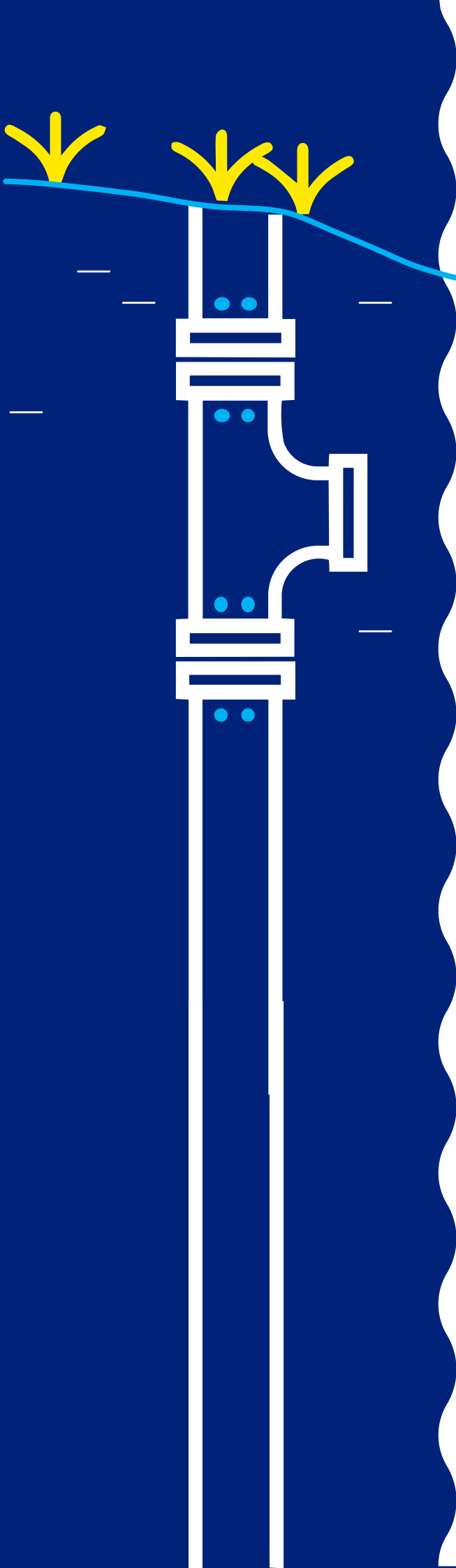
26th day of August 2025

Acknowledgement

South East Water proudly acknowledges the Bunurong, Gunaikurnai and Wurundjeri Woi Wurrung as the Traditional Owners of the land on which we operate, and pay respect to their Elders past and present.

We acknowledge their songlines, cultural lore and continuing connection to the land and water.

We recognise and respect their continuing connections to climate, Culture and Country.



Contents

Message from the Chair and Managing Director.....	4
Chapter 1. About us	7
Chapter 2. Climate change and energy	15
Chapter 3. Delivering for our customers and community ...	29
Chapter 4. Care for Country	39
Chapter 5. Protecting our environment	42
Chapter 6. Empowering our people	64
Chapter 7. Performance and financial management	76
Chapter 8. Compliance and enforcement	90
Chapter 9. Financials	100
Appendices	163

Message from the Chair and Managing Director

In accordance with the *Financial Management Act 1994*, we're pleased to present our Annual Report 2024–25, which complies with statutory reporting requirements.

In the second year of our Corporate Strategy 2028, we continued delivering on our purpose of providing healthy water for life for customers, community and the environment while driving innovation, inclusion and sustainability.

Delivered for customers and community by getting the basics right and improving experiences

Water is the foundation of life – it keeps us hydrated, enables us to grow vegetables, to water sporting grounds, supports flora and fauna to thrive and enables businesses to produce goods and services. This year, we enabled these activities by providing 146 billion litres of drinking water and treating 148 billion litres of waste.

Our customers received a largely uninterrupted water supply, with customer interruption frequency – planned and unplanned – at 0.30 interruptions per customer thanks to our advanced approach to asset management (certified under ISO-Standard 55001).

South East Water is investing \$2.1 billion between 2023 and 2028 in capital projects that will seek to support population growth, climate change impacts, ongoing regulatory requirements and to meet its desire to deliver a customer standard that consistently exceeds expectations. But, there is still more to do.

We recognise the important role that South East Water plays and is committed to supporting local groups across Melbourne's south-east, via our 2025 Community Grants program, which awarded nearly \$130,000 to 20 local groups. These grants supported community groups to be more water efficient, to learn about water safety, to drive community connection and to support community members experiencing hardship and vulnerability.

South East Water continued to directly support individuals and families needing assistance, with over 22,500 customers being provided with financial support throughout the year.

Drove innovation at scale to create step-change impact for customers and the water sector

Our digital meter rollout, the largest of its kind in the Australian water industry achieved 155,000 exchanges of mechanical meters to digital meters by June 2025. To date, South East Water's digital meters, early leak detection has saved customers \$9.4 million in water usage charges and preserved over 2.1 billion litres of drinking water.

Iota is continuing to develop and mature a portfolio of South East Water developed and proven technologies and intellectual property, which solve water industry challenges, by water industry experts at South East Water. This year, we led a sustainability

breakthrough with a world-first green hydrogen project and a Cooperative Research Centres Project (CRC-P) to build a demonstration-scale pyrolysis plant to test its ability to destroy per- and polyfluoroalkyl substances (PFAS) and other contaminants. Our innovations, Hydrotrak® Geofencing and urban cooling project, were recognised nationally and internationally.

Sotto® is our groundbreaking water network leak detection technology. Over 74,000 Sotto® sensors have been deployed to detect leaks and reduce water losses across 14.7km of drinking water pipes and 1.6km of recycled water pipes in the South East Water network, with 350,000 additional sensors planned for deployment over 4 years. So far, Sotto® sensors have identified 447 leaks and saved 526 million litres of water, helping us optimise operations whilst preserving precious water. This year, Iota secured strategic partnerships in Europe, in addition to the existing customers deploying the technology in Australia and New Zealand and continues to grow its customer base.

Protected our environment by planning for a drier climate, repurposing water and waste and caring for country with the support of Traditional Owners.

Victoria's drying climate indicates why climate-resilient water sources and future planning matter. We're committed to managing our precious drinking water sustainably. We progressed major integrated water projects in Cardinia Shire (Western Port Recycled Water Scheme), Dingley, Fishermans Bend, Frankston City and Lyndhurst (Aquarevo) to support Melbourne's water security.

We continued to learn from Traditional Owners and the Aboriginal community to understand how their care for Country can help us to protect our environment and how we can support their self-determination. We worked closely with Traditional Owners to explore their preferred partnership arrangements and discuss access to water entitlements. We maintained partnerships with Aboriginal Organisations and supported community-led initiatives that improve wellbeing and inclusion. We also progressed development of our next Reconciliation Action Plan, which we look forward to launching in 2025–26.

Optimised our operations through organisational effectiveness and cyber security improvements

The establishment of our Transformation Management Office is designed to enable the successful delivery of the major business projects that will create the South East Water of tomorrow. South East Water has an ambitious, but necessary, plan to rollout improvements across its operations to ensure customers enjoy a safe and reliable water and sewerage service, whilst meeting the needs of a growing Victoria.

We're alert to the need for strong cyber security to protect our valuable assets. We strengthened our cyber security by investing in improved detection, tighter controls, and employee training and education to better protect customer and organisational data.

On 14 January 2025, a landslide impacted residents in McCrae and saw the establishment of a Board of Inquiry by the Governor of Victoria into the cause of the landslide and measures to mitigate the risk of future landslides. South East Water has participated in the Board of Inquiry, while independently carrying out investigations and introducing asset management changes based on information that became available

after the McCrae Landslide. South East Water is committed to sharing learnings with the broader water industry.

Empowered our people by building a safe, inclusive and inspiring workplace

Our people underpin all that we've achieved this year. We're one team that reflects the diversity of our customers.

Work180 named us one of Australia's top workplaces for women for the third year running. We launched a new Aboriginal visual identity, appointed our first First Nations delegate to the Board, and delivered cultural awareness training to over 100 employees and board members. These actions reflect our commitment to creating a safe, inclusive workplace where we value all voices.

Our commitment to safety is unwavering, but throughout this year, we saw an increased frequency and severity of safety incidents, particularly from our Industry Partners. We are committed to working with our Industry Partners to ensure that South East Water's work is carried out in a safe manner, that does not put people at risk. This will be an area of focus in FY26.

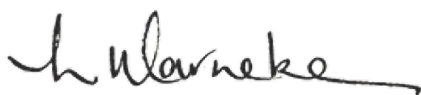
South East Water has rolled out the Leading Together Program, which supported leaders in continuing to improve wellbeing.

We remain focused on delivering healthy water for life, with care, foresight and innovation

On behalf of the Board, we're pleased to endorse the 2024–25 Annual Report as a reflection of what we've achieved together this year. We're proud of the support and services we delivered to our customers, communities and stakeholders and the care for the environment we demonstrated.

We appreciate the dedication and contributions made by our employees and partners in delivering these outcomes. We also thank Lara Olsen, South East Water's outgoing Managing Director, for her leadership, passion and commitment over the last 5 years. We acknowledge Lara's legacy and wish her well for the future.

As we head into 2025–26, we look forward to engaging with customers, communities and stakeholders in shaping our future services, pricing and major investments, whilst continuing to innovate with purpose and act with care as we deliver safe and reliable water and wastewater services for our customers, community and the environment.



Lynn Warneke
Chair



Carla Purcell
Managing Director

Note: Carla Purcell commenced as Managing Director of South East Water on 18 August 2025, prior to finalisation of this Annual Report 2024-25. South East Water's Managing Director throughout the reporting period was Lara Olsen

Chapter 1. About us

Nature and range of services provided

We’re a metropolitan water corporation operating in Melbourne’s south-east, established by the Victorian Government. We support healthy and liveable communities by delivering water, sewerage and recycled water services to over 1.8 million people (~30% of Melbourne’s population) every day and every night.

We manage almost \$5.5 billion in assets across our water and sewerage networks – including pipes, pumping stations, valves and water recycling plants that bring water to our customers and take waste away.

The *Water Act 1989* and the Statement of Obligations issued by the Minister for Water under Section 41 of the *Water Industry Act 1994* govern our organisation’s activities.

We work in partnership with [Melbourne Water](#), the bulk supplier of water and sewerage treatment in Melbourne.

The Victorian Government’s [Department of Energy, Environment and Climate Action \(DEECA\)](#) and [Department of Treasury and Finance \(DTF\)](#) oversee our activities.

The [Environment Protection Authority Victoria \(EPA\)](#) regulates our environmental impact, while the [Department of Health](#) ensures our drinking water quality.

The [Essential Services Commission \(ESC\)](#) is our independent economic regulator.

Key facts

783,591 residential customers	63,231 business customers	1,831,777 people serviced	\$5.5 billion infrastructure asset base
146 billion litres of drinking water supplied	8.5 billion litres of recycled water supplied	148 billion litres of wastewater managed	8 water recycling plants
14,726* kilometres of drinking water pipes	1,597* kilometres of recycled water pipes	11,681* kilometres of sewer pipes	14,796 pressure sewer pumps
82 water pump stations	13 recycled water pump stations	277 sewage pump stations	

*Figure includes service connections

Service area

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.



Our strategy

Our vision

Innovate with purpose. Act with care

Purpose

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

Our 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.



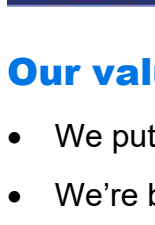
Deliver for our customers – As part of the community, we know how important it is to get the basics right, and make our customers' experience better every time. In delivering our customer outcomes, our actions support a thriving, more liveable community.



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.

Our values

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

Key initiatives and projects in 2024–25

Our organisation-wide Operating Plan outlines the core activities and priority initiatives we'll focus on each financial year, to help us deliver on our strategy.

In 2024–25, we continued to:

- provide reliable and high-quality water and wastewater services
- deliver our capital program, including steady progress on our Top 10 projects
- maintain our network and our critical asset infrastructure
- uplift our risk approach, including developing and implementing a framework to govern artificial intelligence (AI) and emerging technology (risks and opportunities)
- deliver customer service through our contact centres and digital channels
- provide corporate services: finance, safety, technology, legal, risk, compliance, facilities, regulatory, procurement and people services
- engage and communicate with partners, customers, community and stakeholders
- oversee high standards of governance, compliance and integrity through our board, committee, regulatory and secretariat processes.

We also delivered on these priority projects under each of our 5 strategic focus areas:

Empower our people

- Fostered a leading safety culture, by embedding our wellbeing framework and Leading Together program, with people leaders holding 2,565 safety conversations to support safe and empowered teams.
- Recognised as one of the top 101 Workplaces for Women in Australia by Work180, for the third year running.
- Two of our employees – Ben Evans, named Water Industry Operations Association of Australia's Victorian Operator of the Year and Pam Kerry, highly commended in the Australian Water Association Awards (Water Professional of the Year category) – were recognised for their exceptional service, leadership, and dedication to the water industry.
- 100 employees, 4 board members, plus our Chair, completed cross-cultural training delivered by an experienced provider, strengthening our commitment to inclusion and cultural awareness.

Deliver for our customers

- Supported 22,500 customers with financial support and assistance, a 21.5% increase from last year.

- Granted almost \$130,000 to 20 community groups across Melbourne's south east through our 2025 Community Grants program. Now in its sixth year, the program has granted over \$600,000 to 94 community groups.
- Endorsed our Family Violence Plan 2025–28, making us the first water corporation nationally to have a dedicated family violence plan aligned to the National Plan to End Violence Against Women and Children.

Protect our environment

- Progressed key integrated water management projects in Aquarevo Water Recycling Plant and Dingley, Monterey and Western Port Recycled Water Schemes which will deliver climate resilient recycled water across parts of the community.
- Awarded the contract to design, build and operate a new Aquarevo Water Recycling Plant, which will treat 52 million litres of water per annum to Class A standard.
- Appointed a First Nations delegate to our Board.
- Launched our Aboriginal visual identity, designed by First Nations artist Marcus Lee, the design symbolises our service area and the flow cycle of water.

Optimise our operations

- Digital meters made every drop count, saving customers around \$3.9 million off their water bills and 858 million litres of drinking water this year. Since 2018 when the rollout started, almost 2.1 billion litres of water has been saved and we've helped customers save \$9.4 million (figures as at June 2025)
- Started construction on a major 1.9 km branch sewer upgrade in Albert Park and surrounding streets to boost network capacity for Melbourne's growing population and increase resilience during extreme wet weather events.
- Customers logged nearly 8,500 and faults across our water and sewer network through the Snap Send Solve app.
- Progressed major capital works at South Melbourne and Fishermans Bend, expanding our sewerage infrastructure to support a growing population and future-proof our network.
- Strengthened our cyber resilience through targeted education, enhanced governance and industry collaboration.

Drive innovation at scale

- Progressed work on implementing advanced sensor technologies and a digital optimisation strategy to proactively manage water and sewer networks, reducing leaks, bursts, and environmental harm.

- Award-winning innovations, including the urban cooling project and Hydrotrak® Geofencing solution were recognised nationally and internationally for advancing sustainability, customer experience, and smart water management.
- In partnership with our commercial arm Iota, RMIT University and Aqua Metro, we secured \$3 million from the Australian Government to build a groundbreaking demonstration-scale pyrolysis plant that uses high temperatures to destroy polyfluoroalkyl substances (PFAS), pathogens, microplastics and pharmaceuticals in biosolids.
- South East Water and RMIT University's world-first technology for producing green hydrogen from solar radiation and recycled water won the 2024 Water Minister's Climate Innovation Challenge.

Financial summary

Table 1. Financial results for year ended 30 June 2025 (extract)

	2021 (\$ million)	2022 (\$ million)	2023 (\$ million)	2024 (\$ million)	2025 (\$ million)
Total revenue	1,055.4	1,054.5	1,060.1	1,143.4	1,221.0
EBIT	208.9	189.2	185.0	213.5	244.5
Finance costs	80.9	78.0	89.2	107.1	132.0
Net profit before tax	128.0	111.2	95.8	106.4	112.5
Tax expense	37.6	32.8	29.4	32.1	32.7
Net profit after tax	90.4	78.4	66.4	74.3	79.8

Table 2. Financial position as at 30 June 2025 (extract)

	2021 (\$ million)	2022 (\$ million)	2023 (\$ million)	2024 (\$ million)	2025 (\$ million)
Total assets	4,767.3	4,855.9	5,192.5	5,507.5	5,948.7
Payables and provisions	657.6	629.9	697.7	736.2	786.7
Borrowings	2,116.5	2,302.8	2,476.2	2,852.9	3,112.5
Net assets	1,962.3	1,993.3	2,018.6	1,918.4	2,049.6

Table 3. Cash flows for year ended 30 June 2025 (extract)

	2021 (\$ million)	2022 (\$ million)	2023 (\$ million)	2024 (\$ million)	2025 (\$ million)
Operating	134.0	102.3	158.5	86.8	85.0
Investing	(244.3)	(149.0)	(227.7)	(298.4)	(301.6)
Financing	110.3	46.3	157.9	126.1	219.2

Current year financial review

In 2024–25, we recorded a net profit after tax of \$79.8 million, an increase of \$5.5 million from the previous year. Both revenue and expenditure have steadily increased as a result of the following trends:

- an increase in water and sewerage revenue, with higher consumption and sewerage volumes treated
- growth within our service region and income received from developers
- increase in finance charges over the past 12 months driven by interest rate rises and growth in our debt portfolio.

Our financial position remains sound, with gearing at 60.2% and funds from operations net interest cover at 1.7 times. Total assets have increased by \$441.2 million, driven by the growth in our infrastructure network.

Total liabilities increased by \$310.0 million, due largely to additional borrowings of \$259.8 million during the year. Borrowings are enabling delivery of our capital infrastructure program to provide services to our growing communities.

Shareholder returns for the year include \$39.5 million in dividend payments.

Capital projects

Capital expenditure of \$329.3 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.

Chapter 2. Climate change and energy

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.

Our 2024–25 result for net greenhouse gas emissions is 13454 t CO₂-e (see Table 4). This represents a 36% decrease from last year.

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 (ACCU)s. 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.
- Opportunities are being explored to self-generate ACCUs using existing assets and buffer land around our water recycling plants.
- A direct emissions monitoring program is being implemented. We're installing sensors and equipment for accurate measurement of methane and nitrous oxide at Mt Martha and Lang Lang water recycling plants. Monitoring at Lang Lang is scheduled to start in late 2025.

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.

- Additional investment has been secured in renewable energy and power purchase agreements, enabling us to be using 100% renewable electricity from 1 July 2025.
- A 3-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.
- Planning and design is underway for new solar energy facilities at our water recycling plants.

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 2023-24	Commentary
	2023-24 Total Scope 1 and 2 emissions	2024-25 Scope 1 emissions	2024-25 Scope 2 emissions	2024-25 Total emissions		
Water treatment and supply	4,318	0	0	0	-100.00	6,043 RECs retired to offset the Scope 2 emissions associated with water treatment and supply.
Sewage collection, treatment, and recycling	28,194	11456.37	0	11456.37	-59.37	22,030 RECs retired to offset the Scope 2 emissions associated with sewage collection, treatment and recycling.
Transport	1,697	1881.75	0	1881.75	10.89	There are no Scope 2 emissions associated with transport and no associated RECs.
Other (e.g. offices, depots, etc.)	-13,168	116.37	0	116.37	-100.88	1,347 RECs retired to offset the Scope 2 emissions classified under 'Other'.
Total emissions (after Renewable energy certificate (REC) retirement)(a)	21,042	13454.49	0	13454.49	-36.06	Using the location-based calculation methodology we will surrender 29,420 RECs to offset 22,652.88 tCO ₂ -e from our Scope 2 emissions profile.
Carbon offsets (self-generated) retired(b)	0	0		0	-	
Net emissions (after offset retirement) (a-b)	21,042	13454.49	0	13454.49	-36.06	

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 ³	Offset quantity	Retirement date	Offset unit vintage year	Public registry
We have not yet retired any Climate Active eligible offset units (ACCU) to reduce our Scope 1 emissions.	-	-	-	-	-

Graph 1. Annual net Scope 1 and 2 greenhouse gas emissions

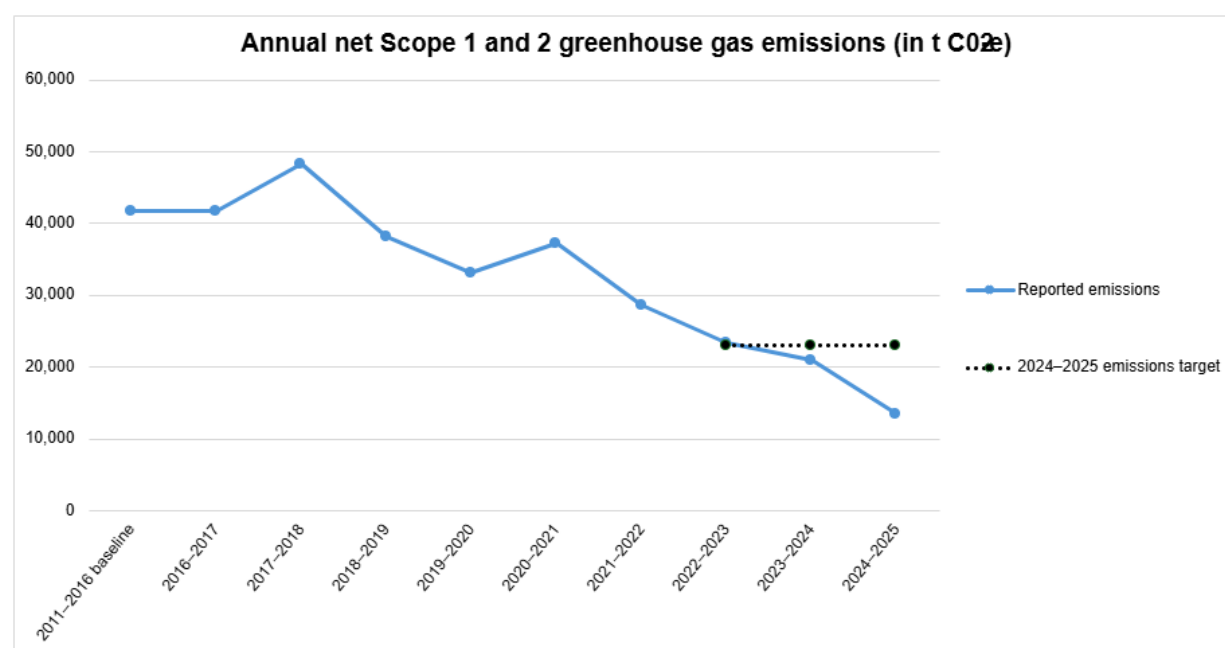


Table 6. Reporting a full breakdown of Scope 1 emissions by greenhouse gas

Service delivery category	Scope 1 Emissions by greenhouse gas (source greenhouse gas reported in t CO ₂ -e ¹)				Commentary
	Carbon dioxide (CO ₂) in t CO ₂	Methane (CH ₄) in t CO ₂ -e	Nitrous oxide (N ₂ O) in t CO ₂ -e	Other in t CO ₂ -e	
Water treatment and supply	0	0	0	0	There are no Scope 1 emissions associated with water supply.
Sewage collection, treatment, and recycling	0	8478	1925	1054	CO ₂ is associated with Scope 2 emissions at Water Recycling Plants and pump stations, therefore is shown as 0 in this table. Methane and Nitrous Oxide are Scope 1 emissions produced in the treatment process. Other relates to fuel combustion at Water Recycling Plants and at pump stations in sewage transfer.
Transport	0	0	0	1998	Scope 1 transport relates to corporate vehicle use.
Other (e.g. offices, depots, etc.)	0	0	0	0	There are no Scope 1 emissions associated with corporate office space.
Total	0	8478	1925	3052	

Note:

¹ Scope 1 emissions are reported in tonnes of Carbon Dioxide equivalent (t CO₂-e) by applying global warming potentials (GWPs) that allow direct comparison of the impact of different greenhouse gases in the atmosphere. GWPs enable this by providing a multiplying factor based on how much energy one tonne of a measured gas will absorb compared to one tonne of carbon dioxide. For example in the case of Methane (CH₄), its GWP factor is 28, so 1 tonne of Methane is equal to 28 t CO₂-e (*Australian National Greenhouse Accounts 2024*)

Breakdown of Scope 2 emissions

Table 7. Total electricity consumption (segmented by service delivery category)

Service delivery category	2023–24 Total electricity consumption (MWh)	2024–25 Total electricity consumption (MWh)
Water treatment and supply	5,496.90	6,042.49
Sewage collection, treatment, and recycling	24,992	26,201.40
Other (e.g. offices, depots, etc.)	1,435	1,346.71
Total (by service delivery category)	31,924	33,590.59

Table 8. Total electricity consumption (segmented by electricity source)

Electricity source	2023–24 Total electricity consumption (MWh)	2024–25 Total electricity consumption (MWh)
Purchased directly through an electricity retailer	27,772.20	29,419.32
Not directly purchased but sourced from outside the organisation ²	0	0
Water corporation led/self-sourced activities and initiatives ³	4,152	4171.27
Total (all by source)	31,924.80	33590.59

Table 9. Total renewable electricity consumption reporting

Renewable electricity consumption categories	2023–24 renewable electricity consumption (MWh)	2024–25 renewable electricity consumption (MWh)	2024–25 renewable electricity consumption (% of total consumption)	Variance (%) between 2024–25 and 2023–24	Commentary
Total renewable electricity consumption from grid-sourced electricity reported because of the Commonwealth Government's LRET					
Total grid-sourced: Mandatory	5,198.90	5,352.85	15.94	2.96%	SEW will surrender 5,353 LGCs, drawing from our bank of available LGCs.
Total renewable electricity consumption from Corporation led/self-sourced activities and initiatives					
Biogas	2,501.58	3,131.76	9.32	-3.02%	
Hydroelectric	1,193	435.56	1.30	-63.49%	This figure includes SEWs behind the meter use and 435 LGCs surrendered from our Hallam hydroelectricity generation.
Solar	4,725.29	8,170.43	24.32	81.36%	This figure includes SEWs own solar consumption and 7,132 LGCs surrendered through the ZEW PPA.
Wind	11,202	16,500	49.12	47.30%	This figure reflects the 16,500 LGCs surrendered by Cherry Tree wind farm on our behalf.
Other renewable	0	0	0.00	0	
Total renewable electricity consumption	19,621.87	33,590.60	100.00	65.11%	We will surrender 29,420 LGCs, calculated using the location-based calculation method, in order to offset the tonnes of CO2 emitted from our electricity consumption.

Table 10. Total on-site renewable electricity generation capacity and generation reporting (us at end of reporting period)

Renewable electricity source	2024–25 Total on-site ¹ renewable electricity generation capacity (MW)	2024–25 Total on-site ¹ renewable electricity generated (MWh)			Total generated (By source)
		Consumed on-site	Exported	Other purposes	
Biogas (see note)	0.91	3,131.758	0	0	3,131.758
Hydroelectric	0.25	0.56	784.83	0	785.39
Solar	0.942	1038.95	54.65	0	1,093.60
Wind	0	0	0	0	0
Other renewable	0	0	0	0	0
Total (renewable)	2.102	4,171.265	839.48	0	5010.75

¹ This includes all on-site generation capacity and generation from large-scale renewable energy systems (those systems eligible for accreditation under the Commonwealth Large-Scale Renewable Energy Target), small-scale renewable energy systems (systems which do not meet the minimum system capacity limits required for accreditation under the Commonwealth Large-Scale Renewable Energy Target) and any other electricity generation systems.

Note: The Combined Heat and Power (CHP) generation process does result in excess electricity generation exported to the grid. However, it is currently difficult to attribute specific portions of this export to renewable (biogas) and non-renewable (natural gas) sources. Given this uncertainty, we have attributed electricity export to non-renewable sources so as to avoid artificial inflation of renewable contributions to the grid.

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

Non-renewable electricity source	2024–25 Total on-site non-renewable electricity generation capacity (MW)	2024–25 Total on-site electricity generated (MWh)			Total generated (by source)
		Consumed on-site	Exported	Other purposes	
Diesel	16.77	22.56	0	-	22.56
Natural Gas	0.91	730.28	203.23	-	933.51
Total (non-renewable)	17.68	752.84	203.23	-	956.071

Table 12. Total energy storage system reporting (power capacity and total storage capacity)

Energy storage system	2024–25 Total energy storage system power capacity (MW)	2024–25 Total energy storage system storage capacity (MWh)	Commentary
Total: energy storage systems	0	0	No batteries in commission

Table 13. Total Renewable Energy Certificate (REC) retirement reporting to reduce Scope 2 emissions

REC retirement method	2024–25 RECs retired: (1 REC = 1 MWh renewable electricity)	Commentary
Voluntarily retired by South East Water	435	Voluntary retirement of RECs from our Hallam hydroelectricity generation
GreenPower	0	
Certified carbon neutral electricity purchased	0	
Voluntarily retired on South East Water's behalf	28,985	Includes retirement of RECs on our behalf from the Kiamal Solar ZEW PPA and the Cherry Tree Wind LGC PPA and SEW's bank of RECs.
Mandatorily retired	-	Not applicable
Total RECs retired to reduce Scope 2 emissions	29,420	

Table 14. Total energy usage from fuels and electricity segregated by energy source

Total energy usage	Renewable (in GJ)	Non-renewable (in GJ)	TOTAL (in GJ)
From fuels	11,274.33	35,652.34	46,926.67
From electricity	34,286.83	86,639.31	12,0926.13
Total	45,561.16	12,2291.64	167,852.80

Table 15. 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
167,852.80	953.3	176.08

Table 16. Total stationary fuel use in buildings and machinery

Fuel type	Total stationary fuel use (buildings and machinery)	
	in GJ ¹	in t CO ₂ -e ¹
Fossil gas	18,454.08	950.94
Biogas	11,274.33	0
Diesel	428.27	30.06
LPG	1,196.11	72.48
Petrol	0	0
Other	0	0
Total	31,352.79	1,053.49

¹ Based on the energy content and emissions factors from the National Greenhouse and Energy Reporting (Measurement) Determination 2008.

Table 17. 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	95	164	0	91	0	2	0	
Goods vehicles	0	0	0	0	0	0	0	We currently don't manage goods vehicles as defined under the Vehicle Standard (Australian Design Rule - Definitions and Vehicle Categories) 2005 in our fleet. We engage contractors who own and manage goods vehicles and other vehicular plant.
Non-road vehicles	1	2	0	0	0	0	0	In previous years we had reported on 'Non-road vehicles'. We've continued this reporting for 2024–25.
Category Total (Number)	96	166	0	91	0	2	0	

Table 18. 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	
	Petrol	Diesel	Biodiesel	Renewable Diesel	LPG	Electricity ¹	Other	Total energy use (GJ)	Total emissions (t CO2-e)
Passenger vehicles	10,481.16	16,357.27	0	0	0	0	0	26838.43	1860.37
Goods vehicles	0	0	0	0	0	0	0	0	0
Non-road vehicles	2.052	7.72	0	0	0	0	0	9.772	0.68
Total energy use (GJ)	10483.22	16364.99	0	0	0	0	0	-	-
Total emissions (t CO2-e)	708.80	1152.26	0	0	0	0	0	-	-

¹ Currently South East Water is unable to separate out the organisational electricity used to charge electric vehicles.

Table 19. Total distance travelled by commercial air travel

Commercial air travel	Passenger Kilometres (kms)	Greenhouse gas emissions (t CO ₂ -e)
Commercial air travel	186345	45.26

Note: Figures derived from Corporate Travel Management Carbon Friendly Climate Emissions Report

Reducing emissions from our supply chain

Actions we're taking to reduce Scope 3 emissions

Scope 3 emissions are indirect emissions resulting from our activities, including those from purchased goods and services, business travel, waste, and employee commuting.

- Two sets of baseline studies have been completed to assess embodied carbon in our infrastructure projects. A roadmap has been developed to support our delivery partners in embedding carbon reduction strategies from design through to delivery. Emissions reduction targets have been introduced and incorporated into our commercial delivery framework to incentivise lower-carbon outcomes.

Table 20. Reporting Scope 3 emissions

Scope 3 ¹ emissions source	Scope 3 emissions (in t CO ₂ -e)	Commentary (including calculation methodology and inclusions)
Commercial air travel	45.26	Figure derived from Corporate Travel Management Carbon Friendly Climate Emissions Report
Waste disposal (office)	12.26	Emissions were calculated through the waste audit process conducted in June 2025. Note: South East Water commenced a separate organics collection service at our WatersEdge office in June 2025. In future years, we anticipate a reduction in greenhouse gas emissions from landfill associated with organics recycling and diversion from landfill.
Waste disposal (operational)	269.26	Calculated using DEECA FRD 24 environmental data reporting tool
Any other scope 3 sources assessed	0	South East Water are establishing processes and collecting data in order to quantify Scope 3 emissions in future years
Total reported Scope 3 emissions	326.78	Includes only the Scope 3 emissions sources shown above; excludes other Scope 3 emissions sources

¹ Water corporations are not currently obliged to reduce or report Scope 3 emissions and therefore do not have Scope 3 emissions reduction rules or reporting requirements for 2024-25.

Sustainable buildings and infrastructure

We didn't own or occupy any new builds or newly leased premises in 2024–25.

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

Waste and recycling

Table 22. Waste and recycling

Indicator	Location	2023–24					2024–25				
		Landfill	Co-mingled recycling	Organic recycling	Printer and toner cartridge recycling	Secure document	Landfill	Co-mingled recycling	Organic recycling	Printer and toner cartridge recycling	Secure document
WR1: Total units of waste disposed (kg and %)	Office	7612.5 (57.1%)	3035.0 (22.8%)	0.0 (0.0%)	47.9 (0.4%)	2219.1 (16.7%)	7745.8 (70.2%)	1412.5 (12.8%)	31.7 (0.3%)	10.9 (0.1%)	1274.5 (11.6%)
	Operational	105,159 (100%)	N/A	N/A	N/A	N/A	207,122 (98.91%)	2285 (1.09%)	N/A	N/A	N/A
WR3: Units of waste disposed per FTE (kg/FTE)	Office	10.2	4.06	0.0	0.06	2.97	8.53	1.56	0.03	0.01	1.40
WR4: Recycling rate (% of total waste)	Office	42.9%					29.8%				
Greenhouse gas emissions associated with waste disposal (t CO₂ -e)	Office	11.06					12.26				

WR2: All office locations have dedicated printer cartridge and e-waste collection services. In 2024–25 we did not 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 major challenges and obligations a changing climate presents to delivering safe, reliable and affordable services to our customers.

We continue to progress the delivery of the goals and actions outlined in our CAAP, including the incorporation of climate change adaptation into our business-as-usual asset planning processes, as well as progressing the delivery of the Greater Melbourne Urban Water and Systems Strategy (GMUWSS).

We're also committed to communicating our climate commitments and strategies, how we're tracking against them, and informing our customers on how we adapt and respond to climate change via our climate website.

During 2024–25, we:

- started incorporating the most up-to-date climate science (e.g. Victoria's Future Climate Tool – VCP24) into our risk assessment processes to ensure our climate risk assessment remains accurate and relevant
- engaged external climate specialists to assess and advise on using and applying the latest climate projection data
- conducted a climate risk assessment on major critical asset upgrades, including Lang Lang Water Recycling Plant
- continued to explore new ways of embedding climate change considerations into business-as-usual practices to ensure that climate risk management is fundamental to our asset planning and management processes
- continued collaborating with researchers, other water authorities and external consultants to improve our understanding of – and identify solutions for – key climate hazards and their impacts on our assets and services.

Chapter 3. Delivering for our customers and community

Bills and support

Our residential customer bills remain the lowest in metropolitan Melbourne.

In 2024–25, typical residential bills for owner occupiers increased by about **\$37.60** in nominal terms compared with the previous year. In real terms when adjusted for inflation, this increase was approximately **\$1.80**.

Table 23. Total urban bills for 2024–25 year (\$ actual)

Indicator	2024–25
Residential bill – owner occupier The actual bill for an owner-occupier with typical (average) water use during the year.	\$1,027
Residential bill – tenant The actual bill for a tenant with typical (average) water use during the year.	\$545
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	\$16,727

Efforts to manage pricing impacts

To help maintain downward pressure on prices and customer bills, we expanded our financial support programs to ensure customers who needed extra help could access financial relief and avoid further pricing impacts.

Key initiatives included proactive community outreach, flexible financial assistance and marketing campaigns promoting financial support options.

Read more in the [Customer support](#) section below.

Customer and community engagement

We engage with customers, community and stakeholders to shape our services and reflect their voices in our planning and decision making.

Our engagement informs key decisions, including our 5-year Price Submission, prices, services and major investments.

We take a collaborative/consultative approach, adapting to customer needs, preferences and economic challenges to ensure our engagement is meaningful and relevant.

We gather insights through surveys, forums, focus groups, interviews, social media, our [Customer and Community Advisory Council](#) and our community strategy.

We also attend local events throughout Melbourne's south-east and the Mornington Peninsula to listen, connect and support our customers and community. This included supporting 48 community events with 23,000 litres of free fresh tap water, helping over 1.79 million attendees to refill and reduce plastic bottle waste, through our Hydration Station program. This helped save 45,977 plastic bottles from landfill.

In 2024–25, we formed our Price Submission 2028 project team and started planning a broad engagement program to shape our next set of commitments from 2028 to 2033.

We report to customers every 6 months on how we're tracking against our Price Submission commitments. This is available online [Our performance | South East Water](#).

Stakeholder engagement and benchmarking

In late 2024, we conducted a stakeholder benchmarking survey to assess our reputation and guide future engagement improvements.

We surveyed stakeholders from key organisations, including DEECA, DTF, EPA, ESC, Energy and Water Ombudsman Victoria (EWOV), Bunurong Land Council Aboriginal Corporation (BLCAC), local government, industry associations, Melbourne Water and VicWater, and surveyed a broader group of stakeholders including strategic community partners.

Findings showed generally positive perceptions – 61% of respondents rated their engagement experience as excellent and a further 30% said their engagement was good. We were also recognised as a leader in innovation.

Opportunities for improvement included sharing responsibility for engagement more broadly across the organisation, better communicating our strategy, the link between innovation and customer value and strengthening relationships to proactively anticipate and respond to stakeholder concerns.

Customer and Community Advisory Council update

Our 12-member Customer and Community Advisory Council (CCAC) from across our community represent external voices in areas from environment and affordability to agriculture and property development. The CCAC provides diverse input, perspectives and direction into the way we plan for and support our customers and communities.

We extend our sincere thanks to our outgoing Chair David Heeps for his dedicated leadership and invaluable guidance over the last 9 years as CCAC Chair. David's commitment has helped us strengthen our focus on the needs of community and stakeholders within our service area.

We welcome Alicia Darvall as the council's new independent Chair and look forward to continuing this important work in collaboration with Alicia and her fellow CCAC members.

CCAC members

Thanks to our members for your guidance, insights and support:

- Aishwarya Pokkuluri
- Alicia Darvall
(Independent Chair)
- Aunty Vicki Thomas
- Deborah Corrigan
- Gidja Walker OAM
- Jennifer (Jenny) McGowan
- Jill Lim
- Lili Rosic
- Professor Liam Smith
- Professor Sundram Sivamalai
- Thanuja Gunatillake
- Tim Browne

Bianca Goebel is the Board representative on the CCAC.

Message from CCAC Chair, Alicia Darvall

As Chair of the Customer and Community Advisory Council, I'm proud of the meaningful contributions we have made to key initiatives, including South East Water's digital metering rollout, performance self-assessment, and evolving approach to community engagement.

Through open and constructive dialogue, our feedback has supported decisions that place customers and communities at the centre of South East Water's work.

I would like to thank our members for their time, expertise, and commitment throughout the year — their thoughtful contributions have been integral to the council's impact.

Report from the CCAC

CCAC members added significant value by participating in site visits and offering valuable community and stakeholder insights that informed our understanding and decision making on:

- Business customer strategy and WaterSmart program
- Customer strategy
- Digital metering mass rollout and customer outcome targets
- Emissions mitigation strategy
- Enhancing our family and domestic violence approach
- Environmental sensitivity mapping
- Housing Statement update
- Mount Martha Water Recycling Plant tour
- Performance self-assessment
- Replicable place-based campaigns supporting customers experiencing hardship: marketing; community engagement and partnership
- Sewer network overview
- South East Water property update
- Stakeholder engagement
- Water is Life, Traditional Owner access to water.

WaterAid Australia

Almost 100 employees joined Team South East Water and water organisations nationwide to Walk for Water, raising awareness for communities without nearby access to clean water and sanitation.

Through this initiative, employees raised \$6,774 for WaterAid Australia, supporting projects in Papua New Guinea, Timor Leste, Bangladesh and Cambodia.

We also stood up our first ever team as part of WaterAid Australia's Winnovators global research and development program. This team of graduates won first place in the global Workforce Advocacy Challenge by addressing WASH challenges in Papua New Guinea and raising \$1,772.

We celebrated 20 years of WaterAid Australia as a presenting partner of the 2025 WaterAid Ball in Melbourne, with 8 employees attending as part of reward and recognition.

Customer support

Table 24. Community service obligations

Community service obligations	2023–24 Total actual (or nominal) dollar amount of concessions provided in year (\$)	2023–24 Total number of customers provided concessions in year (no. of customers)	2024–25 Total actual (or nominal) dollar amount of concessions provided in year (\$)	2024–25 Total number of customers provided concessions in year
1. Provision of water and sewerage concessions	\$46,534,834.30	159,981	\$48,741,495.34	161,624
2. Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme	\$1,016,518.72	4,282	\$1,046,119.87	4,400
3. Utility relief grant scheme payments	\$2,991,150	8,941	\$3,866,277	13,103
4. Water concessions for customers on life support machines	\$57,204.82	101	\$42,603.26	96
5. Hardship Relief Grant Scheme (Water and Sewerage Connection Scheme)	\$0	0	\$0	0

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).

5. Values provided in 2022-23 and 2023-24 incorrectly represented Total Hardship Grants as per 2021-22 guidance, not Water and Sewerage Connection Scheme credits which remain zero.

Actions taken to support customers experiencing hardship

Financial support and assistance

In a year of continued cost of living pressures, we increased support and found new ways to identify, reach and support customers who needed our help.

Key achievements in 2024–25 included:

- Providing financial support to almost 22,500 customers through flexible payment plans, payment extensions, debt waivers, utility relief grant applications, high usage negotiations, and plumbing support
- Attending 7 community 'Bring Your Bill' days and other events focusing on customers experiencing hardship and with English as a second language, resulting in around 300 direct customer contacts
- Launching a local area marketing and community engagement campaign targeting Cranbourne residents, a district with the highest levels of debt across our service area. Using local channels and personalised messaging, we achieved over 10% conversion to financial support options from email communications.

Priority Assistance Customers

In response to the 2023 Water Industry Standard Audit, we completed the Priority Assistance Customers Project to enhance support mechanisms for those most vulnerable during service disruptions.

We've identified and segmented priority customers across our service area including dialysis patients, hospitals, schools, childcare centres, aged care homes, and large businesses. These customers are now systematically coded into our systems, allowing for swift identification and tailored support during both planned and unplanned emergencies.

This initiative reinforces our commitment to equity, care, and operational readiness.

Enhancing our approach to family violence

In 2024–25, we deepened our understanding of family violence and strengthened protections and support for our customers and employees affected by family violence.

We completed implementation of our action plan under a 24-month enforceable undertaking with the ESC. Our commitment over the year went beyond this undertaking, addressing gender equality, promoting active bystander behaviour, and supporting change for people using violence to break cycles of abuse.

Key achievements in 2024–25 included:

- ensuring that customers and our people affected by family violence had access to flexible, tailored support, protections and meaningful referral pathways.

- reviewing and improved our family violence policy and processes.
- uplifting organisational capability through comprehensive family violence training for all our employees.
- refining how we deliver support to customers affected by family violence to ensure it is meaningful, accessible and tailored, acknowledging that no 2 people will have the same experience.
- leading sector-wide knowledge-sharing forums developed innovative frameworks such as our Care-First Framework.
- sharing insights with the broader water sector to drive systemic change.
- setting new benchmarks and standards in family violence support and prevention in essential services.
- collaborating and co-designing solutions were central to our approach. We partnered with leading organisations to strengthen policies, training and protections aligned with best practice.
- actively advocating for change, joining the Respect and Protect campaign, becoming founding members of the One Generation alliance, walking with victim-survivors, and engaging our CCAC.

Future approach

We remain committed to strengthening support for customers and employees affected by family violence through our industry-first Family Violence Plan 2025–28.

The plan focuses on prevention, support and protection, and is shaped by lived experience, expert advice and stakeholder consultation. It aligns with the National Plan to End Violence Against Women and Children and applies human-centred design to offer tailored support and choice for victim-survivors. It also includes workplace initiatives that promote gender equality and equity.

Community Grants Program 2025

We awarded grants to local projects supporting vulnerable community members, including:

- **Australian Afghanistan Initiative** – Empowering Afghan Hazara Women: A Community-based Culinary Initiative
Tackles employment barriers encountered by Afghan Hazara women in the Dandenong and Casey areas, providing confidence, social skills and formal training to enter the job market.
- **Christ Church Mission** – Refurbishment for food relief
Expands Christ Church Mission’s existing food security services to support more vulnerable individuals and families who are struggling to put food on the table.
- **COOK4CALD** – Summer program
Prepares and deliver nutritious, culturally inclusive meals to more than 100 recipients in Melbourne’s south east.

- **FoodFilled Incorporated** – L Plater Volunteer Program
Gives learner drivers the opportunity to use their supervised 120-hours of learner driving to make a positive impact, rescuing surplus food from retailers and delivering it to local charities, while getting their hours up under the supervision of another volunteer.
- **Sacred Heart Mission** – Daily meals and social inclusion
Ensures kitchen staff can keep up with the community need for nourishing meals by purchasing a commercial stick blender that can blend up to 300 litres at a time.
- **Stonnington Toy Library** – ‘Stay and play’ sessions
Hosts monthly ‘stay and play’ sessions at the Bangs Street playground in Prahran, where children can engage in messy sensory play and parents can connect.
- **We All Eat Incorporated** – Expanding food access
Funds food purchases, improves logistics and ensures parcels reach those in need, allowing the group to respond to the increasing number of requests for food support.

Annual Employee Christmas Giving Appeal 2024

We supported 3 charities, providing access to essential food and toiletries, clean drinking water and healthcare, and Christmas gifts.

Employees participated in the appeal by:

- Donating Christmas gifts and toiletries for families helped by charity Mums Supporting Families in Need (MSFIN), including 800 toiletry items and over 100 children’s gifts.
- Making a financial donation to MSFIN, Food for Change and Purple House, raising \$6,900 in total to help enable their work.
- Volunteering on the Food for Change farm or packing food hampers for MSFIN and helping at its warehouse, equating to 250 hours of support.

One Voice shower truck

In 2024–25 we continued our sponsorship of the One Voice shower truck. It provided 2,527 showers to community members experiencing vulnerability across our service area via 4 lead service providers: Cornerstone Contact Centre, Dandenong; Gethsemane Church, Cranbourne; Hampton Park Baptist Church; and St James' Anglican Church, Dandenong. This is an additional 469 showers compared 2023–24.

Operational performance relating to customer responsiveness

During the third quarter of 2024–25, we experienced challenges within our Customer Contact Centre which resulted in an increase in complaints. To address these issues, we're taking steps to reduce call wait times. This includes investment in additional resources.

Another key outcome is the creation of a complaints management framework to create a clear and unified approach which aligns with national and Ombudsman best practice.

Table 25. Customer responsiveness and bill support indicators

Customer responsiveness and bill support indicators	ESC code	2023-24	2024-25	Variance to 2023–24	2024–25 target from Corporate Plan	Variance to target
Water bills – customers on flexible payment plans No. of customers with instalment plans	UPP 1	38,892	42,114	8.3%	N/A	N/A
Water bills – customers awarded hardship grants¹ No. of customers awarded hardship grants	UPP 6	3,323	3,190	-4%	N/A	N/A
Customer Responsiveness - water quality complaints² No. of complaints per 100 customers	CRS 4	0.28	0.39	39.3%	0.29	34.5%
Customer Responsiveness – number of payment issue complaints³ No. of complaints per 100 customers	CRS 7	0.18	0.24	33.3%	0.18	33.3%
Customer Responsiveness - total complaints⁴ No. of complaints per 100 customers	CRS 3	0.75	0.98	30.7%	0.75	30.7%

1. Hardship grants (excluding government grants) were slightly down in total, however the total dollar value of hardship grants increased significantly. The number of customers supported was substantially higher this year. This is a result of offering personalised support to customers relative to their current circumstances.
2. Water quality complaints were up across all 3 categories of colour, taste and odour, and other with the largest increase against colour. The number of water complaints was unfavourable to target this year, largely due to higher levels of manganese in the source water compared to previous years. Manganese can build up and coat the inside of water mains, and during disturbances, it can break away and cause temporary discoloration of the water. This led to darker natural sediment being more noticeable to customers during network disturbances such as bursts and hydrant use. Additional support was required for customers, to help address concerns and maintain confidence in water quality.
3. Unprecedented challenges within the contact centre during the third quarter of FY25 contributed to the increase in payment issue complaints. Customers during that period opted to lodge a complaint to receive support needed to resolve their enquiry. A reduction in payment issue complaints was observed once contact centre pressures eased.
4. The increase in total complaints reflects the results of both water quality and payment issue complaints noted above.

Chapter 4. Care for Country

During 2024–25 we continued relationships and understanding with Traditional Owners and Aboriginal community to support self-determination and care for Country through shared environmental care and cultural understanding.

Registered Aboriginal Parties on whose Country we provide services include:

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

Partnerships with Traditional Owners

Our First Peoples Team worked closely with Traditional Owners to guide how we partner and work alongside one another.

We understand that we must learn from the wisdom of our Traditional Owners and Custodians who have nurtured land, waterways, and Country for countless generations. We honour this knowledge by seeking to integrate it into our present and future actions.

Most of our service area and operations impact on Bunurong land and waters. BLCAC continue to guide us as we work towards partnership arrangements that support self-determination.

We invited BLCAC to meet with the Managing Directors of water corporations with services on Bunurong Country in late 2024 to discuss opportunities, including access to water entitlements.

These collective discussions are progressing as we work towards a partnership that supports BCLAC's self-determination and priorities for Country.

Supporting Aboriginal self-determination

We're honoured to have 2 partnerships with Aboriginal Gathering places in our service area, including Willum Warrain (Hastings) and Derrimut Weelam (Mordialloc).

We continue to support and work alongside other Aboriginal organisations in our service area, guided by their leadership and grounded in mutual respect.

Through our engagement in 2024–25, we supported Aboriginal community wellbeing by supporting organisations that are improving social outcomes and ensuring Aboriginal voices are heard.

Our partnerships arrangements enabled partners to provide monthly community lunches, Christmas events, back-to-school support, NAIDOC community events and positive procurement outcomes.

Procurement opportunities for Aboriginal businesses

To strengthen our commitment to Aboriginal economic participation, we've removed procedural barriers by enabling direct engagement with Aboriginal businesses for procurements valued at or below \$250,000. This streamlined approach makes it easier and faster for Aboriginal suppliers to do business with us.

As a proud Platinum Partner of Kinaway, the Victorian Aboriginal Chamber of Commerce, we actively supported the growth and success of Aboriginal businesses across Victoria.

Our partnership provided us with privileged access to Kinaway's comprehensive business directory, enabling our employees to efficiently identify and engage capable, culturally aligned Aboriginal suppliers. This collaboration not only strengthened our supplier diversity but also reinforced our commitment to economic inclusion and reconciliation.

Since implementing this change, we have increased the number of Aboriginal businesses that we engage by 150%, resulting in a total spend of around \$224,000 (up by 8.3%), contributing meaningfully to the Victorian Government's broader social procurement objectives under the Yuma Yirramboi Strategy.

In October 2024 we celebrated Indigenous Business Month, highlighting the importance of supporting Indigenous enterprises within our community.

Community Grants Program support

We supported the opening of Blak Fig Café, an Aboriginal-led social enterprise providing hospitality training, employment and community connection for First Nations people. With support from our Community Grants Program 2024, the cafe offers vocational pathways and hosts and inclusive events. We also supplied a ChooseTap® fountain onsite featuring Aboriginal artwork.

In 2024 and 2025, we supported Willum Warrain Aboriginal Association to establish a pun pun (wetlands in Bunurong language) on their Koorie plant trail. Funding will enable plumping and trenching an existing 3,000-litre tank to harvest rainwater and redirect it to a creek swale feeding the wetlands.

Aboriginal visual identity

Sitting alongside our corporate brand, we unveiled and started the rollout of our new Aboriginal visual identity across our organisation.

Designed by Aboriginal artist Marcus Lee, the design symbolises our service area and the flow cycle of water – flowing in and flowing out. It includes 3 circular meeting place symbols representing the fostering of genuine relationships with Traditional Owners based on respect, understanding and continuous learning.

Our Aboriginal visual identity acts as a reminder that when we engage with Aboriginal community, we do so with our commitment to genuine relationship at the heart of what we do.

Reconciliation Action Plan (RAP) progress

We've progressed the development of our RAP with participation across the whole business, working with Dawaray Business Services and Aboriginal community partners.

We look forward to launching our RAP in 2025–26, guided by meaningful relationships and a commitment to Reconciliation.

Chapter 5. Protecting our environment

Recognising recreational values

In 2024–25 we supported our customers' and communities' use of recreational spaces and waterways, promoting liveability across our service area. This intention influenced much of our planning, delivery and community engagement and communications.

Engagement processes with community and stakeholders

Recycled water to recreational spaces

We continued supplying and progressing plans to deliver recycled water to local parks, gardens and recreational grounds, such as golf courses and sports fields throughout Melbourne's south east.

Read more: [Integrated water management](#).

Community Grants Program 2025

We awarded grants to local projects helping communities be more active and connected in or near waterways, including:

- **4th Mordialloc Sea Scouts** – Mordy Sea Scouts Sailing Safely
To purchase compliant life jackets, helmets and marine radios to meet the new Victorian safety standard.
- **Brighton Life Saving Club** – Lifesaving training defibrillators
To purchase 8 training defibrillators to enhance the lifesaving skills of volunteers, providing realistic, hands-on experience in defibrillator use to ensure patrolling members are prepared for real-life cardiac emergencies.
- **Ferntree Gully Tennis Club** – Game on for everyone: All abilities tennis
To make tennis more inclusive for people with physical and/or intellectual disabilities.
- **Parkdale United Cricket Club** – Ladies cricket equipment
To purchase appropriate safety equipment, such as cricket pads, gloves and helmets for the ladies' team – ensuring the club can continue to support inclusivity.
- **Point Leo Surf Life Saving Club** – Disability access
To install a 272m² concrete egress to provide disability access, linking the car park, clubhouse, accessible showers, and elevated ramp to the beach.
- **Somerville Secondary College**
To help restore the Yumaralla Wetlands and ensure it remains a thriving habitat

for local wildlife. Students will undertake water quality testing, while student sustainability ambassadors will lead clean-up efforts by the broader school community.

ChooseTap®

As part of the Choose Tap® initiative we partnered with Cardinia Shire Council to deliver 5 drinking water fountains at community sports grounds, public precincts and parks, including the newly completed Officer District Park.

We also delivered a drinking water fountain with First Peoples Health and Wellbeing at its Frankston premises.

Improvements to information sources

Throughout the year, we notified recreational groups and stakeholders of more than 30 sewer spills to help them plan and manage their activities safely.

We used direct contact, signage, social media, fact sheets and website updates to share timely information and minimise disruption in local waterways and recreational spaces.

Integrated water management (IWM)

We take a holistic approach to water management, supporting liveability and saving drinking water for where it's needed most.

In 2024–25, we took further action.

IWM action plans progress

We led and collaborated with our IWM Forum partners, including DEECA, the Victorian Planning Authority, water retailers, councils and Traditional Owners. Together we set the strategic direction for Dandenong, Western Port and Yarra catchments.

We're continuing progressing actions in the Catchment Scale IWM action plans and worked to improve plans through collaborative input.

Key achievements in 2024–25 included:

- Developing an agreed process to add new actions between major plan reviews.
- Identifying and discussing new potential IWM projects with partners.
- Prioritising an extended recycled water network from Fishermans Bend area as a new action in the action plan.

Stakeholder collaboration with other organisations through IWM forums

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

We contributed to IWM Precinct and Activity Centres Working Group, helping shape a collaborative work program for emerging activity centres and Suburban Rail Loop precincts. Stage 1 of the work program is progressing.

We continued leading and participating in IWM planning for Suburban Rail Loop East precincts, including Clayton and Cheltenham, exploring alternative water supply options for these major infill developments within our service area.

Progressing strategic IWM plans and regional outcomes

We contributed to the IWM Monitoring Evaluation Review and Implementation (MERI) Working group and supported the development and implementation of the IWM MERI Plan.

In 2024–25 we completed a bi-annual progress review of the IWM plans, as required under the MERI Plan and endorsed by the IWM forums.

We finished a detailed review of indicators and measures facing monitoring challenges. We agreed on and implemented minor updates, with future changes to be considered in a major 2025–26 review.

Delivering IWM projects and actions for shared regional benefits

We progressed several actions and projects under the Catchment Scale IWM Plans, while also supporting partners to identify and progress IWM initiatives.

Delivering IWM Strategic Opportunities Analysis project

With input and support from DEECA, Yarra Valley Water and councils, we identified several strategic opportunities for alternative water in Dandenong and Western Port catchments, both at local and regional scales.

Greywater recycling units (Hydraloop)

We partnered with Barwon Water, Intelligent Water Networks, DEECA and Greater Western Water to trial Hydraloop greywater recycling units, which treat water from showers and laundry for reuse in toilets, washing machines and gardens. The first unit was installed at a caravan park in Torquay, and we're working with councils and customers to install 2 more in our service area.

Greening Open Spaces program

In October 2024, we launched our Greening Open Spaces program in partnership with councils to support irrigated open spaces using alternative water sources. This initiative helps keep parks and sporting grounds green, cool and accessible, even during drinking water restrictions. We're currently consulting with councils to identify projects for delivery during the remainder of this pricing period.

South East Large Scale Alternative Water Grid Feasibility Study

We completed the study with support from DEECA, exploring the economic feasibility and optimal supply configurations for a large-scale alternative water network for urban, agricultural, industrial, environmental and cultural uses of alternative water sources in Melbourne's south east, Bunyip River basin and Latrobe River Basin.

The project considered water available from surface water, treated stormwater and recycled water available in these areas, including from the Eastern Treatment Plant.

Patterson River Recycled Water Scheme feasibility analysis

We also collaborated with DEECA and the City of Kingston to progress the feasibility analysis for this project.

Water efficiency and recycling

Urban water efficiency initiatives

Digital meters

We continued rolling out digital water meters across our service area as part of a major upgrade to improve water efficiency, customer experience and network performance.

Digital meters provide near real-time data, helping our customers track usage, detect leaks early and reduce water bills.

In 2024–25 we exchanged 57,680 digital meters across our service area, across 134 suburbs and townships. This included exchanging 2,210 digital meters in McCrae, a suburb impacted by 2 landslides in January 2025. These meters also have vibration sensors in them which will help identify leaks within nearby service pipes.

This year, digital meters detected leaks that saved an estimated 858 million litres of drinking water and around \$3.9 million in potential water bills.

By the end of 2028–29, we aim to replace all analogue meters with smart devices supporting our goal to save up to 5 billion litres of water annually and build climate resilience across our network.

Since we started our rollout in 2018, our digital meters have saved an estimated 2.1 billion litres of drinking water and around \$9.4 million in potential water bills (as at June 2025).

Schools Water Efficiency Program (SWEP)

SWEP involves attaching data loggers onto school water meters to help detect leaks to help save water and money. The program provides schools with an online dashboard of their near real-time water use, along with exclusive curriculum-based resources focused on water conservation.

During the 2024–25 financial year, 336 government, private and Catholic school campuses across our service area actively participated in the SWEP program. These schools saved about 137 million litres of water at an estimated avoided cost of \$751,000.

Since 2012, schools across our service area have saved approximately 2.3 billion litres of water at an estimated avoided cost of \$9.8 million.

Snap Send Solve

Customers logged nearly 8,500 faults across our water and sewer network through the Snap Send Solve app. In less than a minute, customers can report a leak via the app describing the flow, add photos and confirm the location using inbuilt GPS, saving precious drinking water.

Recycled water projects

Aquarevo Water Recycling Plant

Delivered in partnership with Villawood Properties, Aquarevo in Lyndhurst is a water-efficient urban housing estate, with homes using smart technologies to recycle water and reduce drinking water use by up to 40% (reductions of up to 60% less water in some homes).

In October 2024, we awarded the contract to design, build and operate a water recycling plant at the estate, expected to be operational by late 2026.

Using Australian-first technology, the plant will treat about 52 million litres of wastewater per year from Aquarevo households and turn it into Class A recycled water. The plant will transfer water back to households to use for non-drinking purposes including toilet flushing and clothes washing.

Blind Bight 'Class C' recycled water pipeline and water recycling plant

We started building the 6.7 km pipeline that will connect the Blind Bight Water Recycling Plant to the existing sewer network on Ballarto Road, Clyde. This infrastructure will help deliver a reliable and efficient recycled water supply to one of Melbourne's fastest growing areas.

We completed planning and design for the water recycling plant upgrade, which includes a new sewage pump station and reinstatement of treatment lagoons. Construction will start in 2025–26.

Boneo Water Recycling Plant

We upgraded the plant's existing wastewater lagoon to an emergency storage lagoon to boost capacity to manage increased flows during extreme weather events. The plant now has 8.9 million litres of emergency storage to help manage wastewater from the southern Mornington Peninsula sewer network and protect the local environment.

Dingley Recycled Water Scheme

With the Cultural Heritage Management Plan (CHMP) submitted for approval, construction of the 43 km pipeline is due to start early in FY2025–26.

The \$72 million scheme will deliver 1.8 gigalitres of recycled water annually to 46 sites across Bayside, Kingston, Greater Dandenong and Monash. It will support green open spaces, golf courses and nurseries, helping future-proof water supply and generate \$92 million in local economic benefits.

Fishermans Bend

In late 2024, we started planning works for the water recycling plant we're building in Fishermans Bend, Australia's largest urban renewal project. The plant will convert sewage from the Hobsons Bay sewer main into Class A recycled water.

The plant is the first step in delivering a proposed circular economy water system at this 485-hectare site, located in the heart of Melbourne. By 2050, Fishermans Bend is expected to house around 80,000 people.

Longwarry and Lang Lang water recycling plants

We started procurement of major works for both plants to improve treatment capacity and meeting growing environmental and community needs.

At Longwarry, we'll be replacing the lagoon-based system with a mechanical treatment process to increase capacity and meet environmental discharge requirements.

At Lang Lang, we'll be upgrading its main treatment processes and increasing Class A recycling water capacity to support population growth. We expect to award the contract by April 2026.

Max Pawsey Stormwater Harvesting scheme

Led by the City of Casey with contributions and support from South East Water, Melbourne Water, DEECA and other IWM partners in the Dandenong Catchment IWM Forum, the \$5.3 million system captures and diverts treated stormwater to irrigate sports grounds, parks, gardens and open spaces in the area. It helps manage drainage issues, boost water security and reduces water costs for community groups.

Mount Martha Water Recycling Plant

We're planning for the future by investing water infrastructure to secure a reliable Class A recycled water supply and wastewater treatment for the Mornington Peninsula.

The major project includes increasing Mount Martha Water Recycling Plant's capacity through 2 additional clarifiers, allowing for projected flows up to 2060.

Monterey Recycled Water Scheme

We started construction on the Monterey Recycled Water Scheme, a \$5 million project that will deliver 98 million litres of Class A recycled water annually from Melbourne Water's Eastern Treatment Plant to 4 green spaces in Frankston City: Eric Bell Reserve, Monterey Reserve, Pat Rollo Reserve and The National Golf Club – Long Island.

The new 2.3 km pipeline, co-funded by our organisation along with the Victorian Government, Frankston City Council and The National Golf Club, will help keep sports grounds and open spaces green year-round, saving precious drinking water and supporting community wellbeing.

Pakenham Water Recycling Plant

We started early works at the plant, improving resilience during extreme wet weather events. The project includes construction of 2 earthen, concrete-lined lagoon

storages with a combined capacity of 19.5 million litres, and a wet weather sewage pump station to temporarily store excess flows and reduce the risk of sewer spills.

We expect construction to start in September 2025 and for it to be completed by October 2026, supporting environmental protection and future-proofing our network.

Western Port Recycled Water Scheme

The Western Port Recycled Water Scheme will provide Class A recycled water to agricultural areas in the south of Cardinia Shire, including Pakenham South, Cora Lynn, Vervale, Catani, Iona, Garfield, Tynong and Bayles. The scheme aims to increase the volume of fit-for-purpose water sources to help these regions adapt to a changing climate.

The contract has been awarded to industry partner BecaHunterH2O, Fulton Hogan & Interflow (BFHI) for Stage 1. Stage 1A will construct the transfer main and pump station inside the Pakenham Water Recycling Plant, followed by 23.2 km of distribution pipelines to supply Pakenham South, Cora Lynn and south of Tynong areas. Stage 1a transfer main pipeline construction and pipeline investigations will start from July to December 2025.

Water conservation and sustainable and resilient water services systems

Community Grants Program 2025

Our annual program awarded grants to local projects that help people learn about water and how to use it in the best way possible, and protect the environment, including:

- **Flinders Pre-School Inc.** – Children’s Water Wall – to transform a disused water tank to create an interactive, sensory and environmentally educational fixture for outdoor water play.
- **Glen Huntly Village Traders Association Inc** - The sustainability project – to transform one of Glen Huntly Village’s laneways into a thriving food garden with fresh veggies, fruit and herbs.
- **Lighthouse Foundation** – A sustainable garden project – to convert a barren outdoor yard space at its Keysborough therapeutic home into a water sustainable garden oasis where families can heal, connect and engage in outdoor fun.
- **Mornington Community Garden** – Replacement irrigation watering system – to replace the irrigation system for the orchard, berry house and grape vines which are more than 20 years old.
- **Mornington Community Information & Support Centre** – Edible community garden – to establish an edible community garden with fresh herbs, edible flowers and fruit trees to support the café’s needs and upgrade the facilities with landscaping and provide umbrellas to shade people and plants.

- **Windana Drug and Alcohol Recovery Limited** – Recycled water for recovery – to support the garden program with the installation of a new pump and plumbing to reinstate the rainwater system and water tanks, improving water efficiency and reducing reliance on mains water use for irrigation.

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

In collaboration with Barwon Water, Greater Western Water, Westernport Water, Yarra Valley Water and DEECA, we led the first phase of a statewide program to address the underutilisation of Class A recycled water in our residential customers.

Analysis showed average household use is just 23% of total water use. That's well below the 40–45% potential for approved end uses like toilet flushing, laundry and irrigation. This represents an opportunity to save up to 2.2 GL of drinking water annually, with projected savings of 4 GL by 2030 and 7 GL by 2050.

The program also explored customer insights, regulatory settings and economic factors, identifying key barriers such as low water literacy, limited communication, and infrastructure constraints like removable tap handles.

Water conservation efforts and campaign

In collaboration with the metropolitan water corporations, we developed a new water conservation content library that covers a range of scenarios, including asking customers to preserve our precious resource.

We shared messaging across our social media, website, direct emails and in customer bills. We also engaged with customers directly through event activations to help our customers understand what they can do to make every drop count.

Community programs

Community Rebate Program

Name of program	Number of customers
Community Rebate Program	575

Community Housing Retrofit Program

The Community Housing Retrofit Program supported upgrades such as water-efficient fixtures and appliances, helping tenants reduce utility costs and environmental impact.

While the program delivered valuable outcomes, no further funding was allocated for its continuation in 2024–25. We remain committed to supporting water conservation, exploring future opportunities to help communities save our precious drinking water supplies.

Urban water consumption

Table 26. Water consumption report for 2024–25

Residential connections	(1) Total number of residential connections.		783,591
	(2) Total volume of potable water consumed by residential connections ¹		110,858.6
	Per capita daily residential potable water consumption		167
	(3) Total volume of recycled water used by residential connections		1,806.7
	(4) Total volume of stormwater used by residential connections (supplied by water corporation)		N/A
	(5) Total number of non-residential connections		63,231
Non-residential connections	(6) Total volume of potable water consumed by non-residential connections ¹		35,610.8
	(7) Total volume of recycled water used by non-residential connections for	Commercial purposes	1,352.7
		Industrial purposes	249.8
		Agricultural purposes	3,140.5
		Municipal purposes	431.6
		Beneficial Allocation	NA
		Within Process	1,518.1
		Total	6,692.7
	(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)		846,822
	(10) Total volume of potable water consumed by connections (2)+(6)		146,469.4

¹ Includes potable water provided through the recycled water network and excludes volumes credited to customers through leakage adjustments.

Non-revenue water	(11) Total volume of recycled water and stormwater used by connections (3)+(4)+(7)+(8)	8,499.4
	(12) Total volume of water used by connections (10)+(11)	154,968.8
	Average annual water consumption ((Sum of annual water consumption for the AR year and the previous 4 years) / 5) ²	147,069.8
	(13) Volume of non-revenue water attributed to leakages	15,258.1
	(14) Volume of non-revenue water attributed to firefighting	0
	(15) Volume of non-revenue water attributed to other reasons	7,935.6
	(16) Total volume of non-revenue water(13)+(14)+(15)	23,193.7
	Total volume of water from all sources (12)+(16)	178,162.5

Corporate water consumption (101 Wells Street, Frankston - WatersEdge)

In the 2024-25 financial year, 2,509kL of potable water and 29kL of rainwater was consumed at the WatersEdge office. Normalised for FTE 908, that equates to 3kL of water consumed per person over the year.

² Average annual consumption calculated using actual volumes from 2020-21 to 2023-24 and Annual Report volumes for 2024-25

Non-residential water users

We worked with large-volume business customers to support water monitoring and efficiency, while using smart technology to reduce non-revenue water loss in high-volume use.

DEECA's WaterSmart program

Over 60 large businesses minimised their water consumption, using monitoring and water efficiency audits, kicking off our involvement in WaterSmart. The program uses Iota's Flow Lotic logger and IoT platform, Footprint to monitor and report continuous flow.

To date, businesses have saved 47.9 million litres of water and \$253,305.

HydroTrak®

We continued deploying our HydroTrak® Geofencing technology across registered water carter vehicles to detect hydrant usage in real time and reduce non-revenue water loss. The system continues to deliver valuable consumer behavioural insights while supporting improved financial outcomes and long-term water security.

In mid-late 2025, we're planning a system rebuild due to outdated and unsupported hardware components. We'll deliver this project in stages to ensure continuity of operations while systematically upgrading major components to align with current technologies.

Asian Power recognised HydroTrak® with 2 national awards at the 2024 Asian Water Awards – Water Technology Excellence (Water Resource Management) and Water Technology Excellence (Research and Development). The Australian Water Association Highly Commended the technology in the Research and Development category at their national awards.

This recognition reflects the system's value and our ongoing commitment to innovation, sustainability and industry-wide improvement.

Major non-residential water users volumetric range

Table 27. 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	45
Equal to or greater than 100ML and less than 200ML	12
Equal to or greater than 200ML and less than 300ML	5
Equal to or greater than 300ML and less than 400ML	2
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 1000ML	0
Greater than 1000ML	0
Total no. customers	68

Names of non-residential major water users

We supplied water to 23 business customers that use more than 100 million litres per year for uses other than farming, irrigation or domestic purposes. We engaged with these customers to help facilitate water usage monitoring and water efficiency.

Table 28 4. 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	Y	Y
Crown Melbourne Limited	Y	Y
G. & K. O'Connor Nominees Pty Ltd	Y	Y
Parmalat Australia Ltd (Rowville)	Y	Y
Corval Ingham Pty Ltd	Y	Y
Lesaffre Australia Pacific Pty Ltd	N	Y
Alfred Health	Y	Y
Chobani Pty Ltd	Y	Y
Bega Cheese Ltd (Chelsea Heights)	N	Y
Southern Health Care Network (Monash Medical Centre Clayton)	Y	Y
Parmalat Australia Ltd (Longwarry)	N	Y
Defence Corp Support South Vic	N	Y
Bega Cheese Ltd (Port Melbourne)	N	Y
Mondelez Australia Pty Ltd	Y	Y
Harvest Choice Australia Pty Ltd	N	Y
Southern Health Care Network (Dandenong and District Hospital)	Y	Y
Made Manufacturing Pty Ltd	Y	Y
Fountain Gate Trust	Y	Y
Orora Limited	N	Y
Knauf Gypsum Pty Ltd	N	Y
Bluescope Steel Limited	Y	Y
City of Melbourne	Y	Y

Non-revenue water loss

We advanced our smart water network in 2024–25 by starting to build a strategy and an operating model to reduce leaks and bursts using advanced sensor technologies like our Sotto® vibration sensor technology.

Developed by South East Water and commercialised by our subsidiary Iota, Sotto® helps detect leakage in our network so that we can address losses from non-revenue water (water sourced by us but lost before it reaches our customers). We deployed

over 74,000 units of a planned total of 660,000 Sotto® sensors across our network, which has so far identified 447 leaks and saved 526 million litres of non-revenue water.

Throughout the year we also identified and prioritised smart water initiatives, laying the foundation for targeting improvements across the system in 2025–26.

Rainwater use in applicable operational area

We oversee the operation of rainwater tanks that are used to reduce the use of drinking water for showers and laundry at 467 properties at the Aquarevo estate in Lyndhurst. In addition to provision of recycled water for toilets and outdoor irrigation, rainwater tanks within the estate contribute to a combined 40% to a reduction in drinking water use at Aquarevo.

Similarly, we have installed rainwater tanks in the Fishermans Bend precinct to support water conservation and flood mitigation.

We also note that some residential and property owners choose to install rainwater tanks on their properties to make good use of non-drinking water sources.

Drought preparedness

The metropolitan water retailers have prepared common drought preparedness plans (incorporating a drought response plan). The plans are based around an adaptive framework to manage water shortages, including the potential use of 4 levels of water restrictions to control the use of drinking water outdoors.

As part of the development of the Greater Melbourne Urban Water System Strategy we've worked with Greater Western Water, Melbourne Water and Yarra Valley Water to update the drought preparedness and response plans and adaptive framework to reflect current demand forecasts and projected inflows.

During 2024–25 there was no requirement for drought preparedness measures such as water restrictions and Permanent Water Use Rules continued to apply throughout the year.

Circular economy outcomes

During 2024–25 we've continued innovative research and development work on the use and re-use of water and wastewater resources, creating circular economy systems within our network and reducing our impact on the environment.

This has involved continued collaborations with local and international universities and other partners ([see Commercial ventures and partnerships](#)), sharing our learnings and creating blueprints for others to follow.

Circular economy projects

NiCE Loo

We proudly supported the NiCE Loo Lab, a revolutionary mobile public toilet that converts flushed nutrients into fertilisers for use in agriculture.

The lab is the result of 2 years of collaborative research between South East Water, University of Technology Sydney (UTS), Australian Research Council and The University of Melbourne.

UTS publicly showcased the lab onsite during Climate Action Week 2025, featuring a refrigerator-sized, 200-litre membrane bioreactor system. It uses a world-first system featuring urine diversion, collection, and treatment technology.

Green hydrogen

Our world-first green hydrogen project, developed with RMIT University, won the 2024 Victorian Water Minister's Climate Innovation Challenge.

The floating, off-grid system uses solar energy and recycled water to produce green hydrogen and valuable oxidants, offering a sustainable alternative to traditional hydrogen production. Backed by \$113,000 in Victorian Government funding, the project will launch a small-scale prototype trial in a wastewater lagoon in 2026.

Biosolids to biochar project (PYROCO)

In partnership with RMIT University and Aqua Metro, we secured \$3 million in Australian Government funding to build a demonstration-scale pyrolysis plant that destroys PFAS, pathogens, microplastics and pharmaceuticals in biosolids.

The first-of-its-kind technology converts biosolids into reusable biochar, supporting sustainable agriculture and circular economy outcomes.

We'll construct the plant at one of our water recycling facilities in 2026, advancing sustainable waste management across the sector.

Percentage of biosolids mass reused

During 2024–25 our biosolids application program remained on hold while we continue to understand the implications and benefits of the Australian Government's proposed draft the PFAS National Environmental Management Plan (NEMP) 3.0, new national requirements.

Environmental statutory obligations

During 2024–25 we took further steps to futureproof our operations, reduce our environmental footprint and ensure that our customers and community continue to have access to safe and reliable drinking water now and into the future.

Risks posed to water quality

We ran our annual campaign encouraging over **142,300** customers and over **30 schools** who use recycled water to conduct an annual check to ensure a safe plumbing connection to our supply.

We increased our investment in water quality by re-optimising our asset management plan to address emerging risks.

Specialist contractors completed the first cycle of high-priority storage inspections, with remaining sites scheduled for 2025–26.

Our maintenance partners and internal teams continued tank cleaning, supported by advanced floor scanning technologies.

We progressed planning for the Northern Hypochlorite Storage Facility at Ferntree Gully to improve chlorination and drinking water reliability across our northern service area. We also started construction on the Rosedale Grove floating cover replacement and finalised planning for the Lang Lang tank upgrade, scheduled for delivery in 2025–26.

Boil Water Advisory Flinders, Shoreham and Point Leo

In March 2025, we issued a Precautionary Boil Water Advisory after we found a dead rodent in our Shoreham storage reservoir during a routine inspection.

We acted quickly to protect public health, conducting water testing and providing emergency drinking water in several locations across Flinders, Shoreham and Point Leo.

To warn and inform our customers and community, we used a variety of communication channels including digital alerts, social media, direct contact, signage and community outreach activities.

These efforts helped ensure we informed and supported customers and community while we worked to restore and safe and reliable water supply.

Mobile dosing station

In 2024–25, we rolled out 2 portable chlorine dosing trailers to improve water quality in areas requiring additional disinfection due to seasonal or operational changes.

These trailers replaced manual dosing, reducing safety risks and labour costs while helping us maintain chlorine residuals and meet Safe Drinking Water regulations.

The mobile units delivered strong results in targeted areas and offer long-term benefits, including flexible, relocatable disinfection across the network.

We also started production of a third trailer with next-generation features, including programmable logic control, telemetry and remote access for real-time management.

Water supply impacts during bushfire

Each year, we promote bushfire preparedness to help customers understand potential impacts to water supply during fire emergencies.

In 2024–25, we reinforced this message with a local media promotion to residents in high-risk areas to prepare a backup water supply and not rely solely on mains water.

More information on water quality

We produce an annual drinking water quality report, which details our performance against the requirements of the Safe Drinking Water Act 2003, Safe Drinking Water Regulations 2015 and the Australian Drinking Water Guidelines 2011 (ADWG). This will be available on our website [Reports strategies and plans | South East Water](#) in October 2025 following Department of Health approval.

Performance against Obligations for Managers of Land or Infrastructure (Water)

Domestic wastewater planning

We contributed to the development of Mornington Peninsula Shire Council's *Onsite Wastewater Management Plan 2024–2029 (OWMP)*, which addresses environmental and public health risks from residential and commercial wastewater.

We'll continue working with Council in 2025–26 to support key recommendations, including:

- Promoting connection to the PenEco Pressure Sewer network in Blairgowrie, Portsea, Rye, Sorrento, and St Andrews Beach
- Exploring alternate sewerage management solutions in high-risk townships of Arthurs Seat, Red Hill, Red Hill South and Merricks.

Pressure sewer progress

We continued expanding pressure sewer systems powered by OneBox® across our service area, helping improve public health and protect local waterways.

In 2024–25, we connected over 500 properties, replacing outdated septs with smart, low-impact systems. At Aquarevo, we supported sustainable growth by installing 19 pressure sewers and 13 rain-to-hot water conversion units, enabling homes to recycle water and reduce potable water use.

Through an uplift project, we started looking at the resilience and performance of these systems to reduce customer impacts during prolonged power outages. We assessed system vulnerabilities and developed mitigation options, enabling

improved incident response through mapped pressure sewer zones and terrain and accessibility data. We also planned a customer education program to boost understanding of pressure sewer systems, with rollout scheduled for 2025–26.

Smart sewer business case

We started developing our smart sewer business case, moving from reactive to proactive sewer management and protecting the environment. This work finalised our Digital Sewer Optimisation Strategy, allowing us to identify and resolve issues in our network before they become spills.

Supporting by advanced technologies, the program will improve network performance and environmental outcomes.

We also reviewed internal processes and shortlisted smart sewer solutions for pilot trials to start in 2025–26.

Activities and projects improving waterway health

We improved waterway health through partnerships, smart technology and better spill management.

We continued collaborating with Melbourne Water, University of Melbourne, DEECA, Yarra Ranges Council and the Australian Research Council on the Monbulk Creek Smart Water Network Project (MCSWN) on the Monbulk Creek Smart Water Network Project

This initiative uses real-time monitoring and control of rainwater tanks and urban lakes (through OneBox® and TankTalk® technology) to protect creek health and support local wildlife, including the threatened platypus.

We also enhanced spill prevention by developing and implementing a beach impact index, helping us prioritise planning and response to protect coastal environments.

Sustainable water use

In collaboration with the Greater Melbourne water industry and Victorian Government, we continued to deliver on these long-term sector strategies like the Greater Melbourne Urban Water and Systems Strategy (GMUWSS) and the Central and Gippsland Region Sustainable Water Strategy (CGRSWS).

The strategies highlight the importance of providing water for social, economic, environmental and cultural uses and increasing reliance on manufactured water.

Housing Statement

Developer and council engagement

We prioritised early and undertook consistent stakeholder engagement during the development planning process to build trust and proactively manage risks.

In 2024–25, we implemented our Housing Statement Developer Stakeholder Plan and strengthened direct relationships with industry associations, government bodies, developers and councils. This approach enabled meaningful engagement before and during planning, helping align infrastructure needs with Victoria’s evolving housing priorities.

Engaging prior to planning permit referral

Key stakeholders covered by our engagement plan include:

- Victorian land development and building industry associations (UDIA, ALDE, CCF, HIA, AHSCA, etc.).
- Government and regulatory bodies (DEECA, DFFH, DTP, VPA, SRLA, MRPV, etc.).
- Local councils, and planning departments (Frankston City, Kingston, Casey, Cardinia Shire, Stonnington and Port Phillip).
- Other metropolitan Melbourne water authorities.
- Water industry associations and groups (VicWater, MD Accord).

Engaging during the planning permit referral process

Our Managing Director actively participates in the MD Accord, a formal partnership between Victoria’s metropolitan water authorities established in 2022 to drive collaboration on shared challenges and opportunities.

Through the Accord, we identified opportunities to improve planning and referrals processes, while strengthening relationships with developers, councils and government bodies. Across our organisation, leaders and planning teams regularly engage with stakeholders to address development issues and identify opportunities for more efficient and sustainable outcomes.

We engaged key stakeholders through both formal and informal channels to strengthen collaboration and improve planning outcomes. We participated in industry reference groups and committees, including the Water Industry Liaison Committee (WILC), which brings together metro and regional water authorities, industry associations and major contractors to address policy, design and construction issues.

In February 2025, the Urban Development Institute of Australia (UDIA) CEO presented to our Board, sharing insights into development industry challenges and exploring ways we can better support the sector.

We also regularly attended developer forums and functions to share insights and discuss future planning matters. Importantly, a member of the UDIA Greenfield

Committee sits on our CCAC, representing the developer segment and helping us better understand and respond to industry needs

Development Works processes and systems

Council referrals

We receive Statutory Planning and Certification (subdivision) referrals from councils via [SPEAR](#)³, which we respond to within 28 days.

Preliminary servicing requests

The following diagram provides an overview of the steps involved in our typical Development works process for providing Preliminary Servicing Advice and approval of water, sewerage and recycled water facilities to a subdivision, development or individual property:



We receive requests for Preliminary Servicing Advice from developers (first step in our Development Works process) via our online platform [PropertyConnect](#)⁴.

We automatically transfer these requests to our Land Development case management system, where they're assigned a case manager, reviewed and responded to within business turnaround targets.

Developers can also obtain Preliminary Servicing Advice via:

- our 24/7 online (self-service) [Infrastructure Master Plan](#) tool⁵
- informally via email and discussion with our Development Solutions team.

Preliminary Servicing Advice applications

Table 29. Preliminary Servicing Advice issued in 2024–25⁶:

Type of development	Advice issued 2024–25
Residential	131 ↑
Mixed Residential / Commercial	44 ↑
Commercial	94 ↑
Total	269 ↑

³ SPEAR is an online system used by councils to compile, lodge, manage, refer, approve, and track subdivision planning permits, certification applications and other land administration dealings.

⁴ PropertyConnect is SEW's online portal used by developers and customers to submit applications for Land Development services – Preliminary Servicing Advice, Works, and Non-works Agreements

⁵ Our self-service 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.

⁶ Numbers sourced from SEW Land Development case management system, 1 July 2025.

Note: Arrows indicate comparisons to the previous year.

Note: Arrows indicate comparisons to the previous year.

We issued a total of 269 instances of Preliminary Servicing Advice in 2024–25 compared to 194 in 2023–24 (39% increase). This number excludes advice that has been obtained through self-service or informal channels.

We regularly assess opportunities to improve our Development Works processes and systems. We currently have minimal delays and are steadily improving turnaround times.

Advice remains valid for up to 2 years, and not all recipients proceed to formal applications.

We monitor and report monthly on key indicators of housing development, including Development Works applications, Developer Agreements issued and lots created.

Connection capacity

Table 30. Residential water connections and lots created

Connection type	Consents to Connect / Notices of Agreement ⁷ Issued 2024–25	Representative # Lots 2024–25
Single residential ⁸	4,481 ↓	4,481 ↓
Multi-unit residential	1,683 ↑	6,445 ↓
Totals	6,164 ↑	10,926 ↓

Note: Arrows indicate comparisons to the previous year.

In 2024–25, we issued a total of 6,164 Consents to Connect and Notices of Agreement, corresponding to around 10,926 residential lots. This represents an increase in total number of Consents and Notices issued and a decrease in representative lots when compared to 2023–24.

The number of Consents to Connect issued for Single residences in 2024–25 (and representative lots) is 10% lower than the previous year 2023–24 (4,969).

In contrast, the number of Notices for Agreement issued for multi-unit residences in 2024–25 is 50% higher than the previous year 2023–24 (1,124); but the representative number of lots in 2024–25 is 18% lower than 2023–24 (7,816).

In 2024–25, we saw a decline in single residential connection applications, likely driven by external factors such as regulatory changes, economic pressures, rising material and labour costs, and supply chain challenges.

At the same time, an increase in multi-unit connection applications may signal a shift toward dual-occupancy and higher-density housing. This trend reflects broader changes in Victoria’s housing market and informs our planning and engagement with developers.

⁷ 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. The Notice of Agreement is valid for 3 months and outlines connection fees and conditions of connection.

⁸ For reporting consistency, Single Residential connections refers to customer applications for a single home connecting to a Dry Tapping service that is within a Greenfield area.

Chapter 6. Empowering our people

Diversity and inclusion

We continued to implement our [Gender Equality Action Plan \(GEAP\)](#) and [Diversity Equity and Inclusion Operational Plan](#) to strengthen workplace inclusion and meet our community targets.

We've delivered initiatives to strengthen inclusion, empower leaders and support a positive workplace culture. These include:

- Developing an Equality Impact Assessment app, with training planned for rollout in 2025–26.
- Undertaking a detailed pay gap analysis review which found our governance framework to be appropriate and suitable to support gender equality in remuneration. Any recommendations to address our pay gap are operational rather than policy or framework related, and we'll be considering actions in 2025–26.
- Acknowledging 34 significant dates and hosting diversity, equity and inclusion activities across the financial year to celebrate our people and embrace the diversity of our workforce and service area. This includes celebrating key occasions like Cultural Diversity Week, NAIDOC Week, International Women's Day, as well as others to support gender, culture, disability and mental health awareness.
- Coordinating new DEI advisory groups, with strong member engagement. Groups have set terms of reference and agreed ways of working.
- Launching a new quiet and low stimulation workspace for our employees to access to improve inclusivity.

Table 31. Diversity and inclusion key performance indicators in Corporate Plan 2024–25

	2024–25 target	2024–25 result
Employee diversity within 5% of community diversity (by number of demographic groups)	5/6 pillars achieved (employed)	4/6 pillars achieved (employed)
Percentage of executive officers who identify as female	50%	50%
Percentage of Aboriginal staff employed	1%	1.3%

Strengthening Traditional Owner and Aboriginal Victorian participation and cultural capability

We continue to build cultural capability and support participation across our organisation.

In late 2024 our Board welcomed the appointment of First Nations Delegate Eveanne Liddle, a proud Arrernte/Luritja woman.

A first for the organisation, Ms Liddle's new independent role is part of our organisation's action to support Aboriginal self-determination and commitment to strengthening relationships with First People's communities.

In November 2024, we also welcomed Aunty Vicki Thomas to our Customer and Community Advisory Council. Aunty Vicki is a proud Palawa/ Trawlwoolway/ Bunurong woman from Hobart, Tasmania. Aunty Vicki gives us the opportunity to hear directly from a member of the Aboriginal and Torres Strait Islander community.

Other actions and outcomes included:

- 100 employees, 4 board members, plus our Chair, completed cross-cultural training delivered by an experienced provider
- 9 Aboriginal employees employed across the organisation.

Table 32. Gender distribution in management positions June 2021–25

Classification	Total	Female	Male	Self-described	Female %	Male %
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%
June 2021						
Executive	9	4	5	0	44.4%	55.6
Senior Officers	198	63	135	0	31.8%	68.2

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

Leadership and capability

We advanced our workforce culture and capability through key initiatives including:

- Updating the way we brought together our senior leaders, with a focus on collective leadership and shared accountability.
- Developing our first Capability Framework, rolling it out to our Senior Leadership Team (SLT), with broader implementation planning for 2025–26.
- Growing our employee-led, executive-endorsed Young Professionals Network (YPN) to 140 members, supporting employees aged 35 and under with career and networking opportunities. YPN hosted organised customer visits, seminars and leadership events throughout the year.
- Uplifting our compliance culture by embedding clear structures, behaviours and accountability across the organisation.
- Leaders adopting group compliance plans aligned to our central register, showing strong commitment.
- Reviewing our compliance framework to reinforce consistent processes and support the right behaviours.
- Having our employees responsible for compliance elements participate in scheduled annual reviews, ensuring ownership and transparency. We prioritised continuous improvement by internally assessing and updating group compliance plans, with results communicated across teams.

Safety and wellbeing

Enhance safety culture and governance

During 2024–25 we created a leading safety culture, supporting and empowering our people to put safety first through key initiatives:

- The Board and Executive received legal briefing on work health and safety due diligence obligations, supported by a calendar of events to meet obligations.
- We introduced a proactive hazard identification process, including risk ratings and formal registers in our safety system, HSE4Me.

Wellbeing framework

- We fostered a positive, engaging and psychologically safe workplace, where our people felt supported and empowered to thrive.
- We continued the implementation of our wellbeing framework, including phase 2 of our Leading Together Program. Through the program 193 people leaders, Safety and Wellbeing Consultation Committee members and mental health first aiders focused on building on and embedding a positive team culture.
- We quadrupled safety interactions from 2023–24, enabling earlier hazard identification and more frequent wellbeing discussions.
- People Leaders held 2,565 safety conversations throughout the year.
- We partnered with an external expert to support early intervention, injury management, salary continuance and workers compensation requirements.

Table 33. Performance against OHS management measures (based on employee data only)

Measure	KPI	2022–23	2023–24	2024-25
Incidents*	Number of reported incidents	6	4	3
	Rate for 100 FTE	0.72	0.48	0.34
Hazards**	Number of reported hazards	115	178	159
	Rate for 100 FTE	13.83	21.26	18.12
Claims (WorkCover)	Number of standard claims	8	0	2
	Number of lost time claims	6	0	0
	Rate per 100 FTE	0.72	0	0
Fatalities	Fatality claims	nil	nil	nil
Claim costs	Average cost per standard claim	\$27,513	\$0	\$561
Management commitment	Management participation in planned safety observations	323	470	401
Consultation and participation	OHS committee meetings including employee elected and management representatives	8	12	12
Risk management	Safety management system audit actions closed	100%	100%	100%

Measure	KPI	2022-23	2023-24	2024-25
Training***	Safety compliance training completed within 10 days of commencement	95%	93%	91%

Note:

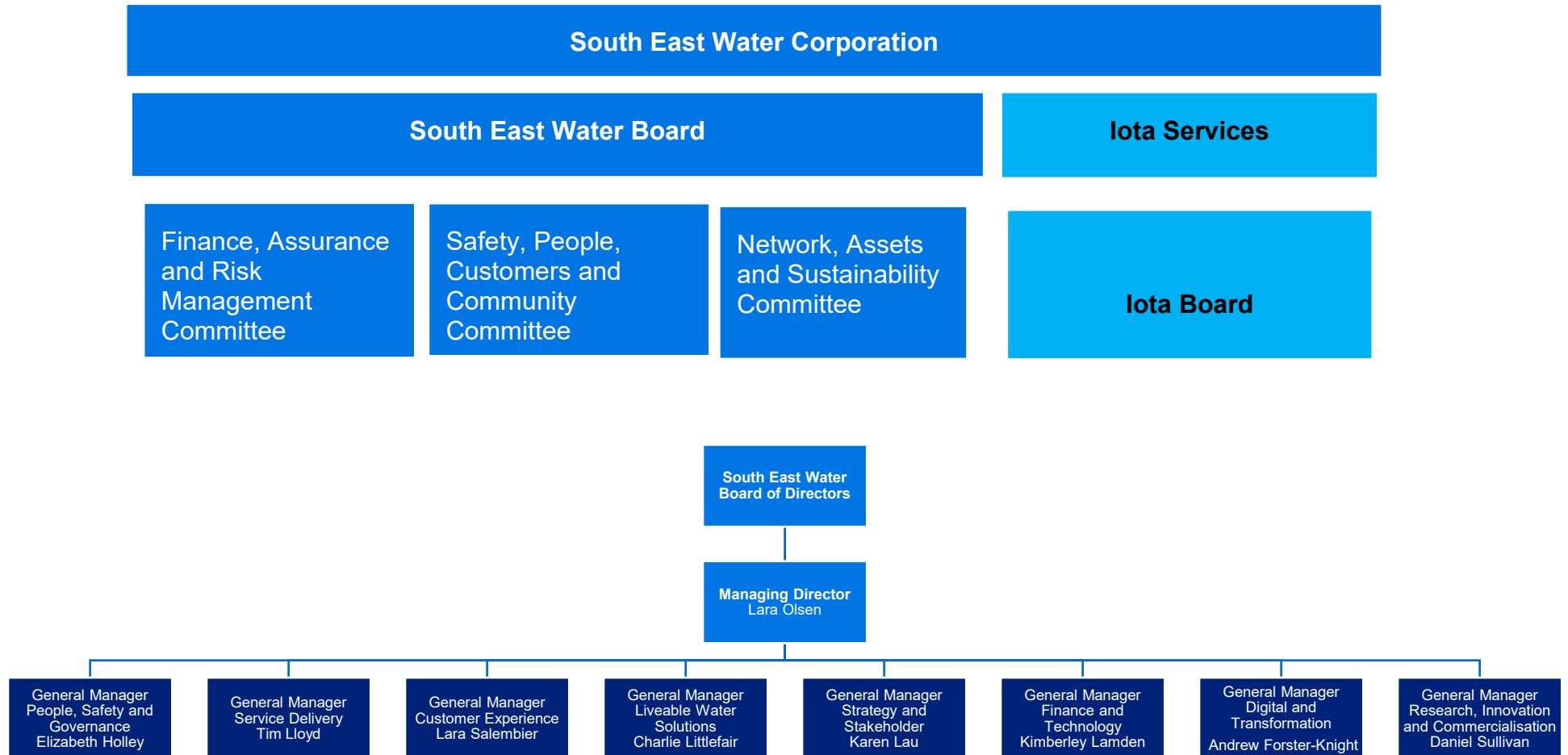
* Incidents include the sum of lost time injury (LTI), medical treatment injury (MTI) and restricted work injury (RWI) for the year for our employee data only.

**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

Organisation and governance chart

As at 30 June 2025



Our Board of Directors

The South East Water Board is comprised of 9 non-executive directors (including the Chair), and the Managing Director. The Minister for Water, in consultation with the Treasurer, appoints the Chair and all Non-executive directors, who bring diverse skills, experience and perspectives. The Board appoints the Managing Director. As South East Water's responsible body, the Board exercises the powers of the Corporation and is responsible for overall governance, management and strategic direction in accordance with the legislative framework, and associated directions, policies and guidance. The Board is supported in the fulfilment of its functions by 3 committees.

The Board conducts annual assessments of its performance and that of the Chair and individual Directors as required under 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). The Board uses assessment results to inform improvement activities and individual Director and collective Board development needs.

Lynn Warneke

- Chair
- Member - Network, Assets and Sustainability Committee
- Director - Iota Board

Lara Olsen

- Managing Director

Dr Rohan Henry

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

Dr Kim McGrath

- Chair of Safety, People, Customers and Community Committee
- Director - Iota Board

Arron Wood

- Member - Safety, People Customers and Community Committee and Network, Assets and Sustainability Committee

Timothy Lyons

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

Julie Stanley

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

Bianca Goebel

- Member - Safety, People, Customers and Community Committee
- Board Delegate to the Customer and Consumer Advisory Council

Dr Nicholas Fleming

- Chair of Network, Assets and Sustainability Committee
- Director - Iota Board

Selina Lightfoot

- Member - Finance Assurance and Risk Management Committee
- Chair - Iota Board

Note: For the period covered by the annual report, Lara Olsen was the Managing Director. Carla Purcell became Managing Director on 18 August 2025.

Table 34. Director attendance in 2024–25

	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	4	4	-	2
Dr Rohan Henry	9	9	4	4	4	4	-	-
Tim Lyons	9	9	4	3	-	-	4	3
Dr Kim McGrath	9	8	-	-	-	-	4	4
Arron Wood	9	5	-	-	4	3	4	2
Julie Stanley	9	8	4	4	4	4	-	-
Lara Olsen	9	9	-	3	-	3	-	3
Selina Lightfoot	9	9	4	4	-	-	-	-
Dr Nick Fleming	9	9	-	-	4	4	-	-
Bianca Goebel	9	8	-	-	-	-	4	4

Notes:

As the Board Chair, Lynn Warneke participates in meetings of the Finance, Assurance and Risk Committee and Safety, People, Customers and Community Committee ex officio and not as a Committee member.

Lara Olsen attended Committee meetings in her capacity as the Managing Director.

Iota Services Pty Ltd

Iota Services Pty Ltd (Iota) is a wholly-owned subsidiary of South East Water. The Iota Board is made up of members from the South East Water Board, the Managing Director of South East Water and the General Manager Digital and Transformation.

Iota continues to refine and commercialise a diverse portfolio of technologies and intellectual property developed by South East Water. In the past year, we've strengthened our collaboration with water organisations and partners in Victoria, across Australia and internationally. This has involved facilitating the trial and adoption of water and wastewater solutions to achieve environmental, customer, and economic benefits.

Sotto vibration sensors

Iota is now expanding South East Water's proven Sotto® vibration technology globally through strategic partnerships. In collaboration with licensee partner Sagemcom, Iota has secured a tender to integrate Sotto® vibration sensors into 21,000 Sagemcom meters across the Uppsala Water Network in Sweden and analytics package. We also have additional expressions of interest emerging from a range of other countries.

Sotto® vibration sensors detect network (non-revenue water) leaks, saving water and lost revenue. Busselton Water in Western Australia is also trialling Sotto® vibration sensors locally, along with Iota's customised Sotto® analytics tool.

Lentic

Lentic is Iota's enterprise IoT platform solution designed for digital water metering, that seamlessly integrates device management, alarm management, data validation and analytics. Queensland's Toowoomba Regional Council is continuing to rollout digital meters and Lentic® technology. As of 30 June 2025, Toowoomba Regional Council had installed 50,000 meters with the remaining 15,000 to be installed by the end of 2025, including 3,500 meters for commercial customers. Barwon Water has also selected Lentic for its mass rollout.

PYROCO

PYROCO is a unique heat recovery fluidised bed pyrolysis technology developed by RMIT to treat biosolids, while destroying PFAS. Iota and South East Water have successfully partnered with RMIT, Aquametro and others in achieving a Cooperative Research Centres Projects grant of \$3 million for 'Upcycling Biosolids to Functional Biochar for Cleaner Environment'. This will see the first fully automated pyrolysis plant delivered based on the PYROCO design. This is a critical step in the Iota commercialisation roadmap for PYROCO.

WaterSmart Program

To assist with the WaterSmart Program, Iota has been providing water saving solutions to South East Water's 100 biggest water users across 400 sites. Our solutions are helping them save water with Flow Lotic, a South East Water developed IoT data logger that transmits data from any pulse enabled water meter,

and Footprint, a smart commercial metering platform that allows customers to set their own leak alerts and visualise their water usage collected from data loggers. Between March and June 2025, 36.5 million litres of water has been saved through the WaterSmart program already, with 240 of 400 devices deployed.

Beyond the WaterSmart Program, Geelong Grammar and Avalon Airport are also new users of Flow Lotic and Footprint, while other customers such as City of Casey and Westfield continue to grow their Flow Lotic and Footprint networks.

Priority Plumbing

Priority Plumbing is also a part of the Iota portfolio. Priority Plumbing provides civil, commercial and residential plumbing services across Melbourne’s south-east. The ‘Mains to Meter’ program started in March and is delivered directly through Priority Plumbing. The program aims to enhance customer experiences, improve assets, and increase safety.

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

Iota Board

Selina Lightfoot - Chair

Lynn Warneke

Dr Nicholas Fleming

Dr Kim McGrath

Lara Olsen

Andrew Forster-Knight

Table 35. Director attendance in 2024–25

	Eligible attendance	Attended
Selina Lightfoot	5	5
Dr Kim McGrath	5	2
Lara Olsen	5	5
Lynn Warneke	5	4
Dr Nick Fleming	5	5
Andrew Forster-Knight	5	5

Our Executive team 2024-25

Lara Olsen

Managing Director

Andrew Forster-Knight

General Manager Digital and Transformation

Karen Lau

General Manager Strategy and Stakeholder

Lara Salembier

General Manager Customer Experience

Tim Lloyd

General Manager Service Delivery

Elizabeth Holley

General Manager People, Safety and Governance

Kimberley Lamden

General Manager Finance and Technology, Chief Financial Officer

Charlie Littlefair

General Manager Liveable Water Solutions

Daniel Sullivan

General Manager Research, Innovation and Commercialisation

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 ensure 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 as required.

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.

Workforce data

Table 36. Full-time equivalents (FTE), including ongoing, fixed term and casual employees 2020-25

Year	2025	2024	2023	2022	2021	2020
FTE	953.3	837.4	791.0	710.5	683.5	656.0

Table 37. Employment levels in June for 2020-25

Year	Ongoing employees				Fixed term and casual
	Total	Full-time	Part-time	FTE	FTE
June 2025	922	823	99	897.1	56.2
June 2024	801	705	96	776.9	60.5
June 2023	747	649	98	720.0	71.0
June 2022	686	585	101	658.4	52.1
June 2021	660	565	95	633.0	50.5
June 2020	654	558	96	618.8	37.2

Table 38. Details of employment levels at 30 June 2025

Gender	All employees		Ongoing			Fixed term and casual	
	Number	FTE	Full time	Part time	FTE	Number	FTE
Female	459	436.1	341	88	406.4	30	29.7
Male	516	513.2	479	11	487.7	26	25.5
Self-described	4	4.0	3	0	3.0	1	1.0
Age							
15-24	15	14.2	10	1	10.5	4	3.7
25-34	227	222.5	188	14	198.0	25	24.5
35-44	302	291.9	252	41	282.9	9	9.0
45-54	258	250.9	217	30	239.9	11	11.0
55-64	155	152.2	137	11	145.2	7	7.0
65+	22	21.6	19	2	20.6	1	1.0
Classification							
Executive	9	9.0	9	0	9.0	0	0
Senior Officers	326	319.8	284	28	305.8	14	14.0
Officers	644	624.4	530	71	582.2	43	42.2
TOTAL	979	953.3	823	99	897.1	57	56.2

Note: Of the 9 Executives, 1 is classified as Senior Executive Service 3 (SES-3) and 8 are classified as Senior Executive Service 2 (SES-2).

Chapter 7. Performance and financial management

Table 39. Financial performance indicators

Key performance indicator	2023–24 Result	2024–25 Result	Variance to prior year	2024–25 Target	Variance to target
Cash Interest Cover Net operating cash flows before net interest and tax / net interest payments	2.2 times	1.9 times	-13.6% ⁽¹⁾	2.1 times	-9.5%
Gearing Ratio Total debt (including finance leases)/ total assets	51.8%	52.3%	1.0%	54.4%	-3.9%
Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure	11.2%	15.1%	34.8% ⁽²⁾	23.3%	-35.2% ⁽³⁾
Current Ratio Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	119.2%	110.6%	-7.2%	100.0%	10.6% ⁽⁴⁾
Return on Assets Earnings before net interest and tax / average assets	4.0%	4.3%	7.5%	4.1%	4.9%
Return on Equity Net profit after tax / average total equity	3.8%	4.0%	5.3%	3.4%	17.6% ⁽⁵⁾
EBITDA Margin Earnings before Interest, Tax, Depreciation and Amortisation / total revenue	29.8%	31.5%	5.7%	31.4%	0.3%

Notes:

1. The **cash interest cover** was unfavourable compared to the prior year due to lower net operating cashflows during the year, as well as an increase in interest payments driven by higher interest rates and an increase in the Group's debt portfolio.
2. The **internal financing ratio** was favourable compared to prior year, representing the decrease in dividends paid during 2024–25.
3. The **internal financing ratio** was unfavourable against target. Capital expenditure was lower than budget due to developer reimbursements reaching acceptance of works later than planned, delays experienced with third party approvals relating to the water and sewer growth projects and delays in the digital meter roll-out. Net operating cash flows was also lower against target largely driven by higher interest charges, tax and levies. Also contributing to the result were higher dividends paid during the year against the target.
4. The **current ratio** was favourable compared to target, driven in part by the decrease in contract liabilities, with a higher value of new customer contributions being realised in revenue compared to prior years with more works reaching performance obligations of obtaining Statement of Completion or connections to networks. Further, deposits and advances liabilities decreased with

deferred government grant income being utilised for the Monterey and Dingley recycled water schemes

5. The **return on equity** metric was favourable against target largely due to the increase in revenue from new customer contribution, as noted above. Further, we continue to maintain favourable return on equity with the average total equity having decreased as a result of the capital repatriation payments back to State Government in 2023–24.

Table 40. Operational performance indicators

Key performance indicator	2023–24 Result	2024–25 Result	Variance to prior year	2024–25 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	22.5 minutes	32.3 minutes	43.6% ⁽⁶⁾	23.0 minutes	40.4% ⁽⁶⁾
Unplanned water supply interruptions Percentage of customers receiving 6 or more unplanned interruptions in the year	0.021%	0.015%	-28.6% ⁽⁷⁾	0.037%	-59.5% ⁽⁷⁾
Sewerage service – sewer blockages Number of sewer blockages reported per 100 kilometres of sewer main	14.7	13.4	-8.8% ⁽⁸⁾	17.0	-21.2% ⁽⁸⁾
Sewerage service – sewer spills Number of sewer spills reported per 100 kilometres of sewer main	7.1	7.1	-	8.0	-11.3% ⁽⁹⁾
Sewerage service - containment of sewer spills Percentage of sewer spills from reticulation and branch sewers contained within 5 hours	98.6%	99.3%	0.7%	100.0%	-0.7%
Water Re-use					
Recycled water – effluent treatment and reuse Proportion of water recycled as a percentage of effluent produced	28.3%	34.9%	23.3% ⁽¹⁰⁾	23.0%	51.7% ⁽¹⁰⁾

Notes:

Water and Sewerage Network Reliability

- The **number of minutes a customer was without water supply** was unfavourable compared to both the prior year and target due to the Water Mains Cleaning Program, implemented late in the 2023-24 financial year. Whilst this metric was unfavourable, the program involved shutting down and isolating sections of mains identified as having the highest amount of sediment and potential to cause dirty water complaints in the event of a disruption, thereby delivering benefit to customers through improvement in future reliability. The program included the cleaning of over 620 kilometres of mains during the 2024-25 financial year, compared to 20 kilometres in 2023-24 financial year, contributing to an increase in planned minutes off over 2024-25. In addition, water

supply from our Shoreham Reservoir was isolated for 1,482 customers across our Flinders, Point Leo and Shoreham communities over a two-day period in March due to suspected water contamination. To mitigate risks associated with any potential water contamination South East Water issued a precautionary Boil Water Advisory, advising customers to boil water before use, which impacted the number of minutes a customer was without water supply.

7. The **percentage of customers receiving 6 or more unplanned interruptions** was favourable compared to both the prior year and target following a reduction in the number of repeat bursts on critical assets. Improvement processes have been established to monitor water mains with repeat failures and renewal works undertaken to prevent further failures, in order to reduce the number of interruptions.
8. The **number of sewer blockages** was favourable compared to both the prior year and target which can be attributed to additional CCTV inspection of our assets as a result of our proactive sewer cleaning and inspection programs. These programs are contributing to an uplift in proactive defect repair works on our sewer network based on inspection of our assets rather than waiting for asset management strategy triggers to action defect repair works. This has seen a marginal reduction in repeat blockages from 2023-24 to 2024-25. In addition, above average rainfall from January to March 2025, the typically dryer months of the year, contributed to increased levels of moisture in the soil. Higher levels of moisture in the soil reduces the need for tree roots to seek a water source from the sewer network, reducing the number of sewer blockages.
9. The **number of sewer spills** was favourable compared to target due to seasonal impacts on the sewer network. Above average rainfall generally results in a reduction in blockages in the sewer network, reducing the likelihood of any spill events. The immediate review and management of assets following blockage or spill events to avoid repeat occurrence continues to further contribute to the reduction in sewer spills.

Water Re-use

10. The **percentage of effluent produced for re-use** was favourable against both prior year and target, which can be attributed to higher demand for recycled water as a result of the warmer summer and autumn periods and increased reliability of service at our Class A plants.

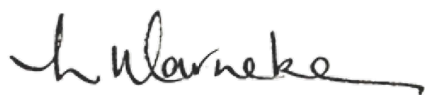
Certification of performance report for 2024–25

We certify that the accompanying Performance Report for South East Water Corporation and its controlled entity (the Group) in respect of the 2024-25 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 2024-25 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.

Date this 26th day of August 2025.



Lynn Warneke

Chair



Carla Purcell

Managing Director



Kimberley Lamden

Chief Financial Officer

Independent Auditor's Report



Independent Auditor's Report

To the Board of South East Water Corporation

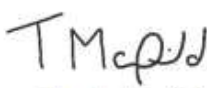
Opinion	I have audited the performance report of South East Water Corporation (the Corporation) for the year ended 30 June 2025, which comprises the: • financial performance indicators • water and sewerage network reliability performance indicators • water re-use performance indicator • certification of the performance report. In my opinion, the performance report of the Corporation for the year ended 30 June 2025 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the <i>Financial Management Act 1994</i>.
Basis for opinion	I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the <i>Auditor's responsibilities for the audit of the performance report</i> section of my report. My independence is established by the <i>Constitution Act 1975</i>. 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 <i>Code of Ethics for Professional Accountants (including Independence Standards)</i> (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 <i>Financial Management Act 1994</i>, 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 <i>Audit Act 1994</i>, 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.

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

Independent Auditor's Report

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.
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MELBOURNE
1 September 2025


Timothy Maxfield
as delegate for the Auditor-General of Victoria

Procurement

Local Jobs First

The Local Jobs First Act 2003 introduced in August 2018 brings together the Victorian Industry Participation Policy (VIPP) and Major Project Skills Guarantee (MPSG) policy which were previously administered separately.

We're required to apply the Local Jobs First policy in all projects valued at \$3 million or more in Metropolitan Melbourne or for statewide projects, or \$1 million or more for projects in regional Victoria.

MPSG applies to all construction projects valued at \$20 million or more.

The MPSG guidelines and VIPP guidelines will continue to apply to MPSG-applicable and VIPP-applicable projects respectively where contracts have been entered prior to 15 August 2018.

Projects started– Local Jobs First Standard / Strategic

During 2024–25, we started **2 Local Jobs First Standard projects** totalling **\$24 million**, and **1 Local Jobs First Strategic project** totalling **\$150 million**

These projects are located in metropolitan Melbourne, with an average commitment of 73 % local content.

The MPSG doesn't apply for any of these projects.

Table 41. Commitments made as part of the Local Jobs First policy for these projects

	Jobs created	Jobs retained
Victorian Standard Employees	21.0	26.4
Rest of ANZ Standard Employees	1.3	7.0

Projects completed – Local Jobs First Standard

During 2024–25, we completed **1 Local Jobs First Standard projects** totalling **\$9.65 million**. The project delivered the following outcomes:

- 100% local content
- 6 SMEs in the supply chain
- 41,651 retained hours of employment
- 4 traineeships retained.

Social procurement activities under the Social Procurement Framework

The Social Procurement Framework governs how we undertake social procurement. The framework applies to the procurement of all goods, services and construction

undertaken by, or on behalf of, entities subject to the Standing Directions 2018 under the *Financial Management Act 1994*.

We leverage our buying power to deliver social, economic and environmental outcomes benefiting the Victorian community, the economy and the environment. above and beyond the goods, services and construction works procured.

Social Procurement Framework

Our Procurement Strategy prioritises the following Social Procurement objectives:

- Opportunities for Victorian Aboriginal people
- Sustainable Victorian social enterprises and Aboriginal business sectors
- Women's equality and safety
- Environmentally sustainable business practices.

Social procurement achievements

During 2024–25 we:

- Awarded a \$1 million contract (on merit) to Excell Waste Solutions, a proud Indigenous-owned, innovative and highly experienced waste services provider. In addition to delivering industry leading waste and recycling solutions, Excell Waste Solutions support partner supplier diversity, Indigenous engagement and reconciliation objectives.
- Secured strong long-term commitments from our industry partners (for capital works and maintenance) to deliver social procurement outcomes from the activities they perform from us. These include a minimum 1% Aboriginal employment, gender diversity, procuring from social benefit suppliers, and advancing sustainable practices.
- We also implemented several initiatives to support our Social Procurement Strategy which included:
 - Strengthening our commitment towards developing sustainable Victorian social enterprises and Aboriginal business sectors, we've removed procedural barriers by enabling direct engagement with these social benefit suppliers for procurements valued at or below \$250,000. This streamlined approach eliminates the requirement for formal requests for quotes or tenders, making it easier and faster for social benefit suppliers to do business with us.
 - Making social procurement outcomes a requirement in our tenders with a minimum weighting of 5%.
- Delivered 'Lunch & Learn' sessions to demonstrate how to identify and engage verified Aboriginal businesses and social enterprises that deliver social benefits, supporting our procurement goals and broader strategy.

- Achieved a total direct spend of \$482k with 23 social benefit suppliers as detailed below:

Total direct spend with social benefit suppliers	• Number of suppliers engaged: 23 • Total spend: \$482,093.29
Spend with Aboriginal businesses	• Number of suppliers engaged: 15 • Total spend: \$224,274.53
Spend with social enterprises	• Number of suppliers engaged: 8 (of which 2 are disability enterprises) • Total spend: \$ 265,055.13 (\$196,156.49 with disability enterprises)

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 didn't receive any formal complaints within the scope of the Governance Policy of the VGPB through our procurement complaints management system in 2024–25.

Expenditure disclosures

Consultancy expenditure

For information on individual consultancies visit our [website](#).

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

In 2024–25 we engaged consultants for 19 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 \$1.2 million (GST exclusive).

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

We had 5 consultancies where total fees payable was less than \$10,000 (GST exclusive). Total expenditure incurred for this consultancy during 2024–25 was \$0.02 million (GST exclusive).

Disclosure of grants and transfer payments

We provided assistance to a range of community organisations across our service area through 2 key programs in 2024–25.

Community Grants Program 2025

Organisation	Payment
Australia Afghanistan Initiative Inc	\$8,600
Christ Church Mission Inc	\$10,000
FoodFilled Incorporated	\$10,000
Mornington Community Information & Support Centre Inc	\$2,000
Sacred Heart Mission Inc	\$2,900
We All Eat Incorporated	\$9,988
Somerville Secondary College	\$7,900
Willum Warrain Aboriginal Association Incorporation	\$3,642
4th Mordialloc Sea Scouts	\$9,967
Brighton Life Saving Club Inc	\$567
Cook4CALD	\$6,600
Ferntree Gully Tennis Club Inc.	\$5,055
Lighthouse Foundation	\$6,185
Mornington Community Garden Incorporated	\$5,923
Parkdale United Cricket Club Inc	\$2,900
Point Leo Surf Life Saving Club Incorporated	\$10,000
Stonnington Toy Library Inc	\$2,870
Flinders Pre-School Inc	\$8,510
Glen Huntly Village Traders Association Inc	\$10,000
Windana Drug and Alcohol Recovery Limited	\$2,763
Total	\$126,370

We had a minor overcharge for customers requesting Information Statements. In lieu of returning the money to those impacted, and in consultation with the ESC, we distributed the funds back into the community via organisations who support our customers experiencing hardship.

Organisation	Payment
Bayside Community Information & Support Service	\$20,000
Casey North Community Information and Support Services	\$20,000
Chelsea Community Support Services	\$10,000
CIS Vic (Community Information and Support)	\$100,000
Community Information and Support Cranbourne	\$20,000
Community Support Frankston	\$20,000
Endeavour Ministries	\$20,000
First People's Health and Wellbeing	\$20,000
Food for Change Foundation	\$25,150
Make a Difference Dingley Village	\$20,000

Organisation	Payment
Mentone Community Assistance and Information Bureau	\$10,000
Monash Oakleigh Community Support and Information Service Inc	\$20,000
Mornington Community Information and Support	\$20,000
Mums Supporting Families in Need	\$25,150
Port Phillip Community Group	\$20,000
South East Community Links Inc	\$20,000
Southern Migrant Refugee Centre	\$20,000
Southern Peninsula Community Support Inc	\$20,000
Western Port Community Support Inc	\$20,000
Total	\$450,300

Government advertising expenditure

We didn't participate in any government advertising campaigns with a total media spend of \$100,000 or greater (exclusive of GST) during 2024–25.

Information Communication Technology (ICT) expenditure

ICT refers to our costs in providing business-enabling ICT services. It comprises of business as usual (BAU) ICT expenditure and non-business as usual (non-BAU) ICT expenditure. Non-BAU ICT expenditure relates to extending and enhancing our 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 42. ICT Expenditure 2024–25

(\$'000s)			
BAU ICT expenditure (Total)	Non-BAU ICT expenditure (Total = Operational expenditure and Capital expenditure)	Non-BAU ICT expenditure	
\$20,090	\$31,797	Operational expenditure	Capital expenditure
		\$5,183	\$26,613

Reviews and studies expenditure

During 2024–25, there were **4 reviews and studies** undertaken with the total cost of **\$176,965**. Details of individual reviews and studies are outlined below. For the purposes of this exercise, we've included significant reviews and studies that we solely funded, the activity for which was conducted primarily during 2024–25 and that were above \$10,000.

Table 43. Review and studies expenditure disclosures

Review name	Reasons for review / study	Terms of reference / scope	Anticipated outcomes	Final / estimated costs for 2024–25 (FTE and consulting - ex. GST)	Publicly available 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.	\$29,005 (final)	N
Enforceable Undertaking (conducted by Moore Australia)	Commitment to appoint a suitably qualified third party to review our compliance with the action plan	Prepare a report which identified whether we have implemented the Action Plan, and the adequacy of that implementation	Assessment of whether we have implemented the Action Plan Recommendations to strengthen implementation	\$14,960 (final)	N
Suburban Rail Loop Alternative Water Supply Options for SRL East Precincts (Conducted by GHD)	Develop Water Balance and IWM Opportunities for the SRL east precincts	Develop alternative water supply servicing options (demand and supply) – Define and document the base case water supply servicing option each precinct. – Consideration of each precincts logical surrounds	High Level Water Balance	\$75,000	N

Review name	Reasons for review / study	Terms of reference / scope	Anticipated outcomes	Final / estimated costs for 2024–25 (FTE and consulting - ex. GST)	Publicly available and URL
Management systems audit (conducted by Assured Health & Safety, Isle Utilities, Water Futures, Intertek SAI Global, BSI Group)	Provide independent advice and assessment of our management systems (safety, environment, asset management and water quality) and assurance over how we achieve our organisational objectives.	Internal audit guidance strategy Auditing procedure Management Systems Standards requirement Audit scopes	Provide a framework for the establishment, maintenance and continuous improvement of internal quality processes Obtain or maintain certifications for relevant management systems.	\$133,000 (final)	N

Note:

- (a) 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).

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 2025.

- Supply of Digital Water Meters (\$37.8 million)
- Minor Water and Sewer Works Panel (\$35 million)
- Telco-SIMS (\$20 million)
- Engineering Services Panel (\$19.8 million)

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

Chapter 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 44. Bulk entitlements

Our reporting requirements	Greater Yarra System – Thomson River Pool ^{1,2}	Desalinated Water ^{6,7}	Goulburn River ⁹	Murray River ¹²
The annual volume of water taken	Clause 16.1 (a) 169,663 ML	Clause 13.1 (a) 0 ML	N/A	N/A
The water allocation volume made available	Clause 16.1 (b) 94,158.076 ML ³	Clause 13.1 (a) 0 ML	Clause 13.1 (c) 6,647.3 ML	Clause 10.1 (a) 12,653.3 ML
The volume of carry over	216,496.180 ML	Clause 13.1 (a) 0 ML	4,087.7 ML ¹⁰	9,376.5 ML ¹³
Compliance with the entitlement volume	Clause 16.1 (c) Yes ⁴	Clause 13.1 (e) Yes ⁸	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) 0 ML	Clause 13.1 (d) 8,500 ML ¹⁴ Clause 13.1 (e) 0 ML	Clause 10.1 (b) 9,316 ML ¹⁴ 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) No	Clause 10.1 (d) No
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	Clause 16.1 (h) None	Clause 13.1 (f) None	Clause 13.1 (g) None	Clause 10.1 (e) None

Our reporting requirements	Greater Yarra System – Thomson River Pool ^{1,2}	Desalinated Water ^{6,7}	Goulburn River ⁹	Murray River ¹²
action take or proposed				
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 ¹¹	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 million litres.
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. Compliance with the entitlement volumes is measured with respect to whether the annual volume taken exceeds the entitlement. This did not occur this year.

Goulburn System

9. South East Water holds Bulk Entitlement (Goulburn System – South East Water) Order 2022 - WSE020020.

10. South East Water's commencement volume on 1 July 2024 was 6,155.5 ML. At 30 June 2025, South East Water held 4,087.7ML (3,399.4 ML in Zone 1a and 688.2 ML in Zone 1b).
11. 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

12. South East Water holds Bulk Entitlement (Murray River – South East Water) Order 2022 – WSE020021.
13. South East Water's commencement volume on 1 July 2024 was 6,532.8 ML. At 30 June 2025, South East Water held 9,376.5 ML (3,214.8 ML in Zone 6 and 6,161.7 ML in Zone 7).

General

14. 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 17, 816 (5,860 ML in Zone 1A, 2,640 ML in Zone 1B, 5,410 ML in Zone 6 and 3,906 ML in Zone 7).

Compliance with acts

Commercial ventures and partnership activities

In 2024–25, we continued to leverage partnerships to broaden the reach and scale of our innovation, providing better solutions to our customers, and improving the bottom line and affordability for our customers.

We're partnering to innovate at scale, tackling real-world challenges with innovative solutions.

- Australian Research Council's Research Hub for Transformation of Reclaimed Waste Resources to Engineered Materials and Solutions for a Circular Economy: *undertaking research in co-processing of biosolids and other biomass materials to generate valuable resources.*
- Australian Research Council's Research Hub for Intelligent Energy Efficiency in Future Protected Cropping: *undertaking research to promote the reuse of recycled water and biosolids produced from treatment plants in agriculture.*
- Australian Research Council's Training Centre in Nutrients in the Circular Economy (NiCE): *undertaking research and training in nutrient recovery from wastewater and its conversion on products of value to the circular economy.*
- Australian Research Council's Training Centre in Optimisation Technologies, Integrated Methodologies and Applications (OPTIMA): *undertaking research in advanced prediction and optimisation tools to improve our operations.*
- Australian Research Council's Training Centre in Transforming Biosolids: *undertaking research and training to ensure effective management and reuse of our biosolids produced from treatment plants.*
- Cooperative Research Centre for High Performance Soils (Soil CRC): *collaborative research projects to investigate the use of biosolids and biochar as a soil improver and nutrient in agriculture.*
- In partnership with The University of Melbourne and Water Sensitive Cities, we were awarded the Australian Water Association Victoria's Research and Development Excellence Award for research into irrigation for urban cooling.
- Member of Water Research Australia (Water RA): *collaboration with research organisations and other members to undertake research projects to help us meet critical business requirements and customer needs, in areas such as water quality, innovative treatment process, water asset management and catchment protection.*
- Our work with RMIT University on a ground-breaking method to produce green hydrogen from solar radiation and recycled water also won the 2024 Water Minister's Climate Innovation Challenge. Read more about this under 'Forming partnerships to innovate at scale'.
- SmartCrete Cooperative Research Centre: *collaborative research project to investigate novel technology for sewerage concrete infrastructure condition assessment.*

- Through the collaboration between our commercial arm, Iota, and our partners, RMIT University and Aqua Metro, we're building a groundbreaking demonstration-scale pyrolysis plant that uses high temperatures to destroy polyfluoroalkyl substances (PFAS), pathogens, microplastics and pharmaceuticals in biosolids.
- We're a key participant in the Australian Research Council's IoT for Water Research Hub. This initiative focuses on integrating Internet of Things (IoT) technologies into water systems to enhance monitoring and management.

Freedom of Information Act 1982

South East Water is subject to the *Freedom of Information Act 1982* (FOI Act), which allows the public a right of access to documents held by South East Water.

FOI requests can be lodged online via foi@southeastwater.com.au. An application fee of **\$32.70** 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 can be made to South East Water's FOI team via the above email.

FOI statistics/timeliness

During 2024–25, South East Water:

- Received **44 requests** to access documents.
- Finalised **32 requests** and granted access to documents in 30 requests (**1 request** was dealt with outside of the FOI Act and **1 request** yielded no documents).
- Received **3 requests** where the process was not completed by the applicant.
- **9 requests** are yet to be finalised. **93 % of requests** were finalised within the statutory timeframe.
- No requests were the subject of an application to VCAT.

Further information

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

Compliance with Public Interest Disclosures Act 2012

The *Public Interest Disclosure Act 2012* (the PID Act) enables people to make disclosures about improper conduct (including corrupt conduct) and detrimental action by public officers, public bodies and other persons. It aims to ensure openness and accountability by encouraging people to make disclosures and protecting them from reprisals when they do.

Improper conduct includes:

- taking or offering bribes
- dishonestly performing public functions
- conduct that constitutes a substantial risk to the health or safety of a person or to the environment.

Making a ‘public interest disclosure’

Anyone can make a public interest disclosure about our organisation, our board members, officers or employees by contacting the Independent Broad-based Anti-corruption Commission on the contact details provided below.

While South East Water is a ‘public body’ for the purposes of the PID Act, we’re not able to receive public interest disclosures. Instead, our Public Interest Disclosures Policy explains how a public interest disclosure can be made and what we’ll do.

Accessing our policy and procedure for the protection of persons from detrimental action

Our policy also explains that we’ll take all reasonable steps to protect those who have made public interest disclosures from any detrimental action in reprisal for making the disclosure about our organisation or our employees.

You can access our Policy on our website southeastwater.com.au

Contact

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

Compliance with the *Building Act 1993*

We own our ‘WatersEdge’ headquarters in Frankston. We also lease and operate warehousing facilities in Heatherton and Lynbrook and own property and facilities at Port Melbourne and Rye, and others associated with water recycling plants at Blind Blight, 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 2024–25, we completed **2 new major projects** across our headquarters and water recycling plants at a sum greater than \$50,000.

- Mount Martha construction village
- Pakenham construction village

We obtained 3 permits for 2024–25:

- Building permit for demolition of 103 Heatherton Road Narre Warren house project (permit obtained 22 October 2024)
- Asset protection permit for demolition of 103 Heatherton Road Narre Warren house project (permit obtained 30 October 2024)
- Additional egress door at WatersEdge.

Competitive neutrality policy

The objective of the competitive neutrality policy in Victoria is to ensure significant 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.

Additional information available on request

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by our organisation and are available (in full) on request, subject to the provisions of 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.

This information is available on request from us and requests can be made by email at foi@southeastwater.co.au or in writing to the Freedom of Information Officer, PO Box 2268, Seaford 3198.

Risk and assurance

We maintain an enterprise risk management framework consistent with the Australian/New Zealand Risk Management Standard (AS/NZS ISO 31000 Risk Management) and the requirements of the Victorian Government Risk Management Framework. We also maintain a compliance management framework aligned to ISO 37301 (Compliance Management Standard).

Our risk framework incorporates risk appetite, aligned with our strategy, to ensure appropriate decision making. It's built on implementing a consistent, forward-looking approach to identifying and assessing uncertainty that may positively or negatively impact our ability to achieve our purpose and ambition.

We have several systems, frameworks and standards in place that are 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.

We also align to the National Institute of Standards and Technology (NIST) Cyber Security Framework (CSF) pursuant to Board endorsement in October 2024 as well as maintaining our Victorian Protective Data Security Standards obligations.

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.

Planning (requirements 20 to 23)

Met our target maturity level in this category. Our Strategic Asset Management Committee (SAMC) approved an updated Strategic Asset Management Plan (SAMP) in April 2025, superseding previous Asset Management Strategy.

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.

Chapter 9. Financials

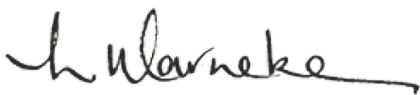
Statutory certification

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 2025 and the financial position of the Group as at 30 June 2025.

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 26th day of August 2025.



Lynn Warneke
Chair



Carla Purcell
Managing Director



Kimberley Lamden
Chief Financial Officer

Independent Auditor's Report



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 2025 • 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 2025 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.
Basis for opinion	I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's responsibilities for the audit of the financial report</i> section of my report. My independence is established by the <i>Constitution Act 1975</i>. 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 (<i>including Independence Standards</i>) (the Code) that are relevant to my audit of the 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.

Independent Auditor's Report

Key audit matter	How I addressed the matter
Revenue from service and usage charges <i>Note 2.1 – Revenue from contracts with customers</i>	
Revenue from service and usage charges: \$1.002 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 <i>Revenue from Contracts with Customers</i> requires detailed and complex 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 2025 - 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 <i>Note 4.1 – Infrastructure, property, plant and equipment</i>	
Fair value estimate of infrastructure assets: \$4.691 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 <i>Fair Value Measurement</i> requires extensive financial report disclosures.	My key procedures included: - obtaining an understanding of the approach to estimating the fair value of infrastructure - assessing the competence, objectivity and capability of management's expert engaged to assist with the valuation process - engaging a subject matter expert to assist us 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 model, with specific reference to underlying data and supporting documentation - the DCF model's computational accuracy. - assessing the completeness and adequacy of financial report disclosures against the requirements of AASB 13, including the significant observable and unobservable inputs utilised in the model and the sensitivity analysis.

Independent Auditor's Report

Board's responsibilities for the 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 <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a 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 financial report	As required by the <i>Audit Act 1994</i>, 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 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 and the consolidated entity'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 and the consolidated entity'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 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 and the consolidated entity 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 • obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the corporation and the consolidated entity to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the corporation and the consolidated entity. I remain solely responsible for my audit opinion.

Independent Auditor's Report

Auditor's responsibilities for the audit of the 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
1 September 2025


Timothy Maxfield
as delegate for the Auditor-General of Victoria

Consolidated statement of comprehensive income

For the year ended 30 June 2025

Consolidated entity	Note	2025 \$'000	2024 \$'000
Revenue from contracts with customers	2.1	1,218,573	1,140,511
Other income	2.2	2,446	2,926
Total revenue and income		1,221,019	1,143,437
Operating expenses	3.1	(709,427)	(679,105)
Employee benefits	3.2.1	(82,979)	(80,061)
Depreciation and amortisation	4.2, 4.3, 5.5	(139,830)	(127,316)
Finance costs	6.2	(132,024)	(107,073)
Environmental contribution	7.3	(44,275)	(43,461)
Total expenses		(1,108,535)	(1,037,016)
Net profit before income tax		112,484	106,421
Income tax expense	7.1	(32,676)	(32,099)
Net profit after income tax		79,808	74,322
Other comprehensive income			
Items that will not be reclassified to net profit			
Change in asset revaluation surplus - infrastructure assets	4.2	128,985	85,561
Change in asset revaluation surplus - land & buildings assets	4.2	-	10,910
Actuarial gains/(losses) on defined benefit fund	9.3	744	759
Deferred income tax relating to other comprehensive income	7.1	(38,919)	(30,663)
Other comprehensive income		90,810	66,567
Total comprehensive income		170,618	140,889

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

Consolidated balance sheet

As at 30 June 2025

Consolidated entity	Note	2025 \$'000	2024 \$'000
CURRENT ASSETS			
Cash		8,180	5,546
Receivables	5.1	121,153	111,886
Contract assets	5.3	76,412	80,713
Other assets	5.6	22,390	13,594
Total current assets		228,135	211,739
NON-CURRENT ASSETS			
Infrastructure, property, plant and equipment	4.1	5,532,528	5,113,931
Intangible assets	4.3	163,963	158,147
Right-of-use assets	5.5	8,401	9,121
Other financial assets		15	15
Defined benefit superannuation asset	9.3	15,618	14,557
Total non-current assets		5,720,525	5,295,771
TOTAL ASSETS		5,948,660	5,507,510
CURRENT LIABILITIES			
Payables	5.2	150,582	120,981
Interest bearing liabilities	5.5, 6.1	45,262	44,397
Employee benefits provision	3.2.2	24,614	24,383
Income tax payable	7.1	737	3,794
Contract liabilities	5.3	33,574	44,761
Deposits and income in advance	5.4	30,402	36,639
Other provisions		138	979
Total current liabilities		285,309	274,934
NON-CURRENT LIABILITIES			
Interest bearing liabilities	5.5, 6.1	3,067,191	2,808,545
Deferred tax liabilities	7.1	543,777	500,497
Employee benefits provision	3.2.2	1,991	3,601
Other financial liabilities		838	1,542
Total non-current liabilities		3,613,797	3,314,185
TOTAL LIABILITIES		3,899,106	3,589,119
NET ASSETS		2,049,554	1,918,391
EQUITY			
Contributed equity		94,607	94,607
Reserves		1,046,352	956,062
Retained profits		908,595	867,722
TOTAL EQUITY		2,049,554	1,918,391

Contingent assets and contingent liabilities – Note 8.3

Commitments – Notes 2.3, 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 2025

Consolidated entity	Note	Asset revaluation surplus:			Retained profits \$'000	Total equity \$'000
		Contributed equity \$'000	Land and buildings \$'000	Infrastructure assets \$'000		
Balance at 1 July 2023		288,967	342,917	547,109	839,587	2,018,580
Total comprehensive income for the year						
Net profit after income tax		-	-	-	74,322	74,322
Other comprehensive income		-	7,637	58,399	531	66,567
Total comprehensive income		-	7,637	58,399	74,853	140,889
Total transactions with the State in its capacity as owner						
Dividends paid	7.2	-	-	-	(46,718)	(46,718)
Return of capital to owners	7.2	(194,360)	-	-	-	(194,360)
Total transactions with the State in its capacity as owner		(194,360)	-	-	(46,718)	(241,078)
Balance at 30 June 2024		94,607	350,554	605,508	867,722	1,918,391
Balance as 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/payable	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

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 2025

Consolidated entity	Note	2025 \$'000	2024 \$'000
Cash flows from operating activities			
Receipts from customers		1,109,083	1,008,623
Interest received		307	402
GST refunded from the ATO ^(a)		36,174	27,716
Payments to suppliers and employees		(897,898)	(813,350)
Interest and other costs of finance paid		(130,049)	(103,116)
Income tax paid		(32,592)	(33,539)
Net cash inflow from operating activities	6.3.1	85,025	86,736
Cash flows from investing activities			
Proceeds from sale of infrastructure, property, plant and equipment		2,536	2,660
Payments for infrastructure, property, plant and equipment, and intangibles		(304,128)	(301,053)
Net cash (outflow) from investing activities		(301,592)	(298,393)
Cash flows from financing activities			
Proceeds from borrowings ^(b)		500,600	608,600
Repayment of borrowings ^(c)		(240,850)	(233,725)
Payment of principal element of lease liabilities		(1,094)	(1,136)
Capital repatriation		-	(194,360)
Dividends paid		(39,455)	(53,317)
Net cash inflow from financing activities		219,201	126,062
Net increase/(decrease) in cash held		2,634	(85,595)
Cash at the beginning of the financial year		5,546	91,141
Cash at the end of the financial year		8,180	5,546

^(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 2025. 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 2025 was authorised for issue in accordance with a resolution of the directors on 26th August 2025.

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 a high degree of judgements, estimates and assumptions that can materially 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 4.3 – recognition and measurement of Software-as-a-Service (SaaS) arrangements
- Note 5.1.1 – impairment of contractual receivables
- Note 5.3 – accrued revenue
- Note 5.5.2 – lease liabilities
- 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
- 2.2 Other income
- 2.3 Commitments from lease receivables

2.1 Revenue from contracts with customers

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

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	2025 \$'000	2024 \$'000
Revenue from service and usage charges	2.1.1	1,001,757	943,161
Revenue from developer contributions	2.1.2	151,500	141,714
Other revenue	2.1.3	65,316	55,636
Total revenue from contracts with customers		1,218,573	1,140,511

2.1.1 Revenue from service and usage charges

Consolidated entity	Service charges		Usage charges		Total	
	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000
Major services						
Water	72,629	68,544	549,969	513,186	622,598	581,730
Sewerage	310,634	295,152	27,801	26,424	338,435	321,576
Trade waste	7,059	6,887	24,472	25,127	31,531	32,014
Recycled water	1,134	1,112	8,059	6,729	9,193	7,841
Total	391,456	371,695	610,301	571,466	1,001,757	943,161

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.

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.

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 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 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.

2.1.2 Revenue from developer contributions

Consolidated entity	2025 \$'000	2024 \$'000
Developer contributed assets	107,328	104,755
New customer contributions	44,172	36,959
Total developer contributions	151,500	141,714

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 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 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.

2.1.3 Other revenue

Consolidated entity	2025	2024
	\$'000	\$'000
Sale of goods and services - Iota	12,805	11,732
Other services rendered	37,100	30,021
Net gain on sale of non-current physical assets	945	1,066
Net gain arising from derivatives for ZEW transactions	644	59
Miscellaneous revenue	13,822	12,757
Total other revenue	65,316	55,635

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 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.

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.

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.

A **net gain arising from derivatives for ZEW transactions** relates to the Group's investment in Zero Emissions Water Limited (ZEW).

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.

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 from contracts with customers

Consolidated entity	2025	2024
	\$'000	\$'000
Total revenue recognised over-time ^(a)	1,011,624	960,442
Total revenue recognised at a point in time	206,949	180,069
Total revenue from contracts with customers	1,218,573	1,140,511

^(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.

2.2 Other income

Consolidated entity	2025	2024
	\$'000	\$'000
Rent income	2,139	2,524
Interest income	307	402
Total other income	2,446	2,926

Rent income is recognised in accordance with AASB 16 *Leases* on a straight-line basis across the term of the rental lease agreement.

Interest income is recognised using the effective interest rate method, in the period in which it is earned.

2.3 Commitments from lease receivables

Revenue from operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as revenue in the periods in which they are incurred. These commitments recorded below are at their nominal value and inclusive of GST. These commitments primarily represent infrastructure towers rental income on the Group's land and infrastructure leased to telecommunication company to mount their equipment, sublease of the depot office area and leases for shop space at Frankston office.

The following table represents non-cancellable operating leases, contracted for at balance date but not recognised in the financial statements as receivables:

Consolidated entity	2025	2024
	\$'000	\$'000
Not later than 1 year	2,042	1,809
Later than 1 year and not later than 5 years	6,915	5,719
Later than 5 years	5,826	6,071
Total lease receivables (inclusive of GST)	14,783	13,599
Less GST payable to Australian Taxation Office	(1,344)	(1,236)
Total lease receivables (exclusive of GST)	13,439	12,363

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	2025	2024
	\$'000	\$'000
Bulk water and sewerage charges	556,381	530,274
Operating contracts	102,944	101,061
Taxes, fees and charges	6,374	5,201
Bad debts and expected credit losses	8,927	8,951
Asset write-offs	1,403	700
Other expenses	33,398	32,918
Total operating expenses	709,427	679,105

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 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 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 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	2025	2024
	\$'000	\$'000
Salaries and wages, annual leave and long service leave	68,606	66,100
Termination benefits	867	2,420
Defined benefit superannuation expense	154	198
Defined contribution superannuation expense	13,352	11,343
Total employee benefits cost	82,979	80,061

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	2025 \$'000	2024 \$'000
Current		
Annual leave:		
Unconditional and expected to settle within 12 months	6,209	5,611
Unconditional and expected to settle after 12 months	882	997
Long service leave:		
Unconditional and expected to settle within 12 months	1,741	1,438
Unconditional and expected to settle after 12 months	11,368	11,249
Provisions for on-costs:		
Unconditional and expected to settle within 12 months	1,700	1,460
Unconditional and expected to settle after 12 months	2,714	2,628
Total current employee benefits provision	24,614	23,383
Non-current		
Long service leave - conditional	1,629	2,963
On-costs	362	638
Total non-current employee benefits provision	1,991	3,601
Total employee benefits provision	26,605	26,984

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	2025 \$'000	2024 \$'000
Not later than one year	32,085	34,133
Later than 1 year and not later than 5 years	62,119	88,876
Later than 5 years	3,714	3,694
Total expenditure (inclusive of GST)	97,918	126,703
Less GST recoverable from Australian Taxation Office	(8,902)	(11,518)
Total expenditure (exclusive of GST)	89,016	115,185

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	
	2025	2024	2025	2024	2025	2024
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Infrastructure assets at fair value	4,691,400	4,408,700	-	-	4,691,400	4,408,700
Land at fair value	383,571	383,503	-	-	383,571	383,503
Buildings at fair value	107,565	107,432	(12,513)	(9,365)	95,052	98,067
Plant and equipment at fair value	94,710	86,723	(57,386)	(51,784)	37,324	34,939
Leasehold improvements at fair value	2,188	2,188	(2,174)	(2,154)	14	34
Capital works in progress at cost	325,167	188,688	-	-	325,167	188,688
Total	5,604,601	5,177,234	(72,073)	(63,303)	5,532,528	5,113,931

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.

The accounting policy relating to Right-of-Use assets have been disclosed in Note 5.5.

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 2021. As at 30 June 2025, the fair value of land and buildings were assessed using VGV indices. No adjustment was made to their carrying values, as it was not considered material (less than 10% of the last valuation).

If land and buildings were measured at historical cost, the carrying amount would be \$148 million. The carrying amount for infrastructure assets would be \$3,896 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:

Description	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 (Iota)	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 2025, 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

2025	Infrastructure assets	Land	Buildings	Plant and equipment	Leasehold improvements	Capital works in progress	Total
Consolidated entity	\$'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

2024	Infrastructure assets	Land	Buildings	Plant and equipment	Leasehold improvements	Capital works in progress	Total
Consolidated entity	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	4,183,999	325,522	90,160	33,908	56	119,135	4,751,780
Additions	-	58,981	139	11,313	-	306,958	377,391
Fair value of assets received from developers	102,275	-	-	-	-	(102,275)	-
Transfers between asset classes	135,130	-	-	-	-	(135,130)	-
Disposals	(334)	-	-	(1,467)	-	-	(1,801)
Gain / (loss) on revaluation	85,561	-	10,910	-	-	-	96,471
Depreciation expense	(97,931)	-	(3,142)	(8,815)	(22)	-	(109,910)
Balance at 30 June	4,408,700	383,503	98,067	34,939	34	188,688	5,113,931

4.3 Intangible assets

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
2024						
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	166,719	21,995	96,916	297	1,011	286,938
Additions	493	19,835	-	263	-	20,591
Transfers between asset classes	27,191	(27,252)	-	-	61	-
Disposals ^(a)	-	-	-	(234)	-	(234)
Balance at 30 June	194,403	14,578	96,916	326	1,072	307,295
Accumulated amortisation						
Balance at 1 July	(132,986)	-	-	-	(119)	(133,105)
Amortisation	(15,967)	-	-	-	(76)	(16,043)
Balance at 30 June	(148,953)	-	-	-	(195)	(149,148)
Net book value at 30 June	45,450	14,578	96,916	326	877	158,147

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-premise 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.

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	2025 \$'000	2024 \$'000
Not later than one year	222,928	82,759
Later than 1 year and not later than 5 years	125,581	58,914
Later than 5 years	-	372
Total capital expenditure (inclusive of GST)	348,509	142,045
Less GST recoverable from the Australian Taxation Office	(31,683)	(12,913)
Total capital expenditure (exclusive of GST)	316,826	129,132

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 Right-of-use assets and lease liabilities
 - 5.5.1 Right-of-use assets
 - 5.5.2 Lease liabilities
- 5.6 Other assets
- 5.7 Other financial assets and liabilities

5.1 Receivables

Consolidated entity	2025 \$'000	2024 \$'000
Contractual		
Trade debtors (service and usage charges)	125,537	115,541
Allowance for expected credit losses	(16,874)	(13,384)
Total contractual receivables	108,663	102,157
Statutory		
GST input tax credits receivable	12,490	9,729
Total statutory receivables	12,490	9,729
Total receivables	121,153	111,886

Contractual receivables, such as trade debtors in relation to goods and services, are classified as financial assets at amortised cost. They are initially recognised at fair value plus any directly attributable transaction cost. The Group holds the contractual receivables with the objective to collect the contractual cash flows and therefore subsequently measures them at amortised cost using the effective interest method, less any impairment.

Trade debtors are normally required to be settled within 14 days. Any overdue balances are assessed for impairment, refer to Note 5.1.1.

Statutory receivables, such as Goods and Services Tax (GST) input tax credit recoverable are not classified as financial instruments as they do not arise from contracts. They are recognised and measured similar to contractual receivables (except for impairment).

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 2024–25. 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 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

Consolidated entity	Current	More than 30 days past due	More than 90 days past due	Total
1 July 2024	\$'000	\$'000	\$'000	\$'000
Expected loss rate	0.10%	4.66%	22.74%	
Gross carrying amount – trade debtors	43,285	17,089	55,167	115,541
Loss allowance	43	796	12,545	13,384

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	2025	2024
	\$'000	\$'000
Balance at 1 July	(13,384)	(8,519)
(Increase)/decrease in provision recognised in the net result	(8,898)	(8,951)
Receivables written off during the year as uncollectible	5,408	4,086
Balance at 30 June	(16,874)	(13,384)

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

5.2 Payables

Consolidated entity	2025	2024
	\$'000	\$'000
Contractual		
Trade creditors	14,512	11,476
Accrued expenses	127,473	102,565
Total contractual payables	141,985	114,041
Statutory		
Taxes payable	8,597	6,940
Total statutory payables	8,597	6,940
Total payables	150,582	120,981

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	2025	2024
	\$'000	\$'000
Accrued revenue – water and sewerage services	73,647	77,965
Developer contributed assets	1,883	2,067
Other revenue	882	681
Total contract assets	76,412	80,713
Developer contributed assets	5,468	6,536
New customer contributions	22,937	31,606
Other revenue	5,169	6,619
Total contract liabilities	33,574	44,761

Accrued 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.

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

2024				
Consolidated entity	Developer contributed assets	New customer contributions	Other income	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	5,098	27,565	7,406	40,069
Less: Revenue recognised in the reporting period for the completion of a performance obligation	(4,617)	(13,874)	(4,582)	(23,073)
Add: Receipts or consideration for performance obligations yet to be completed during the period	6,055	17,915	3,795	27,765
Balance at 30 June	6,536	31,606	6,619	44,761

5.4 Deposits and income in advance

Consolidated entity	2025	2024
	\$'000	\$'000
Deposits	16,014	15,449
Unearned income	487	990
Deferred government grant income	13,901	20,200
Total deposits and advances	30,402	36,639

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 Right-of-use assets and leases liabilities

5.5.1 Right-of-use assets

2025	Land and	Buildings	Equipment	Total
Consolidated entity	infrastructure			
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	2,192	6,922	7	9,121
Additions	-	434	-	434
Modification adjustments	181	10	(24)	167
Depreciation expense	(216)	(1,128)	23	(1,321)
Balance at 30 June	2,157	6,238	6	8,401

2024	Land and	Buildings	Equipment	Total
Consolidated entity	infrastructure			
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	821	6,890	95	7,806
Reclassification	1,567	(1,567)	-	-
Modification adjustments	4	2,674	-	2,678
Depreciation expense	(200)	(1,075)	(88)	(1,363)
Balance at 30 June	2,192	6,922	7	9,121

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

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at cost comprising the amount of lease liabilities initially recognised, initial direct costs incurred, and lease payments made at or before the lease commencement date less any lease incentives received. The net present value of the remaining lease payments is often an appropriate proxy for the fair value of relevant right-of-use assets at the time of initial recognition.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Description	Depreciation method	Useful life
Buildings	Straight line	2 – 15 years
Land	Straight line	2 – 25 years
Equipment	Straight line	2 – 5 years

Where the Group obtains ownership of the underlying leased assets or if the cost of the right-of-use asset reflects that the entity will exercise a purchase option, the entity depreciates the right-of-use asset over its useful life.

Subsequently, the right-of-use assets are measured under a fair value model. The Group applies the revaluation model in AASB 16 to right-of-use assets that relate to a class of property, plant and equipment. The revaluation model is applied to all of the right-of-use assets that relate to that class of property, plant and equipment. Under this valuation method, the right-of-use assets were assessed against market rental indicators and other relevant observations (such as size and location), where comparable, to determine any material movements in fair value. There were no material movements in fair value at 30 June 2025.

5.5.2 Lease liabilities

The following table represents the movement of lease liabilities:

Consolidated entity	2025	2024
	\$'000	\$'000
Opening Balance	10,517	8,682
Additions	434	-
Modification adjustments	134	2,678
Interest expense	287	293
Payment of principal element of lease liabilities	(1,094)	(1,136)
Total lease liabilities	10,278	10,517

The following amounts were recognised in the consolidated statement of comprehensive income for the year ending 30 June 2025 in respect of leases where the Group is the lessee:

Consolidated entity	2025	2024
	\$'000	\$'000
Interest expense	287	292
Expenses relating to short term leases ^(a)	265	159
Expenses relating to leases of low-value assets ^(a)	46	50
Income from sub leasing right-of-use assets	(90)	(61)
Depreciation expense of right of use asset	1,321	1,363
Total amounts recognised in consolidated statement of comprehensive income	1,829	1,803

^(a) These expenses are recognised in other expenses in Note 3.1.

The Group leases various properties (buildings, car parks and land) and equipment. Lease agreements are typically made for fixed periods of 2 to 20 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

Lease payments include:

- fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- lease extensions where there is an option to extend the term of the lease; and
- the exercise price of purchase options reasonably certain to be exercised by the Group.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Subsequent to initial measurement, the lease liabilities will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group's lease liabilities are included in interest bearing liabilities (refer Note 6.1).

Lease extensions and termination options

Some land and building leases contain extension options exercisable by the Group. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The Group assesses at the commencement date of the lease whether it is reasonably certain to exercise the extension options. In addition, the Group

reassesses whether it is reasonably certain to exercise the options if there is a material event or changes in circumstances within its control.

Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise land, IT equipment and photocopiers with individual values less than \$10,000 when new.

At 30 June 2025, the Group was committed to short term and/or low value leases and total commitment at that date was \$0.05 million (2023–24: \$0.10 million).

5.6 Other assets

Consolidated entity	2025	2024
	\$'000	\$'000
Inventories	14,809	5,313
Prepayments	7,581	8,281
Total other assets	22,390	13,594

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.

5.7 Other financial assets and liabilities

Consolidated entity	2025	2024
	\$'000	\$'000
Other financial assets		
Investment in ZEW	15	15
Total other financial assets	15	15
Other financial liabilities		
Derivative financial instrument	838	1,542
Total other financial liabilities	838	1,542

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	2025	2024
	\$'000	\$'000
Current		
Borrowings	44,200	43,600
Lease liabilities	1,062	797
Total current interest bearing liabilities	45,262	44,397
Non-current		
Borrowings	3,057,975	2,798,825
Lease liabilities	9,216	9,720
Total non-current interest bearing liabilities	3,067,191	2,808,545
Total interest bearing liabilities	3,112,453	2,852,942

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 (refer Note 5.5).

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 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
30 June 2024				
Borrowings – floating interest rate	43,600	-	-	43,600
Borrowings – fixed interest rate	250,850	1,121,275	1,436,700	2,798,825
Lease liabilities	797	4,008	5,712	10,517
Total interest bearing liabilities	285,247	1,125,283	1,442,412	2,852,942

6.2 Finance costs

Consolidated entity	2025 \$'000	2024 \$'000
Interest expense from financial liabilities at amortised cost	100,364	79,318
Financial accommodation levy	31,349	27,436
Interest expense from lease liabilities	287	293
Bank charges	24	26
Total finance costs	132,024	107,073

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	2025 \$'000	2024 \$'000
Net result after income tax	79,808	74,322
Depreciation and amortisation	139,830	127,316
Write-off of non-current assets	1,403	700
Net (profit) / loss on sales of assets	(945)	(1,066)
Developer contributed assets (received free of charge)	(107,328)	(104,755)
Defined benefit (income) / expenses	(317)	355
Net (gain) / loss on financial instruments	4,793	4,027
Other non-cash movements	856	(400)
Changes in operating assets and liabilities		
(Increase) / decrease in receivables	(14,706)	(31,387)
(Increase) / decrease in contract assets	4,301	(2,916)
(Increase) / decrease in other assets	(8,796)	(1,454)
Increase / (decrease) in payables	3,058	(1,594)
Increase / (decrease) in contract liabilities	(11,187)	4,691
Increase / (decrease) in income tax payable	(4,277)	1,219
Increase / (decrease) in net deferred tax liabilities	4,361	(2,659)
Increase / (decrease) in provisions	(1,220)	1,030
Increase / (decrease) in deposits and advances	(6,237)	15,800
Increase / (decrease) in derivative financial instrument	(60)	(157)
Increase / (decrease) in accrued interest payable	1,688	3,664
Net cash inflow from operating activities	85,025	86,736

7. Statutory obligations

Introduction:

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

Structure:

- 7.1 Income tax
- 7.2 Dividends and capital repatriation
- 7.3 Environmental contribution levy

7.1 Income tax

Consolidated entity	2025	2024
	\$'000	\$'000
(a) Income tax expense		
The major components of income tax expense are:		
Current tax	29,381	34,758
Over provision of prior year income tax	(407)	-
Deferred tax expense / (income) relating to timing differences	3,702	(2,659)
	32,676	32,099
(b) Deferred income tax recognised in other comprehensive income		
Gain / (loss) on revaluation of infrastructure assets	38,696	27,162
Gain / (loss) on revaluation of land and buildings	-	3,273
Gain / (loss) on defined benefit superannuation plan actuarial	223	228
	38,919	30,663
(c) Reconciliation of income tax expense to prima facie tax payable		
Accounting profit before tax	112,484	106,421
Income tax calculated @ 30%	33,745	31,926
Add		
Non-deductible expenses	56	94
Other adjustments	(1,125)	79
	32,676	32,099
(d) Income tax position		
Current tax payable	737	3,794
(e) Deferred tax items		
Deferred tax liabilities		
Defined benefit superannuation asset	4,685	4,367
Contract assets	830	825
Land and buildings	20,762	20,885
Infrastructure assets ^(a)	543,531	504,835
Total deferred tax liabilities	569,808	530,912
Recognised directly in equity	386,154	347,235
Recognised directly in net profit	183,654	183,677
Total deferred tax liabilities	569,808	530,912

^(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	2025	2024
	\$'000	\$'000
Deferred tax assets		
Provisions	(5,104)	(4,292)
Contract liability	(9,062)	(12,089)
Employee benefits	(7,982)	(8,095)
Property, plant and equipment	(2,549)	(4,581)
Leasehold improvements future deductible amounts	(292)	(301)
Other	(1,042)	(1,057)
Total deferred tax assets	(26,031)	(30,415)
Recognised directly in net profit	(26,031)	(30,415)
Total deferred tax assets	(26,031)	(30,415)
Net deferred tax liabilities	543,777	500,497

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 and capital repatriation

7.2.1 Dividends

Consolidated entity	2025	2024
	\$'000	\$'000
Final dividend paid during 2023–24 in respect of 2022–23	-	22,137
Interim dividend paid/payable during 2023–24 in respect of 2023–24	-	22,691
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	-
Efficiency dividend	-	1,890
Total dividends	39,455	46,718

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.

7.2.2 Capital repatriation

Consolidated entity	2025	2024
	\$'000	\$'000
Capital repatriation	-	194,360
Total capital repatriation	-	194,360

Pursuant to Financial Reporting Direction 119 *Transfers through Contributed Capital* under the *Financial Management Act 1994*, the Minister for Water designated the Group to repatriate capital back to the state.

On 31 July 2023, \$97.2 million capital repatriation payment was made to the Treasurer for the State of Victoria as previously determined for the financial year ending 30 June 2023. A further \$97.2 million was paid on 28 June 2024. Under FRD 119 *Transfers through contributed capital*, this transfer is deemed to occur on the effective date, which is the date the capital repatriation is paid.

7.3 Environmental contribution levy

Consolidated entity	2025	2024
	\$'000	\$'000
Environmental contribution levy	44,275	43,461
Total environmental contribution levy	44,275	43,461

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	2025	2024
	\$'000	\$'000
Not later than one year	44,276	44,276
Later than 1 year and not later than 5 years	88,552	132,827
Total environmental contribution levy commitment	132,828	177,103

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 assets at amortised cost

Financial assets are measured at amortised costs if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Initial recognition

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

The Group recognises the following assets in this category:

- cash
- receivables (excluding statutory receivables)
- investment in ZEW

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).

Financial liabilities at amortised cost

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. Subsequent to initial recognition, these financial instruments are 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.

The Group recognises the following liabilities in this category:

- payables (excluding statutory payables)
- deposits and advances
- interest bearing liabilities

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 assets and liabilities at fair value through profit or loss

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 classified as held for trading financial assets and liabilities. They are initially recognised at fair value on the date on which all contractual obligations under Conditions Precedent are met and on subsequent measurement. The initial expense recognised represents the fair value of the expected future settlements at initial recognition (refer Note 3.1).

Derivatives are carried as assets when their fair value is positive and as 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).

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 2025, the Group has no other material credit risk. There has been no material change to the Group's credit risk profile in 2024–25.

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 2025 and 30 June 2024 are:

	2025	2024
Gearing - Net Debt/(Net Debt + Equity)	60.2%	59.7%
FFO net interest cover (times)	1.7	1.8

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.

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)
2024	Weighted average interest rate	Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000
Financial assets					
Cash	4.73%	5,546	-	5,546	-
Receivables		102,157	-	-	102,157
Investment in ZEW		15	-	-	15
Total financial assets		107,718	-	5,546	102,172
Financial Liabilities					
Payables		(114,041)	-	-	(114,041)
Deposits and advances		(36,639)	-	-	(36,639)
Derivative financial instrument		(1,542)	-	-	(1,542)
Borrowings – floating interest rate	4.49%	(43,600)	-	(43,600)	-
Borrowings - fixed interest rate	2.73%	(2,798,825)	(2,798,825)	-	-
Lease liabilities	2.85%	(10,517)	(10,517)	-	-
Total financial liabilities		(3,005,164)	(2,809,342)	(43,600)	(152,222)

Interest rate risk sensitivity

As at 30 June 2025, 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 \$2,561 million lower / higher (2023–24: \$2,330 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 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 2025		30 June 2024	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial liabilities				
Borrowings	3,102,175	3,065,142	2,842,425	2,698,871

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	
	2025	2024
	\$'000	\$'000
Balance at 1 July	(1,542)	(1,759)
Gains/(losses) recognised in profit or loss	644	60
Net cash settlements paid/(received)	60	157
Balance at 30 June	(838)	(1,542)

Description of material unobservable inputs to Level 3 valuations for 2025 and 2024

Consolidated entity	Valuation technique	Material unobservable inputs	2025 range (weighted average)	2024 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	\$13.16/MWh to \$60.09/MWh (\$29.69/MWh)	\$13.16/MWh to \$60.09/MWh (\$29.69/MWh)	An increase/ (decrease) in the wholesale electricity price forecasts of 10% would result in an increase/ (decrease) fair value by \$0.2 million.
		Discount rate – risk free rates of zero coupon government bonds	3.9520% to 4.3678% (4.0534%)	3.9520% to 4.3678% (4.0534%)	An increase/ (decrease) in the discount rate of 1% would result in an increase/ (decrease) fair value by \$0.05 million.
		Credit value adjustment – Australian Corporate Bond Spreads and Yields FNFSBBB10M	223.6	223.6	An increase/ (decrease) in the credit value adjustment of 1% would result in an increase/ (decrease) fair value by \$0.05 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 \$5,124.1 million (2023-2024: \$4,842.0 million), other than non-specialised land which is classified as level 2 \$83.3 million (2023-2024: \$83.2 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/decrement of \$129.0 million (2023-24: \$85.6 million increment). The effective date of the valuation is 30 June 2025.

The Group engaged KPMG to independently perform both the 30 June 2025 and 2024 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 at 30 June 2021. An assessment against indices provided by the Valuer-General Victoria as at 30 June 2025 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 2025.

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 2025 and 2024

Consolidated entity	Valuation technique	Material unobservable inputs	2025 range (weighted average)	2024 range (weighted average)	Sensitivity of fair value measurement to changes in material unobservable inputs
Infrastructure assets	Income approach (discounted cash flow)	Discount rates (WACC)	5.2% to 5.6% (5.4%)	5.6% to 6.0% (5.8%)	An increase / (decrease) of 25 bps in the discount rate would result in a decrease of (\$116.0) million or an increase of \$178.4 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 bps in the terminal value exit RAB would result in an increase of \$278.2 million increase / (decrease) to the fair value.
Specialised land	Market approach	Community service obligation adjustment	0% – 30% (20%)	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	\$3,015 – \$53,067,228 (\$3,520,416)	\$3,023 – \$54,220,863 (\$4,086,128)	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	\$1,456 – \$8,264 (\$3,495)	\$933 – \$11,218 (\$4,812)	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)	4 – 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 - \$3,402,528 (\$11,400)	\$1 - \$4,253,160 (\$11,694)	A material increase/ (decrease) in cost per unit would result in a materially higher or lower fair value.
		Useful life of plant and equipment	2 – 27 years (15 years)	2 – 27 years (10 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 2025, various developers have agreed to construct water and sewerage infrastructure assets to the value of \$104.3 million (2023–24 \$107.8 million). This value relates to \$81.7 million of assets which are under construction (2023–24 \$79.9 million) and \$22.6 million of assets which have not commenced construction (2023–24 \$27.9 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 \$33.9 million (2023–24 \$25.8 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 2024 (for the 2024–25 year).

The Group is participating in a Board of Inquiry in relation to a landslide that occurred in McCrae on 14 January 2025, which occurred within the Group's supply network. The Board of Inquiry is inquiring into the cause(s) of the landslide, the adequacy of measures taken to prevent and minimise landslides in the area, and measures to be undertaken to prevent or mitigate the risk of similar events in the future.

The Group may be exposed to potential financial implications in the event claims are made against it in future in connection with the landslide.

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 2024–25 reporting period was The Hon Gayle Tierney, Minister for Water since 19/12/2024 and the Hon Harriet Shing, Minister for Water 1/07/2024–18/12/2024. 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	1/07/2024 – 30/06/2025	Chair
Dr N Fleming	1/07/2024 – 30/06/2025	Director
Ms B Goebel	1/07/2024 – 30/06/2025	Director
Dr R Henry	1/07/2024 – 30/06/2025	Director
Ms S Lightfoot	1/07/2024 – 30/06/2025	Director
Mr T Lyons	1/07/2024 – 30/06/2025	Director
Dr K McGrath	1/07/2024 – 30/06/2025	Director
Ms J Stanley	1/07/2024 – 30/06/2025	Director
Mr A Wood	1/07/2024 – 30/06/2025	Director
Ms L Olsen	1/07/2024 – 30/06/2025	Managing Director and Accountable Officer

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

			2025	2024
			No	No
\$10,000	–	\$19,999	-	3
\$20,000	–	\$29,999	-	1
\$40,000	–	\$49,999	-	3
\$50,000	–	\$59,999	7	5
\$60,000	–	\$69,999	1	-
\$80,000	–	\$89,999	-	1
\$110,000	–	\$119,999	1	-
\$490,000	–	\$499,999	-	1
\$520,000	–	\$529,999	1	-
Total			10	14

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.

	2025	2024
	\$'000	\$'000
Short-term employee benefits	2,734	2,469
Post-employment benefits	262	246
Other long-term benefits	55	45
Termination benefits	-	34
Total remuneration	3,051	2,794
Total number of executives	12	12
Total annualised employee equivalents ^(a)	8.4	8.3

^(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.

	2025	2024
	\$'000	\$'000
Short-term employee benefits	1,013	960
Post-employment benefits	90	83
Other long-term benefits	12	12
Total remuneration ^(a)	1,115	1,055

^(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.

Consolidated entity	2025	2024
	\$'000	\$'000
Payments		
Parks charge collected on behalf of DEECA	77,368	74,972
Environmental contribution levy	44,276	54,326
Receipts		
Administration fees for collection of Parks Victoria charges	2,144	2,041
Payable at 30 June		
Parks charge collected on behalf of DEECA	1,208	869
Receivable at 30 June		
Administration fees for collection of Parks Victoria charges	138	365

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	2025	2024
	\$'000	\$'000
Payments		
Dividend payments	39,455	53,317
Capital repatriation	-	194,360
Taxes and levies	63,967	60,542
Payable at 30 June		
Taxes and levies	8,865	11,782

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	2025	2024
	\$'000	\$'000
Payments		
Bulk water and sewage charges	553,320	524,881
Drainage charges collected on behalf of Melbourne Water	114,698	108,090
Receipts		
Administration fees for collection of drainage and other charges	5,931	6,129
Payable at 30 June		
Bulk water and sewage charges and drainage charges	4,057	1,585

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	2025	2024
	\$'000	\$'000
Payments		
Finance and interest costs	100,207	79,314
Receipts		
Proceeds from borrowings	259,150	328,096
Payable at 30 June		
Total borrowings and accrued interest expense	2,862,265	2,532,600

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	2025	2024
	\$'000	\$'000
Receipts		
Customer rebate reimbursements	48,472	46,246
Receivable at 30 June		
Customer rebate reimbursements	2,155	86

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 2025, 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 \$5.0 million from South East Water. During 2024–25, Iota borrowed \$1.0 million (2023–24 \$2.0 million) totalling \$3.0 million from South East Water Corporation.

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	2025	2024
	\$'000	\$'000
Payments		
	100	46

Receipts	407	348
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 Equisuper 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 Equisuper 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

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

2024	Fair value of plan assets \$'000	Defined benefit obligation \$'000	Net defined benefit asset/ (liability) \$'000
Balance at 1 July	59,551	46,108	13,443
Current service cost	-	854	(854)
Interest income	3,097	-	3,097
Interest expense	-	2,441	(2,441)
Actual return on plan assets less interest income	1,316	-	1,316
Employer contributions	553	-	553
Contributions by plan participants	319	319	-
Actuarial gains/(losses) arising from changes in demographic assumptions	-	-	-
Actuarial gains/(losses) arising from changes in financial assumptions	-	396	(396)
Actuarial gains/(losses) arising from liability experience	-	161	(161)
Benefits paid	(3,072)	(3,072)	-
Taxes, premiums and expenses paid	(380)	(380)	-
Balance at 30 June	61,384	46,827	14,557

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 2025	\$'000	\$'000	\$'000	\$'000
Asset category				
Investment funds	60,666	-	60,666	-
Total	60,666	-	60,666	-

The percentage invested in each asset class at the reporting date is:

As at	30 June 2025	30 June 2024
Australian equity	17%	16%
International equity	21%	21%
Fixed income	15%	16%
Property	6%	6%
Growth alternatives	19%	18%
Defensive alternatives	12%	13%
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 2025	30 June 2024	30 June 2025	30 June 2024
Discount rate	5.5%	5.6%	5.1%	5.5%
Expected salary increase rate	3.0%	3.0%	3.2%	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 2025. This reduces the defined benefit obligation as at 30 June 2025.

Sensitivity analysis

The defined benefit obligation as at 30 June 2025 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	5.1%	4.6%	5.6%	5.1%	5.1%	5.1%	5.1%
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)	45,048	47,140	43,115	44,332	45,788	43,840	46,358

^(a) includes contributions tax provision

* pension increase sensitivity also applies to rate applying in the first year

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 Equisuper 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.

In the most recent review of the financial position as at 31 December 2024, the actuary recommended a Group contribution rate of nil. However, the Group has continued to pay 11.5% per cent in respect of defined benefit members to 30 June 2025. The next review of the financial position and Group contribution rate is due as at 30 June 2025.

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 2026 is \$0.5 million.

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation as at 30 June 2025 is eight years (2024: eight years).

Expected benefit payments for the financial year ending on:	\$'000
30 June 2026	4,777
30 June 2027	4,478
30 June 2028	4,512
30 June 2029	4,490
30 June 2030	4,819
Following 5 years	19,776

9.4 Ex-gratia expenses

Consolidated entity	2025	2024
	\$'000	\$'000
Forgiveness or waiver of debt ^(a)	835	341
Termination payments ^(b)	168	109
Closing balance	1,003	450

^(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	2025 \$'000	2024 \$'000
Victorian Auditor-General's Office - audit of the Group's financial statements	379	329

9.6 Controlled entities

The consolidated financial statements at 30 June 2025 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 \$5.0 million from South East Water. During 2024–25, Iota borrowed an additional \$1.0 million (2023–24 \$2.0 million) totalling \$3.0 million from South East Water Corporation. 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	2025 \$'000	2024 \$'000
Current assets	224,709	204,655
Non-current assets	5,727,588	5,301,571
Total assets	5,952,297	5,506,226
Current liabilities	286,222	272,016
Non-current liabilities	3,613,797	3,314,184
Total liabilities	3,900,019	3,586,200
Contributed equity	94,607	94,607
Reserves	1,046,352	956,062
Retained earnings	918,019	875,978
Total equity	2,058,978	1,926,647
Net profit after tax of parent entity	87,596	81,721
Total comprehensive income	178,406	148,288

9.7 Changes in accounting policies

No change in accounting policies impacting the group for the year ending 30 June 2025.

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 2025.

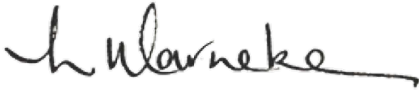
Standard / Interpretation	Summary	Effective date	Estimated impact
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to AASB10 and AASB128	Limits the recognition of gain or loss arising from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or joint venture to the extent of the unrelated investors' interest in that associate or joint venture. Similar limitations apply to remeasurements of retained interests in former subsidiaries.	1 January 2025	The standard is not expected to have a material impact on the Group.
AASB 2024-2	AASB 2024-2 amends AASB 7 and AASB 9 in response to feedback from the 2022 Post-implementation Review of the classification and measurement requirements in AASB 9 and related requirements in AASB 7 and the subsequent 2023 Exposure Draft. This Standard amends requirements related to: - settling financial liabilities using an electronic payment system; and - assessing contractual cash flow characteristics of financial assets with environmental, social and corporate governance (ESG) and similar features. This Standard also amends disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and adds disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and cost.	1 January 2026	The standard is not expected to have a material impact on the Group.
AASB 18	The AASB has issued <u>AASB 18 Presentation and Disclosure in Financial Statements</u> 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.	1 January 2027	The standard will change the presentation of the consolidated statement of comprehensive income with

Standard / Interpretation	Summary	Effective date	Estimated impact
	The key presentation and disclosure requirements established by AASB 18 are: - the presentation of newly defined subtotals 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 <i>Presentation of Financial Statements</i>. For for-profit entities (other than superannuation entities applying AASB 1056 <i>Superannuation Entities</i>) 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.		income and expenses to be categorised as operating, financing and investing in the consolidated statement of comprehensive income. A new note will be introduced which will disclose all management-defined performance measures
AASB 2022-8 Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments	AASB 2022-8 applies to annual periods beginning on or after 1 January 2024, in order to defer the application of AASB 17 to public sector entities from that date until periods beginning on or after 1 July 2026. This Standard also makes amendments to all Australian Accounting Standards that refer to AASB 17 to permit public sector entities (both for-profit and not-for-profit entities) to continue to apply AASB 4 Insurance Contracts and AASB 1024 General Insurance Contracts until annual periods beginning on or after 1 July 2026.	1 January 2027	The standard is not expected to have a material impact on the Group.
AASB 2022 9 Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector	AASB 2022-9 amends AASB 17 to include modifications that apply to public sector entities. This Standard also amends AASB 1050 Administered Items to provide an accounting policy choice for government departments to apply either AASB 17 or AASB 137 Provisions, Contingent Liabilities and Contingent Assets in determining the information to be disclosed about administered captive insurer activities.	1 January 2027	The standard is not expected to have a material impact on the Group.

End of audited financial report.

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.

A handwritten signature in black ink, appearing to read 'L. Warneke', with a long horizontal flourish extending to the right.

Lynn Warneke

Chair, South East Water Corporation

26 August 2025

Appendices

Disclosure index

Report of operations

Legislation	Requirement	Page number
Charter and purpose		
FRD 22	Manner of establishment and the relevant Ministers	7
FRD 22	Purpose, functions, powers and duties	7
FRD 22	Key initiatives and projects	10–12
FRD 22	Nature and range of services provided	7–8
Management and structure		
FRD 22	Organisational structure	69
Financial and other information		
FRD 10	Disclosure index	163–164
FRD 12	Disclosure of major contracts	89
FRD 15	Executive Officer disclosure	65
FRD 22	Disclosure of grants and transfer payments	86–87
FRD 22	Employment and conduct principles	74
FRD 22, 29	Workforce data	74–75
FRD 22	Workforce inclusion policy	64
FRD 22	Occupational health and safety policy	67–68
FRD 22	Summary of the financial results for the year	13
FRD 22	5-year financial summary	13
FRD 22	Significant changes in financial position during the year	13–14
FRD 22	Major changes or factors affecting performance	76–77
FRD 22	Subsequent events	14
FRD 22	Application and operation of Freedom of Information Act 1982	94
FRD 22	Compliance with building and maintenance provisions of Building Act 1993	95–96
FRD 22	Statement on National Competition Policy (Competitive Neutrality Policy)	96
FRD 22	Application and operation of the Public Interest Disclosures Act 2012	95
FRD 22	Details of consultancies over \$10 000 (consultancy expenditure)	85
FRD 22	Details of consultancies under \$10 000 (consultancy expenditure)	85
FRD 22	Disclosure of government advertising expenditure	87
FRD 22	Disclosure of ICT expenditure	87
FRD 22	Disclosure of review and study expenses	88–89
FRD 22	Disclosure of procurement complaints	85
FRD 22	Disclosure of Asset Management Accountability Framework maturity assessment	99

FRD 22	Disclosure of Emergency Procurement	85
FRD 22	Statement of availability of other information	96–97
FRD 24	Reporting of environmental data by government entities	15–28
FRD 25	Local Jobs First	83
FRD 27	Performance Reporting	76–82
SPF	Social Procurement Framework	83–84
SPF and FRD 22	Social procurement activities	83–84
Ministerial Reporting Directions – Letter of Expectation Priority Policy Areas		
MRD 01	Climate Change and Energy	15–28
MRD 02	Customer, Community and Engagement	29–38
MRD 03	Recognise Aboriginal Values	39–41
MRD 04	Recognise Recreational Values	42–43
MRD 05	Resilient and Liveable Cities and Towns	39–63
MRD 06	Leadership, Diversity and Culture	64–75
MRD 07	Performance and Financial Management	76–89
MRD 08	Compliance and Enforcement	90–99
Compliance attestation and declaration		
SD 5.1.4	Attestation for Financial Management Compliance	162
SD 5.2.3	Responsible Body Declaration in report of operations	2
Legislation		
	Building Act 1993	95–96
	Financial Management Act 1994	2
	Freedom of Information Act 1982	94–96
	Local Jobs First Act 2003	83
	Public Interest Disclosures Act 2012	95
	Water Act 1989	7,59,137,152

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